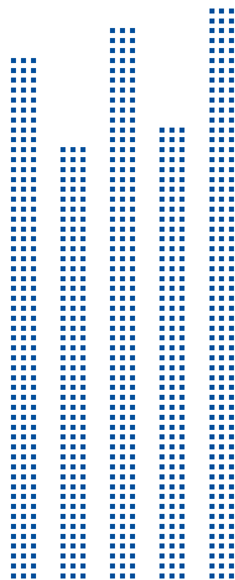
2022 ANNUAL REPORT

INSPIRED TO GROW TOGETHER, NOW



iA Financial Group

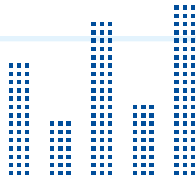
iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States.

Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

iA Financial Group serves over
4 million clients
and employs more than
8,600 people

Our purpose

For our clients
to be confident and secure
about their future.



Our mission

To ensure the financial wellbeing of our clients by offering them personal insurance coverage and investment solutions to help them achieve their personal goals.

Our values

Teamwork

High-performance environment

Continuous improvement

Respect for individuals and distributors

Service oriented

BUILDING FOR THE LONG TERM

Our strategic plan for the coming years is based on four strategic axes: growth, client experience, employee experience and operating efficiency. Each of these strategic axes has its own ambition. ESG is another essential component of our development, referring to environmental, social and governance considerations. This area is discussed further on pages 4 and 5.

STRATEGIC AXES

Growth

To be a North American financial institution operatingin sectors deemed strategically important where we can be the leader in the mass/mid markets

Client experience

To be the company that best meets client expectations, in partnership with our distributors

Employee experience

To be an employer of choice that offers a rewarding career

Operating efficiency

To optimize our operations through technology, processes and skills development

ESG

To contribute to sustainable growth and wellbeing for our clients, employees, partners, investors and communities

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FINANCIAL PERFORMANCE

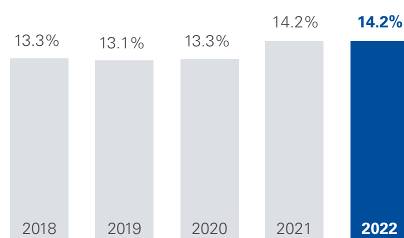
EPS[1]

Core earnings per common share (diluted)

+10%/year[4]

ROE[1]

Core[1] return on common shareholders' equity (trailing 12 months)

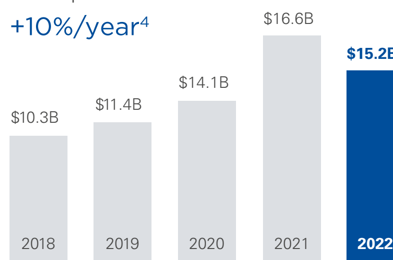


BUSINESS GROWTH

Premiums and deposits[1]

Net premiums, premium equivalents and deposits

+10%/year[4]



AUM/AUA[1, 2]

Assets under management and administration

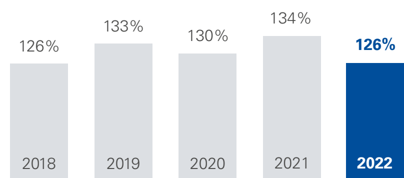
+4%/year[4]

FINANCIAL STRENGTH

Solvency ratio[1, 2]

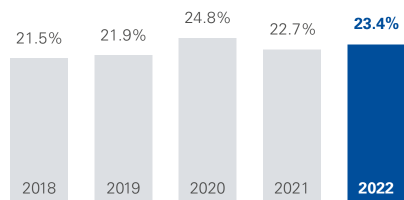
Above 110%–116% target

Transition to IFRS 9 and IFRS 17 to have a very favourable impact on the solvency ratio



Debt ratio[1, 2]

Debentures and preferred shares/capital structure

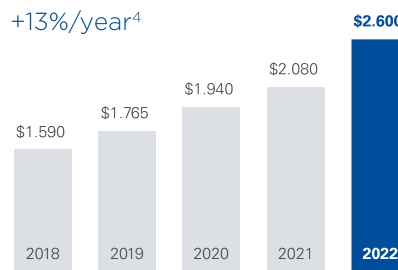


VALUE CREATION

Dividend

Dividend paid per common share

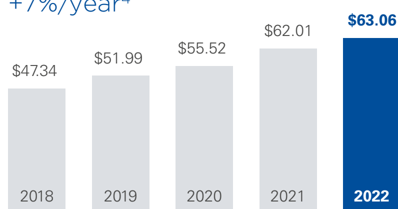
+13%/year[4]



Book value[2, 3]

Per common share

+7%/year[4]



[1] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.
[2] As at December 31.
[3] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.
[4] Four-year compound annual growth rate.

STRONG VALUE CREATION FOR SHAREHOLDERS

The increase in the Company's common share price since early 2000 reflects both the soundness of our strategy and the scale of our growth. An investment of $100 at the time of the Company's initial public offering (IPO), combined with reinvestments of dividends paid, would have increased in value to $1,593 at December 31, 2022.

Total return

(Share price growth with dividend reinvested, at year-end)

Best performance of Canadian lifecos

+1,593%

13%
CAGR

0%

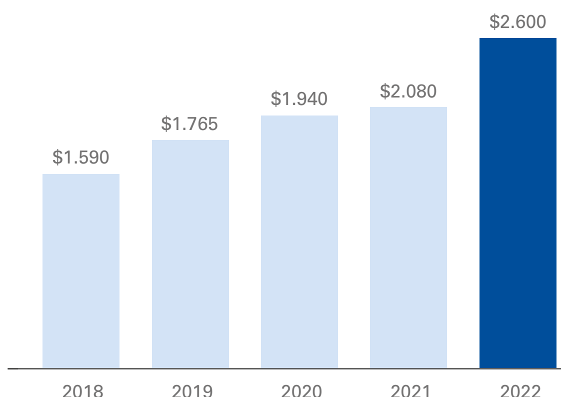
IPO[1] 2000 2002 2004 2006 2008 2010 2012 2014 2016 2018 2020 2022

RETURNED $0.5 BILLION TO SHAREHOLDERS IN 2022

Dividend

Dividend paid per common share

+13% year[2]



The dividend paid per common share in 2022 was 25% higher than in 2021.

Repurchase of more than 3 million common shares under Normal Course Issuer Bid (NCIB) program in 2022.

Dividend payments within our target range of 25% to 35%, based on core earnings, remain important components of our capital deployment strategy.

[1] February 3, 2000, when iA became a public compagny.

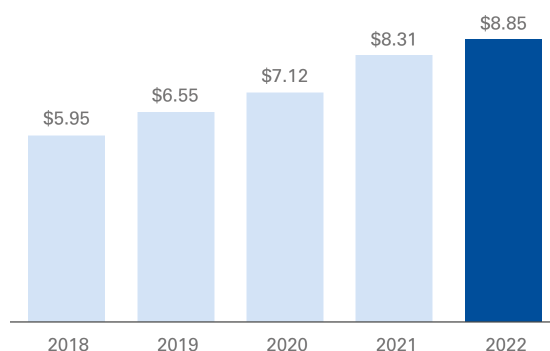
[2] Four-year compound annual growth rate.

BUILDING FOR THE LONG TERM

Robust business model enabling to grow in different macroeconomic situations

EPS[1]

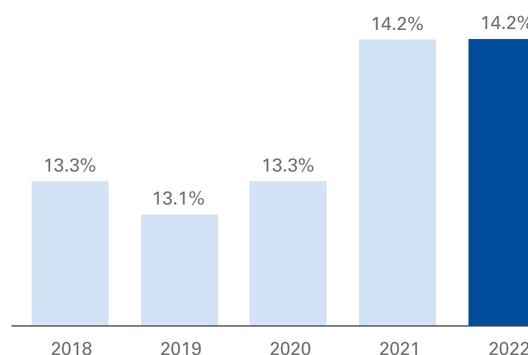
Core earnings per common share (diluted)
+10%/year[2]



2022 core EPS up 6% from 2021

ROE[1]

Core return on common shareholders' equity



2022 core ROE at 14.2% and in top half of our 13% to 15% target rage

WELL POSITIONED FOR CONTINUING GROWTH

UNDER NEW ACCOUNTING REGIMES IFRS 9 AND 17

- Increased profitability expected from impacts of new accounting regime and higher interest rates
- Sustained shareholder value with $10M book value increase at IFRS 9/17 transition[3]
- 28 percentage point increase at Dec. 31, 2022, on robust capital position[3]
- More capital for investment and deployment, to grow and to return to shareholders

Premium clients and advisors experience

We aim at making it as easy as possible for them to interact with iA.

Awarded top position for overall company rating in the Advisor Perception Survey, for the second consecutive year.

Superior employee experience

We strive to provide a superior employee experience by offering flexibility through our Work From Anywhere program and providing rewarding careers and opportunities for people development.

Fifth in the ranking

5th place on Glassdoor Top 25 Employers in Canada in 2023. Awards are based on the input of employees who voluntarily provide anonymous feedback on Glassdoor by completing a company review.

Recognised by Forbes as one of Canada's Best Employers, ranking 75th out of 2,900 companies assessed.

[1] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.
[2] Four-year compound annual growth rate.
[3] The finalization of the Consolidated Statements of Financial Position for the year ended December 31, 2022 under IFRS 17 and IFRS 9 is in progress.

SUSTAINABLE DEVELOPMENT

COMMITMENT

Our ambition is to be a corporation that contributes to sustainable growth and wellbeing for our customers, employees, partners, investors and communities. To guide our strategy and deploy our actions, we committed in 2020 to supporting five United Nations Sustainable Development Goals ("SDGs"). These SDGs aim to protect the planet and ensure prosperity for all by 2030. They are as follows:

— Contribute to good health and wellbeing;

— Promote decent work and economic growth;

— Reduce inequality within and across countries;

— Contribute to sustainable cities and communities;

— Deploy measures to combat climate change.

Sustainability has been a focus for us for many years and is truly an integral part of our organizational strategy. We have chosen to integrate Environmental, Social and Governance ("ESG") factors into our practices and are actively pursuing this.

Sustainability Report

For all of the Corporation's initiatives and achievements, refer to the 2022 *Sustainability Report*, available on our website at ia.ca.

OUR ACTIONS IN 2022

Sustainable Finance

As a financial group, we believe it is important to maximize our efforts in sustainable finance. It is for this reason that in 2022 we issued our inaugural sustainability bond, which represented a principal amount of $300 million. This followed the publication of our Sustainability Bond Framework which is intended to enhance iA Financial Group's ability to fund its sustainability strategy to support its commitment to ESG standards. In parallel, we continued to work on our responsible investments and launched four new ESG funds, bringing our total number of SRI funds to 24.

Environment

On the environmental side, addressing climate change is a priority. In 2022, we published our Climate Change Positioning Statement in which we expressed our ambition to be, in the future, among the best in our industry in climate change in North America. In the same vein, we analyzed the various risks and opportunities associated with climate change and publicly supported the Task Force on Climate-related Financial Disclosures ("TCFD") with our inaugural report.

Each year, we calculate our Scope 1 and Scope 2 greenhouse gas (GHG) emissions in order to establish concrete measures to reduce them. In addition, we have improved our process for reporting and quantifying some categories of our Scope 3 GHG emissions, such as those emitted through our investment portfolio.

In 2022, we continued to offset direct and indirect Scope 1 and 2 GHG emissions.

Social

iA Financial Group has made significant progress on Equity, Diversity and Inclusion ("EDI") in 2022, starting with the announcement of the Corporation's new EDI internal strategy and governance. This new structure includes the solidification of the EDI Centre of Expertise ("CoE") with a dedicated leader and an additional advisor. In addition, we evolved our Diversity and Inclusion Committee into a new EDI Council Advisory Board, where key influencers are on the Council to ensure that employees' voices are always heard and that our EDI strategy aligns with iA Financial Group's evolution.

In 2022, EDI education and awareness aimed to further break biases and enhance the sense of inclusion at iA Financial Group. We held successful seminars in collaboration with our Employee Resource Groups ("ERGs") to help shed light on important EDI subjects such as Indigenous culture in Canada, LGBTQ+ awareness (presented by Olivia Baker from Fondation Émergence), imposter syndrome (presented by Caroline Codsi), and many more.

Furthermore, the Corporation's ERGs grew, with the introduction of the LGBTQ+ ERG, the Women's Network ERG and the BRIDGE ERG, which represents the Black community at iA.

iA Financial Group pursued the deployment of its extensive internal EDI program and formally engaged in an important process initiated by the Canadian Council for Aboriginal Business to achieve Progressive Aboriginal Relations ("PAR") certification.

In addition to this work, the Corporation pursued the implementation of its "Work From Anywhere" program for its employees, which adopts a flexible, choice-based approach. In this context, iA Financial Group is committed to the health and safety of its employees, which is why it makes considerable efforts to ensure their wellbeing. We are proud to have won first place in the Mental Health and Wellness – Large Companies category of the Prix Distinction awards.

Furthermore, the Corporate develops and offers several responsible products and services for its clients. For example, Group Insurance has put forward a program that addresses mental health issues and a cognitive-behavioural therapy available directly online.

Lastly, we also stayed the course in 2022 with respect to philanthropy, with $8.5 million in philanthropic contributions to various organizations that help people in Canada and the United States.

Governance

iA Financial Group has always placed a high priority on establishing and maintaining sound and prudent corporate governance for the benefit of the organization and its stakeholders. We continually draw on ideas and initiatives and review our practices to improve.

Our governance framework links the culture of integrity to the Corporation's purpose, governance structure and governance policies and practices.

We adhere to best governance practices to preserve the Board's independence and its ability to effectively oversee the business. These practices are underpinned by a strong culture of integrity and ethics, as well as a sound and prudent approach to risk management. That's why we support our various business segments in integrating ESG factors into their respective strategic planning.

MESSAGE FROM THE CHAIR OF THE BOARD

Jacques Martin
Chair of the Board

In 2022, iA Financial Group maintained a strong financial position and good profitability despite the particularly challenging economic and market environments.

Core earnings per share (EPS) and return on equity (ROE) were well within their target ranges. The solvency ratio as at December 31, 2022 is extremely robust, at 126%. Net income to common shareholders totalled $817 million.

This enviable financial position enabled the Company to pay out nearly half a billion dollars in capital to its shareholders in 2022 through dividends and share buybacks.

In the pages that follow, the President and CEO comments in detail on the Company's performance and key achievements.

Client and employee experience

iA Financial Group has deployed a business model designed to optimize the client experience and promote simplicity in the Company's relationships with its various stakeholders. The iA model also targets growth for investors, clients and communities, and an exceptional employee experience.

In fact, the employee experience is a key factor in the evolution of the Company's ways of working. The "iA FLEXIBLE Working Model", as it's called, is based on a voluntary, hybrid solution that combines both telework and onsite presence. The Board enthusiastically supports this flexible model, which we believe will be a driving force in supporting the Company's continued growth.

In 2022, iA Financial Group also continued the implementation of its extensive transformation program, which was launched in 2021. The goal of the program is to ensure the ongoing evolution of the Company's digital strategy, maximize its operational efficiency, enhance talent development and improve its 360 client view.

Sustainable development

The Board of Directors is also pleased with iA's sustainability approach and supports its ambition to be an organization that contributes to sustainable growth and to the wellbeing of its clients, employees, partners, investors and communities.

To achieve this goal, the Company has adopted a strong governance structure that includes a Steering Committee, an Action Committee and a network of sustainability ambassadors to represent the entire organization. The orientations are endorsed by the Board of Directors' Governance and Ethics Committee and are governed by a sustainable development policy that clearly specifies iA's sustainability objectives and guiding principles.

Governance practices

iA Financial Group has always placed a high priority on establishing and maintaining sound and prudent corporate governance in the interests of the Company and its stakeholders.

The Group adheres to corporate governance best practices to preserve the independence of the Board and its ability to effectively oversee the Company's operations. These practices are based on a strong culture of integrity and ethics and a sound and prudent approach to risk management.

About the Board

Fourteen director nominees for iA Financial Corporation and thirteen for Industrial Alliance Insurance and Financial Services will be proposed for election by shareholders at the annual meeting to be held on Wednesday, May 10, 2023.

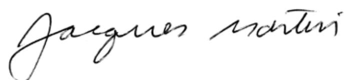
One director—Mario Albert—informed us of his decision not to seek another term in 2023. I want to sincerely thank Mr. Albert for his outstanding contribution to the Board's work since he arrived in 2020. Mario has given us the immense benefit of his expertise in various fields, including industry regulation and digital technologies.

Since Ludwig W. Willisch already serves on the boards of directors of some of iA Financial Group's U.S. subsidiaries, he will henceforth only serve on the Board of Directors of iA Financial Corporation and the U.S. subsidiaries.

As of December 31, 2022, the percentage of women serving on the iA Financial Corporation Board was 47% (50% for independent directors). If all the director nominees presented are elected, the percentage of women who will serve on the Board in 2023 will be 50% (54% for independent directors).

The Board of Directors met 11 times in 2022, and the Board's various committees held a total of 24 meetings. The participation rate in Board meetings was 98.7%, and 100% in Board committee meetings.

On behalf of the Board, I would like to thank all of the Company's clients, shareholders and policyholders for their trust and support. I would also like to congratulate and thank the executive team and all employees of iA Financial Group who, through their conviction and profound sense of commitment, once again did an outstanding job.



Jacques Martin
Chair of the Board

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT

Denis Ricard
President and Chief Executive Officer

INSPIRED TO GROW TOGETHER, NOW

Our vision at iA Financial Group is the way we see the future. Our purpose, "for our clients to be confident and secure about their future," is the starting point for this vision, which is expressed through our three winning ways.

Our first winning way is to be truly immersed in client experience. That means always listening to our clients so we can understand their situation, their needs and what's important to them. This enables us to offer them the right solutions and an exceptional experience at all levels of our organization.

The second winning way is being committed to simplicity. The quest for simplicity is a rigorous process which, when mastered, generates immense benefits. At iA, we seek simplicity every day, in everything we do, by asking ourselves how we could do things in fewer steps, with fewer interactions and fewer systems.

The third winning way is being inspired to grow together. iA is a learning organization, with a rich mix of talents and specialties, where employees are continually learning from one another. Every situation is a learning experience, where the inclusion of diverse perspectives is key to our success.

In 2022, iA Financial Group once again demonstrated the strength and resilience of its business model through the good results achieved during the year.

Business growth remained healthy and strong in most lines of business. The diversification of our activities has created synergies and complementarities that contributed to the success of sales in many sectors. This good performance is also due in part to the breadth and diversity of our distribution networks, the range and relevance of our products and services and the effectiveness of the digital tools available to our representatives, clients and employees.

Individual Insurance reported a 35% increase in sales over the previous year, totalling $387 million in 2022. Excess premiums increased by 52% and minimum premiums were up 34%.

In the Individual Wealth Management sector, sales of segregated funds and mutual funds amounted to $3.9 billion and $1.7 billion, respectively, in 2022. These are respectable results given the volatility of the markets. For the general fund, sales increased 35% to $1.2 billion in 2022. Total sales amounted to $6.8 billion compared to $8.8 billion the previous year.

In Group Insurance, the Employee Plans division recorded an 11% year-over-year increase in premiums due to good sales and contract retention. In the Dealer Services division, sales were up 13% percent year over year to nearly $1.2 billion in 2022. The Special Markets division posted a 50% increase in sales to reach $322 million.

Group Savings and Retirement reported slightly higher sales than in 2021, coming in at $2.8 billion in 2022.

In US Operations, sales of US$143 million in the Individual Insurance division were up 6% over 2021. The Dealer Services division recorded sales of US$792 million in 2022 compared to US$806 million a year earlier, a decrease primarily related to continued auto inventory constraints.

iA Auto and Home reported total sales of $457 million, a 6% increase over the previous year.

Assets under management and administration ended the year at $200.4 billion.

Premiums and deposits totalled nearly $15.2 billion, compared to $16.6 billion a year earlier. This variation is explained by the challenges caused by the difficult macroeconomic environment for the entire wealth management industry.

iA Financial Group ended the year on a very positive note with net income attributed to common shareholders of $817 million, diluted earnings per common share (EPS) of $7.65 and return on common shareholders' equity (ROE) of 12.3%. At $8.85, core EPS was up 6% from 2021 and is within the target range. Core ROE, at 14.2%, is in the upper half of the target range.

iA's capital position remained robust in 2022. Also, at 126%, our solvency ratio was above its target throughout the year, due in part to sustained organic capital generation.

In addition, with our strong financial position, nearly half a billion dollars of deployable capital was returned to our shareholders in 2022 through dividends and share buybacks.

A successful transition to IFRS 9 and 17

The year 2022 was marked by the implementation of the new IFRS 9 and IFRS 17 accounting standards. Even before their application, we made decisions and took actions to ensure a transition that would protect the long-term strength and quality of the Company's balance sheet.

In terms of book value, the impact of the transition to IFRS 9 and IFRS 17 on January 1, 2022 is neutral. At the time of transition on January 1, 2022, the contractual service margin (CSM) was $5.5 billion and the solvency ratio was more than 20 percentage points higher than under IFRS 4, which will have a very positive impact on the level of capital available for deployment.

The significant increase in deployable capital and the transition to the new IFRS 9/17 accounting regime are positive developments for iA Financial Group and bode well for the future.

Major transformation program

In 2021, we launched an extensive transformation program to help the organization evolve in the strategic areas of client and employee experience, advisor relations and information technology.

In 2022, we rolled out the governance structure for this ambitious program and implemented a new target operating model designed to optimize the client experience (CX), a strategic pillar for iA. Called Global CX, this business function aims to put even more emphasis on CX growth and consistency across the organization.

Our vision of the client experience is continuously evolving so we can become the company that best meets client expectations.

Sustainable development

Also in 2022, we launched our *Work From Anywhere* FLEXIBLE working model, which allows the majority of our employees to choose where to work on a daily basis in order to be most productive. The model also promotes occasional onsite presence to participate in key team moments. These moments are intended to increase team members' sense of belonging and create more opportunities for informal exchanges.

We have optimized our work environments to meet the growing need for employee collaboration and socialization. In January 2023, we reopened our head office at 1080 Grande Allée West in Quebec City. The completely remodelled building offers new services to employees as well as spaces for them to socialize and work together.

To promote the wellbeing of our employees who work from home, we launched a major ergonomic furniture program. We also deployed a pilot project for international telework as part of our alternative working models.

In January 2023, Glassdoor released its list of the 25 Best Places to Work in Canada, and iA Financial Group was ranked 5th. The list includes companies that employ more than 1,000 people in various industries. The rankings are based on comments made anonymously on Glassdoor by employees, on a voluntary basis, as part of a company review. Also in January 2023, iA was recognized by Forbes as one of Canada's Best Employers, ranking 75th out of 2,900 companies evaluated.

In 2022, iA Financial Group maximized its sustainable finance efforts. We issued our first ever sustainable bond, which totalled $300 million.

On the environmental side, we continued our fight against climate change by continuing our efforts to reduce our carbon footprint and published a positioning statement with our ambition in this regard.

We also committed to obtaining certification under the Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business. In doing so, we recognize that our relationships with Aboriginal communities in Canada should be certified by external standards of practice proposed by Aboriginal people. We are confident that our comprehensive, structured approach will ensure the quality and success of our commitments in the context of this certification.

Our culture is also supported and characterized by a number of other factors, such as flexibility in the workplace and equity, diversity and inclusion.

In this regard, I want to point out that we have bolstered measures to increase the participation and progression of women in the Company's management. In 2022, senior management appointments were split 50% between women and men. We have set a target to achieve greater gender equity in senior management at iA Financial Group by 2025, by reaching a 40% to 60% ratio of women to men. We are well positioned to meet that target.

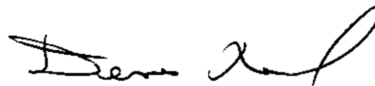
Executive Committee changes

On November 16, 2022, iA Financial Group announced some changes to the composition of its Executive Committee.

Éric Jobin, formerly Executive Vice-President, Group Benefits and Retirement Solutions, was appointed Executive Vice-President, Operational Efficiency. Sean O'Brien, Executive Vice-President, Wealth Management, took on the role of Executive Vice-President, Group Benefits and Retirement Solutions and Special Markets. These changes took effect on January 1, 2023. In addition, Michael L. Stickney, Executive Vice-President and Chief Growth Officer, is also taking on the leadership of Dealer Services in Canada. On January 24, 2023, we announced that Stephan Bourbonnais had been appointed Executive Vice-President, Wealth Management.

These changes to the Executive Committee are pivotal to iA's evolution in the strategic areas of client, advisor and employee experience and information technology.

As you can see, our inspiration to grow together now, with you, knows no bounds!



Denis Ricard
President and Chief Executive Officer

EXECUTIVE COMMITTEE

Denis Ricard
President and
Chief Executive Officer

Alain Bergeron
Executive Vice-President
and Chief Investment Officer

Stephan Bourbonnais
Executive Vice-President,
Wealth Management

Stéphanie Butt Thibodeau
Executive Vice-President and
Chief Talent and Culture Officer

Éric Jobin
Executive Vice-President,
Operational Efficiency

Renée Laflamme
Executive Vice-President,
Individual Insurance,
Savings and Retirement

Pierre Miron
Executive Vice-President
and Chief Transformation Officer

Sean O'Brien
Executive Vice-President,
Group Benefits and
Retirement Solutions

Jacques Potvin
Executive Vice-President,
Chief Financial Officer and
Chief Actuary

Philippe Sarfati
Executive Vice-President
and Chief Risk Officer

Lilia Sham
Executive Vice-President,
Corporate Strategy
and Development

Michael L. Stickney
Executive Vice-President
and Chief Growth Officer

BOARD OF DIRECTORS

◆ ▼
Jacques Martin
– Chair of the Board since 2018
– Board member since 2011
– Corporate Director

▲ ●
Mario Albert
– Board member since 2020
– Corporate Director

●
William F. Chinery
– Board member since 2021
– Corporate Director

● ◆
Benoit Daignault
– Board member since 2019
– Corporate Director

◆
Nicolas Darveau-Garneau
– Board member since 2018
– Chief Growth and Strategy Officer at Coveo Solutions Inc.

● ▼
Emma K. Griffin
– Board member since 2016
– Corporate Director

▲
Ginette Maillé
– Board member since 2019
– Vice-President, Finance and Administration and Chief Financial Officer, Aéroports de Montréal

▲ ◆
Monique Mercier
– Board member since 2019
– Corporate Director

▲ ▼
Danielle G. Morin
– Board member since 2014
– Corporate Director

◆ ▼
Marc Poulin
– Board member since 2018
– Corporate Director

▲ ▼
Suzanne Rancourt
– Board member since 2021
– Corporate Director

Denis Ricard
– Board member since 2018
– President and Chief Executive Officer of iA Financial Group
– Actuary

●
Ouma Sananikone
– Board member since 2022
– Corporate Director

▼
Rebecca Schechter
– Board member since 2022
– Senior Vice-President and General Manager of the Dragon Ambient eXperience (DAX) at Nuance Communications Inc.

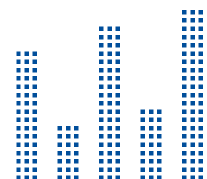
Ludwig W. Willisch
– Board member since 2021
– Corporate Director

Amélie Cantin
Corporate Secretary

● Investment Committee
▲ Audit Committee
▼ Risk Governance and Ethics Committee
◆ Human Resources and Compensation Committee

2022 MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended
December 31, 2022, as
published on February 14, 2023



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[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Notice

Legal Constitution and General Information

iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is a stock company constituted on February 20, 2018 under the *Business Corporations Act* (Quebec). At the time of its constitution, it was a wholly-owned subsidiary of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") and had no business operations. On January 1, 2019, the plan of arrangement previously approved by the shareholders of iA Insurance and endorsed by the court was completed and put into place. Consequently, on January 1, 2019, a certificate of arrangement was issued by the Quebec Enterprise Registrar, and iA Financial Corporation became the parent company of the iA group, holding all common shares of iA Insurance. Until December 31, 2018, iA Insurance was the parent company of the iA group. Upon completion of the arrangement, iA Insurance's issued and outstanding preferred shares and debentures remained issued by iA Insurance and were guaranteed by iA Financial Corporation in accordance with the terms of the arrangement.

iA Financial Corporation is a "successor issuer" of iA Insurance as defined in securities regulations with respect to the common shares previously issued by iA Insurance. The comparative figures prior to 2019 presented in this Management's Discussion and Analysis are therefore the same as those of iA Insurance.

iA Financial Corporation is not regulated under the *Insurers Act* (Quebec). However, iA Financial Corporation will maintain the ability to supply capital, if it considers it necessary, to iA Insurance so that the latter meets the capital adequacy requirements of the *Insurers Act* (Quebec). Pursuant to an undertaking, iA Financial Corporation will disclose its capital position on a quarterly basis. A copy of the undertaking (to which the Autorité des marchés financiers is an intervening party) was filed under the SEDAR profiles of iA Financial Corporation and iA Insurance at sedar.com.

iA Financial Corporation is governed by the *Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the "1999 Private Bill"), as amended by the *Act to amend the Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the "2018 Private Bill," collectively with the 1999 Private Bill, the "Private Bill"). The 1999 Private Bill was enacted by the Quebec National Assembly on November 26, 1999, and its amendment, the 2018 Private Bill, was enacted on June 15, 2018. The Private Bill prohibits any person and his/her affiliates from acquiring, either directly or indirectly, voting shares of iA Financial Corporation if the acquisition results in the person and his/her affiliates holding 10% or more of the voting rights related to the shares. The Private Bill further provides that in the event that an acquisition is made in contravention of the foregoing, an individual on behalf of whom the shares are acquired cannot exercise the voting rights attached to the aggregate of his/her shares for as long as they are in contravention of this provision. In addition, under this Private Bill, iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance.

Unless otherwise indicated, all information presented in this Management's Discussion and Analysis is established as at December 31, 2022, or for the year ended on that date.

Unless otherwise indicated, all amounts that appear in this Management's Discussion and Analysis are denominated in Canadian dollars. The financial information is presented in accordance with International Financial Reporting Standards (IFRS), as they apply to life insurance companies in Canada, and with the accounting requirements prescribed by the regulatory authorities.

iA Financial Group is a business name and trademark of **iA Financial Corporation Inc.** and **Industrial Alliance Insurance and Financial Services Inc.**

This Management's Discussion and Analysis is dated February 14, 2023.

Non-IFRS and Additional Financial Measures

iA Financial Corporation and iA Insurance report their financial results and statements in accordance with International Financial Reporting Standards ("IFRS"). They also publish certain financial measures or ratios that are not based on IFRS ("non-IFRS"). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles ("GAAP") used for the Company's audited financial statements. The Company uses non-IFRS measures when evaluating its results and measuring its performance. The Company believes that non-IFRS measures provide additional information to better understand its financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full year results of the Company's ongoing operations. Since non-IFRS measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure. These non-IFRS measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS measures, there are no directly comparable amounts under IFRS.

Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure from the Canadian Securities Administrators ("Regulation 52-112") establishes disclosure requirements that apply, respectively, to each of the following categories of non-IFRS measures used by iA Financial Corporation:

- *Non-IFRS financial measures*, which depict the historical or expected future financial performance, financial position or cash flow, and with respect to their composition, exclude an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the Company's financial statements.
- *Non-IFRS ratios*, which are in the form of a ratio, fraction, percentage, or similar representation, have a non-IFRS financial measure as one or more of their components and are not disclosed in the Company's financial statements.
- *Supplementary financial measures*, which are disclosed on a periodic basis to depict historical or expected future financial performance, financial position, or cash flow and are not disclosed in the Company's financial statements.
- *Capital management measures*, which are financial measures intended to enable the reader to evaluate the Company's objectives, policies, and processes for managing its capital.
- *Segment measures*, which combine financial measures for two or more reportable segments of the Company and are not disclosed in the Company's financial statements.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Below is a description of the non-IFRS financial measures, non-IFRS ratios and supplementary financial measures used by the Company. Additional information is provided, along with a description of the reconciliation to the closest IFRS measure, where applicable.

Non-IFRS measures published by iA Financial Corporation are:

- Return on common shareholders' equity (ROE):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity.
- Core earnings:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:
    a. market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
    b. assumption changes and management actions;
    c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
    d. amortization of acquisition-related finite life intangible assets;
    e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
    f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

    Note: This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition. The changes to the definition of core earnings at the beginning of 2021 are consistent with the ongoing evolution of the business and help to better reflect and assess the underlying operating business performance, while maintaining consistency with the general concept of the metric and continuity with the previous definition.
  - *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core earnings per common share (core EPS):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Obtained by dividing the core earnings by the diluted weighted average number of common shares.
  - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core return on common shareholders' equity (core ROE):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: There is no directly comparable IFRS financial measure that is disclosed in the financial statements of the Company to which the measure relates.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Components of the sources of earnings (SOE), on a reported and core basis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* Presents sources of earnings in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in cooperation with the Canadian Institute of Actuaries using the following components:
    a. Operating profit, which is the sum of the following components of the sources of earnings analysis: expected profit on in-force, experience gains and losses, impact of new business and changes in assumptions and management actions.
    b. Expected profit on in-force, which represents the portion of the consolidated net income on business in force at the start of the reporting period that was expected to be realized based on the achievement of best-estimate assumptions.
    c. Experience gains or losses, which represent the difference between reported income and the income that would have been reported if all assumptions made at the start of the period had materialized.
    d. Impact of new business, or strain, which represents the point-of-sale impact on net income of writing new business during the period. The expected profit realized in the years after a policy is issued should cover the strain incurred at the time of issue.
    e. Changes in assumptions and management actions, which is the impact on pre-tax net income resulting from changes in actuarial methods and assumptions or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its provisions given the existing economic and financial environment as well as the Company's own experience in terms of mortality, morbidity, lapse rates, unit costs and other factors. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
    f. Income on capital, which represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate that income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item.
    g. Income taxes, which represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. Income taxes are considered to be an expense for the purpose of calculating the operating profit.
  - *Purpose:* Provides additional indicators for evaluating the Company's financial performance and an additional tool to help investors better understand the source of shareholder value creation.
  - *Reconciliation:* There is no directly comparable IFRS financial measure for components of the SOE that is disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Loan originations:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: New car loans disbursed during a period.
  - *Purpose*: Used to assess the Company's ability to generate new business in the car loan business unit.
  - *Reconciliation*: It is a component of the "Operating activities affecting cash: Purchases of investments" IFRS measure disclosed in the Company's financial statements.
- Car loan measure – Finance receivables:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Includes car loans, accrued interest, and fees.
  - *Purpose*: Used to assess the Company's total receivable amounts in the car loan business unit.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Average credit loss rate on car loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Represents the total credit losses divided by the average finance receivables over the same period.
  - *Purpose*: Used to assess the Company's average credit performance in the car loan business unit.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Dividend payout ratio:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The percentage of net income attributed to common shareholders, on a reported basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends.
  - *Reconciliation*: The dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the reported earnings per common share for the period.
- Core dividend payout ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The percentage of net income attributed to common shareholders, on a core earnings basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's core revenues shareholders received in the form of dividends.
  - *Reconciliation*: The core dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the core earnings per common share for the period.
- Organic capital generation:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Excess capital generated in the normal course of business, excluding the impact of the macroeconomic environment, where excess capital is the amount of capital over and above the target ratio, calculated under the CARLI guideline.
  - *Purpose*: Provides a measure of the Company's capacity to generate excess capital in the normal course of business.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Potential capital deployment:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Amount of capital the Company can deploy for a transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's targets, assuming the transaction parameters to be the worst-case scenario.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.
- Total payout ratio (trailing 12 months):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The sum of common dividends paid and common shares repurchased (buybacks) over the last twelve months divided by the net income available to common shareholders over the last twelve months.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends over a twelve-month period.
- Sensitivity measures:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The impact of macroeconomic variations, such as interest rate and equity market variations, on other Company metrics, such as net income or the solvency ratio.
  - *Purpose*: Used to assess the Company's risk exposure to macroeconomic variations.
- Financial leverage measure – Debentures/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing total debentures by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.
- Financial leverage measure – Debentures + Preferred Shares issued by a subsidiary/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.
- Financial leverage measure – Coverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred shares issued by a subsidiary, and dividends and redemption premiums on preferred shares issued by a subsidiary (if applicable).
  - *Purpose*: Provides a measure of the Company's ability to meet liquidity requirements for obligations when they come due.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Capitalization:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The sum of the Company's equity, participating policyholders' accounts and debentures.
  - *Purpose*: Provides an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: This measure is the sum of several IFRS measures.
- Solvency ratio:
  - *Category under Regulation 52-112*: In accordance with the Capital Adequacy Requirements Guideline – Insurance of Persons (CARLI) revised in January 2021 by the Autorité des marchés financiers ("AMF"), this financial measure is exempt from certain requirements of Regulation 52-112.
  - *Definition*: Calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.
  - *Purpose*: Provides a measure of the Company's solvency and allows the regulatory authorities to determine if an insurance company is sufficiently capitalized in relation to the minimum set by the Company's regulator.
- Assets under administration (AUA):
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* All assets with respect to which the Company acts only as an intermediary between a client and an external fund manager.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Assets under management (AUM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: All assets with respect to which the Company establishes a contract with a client and makes investment decisions for amounts deposited in this contract.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: "General fund assets" and "Segregated funds net assets" disclosed in the Company's financial statements are IFRS measures and components of the AUM calculation. A reconciliation is presented in this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- Individual Wealth Management mutual funds deposits, Group Savings and Retirement deposits, US Operations Dealer Services premium equivalents and Group Insurance Employee Plans ASO, investment contracts and premium equivalents and deposits:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Deposits refer to amounts received from clients under an investment contract. Deposits are not reflected in the Company's income statements.
    b. Premium equivalents refer to amounts related to service contracts or services where the Company is primarily an administrator but could become an insurer if a specific event were to happen. These amounts are not accounted for in "Net premiums".
  - *Purpose*: Premiums, premium equivalents and deposits are one of many measures used to assess the Company's ability to generate income from in-force and new business.
- Individual Insurance minimum and excess premium sales, Individual Wealth Management gross and net mutual fund sales, Group Insurance Employee Plans sales, US Operations Individual Insurance sales, Group Insurance Special Markets sales, Group Insurance Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales and General Insurance sales:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Individual Insurance minimum and excess premium sales are defined as first-year annualized premiums. The net premiums presented in the Consolidated Financial Statements include fund entries on both in-force contracts and new business written during the period and are reduced by premiums ceded to reinsurers.
    b. Individual Wealth Management gross mutual fund sales are defined as deposits and include primary market sales of ETFs.
    c. Individual Wealth Management net mutual fund sales correspond to net fund entries and are defined as Individual Wealth Management gross mutual fund sales less withdrawals and transfers.
    d. Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (Administrative Services Only).
    e. US Operations Individual Insurance sales are defined as first-year annualized premiums.
    f. Group Insurance Special Markets sales are defined as fund entries on both in-force contracts and new business written during the period.
    g. Group Insurance Dealer Services P&C sales are defined as direct written premiums (before reinsurance).
    h. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
    i. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
    j. General Insurance sales are defined as direct written premiums.
  - *Purpose*: Used to assess the Company's ability to generate new business and serve as additional tools to help investors better assess the Company's growth potential.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Group Insurance Dealer Services creditor insurance sales:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Premiums before reinsurance and cancellations.
  - *Purpose*: Used to assess the Company's ability to generate new business and serve as an additional tool to help investors better assess the Company's growth potential in the Dealer Services division of the Group Insurance sector.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Forward-Looking Statements

- This document may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", "guidance", "outlook" and "forecast", or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change.
- Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. In addition, certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.
  - Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks, such as: general business and economic conditions; level of inflation; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; actions by regulatory authorities that may affect the business or operations of iA Financial Group or its business partners; risks associated with the regional or global political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group's ability to satisfy stakeholder expectations on environmental, social and governance issues; data and cyber risks; risks related to human resources; hedging strategy risks; liquidity of iA Financial Group, including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.
  - Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company such as mortality, morbidity, longevity and policyholder behaviour; different business growth rates per business unit; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; risks and conditions; and the Company's recent performance and results, as discussed elsewhere in this document.
- Potential impacts of the COVID-19 pandemic – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. The overall impact of the COVID-19 pandemic is still uncertain and depends on many factors, such as the progression of the virus, the emergence of new variants, the duration of the pandemic, potential treatments and therapies, the availability of vaccines, the effectiveness of government measures to slow the virus's spread and the impact of those measures on the economy. As a result, we cannot accurately predict the total bearing the pandemic will have, but the impact on iA Financial Group's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Group remains financially solid. In addition, iA Financial Group's business continuity protocol has continued, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely.
- Potential impact of geopolitical conflicts – Since February 2022, Russia's military invasion of Ukraine and the related sanctions and economic fallout have had several impacts on global financial markets, exacerbating the volatility already present since the beginning of 2022. The outlook for financial markets over the short and medium term remains highly uncertain and vulnerable, in part due to continued geopolitical tensions. The Company continues to monitor potential impacts of the conflict. These impacts could negatively affect the Company's financial outlook, results and operations.
- Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of this Management's Discussion and Analysis for 2022, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2022, and elsewhere in iA Financial Group's filings with the Canadian Securities Administrators, which are available for review at sedar.com.
- The forward-looking statements in this document reflect iA Financial Group's expectations as of the date of this document. iA Financial Group does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Documents Related to the Financial Results

All documents related to iA Financial Corporation's financial results are available on the iA Financial Group website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can be found on the SEDAR website at sedar.com, as well as in the Annual Information Form for iA Financial Corporation and for iA Insurance, which can be found on the iA Financial Group website or the SEDAR website.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Highlights

The soundness and strength of the Company's business model have once again been demonstrated by the good results recorded in 2022. Net income attributed to common shareholders amounted to $817 million, earnings per common share (EPS) was $7.65 and return on common shareholders' equity (ROE)† was 12.3% in 2022. In addition, both core EPS† of $8.85 and core ROE† of 14.2% for 2022 were within market guidance provided at the beginning of the year.

Business growth continued to be strong in most business units, bringing the Company closer to its growth ambition: to be a North American financial institution operating in sectors deemed strategically important where it is a leader in its target markets, such as the mass/mid markets for individual insurance. The Company's diversified business mix yielded synergies and complementarities which have contributed to successful sales results in several sectors. This sound performance was also due in part to the scope and diversity of the Company's distribution networks, the range and relevance of its products, and the effectiveness of the digital tools available to representatives, clients and employees.

At the end of 2022, the adequacy of the Company's actuarial provisions was confirmed as the adjustment of actuarial assumptions had a near-neutral net impact on its net income.

The Company maintained a strong solvency ratio† above its target throughout the year. Organic capital generation† was also very strong, exceeding the top of the guidance range. The investment portfolio remained of the highest quality and credit ratings were reaffirmed by Standard & Poor's, DBRS Morningstar and A.M. Best.

The book value per share was $63.06 at the end of 2022, 2% higher than a year earlier. The growth of this metric in 2022 was tempered by unrealized losses in other comprehensive income. Without this factor, book value growth would have been over 9% in 2022.

The dividend paid per common share in 2022 was 25% higher than in 2021, and 3.1 million shares were redeemed and cancelled through the share buyback program.

Profitability

Net income attributed to common shareholders amounted to $817 million in 2022, which compares with $830 million in 2021. Earnings per common share of $7.65 was close to the 2021 result, and core EPS† of $8.85 was up 6% in comparison with $8.31 a year earlier. Return on common shareholders' equity (ROE)† was 12.3% in 2022 and core ROE was 14.2%. Both core EPS† and core ROE† for 2022 were within market guidance provided at the beginning of the year. Refer to the "Profitability" section of this Management's Discussion and Analysis for more information on the Company's profitability in 2022.

Business Growth

Assets under management and administration† ended the year at $200.4 billion, compared to $221.2 billion at the previous year end. Premiums and deposits† totalled more than $15.2 billion, compared to $16.6 billion in 2021. Sales results were strong in most business units. Refer to the sections that follow for more information on business growth by line of business.

Profitability

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Net income attributed to common shareholders	817	830	(2%)
Earnings per common share (EPS) (diluted) (in dollars)	7.65	7.70	(1%)
Core EPS (diluted) (in dollars)†	8.85	8.31	6%
Return on common shareholders' equity (ROE)†	12.3%	13.2%	
Core ROE†	14.2%	14.2%	

Assets Under Management and Administration

(In millions of dollars, unless otherwise indicated)	As at December 31 2022	2021	Variation
Assets under management†	102,706	111,476	(8%)
Assets under administration†	97,717	109,687	(11%)
Total	**200,423**	**221,163**	**(9%)**

Premiums and Deposits†,1

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Individual Insurance	1,882	1,758	7%
Individual Wealth Management	6,833	8,775	(22%)
Group Insurance	2,137	1,883	13%
Group Savings and Retirement	2,800	2,773	1%
US Operations	1,169	1,039	13%
General Insurance	418	395	6%
Total	**15,239**	**16,623**	**(8%)**

Sales by Line of Business[2]

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Individual Insurance			
Minimum premiums†	352	263	34%
Excess premiums†	35	23	52%
Total	387	286	35%
Individual Wealth Management			
General fund	1,203	891	35%
Segregated funds	3,908	4,818	(19%)
Mutual funds†	1,722	3,066	(44%)
Total	6,833	8,775	(22%)
Group Insurance			
Employee Plans†	46	135	(66%)
Dealer Services†,3	1,250	1,109	13%
Special Markets†	322	215	50%
Total	1,618	1,459	11%
Group Savings and Retirement†	2,827	2,798	1%
US Operations			
Individual Insurance ($US)†	143	135	6%
Dealer Services ($US)†	1,011	1,068	(5%)
iA Auto and Home†	457	432	6%

[1] Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.
[2] Refer to the sections on the Company's different business lines for a definition of sales.
[3] Includes creditor insurance, P&C products and car loan originations.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Financial Strength

At December 31, 2022, the Company had over $8.6 billion in total capital[†], with a solvency ratio[†] of 126% compared to 134% a year earlier. This decrease is mainly due to the impact of unfavourable macroeconomic variations, the NCIB share redemption, as well as management actions and portfolio adjustments in view of the transition to the new accounting standards IFRS 9 and 17. These factors more than offset the strong contribution of organic capital generation[†] net of digital initiatives, the impacts of a reinsurance agreement signed in 2022 and the net positive impact of the February debenture redemption and issuance. Note that most of the negative impacts of the portfolio adjustments in preparation for the transition to the new accounting regime will be reversed under IFRS 9 and 17. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2022 and is expected to increase by more than 20 percentage points[4] at IFRS 9 and 17 transition. As mentioned above, organic capital generation was strong throughout the year, with the Company generating approximately $550 million in additional capital in 2022, exceeding the $450 million to $525 million target range for the year. The very good organic capital generation is expected to continue into 2023.[5]

The coverage ratio[†], which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, finished the year at 13.2x compared to 16.1x a year earlier. The decrease is mainly due to lower pre-tax earnings, and to higher financing expenses as a result of 2022 capital management. The debt ratio[†] including debentures and preferred shares was 23.4% at December 31, 2022, up from 22.7% at the previous year-end. The increase is explained by the net value between the redemption of $250 million of subordinated debentures and the issuance of $300 million of unsecured subordinated debentures (the Company's inaugural sustainability bonds) in February 2022. In terms of capital management, the Company also issued a Limited Recourse Capital Note in June, with a connected issuance of preferred shares, and redeemed its Series G preferred shares. Lastly, on November 9, 2022, the Company announced the early termination of its Normal Course Issuer Bid (NCIB), in effect since December 6, 2021, and the establishment of a new NCIB. A total of 3,109,402 common shares were redeemed and cancelled in 2022.

For detailed comments on financial strength, refer to the "Financial Position" section of this Management's Discussion and Analysis.

Dividends

In July 2022, the Company increased its quarterly dividend per common share from $0.6250 to $0.6750, representing an 8% increase. As a result, the dividend paid in 2022 totalled $2.6000 per common share, compared to $2.0800 per common share in 2021, an increase of 25%. The dividend payout ratio[†] was 29% for the year, which is within the target range of the guidance given at the beginning of 2022. As announced at the end of 2021, the Company's dividend payout ratio target range is now based on core earnings.[†] Prior to this announcement, the target was based on reported earnings. Lastly, the Board of Directors approved a quarterly dividend of $0.6750 per share payable in the first quarter of 2023, the same as in the fourth quarter of 2022, on the outstanding common shares of iA Financial Corporation.

Quality of Investments

The Company's investment portfolio continued to be of excellent quality in 2022. As presented in the table below, the proportion of net impaired investments increased in 2022 while remaining relatively low at 0.05% of total investments. In addition, bonds rated BB and lower accounted for just 1.01% of the bond portfolio. Also, the occupancy rate of the real estate portfolio decreased to 88.3% and continues to compare favourably with commercial rental properties in large Canadian cities. For detailed comments on investments, refer to the "Investments" section of this Management's Discussion and Analysis.

Financial Strength

(As as December 31)	2022	2021
Solvency ratio[†]	126%	134%
Debt ratio[†]	23.4%	22.7%
Coverage ratio[†]	**13.2x**	**16.1x**

Dividend

	2022	2021
Dividend to common shareholders	**$2.6000**	$2.0800

Investment Quality Indices

(As at December 31)	2022	2021
Net impaired investments ($M)	22	17
Net impaired investments as a % of total investments	0.05%	0.04%
Bonds – Proportion rated BB and lower	1.01%	0.94%
Mortgages – Delinquency rate	—	—
Investment properties – Occupancy rate	88.3%	91.5%

Sensitivity Analysis[†]

The analysis of the Company's sensitivity to macroeconomic changes under IFRS 4 was updated at the end of 2022. The main results of the analysis are shown in the table below and explained under "Market Risk" in the "Risk Management" section of this Management's Discussion and Analysis. The analysis of the Company's sensitivities under IFRS 9 and IFRS 17 will be disclosed at a later date.

Sensitivity Analysis[†]

(In millions of dollars, unless otherwise indicated)	As at December 31	
	2022	2021
Drop in the S&P/TSX index requiring a strengthening of the provisions for future policy benefits for stocks matched to long-term liabilities[6]	(1%)	(35%)
Drop in the S&P/TSX[5] index that would decrease the solvency ratio to 110%	(67%)	—
Impact on net income of a sudden 10% drop in the stock markets (impact for a full year)	(39)	(44)
Impact on net income of a 10 basis point increase in the initial reinvestment rate (IRR)	(42)	(25)
Impact on net income of a 10 basis point decrease in the initial reinvestment rate (IRR)	42	25
Impact on net income of a 10 basis point increase in the ultimate reinvestment rate (URR)	43	68
Impact on net income of a 10 basis point decrease in the ultimate reinvestment rate (URR)	(43)	(68)
Impact on net income of a 10 basis point increase in the **combined metric of URR + IRR**	1	43
Impact on net income of a 10 basis point decrease in the **combined metric of URR + IRR**	(1)	(43)

4 The finalization of the the Consolidated Statements of Financial Position at the January 1, 2022 transition date is in progress.
5 Please refer to the "Forward-Looking Statements" section of this document.
6 Decrease compared to the actual index values at December 31 of the indicated years.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Acquisitions and Dispositions

The last acquisition of note occurred in November 2021, when the Company acquired the majority of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd and Surexdirect.com (Ontario) Ltd. As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors. In 2022, key efforts were made to integrate this acquisition.

For more information on the acquisitions and dispositions completed in 2021, refer to Note 4 of the Company's 2022 consolidated financial statements entitled *Acquisition and Disposal of Businesses*.

Sustainable Development

Summary of 2022 Results

iA Financial Group actively integrates environmental, social and governance factors into its organization. In 2022, the Company focused on further integrating ESG factors and implementing a number of new sustainable finance initiatives. In particular, iA issued its first-ever sustainable bond. The Company also published a Climate Change Position Statement and its inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report, all while enhancing its process for reporting and quantifying Tier 3 greenhouse gas (GHG) emissions. Specifically, the Company initiated an analysis of its investment portfolio's carbon footprint, the results of which will be published later in 2023.

In addition, iA Financial Group pursued the deployment of its comprehensive internal equity, diversity and inclusion program and formally committed to attaining Progressive Aboriginal Relations (PAR) certification from the Canadian Council for Aboriginal Business. The Company also pursued the implementation of its Work From Anywhere program that offers a flexible, choice-based approach for its employees. iA is committed to the health and safety of its employees and makes considerable efforts to ensure their well-being. The Company is proud to have been awarded first place in the Mental Health and Wellness – Large Companies category of the Prix Distinction 2022–2023 awards.

Furthermore, iA Financial Group develops and offers several responsible products and services for its clients. For example, Group Insurance offers a program specific to mental health issues, as well as cognitive-behavioural therapy available directly online.

Lastly, the organization remained committed to its efforts to support its stakeholders. A total of CAN$8.5 million was donated to various charitable organizations in Canada and the United States.

Changes to Accounting Policies in 2022 and Future Changes in Accounting

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2022, which had no impact on the Company's financial statements as at December 31, 2022. For more information on these amendments and new standards, refer to Note 3 of the consolidated financial statements, entitled "Changes in Accounting Policies."

The Company is finalizing its analysis of the impact of the application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments,* which took effect on January 1, 2023. The Company expects that the initial application of IFRS 17 in conjunction with the application of IFRS 9 will have a limited impact on its equity at transition on January 1, 2022. More specifically, it expects an increase of $10 in the shareholders' equity.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook and 2023 Guidance, Including Transition to IFRS 9 and 17

iA Financial Group held a virtual Investor Event in March 2021, where management discussed the Company's strategy and outlook for the coming years. Remaining focused on the execution of this strategy and outlook, the Company recorded solid results in 2021 and 2022, once again demonstrating the soundness and strength of its business model. The balance sheet remains robust and the Company has the resources it needs to adjust to macroeconomic fluctuations. iA Financial Group is therefore well positioned to grow its earnings, maintain its financial strength and create value for its shareholders in 2023.

The new IFRS 17 and IFRS 9 accounting standards came into effect on January 1, 2023, with a retroactive transition date of January 1, 2022. The Company's management began making decisions and taking actions based on the new standards even before their application, while continuing to manage with a long-term vision to protect the strength and quality of its balance sheet.

The impact of the IFRS 9 and IFRS 17 transition at January 1, 2022 on the Company's book value[9] is near-neutral, with an increase of $10 million.[7] Also at IFRS 9 and IFRS 17 transition at January 1, 2022, the level of the contractual service margin (CSM) is $5.5 billion,[7] and the solvency ratio is more than 20 percentage points higher than under IFRS 4.[7] This will have a very favourable impact on the level of capital available for deployment.

In addition, based on estimates from the information available as at December 31, 2022, here is some additional information regarding the impacts[8] of the new accounting standards and the regime change on 2022 results. This information is provided on a preliminary basis and further indicates a favourable transition for the Company:

- Book value: near-neutral impact at December 31, 2022;[9]
- Solvency ratio: increase of more than 20 percentage points at December 31, 2022;
- 2022 Core ROE: favourable impact;
- 2022 Core EPS level: favourable impact;
- Core EPS growth: Maintaining medium-term target of 10%+ annual growth on average. Note that in 2023, the favourable impacts of the new accounting standards for the Company and the current context of favourable impacts from higher interest rates, which are partially offset by continued investments in digital transformation, support an additional one-time mid-single-digit growth in 2023 core EPS over 2022 IFRS 4 core EPS; and
- Organic capital generation: favourable impact.

2023 market guidance for iA Financial Corporation with the Company's sensitivities under IFRS 9 and IFRS 17 will be disclosed at the Investor Session on March 28, 2023.

Here is some additional information for 2023:

- Under IFRS 17 and IFRS 9, core earnings will continue to be an important indicator of the Company's ability to generate earnings, eliminating the short-term volatility that may result from the de-linking between assets and liabilities under the new accounting regime. Estimated non-core items[†] in 2023 would include: charges or proceeds related to acquisition or disposition of a business of about $0.05 EPS, amortization of intangible assets of about $0.63 EPS and non-core pension expense of about $0.09 EPS;
- The effective tax rate is expected to be around 22% in 2023; and
- The dividend payout ratio[†] target range for 2023 is 25% to 35% of core earnings.

The Company's outlook, including the market guidance provided, constitutes forward-looking information within the meaning of securities laws. Although the Company believes that its outlook is reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks. In addition, certain material factors or assumptions are applied in preparing the Company's outlook, including but not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company; a business growth rate similar to previous years; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; risks and conditions; and the Company's recent performance and results, as discussed elsewhere in this document. The Company's outlook serves to provide shareholders, market analysts, investors, and other stakeholders with a basis for adjusting their expectations with regards to the Company's performance throughout the year and may not be appropriate for other purposes. Additional information about risk factors and assumptions applied may be found in the "Forward-looking Statements" section of this document.

[7] The finalization of the the Consolidated Statements of Financial Position at the January 1, 2022 transition date is in progress.
[8] Estimated combined impact of IFRS 9 and IFRS 17, vs. the IFRS 4 result at December 31, 2022, according to information available as at December 31, 2022. These items are non-IFRS measures.†
[9] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Analysis by business segment

CANADA
LINES OF BUSINESS

INDIVIDUAL INSURANCE

INDIVIDUAL WEALTH MANAGEMENT

ASSURANCE COLLECTIVE

Divisions
- Employee Plans
- Dealer Services
- Special Markets

GROUP SAVINGS AND RETIREMENT

UNITED STATES
LINES OF BUSINESS

U.S. OPERATIONS

Divisions
- AIndividual Insurance
- Dealer Services

QUEBEC
SUBSIDIARY

iA AUTO AND HOME

Individual Insurance

The Individual Insurance line of business offers a wide range of insurance products through its extensive distribution networks.

The Company wants to stand out in the Canadian market in terms of client and distributor experience. To do so, the sector mainly focuses on enhancing its digital tools and product offering, and simplifying and accelerating the underwriting and new business process. Many initiatives were undertaken in 2022 to give clients and distributors greater flexibility and more options, including the standard premium adjustments for selected products and the addition of a new rate band for term life insurance to maintain profitability, competitiveness and the Company's market-leading position in Canada.

Today, as a result of sound digital initiatives to continuously enhance its online sales tool, iA Financial Group is a leader in instant point-of-sale approval thanks to EVO, one of the best distance-selling platforms in Canada. iA Financial Group also continued to improve its non face-to-face processes, which facilitate and improve interactions between clients and distributors.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales			
Minimum premiums[†,1]	352	263	34%
Excess premiums[†,1]	35	23	52%
Total	**387**	**286**	**35%**
Net premiums	1,882	1,758	7%

Total sales amounted to $387 million in 2022, a significant increase of 35% compared to 2021. This solid sales growth is largely due to the continued good performance of all distribution networks, and to the increase in average premium per policy sold. Our comprehensive and competitive range of products and the excellent performance of our digital tools remained strong growth drivers for this line of business. Additionally, the success of the iA PAR insurance product improves the Company's business mix by providing better diversification and a lower level of macroeconomic risk.

Net premiums were up 7% in 2022 at $1,882 million. Note that premiums are a key long-term profitability driver for the sector.

In terms of the Company's performance in the industry, according to the Canadian data published by LIMRA for the first nine months of the year:

- iA Financial Group is the company that insures the most Canadians, with a market share of nearly 28% in policies sold. It now ranks third for premium sales, with a market share of 16% (life, critical illness and disability combined);
- iA Financial Group ranks first for critical illness insurance sales, with a market share of 30%;
- iA Financial Group ranks second for disability insurance product sales, with a market share of 15%.

In addition, the Company's Career network performed very well in 2022, with total new premium growth over 2021 of 27% and 36% for life insurance and critical illness products, respectively.

[1] Minimum premiums are the portion of the premium used to cover the insurance risks under an individual insurance contract and are an important way to measure the sector's performance. Excess premiums include all deposits to accumulation funds available under universal life policies, as well as contributions to the additional deposit option for the participating life insurance product.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[2] and Business Focus

– Capitalizing on the strength and diversity of all our distribution networks
– Building and optimizing the distributor and client digital experience

As an industry leader, recognized as such in the fall 2022 Environics Research Advisor Perception Study, the sector will be focused on seizing all opportunities to cement this coveted position in 2023. Providing the best experience for distributors and clients will continue to be central to the sector's evolution. To this end, the sector will continue to capitalize on the strength and diversity of all distribution networks to meet the needs of Canadians. This will be achieved by remaining proactive in offering the most comprehensive range of high-performance products in the Canadian market. As a leader in online tools, the sector will continue to distinguish itself through intuitive digital solutions while supporting advisors as they strive to improve the efficiency of their operations and the quality of service offered to their clients. The sector will also continue to actively promote its Large Case Solutions program, which offers customized, simple, high-performance solutions to help advisors meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership.

Products and Services

- Life insurance (universal, participating, permanent and term)
- Critical illness insurance
- Short and long-term disability insurance
- Mortgage insurance
- Accidental death and dismemberment (AD&D) insurance
- Creditor insurance (life and disability)
- Travel insurance

Manufacturers and Subsidiaries

- iA Insurance
- PPI Management
- Michel Rhéaume et associés

Distribution Affiliates and Networks

- Career Network (iA) (2,255 advisors)
- Managing General Agents Network (14,110 representatives)
- National Accounts Network (400 representatives)
- PPI Management (4,900 representatives)
- Michel Rhéaume et associés

[2] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Individual Wealth Management

In the Individual Wealth Management line of business, the Company offers a broad range of retail savings and retirement products. iA Financial Group is the Canadian leader in the development and distribution of segregated funds. IA Clarington Investments, a Company subsidiary, is a large investment management firm in Canada that offers a full line of mutual funds. Our product lineup includes 22 Socially Responsible Investment (SRI) funds.

Clients can invest in the sector's products through registered retirement savings plans (RRSPs), registered education savings plans (RESPs), tax-free savings accounts (TFSAs), registered retirement income funds (RRIFs) and non-registered plans.

The sector also has two distribution dealers comprising a Canada-wide network of independent advisors working in mutual fund and securities brokerage: iA Private Wealth and Investia Financial Services.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Gross sales			
General fund	1,203	891	35%
Segregated funds	3,908	4,818	(19%)
Mutual funds†	1,722	3,066	(44%)
Total	**6,833**	**8,775**	**(22%)**
Net sales			
Segregated funds	1,915	3,307	(1,392)
Mutual funds†	(615)	1,153	(1,768)
Total	**1,300**	**4,460**	**(3,160)**

For 2022, total gross sales amounted to $6.8 billion compared to $8.8 billion in 2021. The growth of this sector was unfavourably impacted by the challenging market conditions across all asset classes, negative investor sentiment, and a decrease in the level of individuals' savings, primarily driven by high levels of inflation.

In this kind of volatile market, clients tend to turn to cash equivalent products. As a result, guaranteed product (general fund) gross sales of $1.2 billion were up 35% from 2021. An important success factor is the Company's offer to clients with combined investments (segregated funds, guaranteed interest funds and high-interest savings account) under one contract.

Gross segregated fund sales amounted to $3.9 billion compared to $4.8 billion in 2021. Despite challenging market conditions, net segregated fund sales were positive, totalling $1.9 billion. The Company continued to maintain its leading position in the industry, ranking first in Canada for gross and net segregated fund sales, and third in terms of assets.[1]

Gross mutual fund sales† totalled $1.7 billion compared to $3.1 billion the previous year, and net sales resulted in $0.6 billion outflows† mainly due to the negative impact of challenging macro environment conditions.

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Funds under management			
General fund	2,583	2,103	23%
Segregated funds	23,451	24,722	(5%)
Mutual funds	11,611	13,955	(17%)
Subtotal	37,645	40,780	(8%)
Funds under administration[2]	97,643	108,331	(10%)
Total	**135,288**	**149,111**	(9%)

Total assets amounted to $135.3 billion at December 31, 2022 compared to $149.1 billion the previous year, down mainly due to unfavourable financial market conditions. Growth in assets under management, which is reliant on gross sales, in-force business persistency and return on assets, is the key long-term profitability driver for the sector.

[1] Source: Investor Economics, January 2023.
[2] Includes assets related to affiliated dealers.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[3] and Business Focus

In 2023, the sector will continue to digitally transform and improve its operational processes to provide the best experience for distribution partners and clients, putting them at the centre of the sector's priorities. This digital transformation combined with the desire to offer competitive products to mass and middle market clients and future retirees will support the business growth objectives. In addition, these commitments will attract new distribution partners and increase the retention of assets under management, which is an important factor in the sector's profitability. The sector will continue to actively promote its Large Case Solutions program which offers customized, simple, high-performance solutions that enable advisors to meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership. For the sector's investment dealers, digital transformation combined with an expansion of managed investment products and solutions will further advance the advisor and client experience, strengthening iA as a leader among independent investment dealers in Canada.

The Company's fund sales are expected to recover and increase in 2023, provided that macroeconomic conditions are more favourable than in 2022, given the well-diversified, competitive lineup of products. Accelerated growth of assets under management[†] will be pursued through the expansion of high-quality products.

Products and Services

- Segregated funds
- Mutual funds
- Securities
- Life and fixed-term annuities
- Registered savings and disbursement plans (RRSPs, RESPs, TFSAs and RRIFs)
- Investment advice
- Private wealth management

Manufacturers and Subsidiaries

- iA Insurance
- iA Clarington
- iA Private Wealth
- Investia Financial Services
- iA Trust
- iA Investment Management

Distribution Affiliates and Networks

- Career Network (iA) (2,255 advisors)
- Managing General Agents Network (14,110 representatives)
- National Accounts Network (400 representatives)
- PPI Management (4,900 representatives)
- Distribution affiliates (iA Private Wealth and Investia) (2,150 advisors)

[3] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Employee Plans

The Employee Plans division offers a broad range of group benefits products for companies and organizations. The division has over 700 employees, has signed agreements with more than 1,100 groups, and serves over 535,000 plan members.

To help manage plans more effectively and promote physical, mental and financial wellness, the division offers a number of services and tools for plan administrators, plan members and benefits advisors. For example, it offers a comprehensive health and wellness program (Well-Balanced), which includes telemedicine services and an employee assistance program, as well as extensive disability and drug (PharmAssist) management programs. All of these services and tools, accessible through My Client Space and iA Mobile, give clients access to a continually evolving omnichannel experience.

In a context where mental health is at the forefront of public interest, the division enhanced its offering to plan members by adding a stress management and wellness program and internet-based cognitive behavioural therapy. With respect to the drug program, the division expanded the transition to biosimilar drugs in several provinces, including Quebec.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales[1]	46	135	(66%)
Premiums	1,263	1,147	10%
Premium equivalents[†,2]	96	91	5%
Investment contracts[†,3]	88	64	38%
Total	**1,447**	**1,302**	**11%**

Total premiums, premium equivalents[†] and investment contract[†] deposits reached over $1.4 billion in 2022, an increase of 11% over 2021.

Premium growth was mainly driven by strong new business sold in recent years and an excellent retention rate, while sales were lower than the high level achieved in the past two years.

By region, the majority of sales came from Quebec in 2022, as they did in 2021.

Outlook[4] and Business Focus

In 2023 and the years to come, the division will continue to strengthen its customer experience by investing in technology for a strong front-end digital solution, which is essential to addressing plan members' and administrators' diverse needs and expectations. With respect to the drug program, the division will continue expanding the transition to biosimilar drugs throughout remaining provinces and territories.

With a focus on profitable growth, the division will remain committed to maximizing efficiency gains by taking advantage of greater synergy with the Company's other business units.

Products and Services

- Life and health, accidental death and dismemberment (AD&D), dental care, short and long-term disability, critical illness and home care insurance
- Voluntary benefits (life, AD&D and critical illness)
- Disability and drug management programs
- Health and wellness program

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Aggregators
- Group benefits brokers
- Actuarial consulting firms

1 The net premiums presented in the consolidated financial statements are net of reinsurance and include fund entries on both in-force contracts and new business written during the period.
2 Premium equivalents are income from administrative services only (ASO) contracts.
3 Premiums from Hold Harmless Agreements.
4 Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Dealer Services

Dealer Services distributes creditor insurance products (life, disability, loss of employment and critical illness), car loan financing, and property and casualty (P&C) products. P&C products include extended warranties, replacement insurance, guaranteed asset protection and a full range of ancillary products.

The division has more than 700 employees, insures nearly 600,000 individuals and over one million vehicles, and has more than 52,000 car loans outstanding. Its products are offered through a Canada-wide direct distribution network of close to 7,000 automobile and other motor vehicle dealers, original equipment manufacturers and preferred partnerships. This distribution network benefits from one of the broadest suite of product offerings in the Canadian market.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales†			
Creditor[1]	223	244	(9%)
P&C	392	331	18%
Car loans	635	534	19%
Total	**1,250**	**1,109**	**13%**

Dealer Services sales totalled $1.3 billion in 2022, up 13% from the previous year. The division continues to expand its presence across Canada by signing deals with original equipment manufacturers and dealer groups, and developing new products and partnerships.

Creditor Insurance

Creditor insurance sales totalling $223 million in 2022 compares to $244 million in 2021. This variation can be explained by changing consumer behaviour and the regulatory environment.

P&C Products

P&C sales were up 18% from 2021 to reach $392 million despite a decrease in Canadian light vehicle sales,[2] which were down by 9.1% compared to 2021. Consumers' affinity for P&C products and significant growth for two main partners were the major drivers of sales growth.

Car Loans

Car loan originations amounted to $635 million, up 19% from 2021. This growth was attributed to program enhancements and an increase in car prices.

Outlook[3] and Business Focus

In 2023, Dealer Services will be launching national programs for new distribution partners. The division will continue to work on improving the dealer experience through digital platforms and enhancing the client experience by adapting products and distribution practices. Although the automotive market continues to face headwinds such as supply chain challenges, the focus is on maintaining the growth strategy of partnering with original equipment manufacturers, expanding the dealer network and pursuing internal business opportunities within iA Financial Group.

Products and Services

- Creditor insurance
- P&C products
- Car loans

Manufacturers and Subsidiaries

- iA Insurance
- SAL Marketing
- National Warranties MRWV Limited
- Industrial Alliance Pacific General Insurance Corporation
- WGI Service Plan Division
- WGI Manufacturing Inc.
- Lubrico Warranty
- iA Auto Finance
- iA Advantages Damage Insurance

Distribution Affiliates and Networks

- Direct distribution through automobile and other motor vehicle dealers (7,000 dealers)
- Original equipment manufacturers (OEMs)
- Preferred partnerships

[1] Includes all creditor insurance business sold by the Company.
[2] Source: DesRosiers Automotive Consultants Inc., December 2022 year-to-date information.
[3] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Special Markets

Special Markets specializes in niche insurance markets that are underserved by traditional group insurance carriers. The division primarily offers accidental death & dismemberment (AD&D), critical illness (CI), term life and specialized insurance products to employers, professional associations and affinity groups. The division also offers travel medical and health insurance through various distribution partners.

Special Markets has contracts with over 5,000 groups and associations. Through these contracts, the division insures millions of Canadians, predominantly through AD&D and travel medical coverage.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales (gross premiums)[†,1]	322	215	50%
Net sales[2]	292	193	51%

In 2022, Special Markets had exceptional growth in sales,[†] increasing by 50% to an all-time high of $322 million. This growth was mainly driven by travel blocks of business, reflecting a strong rebound in travel activity as the pandemic subsided and COVID restrictions were lifted. The division also reached new premium highs for AD&D and CI products.

Net sales, defined as gross premiums net of reinsurance, experienced a similar increase of 51% in 2022.

Efforts to maintain a competitive edge in the special risks market continued throughout 2022. The division entered into new product opportunities with existing partners, enhanced critical illness product features, and digitalized broker statements for a better partner experience.

Outlook[3] and Business Focus

Looking ahead to 2023, the focus will be on maintaining profitable business growth through new product offerings, expanding the distribution networks and pursuing large block opportunities.

With a focus on increasing operating efficiency, the division will continue to improve digital capabilities, which will improve client, employee and distribution partner experience.

Products and Services

- Accidental death & dismemberment (AD&D), critical illness and life insurance
- Travel medical
- Health insurance and other specialized products

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Distribution partners
- Specialized insurance brokers
- Third-party administrators

[1] Sales (gross premiums) are before reinsurance.
[2] Net sales in Special Markets are equivalent to net premiums (IFRS measure). Net premiums for this division are included in the net premiums for the Group Insurance sector, along with those of the other two divisions, Employee Plans and Dealer Services.
[3] Please refer to the "Forward-Looking Statements" section of this document.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Savings and Retirement

The Group Savings and Retirement sector offers a wide range of products and services adapted to the needs of companies, organizations and their employees, focusing on long-term financial well-being. The products offered can be broken down into two categories: accumulation products (savings products, such as defined contribution or defined benefit plans, and institutional money management services) and disbursement products (essentially insured annuities).

Products are marketed Canada-wide through group benefits and retirement aggregators, brokers and actuarial consulting firms.

The sector has approximately 300 employees, has signed agreements with more than 13,600 groups and serves over 465,000 plan members and 67,800 annuitants.

In accordance with the sector's commitment to its clients' environmental, ethical, and social values, three sustainable investment funds were added to its fund offering in 2022.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Premiums (sales)[†,1]			
Accumulation Products			
Recurring premiums	1,492	1,401	6%
Transfers	534	766	(30%)
Premium equivalents	—	27	(100%)
Subtotal	2,026	2,194	(8%)
Insured Annuities	801	604	33%
Total	**2,827**	**2,798**	**1%**
New plan sales[2]	**1,395**	**1,436**	**(3%)**

Recurring premiums for accumulation products[†] provide sustainable business growth and are a key part of the sector's strategy. They correspond to regular plan member contributions collected from in-force group clients. In 2022, recurring premiums were up 6% over the previous year. New plan sales exceeded $1 billion for the fourth consecutive year.

In the insured annuities[†] segment, 2022 ended with a record $801 million in sales, a strong increase of 33% compared to 2021.

Accumulation Products – Net Fund Entries[3]

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Entries	2,061	2,195	(6%)
Disbursements	1,445	2,183	(34%)
Net entries	**616**	**12**	**5,033%**

Funds Under Management

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Accumulation Products	14,500	15,505	(6%)
Insured Annuities	5,129	5,098	1%
Total	**19,629**	**20,603**	**(5%)**

Funds under management exceeded $19.6 billion at year end, compared to $20.6 billion a year earlier. Growth in assets under management was hampered by the prevailing market volatility experienced throughout 2022.

1 The net premiums presented in the consolidated financial statements are after reinsurance and exclude premium equivalents.
2 New plan sales are measured by the sum of first-year annualized premiums (which correspond to the total of the initial asset transfer and recurring first-year annualized premiums) plus insured annuities. The prior year figures have been revised due to the new definition of sales.
3 The change in assets under management is important because it determines the management fees recorded in the consolidated financial statements under *Other revenues*.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[4] and Business Focus

In 2023 and the years to come, the sector will continue to strengthen its customer experience by investing in technology for a strong front-end digital solution, which is essential to addressing plan members' and administrators' diverse needs and expectations.

With a focus on profitable growth, the sector will remain committed to maximizing efficiency gains by taking advantage of greater synergy with the Company's other business units.

Products and Services

- Capital accumulation products (including DC plans, RRSPs and TFSAs)
- Disbursement products (insured annuities, RRIFs and LIFs)
- Financial wellness program
- Financial education

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Aggregators
- Group benefits and retirement brokers
- Actuarial consulting firms

[4] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations: Individual Insurance

iA Financial Group's U.S. individual insurance operations are carried out through iA American Life Insurance Company and four other downline subsidiaries located in Waco, Texas.

The iA American group of companies markets their life insurance products through independent marketing organizations, or IMOs, and collectively these organizations have over 25,700 independent agents under contract with the group.

These companies operate primarily in the simplified issue marketplace, with final expense life insurance and mortgage/family protection term life representing over 85% of new business sales. They also offer universal life and other specialty life products in the government and worksite markets. They have the ability to customize products for larger marketing organizations and this flexibility has played a key role in their success.

Digital enhancements to improve and simplify the sales process from both the agent and client perspectives have been an important component in the companies' ability to compete. Point-of-sale underwriting capabilities greatly simplify and expedite the sales process and this technology is used for the majority of their sales today.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2022	2021	Variation
Sales†	143	135	6%
Premiums	421	400	5%

U.S. life insurance sales† ended the year at US$143 million, a 6% increase over the previous year. The increase in sales resulted primarily from growth in the middle/family market that was driven by strong performance from leading IMOs operating in that sector. Sales in 2022 were also positively influenced by a substantial increase in the number of new IMOs and agents contracted.

The number of policies issued in 2022 was slightly higher than in 2021 and on average the policies issued were larger in premium size. This resulted in positive premium growth as total premiums grew to US$421 million in 2022, representing a 5% increase over 2021.

The U.S. sales mix by product has been relatively consistent in 2022. The proportion of whole life insurance sales decreased slightly from 73% in 2021 to 72% in 2022, while the proportion of term insurance sales written in the middle/family market increased.

The sales mix by market has shifted only slightly as well based on the growth in term insurance sales. Final expense sales as a percentage of total sales decreased from 65% in 2021 to 63% in 2022, while sales in the middle/family market grew from 23% to 25% of total sales over that same period. Several IMOs that focus on term insurance had strong growth in 2022.

Outlook[1] and Business Focus

– Continuing to increase distribution with a strong focus on growth in the middle/family market
– Enhancing the agent and client experience through digital point-of-sale capabilities and immediate underwriting decisions
– Expanding the product portfolio to support growth in the middle/family market

Products and Services

- Life (universal, permanent and term)
- Critical illness
- Short-term disability
- Accidental death
- Annuities
- Group life

Manufacturers and Subsidiaries

- iA American Life Insurance Company
- American-Amicable Life Insurance Company of Texas
- Occidental Life Insurance Company of North Carolina
- Pioneer American Insurance Company
- Pioneer Security Life Insurance Company

Distribution Affiliates and Networks

- Independent marketing organizations (25,790 agents)

[1] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations: Dealer Services

The US Dealer Services subsidiaries, known as iA American Warranty Group, distribute casualty products that include extended warranties and a full line of ancillary products providing coverage for a wide range of risks associated with vehicle ownership, as well as additional products such as training, income development, and marketing services to help dealerships improve their bottom line. The company benefits from vertical integration of insurance, administration and reinsurance services and is one of only a handful of full service providers in the United States. Products are sold through a network of general agents, automobile dealers, finance companies and third party administrators.

The division employs approximately 700 people and administers products for more than 7,000 dealerships throughout the U.S. Products are often customized for larger producers and this flexibility has played a key role in the success of iA American Warranty Group.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2022	2021	Variation
Sales†	1,011	1,068	(5%)

Sales production totalled US$1,011 million in 2022 compared to US$1,068 million in 2021. While this represents a 5% year-over-year decrease, U.S. retail auto sales declined by roughly 10% over the same period.[1]

Sales by Market

	2022	2021
	%	%
Affiliate producers	72	72
Non-affiliate producers	28	28
Total	100	100

Affiliate producers generated 72% of sales in 2022, the same as in 2021.

Outlook[2] and Business Focus

Sales in the US Dealer Services division are influenced by U.S. retail auto sales. In 2022, retail auto sales were challenged by persistent supply chain issues and historically low levels of new car inventory. In 2023, low inventories and higher financing costs for clients may continue to impact vehicle sales.

In 2023, the US Dealer Services division will continue to focus on its goal of delivering the best customer experience in the industry. It will do so by providing a comprehensive solution to its distribution partners; offering training, consulting and marketing services; ensuring seamless contract management and expanding its distribution channels. In addition, as electric vehicles become a larger segment of U.S. sales, the Company will be well positioned to deliver on a suite of F&I products for both internal combustion engine vehicles and electric vehicles.

Products and Services

- Extended warranties
- Guaranteed asset protection
- Ancillary vehicle protection
- Training services
- Marketing services

Manufacturers and Subsidiaries

- Dealers Assurance Company
- Dealers Alliance Company
- iA American Warranty Corp.
- iA American Warranty, L.P. (formerly IAS)
- First Automotive Service Corporation
- Dealer Wizard, LLC

Distribution Affiliates and Networks

- General agents
- Direct sales (auto dealers and finance companies)
- Third party administrators
- Direct to consumer

1 US Bureau of Economic Analysis and Cox Automotive – Raw numbers of vehicles sold in the US at retail only (fleet and private party sales excluded); numbers are not seasonally adjusted.
2 Please refer to the “Forward-Looking Statements” section of this document.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Auto and Home Insurance

iA Auto and Home Insurance (iAAH) is a Company subsidiary that markets auto and home insurance products in the province of Quebec.

One advantage that sets iAAH apart is the referral of clients by the Company's distribution networks, providing a business development opportunity that is unique in the industry. A significant portion of its clients are referred by Career Network advisors and the Dealer Services division. iAAH also operates through a subsidiary, Prysm General Insurance, that creates strategic partnerships allowing preferred distributors to offer the subsidiary's products.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Direct written premiums†	457	432	6%

Direct written premiums totalled $457 million in 2022, up 6% from the previous year. iAAH's strong competitive positioning and superior customer satisfaction enabled it to generate good premium growth in a challenging environment, while vehicle inventory shortages and a softening real estate market dampened sales opportunities. The five-year compound annual growth rate for iAAH's business volume is 8%.

Combined Ratio

(%)	2022	2021	2020	2019	2018
Combined ratio	94.9	78.0	78.7	93.1	95.8

The combined ratio, which represents the sum of the claims ratio and the expense ratio, is 94.9% for 2022. The increase relative to the last two years is primarily due to higher claim severity driven by inflation, a higher frequency of vehicle theft and the post-COVID return to normal. Measures taken in the areas of pricing, underwriting and claims settlement have mitigated these effects. On average, the combined ratio has remained below 95% for the last five years.

Outlook[1] and Business Focus

The main focus will be to generate growth, primarily organic, driven by various customer experience (CX) initiatives and existing networks.

In the coming years, iAAH will focus on accelerated digital transformation, which is a key factor for future growth. The aim is to improve the client, employee and partner experience by reshaping interactions and integrating automation and data analytics into key business processes. The Company's diverse business mix and the centralization of CX initiatives is expected to lead to great synergy opportunities.

Products and Services

- Auto and home insurance

Manufacturers and Subsidiaries

- iA Auto and Home Insurance
- Prysm General Insurance
- Surex

Distribution Affiliates and Networks

- Direct sales from advertising
- Preferred partner distribution
- Referrals from iA networks

Surex

Surex is an online general insurance broker. By combining online self-serve capabilities with experienced advisors, Surex is a leading player in digital property and casualty (P&C) insurance distribution in Canada. With about 200 employees, Surex has served over 51,000 clients to date, processing over 70,000 policies annually for an annual premium volume of over $146 million. In 2022, in addition to delivering 12% growth in premium volume, Surex successfully improved its diversification of lead sources by investing in its "direct to clients" strategy. It also launched a referral program for Dealer Services clients in Alberta and onboarded a new insurer to improve its offering. In 2023 and beyond, while continuing to improve its business model to grow efficiently, Surex and iA will focus on projects with high synergy potential such as the implementation of cross-selling opportunities, thus improving both client experience and growth, while supporting iA's advisor networks.

[1] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Profitability

Highlights

The Company ended the year with net income attributed to common shareholders of $817 million, compared to $830 million in 2021. Diluted earnings per common share (EPS) was $7.65 in 2022, compared to $7.70 a year earlier, and return on common shareholders' equity (ROE) was 12.3% for the year, compared to 13.2% in 2021. On a core basis, core EPS of $8.85 in 2022 was 6% higher than in 2021 and core ROE of 14.2% was at the same level as a year earlier. Both core EPS and core ROE for 2022 were within market guidance provided at the beginning of the year.

Profitability

(In millions of dollars, unless otherwise indicated)	2022	2021	2020	2019	2018
Income attributed to shareholders	842	852	633	709	634
Less: preferred share dividends	25	22	22	22	21
Net income attributed to common shareholders	**817**	**830**	**611**	**687**	**613**
Earnings per common share (EPS)					
Basic	$7.68	$7.73	$5.71	$6.43	$5.62
Diluted	$7.65	$7.70	$5.70	$6.40	$5.59
Diluted, core†	$8.85	$8.31	$7.12	$6.55	N/A
Return on common shareholders' equity (ROE)†	12.3%	13.2%	10.6%	12.9%	12.5%
Core ROE†	14.2%	14.2%	13.3 %	13.1%	N/A

Analysis According to Sources of Earnings

The profitability analysis according to sources of earnings below discusses the main items that had an impact on the financial results for the year in comparison with management's expectations. The measures presented in this analysis are not IFRS measures. They supplement the information presented in the "Analysis According to the Financial Statements" section below and provide additional indicators for evaluating financial performance.

Expected profit on in-force† – Expected profit on in-force (EPIF) reflects the best estimates determined by management when the 2022 budget was prepared at the end of 2021. However, expected profit for the savings sectors is updated quarterly to reflect changes in the financial markets and net fund entries. Expected profit on in-force amounted to $982 million in 2022, a year-over-year increase of 6%, or $55 million before tax. The increase is mainly explained by organic growth from three sectors: Individual Insurance, Group Insurance and US Operations. Expected profit growth was slowed during the year, mainly due to the quarterly updates mentioned above, as a result of unfavourable market variations.

Experience gains (losses) compared to expected profit† – Experience gains or losses represent the difference between the expected profit on in-force and the realized profit. Gains or losses occur when actual results differ from those derived from the assumptions used to calculate expected profit.

The Company ended the year with experience losses of $85 million before tax, compared to gains of $69 million in 2021. This result is mainly attributable to the negative impact of financial market variations in both individual lines of business. It is worth noting that both group lines of business reported experience gains in 2022.

The paragraphs that follow provide details on the 2022 results for each line of business.

- *Individual Insurance* – An experience loss of $42 million before tax was recorded in 2022, compared to a gain of $59 million in 2021. Losses in 2022 were mainly driven by the negative impact of financial market variations on Universal Life insurance policies and on the level of assets backing individual insurance reserves. This more than offset the positive impact of policyholder behaviour and experience in 2022, mainly mortality, morbidity and lapse.
- *Individual Wealth Management* – A negative variance of $34 million before tax was recorded in 2022, compared to a positive variance of $9 million in 2021. In 2022, results from most business units in this sector were lower than expected as a result of unfavourable market conditions and, to a lesser extent, higher expenses.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- *Group Insurance* – An experience gain of $6 million before tax was recorded in 2022, compared to a gain of $10 million in 2021. The gain in 2022 stems from the Dealer Services division, mostly due to favourable experience for both claims and car loan credit. Results in the Special Markets division were close to expectations and results in the Employee Plans division were below expectations mainly as a result of higher expenses.
- *Group Savings and Retirement* – A favourable variance of $7 million before tax was recorded in 2022, compared to an unfavourable variance of $12 million in 2021. The 2022 result is mainly due to favourable longevity experience.
- *US Operations* – An experience loss of $22 million before tax was recorded in 2022 compared to the expected profit (EPIF), for which a 17% year-over-year increase was expected, and compared to a gain of $3 million the year before. In the Individual Insurance division, results in 2022 were higher than expected due to favourable mortality and lapse experience. In the Dealer Services division, results were below expectations primarily due to lower than expected sales as a result of continued low car inventories and higher financing costs for clients.

Impact of new business (strain)† – Strain is a charge incurred by an insurance company mainly resulting from the expense of issuing new policies. Certain products have features that make them more strain-intensive than others, such as products with long-term guarantees. If experience remains in line with expectations in the years after a policy is issued, profits realized will cover the strain incurred at the time of issue. In the Individual Insurance sector and the Individual Insurance division of the US Operations sector, the impact of new business was a gain of $47 million before tax in 2022, compared to a strain of $15 million the previous year. The 2022 gain expressed as a percentage of sales (measured in terms of first-year annualized premiums) was 8% in 2022 versus a strain of 3% a year earlier. Strain was therefore very favourable in 2022 and better than the guidance given to the market at the beginning of 2022 due to a portion of the 2022 interest rate increase being factored into the strain calculation, and to a lesser extent, the favourable impact of sales.

Assumption changes and management actions† – At the end of each quarter, the Company ensures the adequacy of its provisions given the existing economic environment. It also updates its valuation assumptions at the end of each year to take into account the most recent developments in the economic and financial environment as well as its own experience and that of the industry in terms of mortality, morbidity, lapse rates, unit costs and other factors.

In 2022, management actions and changes in the actuarial assumptions used to calculate net insurance contract liabilities (for non-participating business) had a slightly negative net impact on operating profit of $2 million before tax at year-end, and can be broken down as follows:

- For mortality, morbidity and policyholder behaviour, the reserves were strengthened, primarily due to the annual update of experience studies, the application of a new mortality table from the Canadian Institute of Actuaries (CIA), and a downward adjustment in the level of excess premiums projected in UL policies.
- For economic assumptions, reserves were released, primarily due to the annual update of return assumptions, the release of the impact of interest rate increases on financial guarantee provisions and the release of some macroeconomic protections in the context of the IFRS 9/17 transition.
- For expenses and other items, the reserves were strengthened, mainly due to the annual update of expense studies.

In addition, in the context of its ongoing risk management initiatives, the Company signed a reinsurance treaty in its US Operations' Individual Insurance division. This agreement took effect on July 1, 2022 and generated a gain of $53 million before tax during the third quarter.

For more details, refer to Note 14 to the financial statements, entitled "Insurance Contract Liabilities and Investment Contract Liabilities."

Income on capital† – Income on capital represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate this income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item. Income on capital amounted to $22 million before tax in 2022, compared to $125 million the previous year. The lower result in 2022 is mainly the result of the adjustment of software, premises and furnishings book values and the impact of the accounting interpretation of the IASB'S decision relating to cloud computing arrangements, both of which occurred in the third quarter. Furthermore, unfavourable experience and higher expenses as the digital transformation accelerates put pressure on iAAH results.

Income taxes† – Income taxes represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. They are considered to be an expense for the purpose of calculating the operating profit. Income taxes amounted to $175 million in 2022, for an effective tax rate of 17.2%.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Core Earnings

Financial measures based on core earnings are non-IFRS measures used to better understand the capacity of the Company to generate sustainable earnings.

Core earnings remove from reported earnings the impacts of items that create volatility in the Company's results under IFRS, or that, in management's view, are not representative of its operating performance. The table below presents the six adjustments applied to reported earnings per share (EPS) in the calculation of core EPS.

These adjustments include market-related impacts, changes in actuarial assumptions, impacts from acquisitions, and non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate.

Core EPS of $8.85 in 2022 was 6% higher than in 2021.

Reported EPS and Core EPS Reconciliation Based on 2021 Definition of Core Earnings

	2022	2021
Earnings per common share (EPS, diluted)	**$7.65**	$7.70
Adjustments:		
Market-related impacts that differ from management's best estimate assumptions	$0.51	($0.21)
Assumption changes and management actions	($0.36)	($0.02)
Gains or losses on acquisition or disposition of a business, including acquisition, integration and restructuring costs	$0.16	$0.10
Amortization of acquisition-related finite life intangible assets	$0.59	$0.52
Non-core pension expense	$0.20	$0.22
Other specified unusual gains and losses	$0.09	—
Core EPS†	**$8.85**	$8.31

Reconciliation of Certain Non-IFRS Measures with IFRS Measures

The following table reconciles the operating profit and income taxes indicated in the above table with IFRS measures.

Reconciliation of Sources of Earnings with IFRS Measures

(In millions of dollars)	2022	2021
Components of earnings before taxes:		
Operating profit (according to sources of earnings)	995	983
Income on capital (according to sources of earnings)	22	125
Income attributable to participating contracts and other items	(61)	10
Earnings before taxes according to the financial statements	**956**	**1,118**
Income taxes:		
On operating profit and on income on capital	(175)	(256)
Amount for participating contracts and other items	19	(3)
Income taxes according to financial statements	**(156)**	**(259)**
Net income according to financial statements	**800**	**859**

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Annual Results

The following table presents the Company's financial results according to the financial statements for the years ended December 31, 2022, 2021 and 2020.

Consolidated Income Statement

(In millions of dollars)	2022	2021	2020
Revenues			
Net premiums	13,109	13,164	11,196
Investment income	(6,600)	206	4,668
Other revenues	2,086	2,116	1,775
Total	**8,595**	**15,486**	**17,639**
Policy benefits and expenses			
Net policy benefits	6,991	6,991	5,290
Net transfers to segregated funds	2,369	3,278	2,872
Increase (decrease) in insurance contract liabilities	(6,219)	(45)	5,760
Increase (decrease) in investment contract liabilities	(44)	(1)	34
Decrease (increase) in reinsurance assets	(123)	(76)	(737)
Commissions	2,352	2,180	1,788
General expenses	2,062	1,823	1,668
Premium and other taxes	154	141	129
Financing charges	97	77	73
Total	**7,639**	**14,368**	**16,877**
Income before income taxes	956	1,118	762
Less: income taxes	156	259	130
Net income	800	859	632
Less: net income attributed to participating policyholders	(42)	7	(1)
Net income attributed to shareholders	842	852	633
Less: preferred share dividends	25	22	22
Net income attributed to common shareholders	**817**	**830**	**611**

Net Income Attributed to Common Shareholders

The 2% decrease in net income attributed to common shareholders between 2022 and 2021 is explained by the items mentioned below.

Revenues

Revenues, whose three components are presented in the above table, totalled nearly $8.6 billion in 2022, a decrease of 44% compared to 2021. This decrease is mainly due to a decrease in investment income of nearly $6.8 billion, which is mainly attributable to the change in the fair value of investments stemming from variations in interest rates, exchange rates and stock markets. Generally speaking, variations in the fair value of investments are largely neutralized by corresponding variations in insurance contract liabilities, making their impact on net income fairly minimal. Net premium variation is almost neutral (0.4%) compared to 2021. The decline relative to 2022 in the Individual Wealth Management sector stemmed mainly from individual savings products such as segregated funds, reflecting a challenging macroeconomic environment. The decrease in net premiums was mitigated by business growth in the Individual Insurance, Group Insurance and US Operations segments.

The following table provides more details regarding the composition of revenues by sector.

Revenues by Sector

	Year ended December 31, 2022						
(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	1,882	5,111	1,953	2,800	945	418	13,109
Variation vs. 2021	*124*	*(598)*	*225*	*54*	*117*	*23*	*(55)*
Investment income	(6,007)	(52)	25	(401)	(363)	198	(6,600)
Variation vs. 2021	*(6,063)*	*97*	*(89)*	*(430)*	*(347)*	*26*	*(6,806)*
Other revenues	121	1,746	92	116	364	(353)	2,086
Variation vs. 2021	*(21)*	*(34)*	*15*	*(2)*	*13*	*(1)*	*(30)*
Total	(4,004)	6,805	2,070	2,515	946	263	8,595
Variation vs. 2021	*(5,960)*	*(535)*	*151*	*(378)*	*(217)*	*48*	*(6,891)*

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Policy Benefits and Expenses

Policy benefits and expenses were down $6.7 billion in 2022 compared to 2021. The main items contributing to this decrease are:

- A change in net transfers to segregated funds compared to the previous year ($909 million).
- A $6.2 billion variation for insurance contract liabilities compared to 2021, essentially due to the increase in interest rates in 2022 compared to a decrease the previous year. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.

The decrease in policy benefits and expenses was partly offset by the following:

- An increase in commissions compared to the previous year ($172 million), which primarily stems from growth of the in-force block of business. Commissions correspond to the compensation of financial advisors and distribution channel partners for new sales and certain in-force contracts.
- An increase in general expenses, mainly due to business growth and digital initiatives ($239 million).

Income Taxes

The consolidated financial statements indicate an income tax expense of $156 million in 2022, compared to $259 million in 2021. These amounts represent the Company's tax expense net of all adjustments for prior years. The decrease in 2022 is mainly due to lower income before income taxes and adjustments for prior years.

Quarterly Results

Below is a summary of the Company's quarterly results, taken from the financial statements for the last eight quarters. The analysis in this section focuses primarily on the Company's results for the fourth quarter of 2022. Generally speaking, the terminology used in this section is the same terminology used in the financial statements.

Net Premiums

Net premiums amounted to nearly $3.5 billion in the fourth quarter, a year-over-year increase of 4%. This variation is mainly explained by significant net premium growth in the Group Savings and Retirement segment, partly offset by a decrease in the Individual Wealth Management segment.

Stock market variations, the level of premiums invested in segregated funds and the signing of new agreements with large groups in both group lines of business are some of the factors that contribute to the fluctuation of premiums from one quarter to another.

Net premiums include the amounts invested by insureds in the Company's segregated funds, but exclude those invested by clients in mutual funds.

Investment Income

In the fourth quarter of 2022, investment income was down by $1,715 million compared to the same quarter in 2021. This was primarily due to variations in the fair value of bond investments and derivative financial instruments supporting the insurance contract liabilities, mainly caused by movements in interest rates.

Investment income fluctuates in large part based on the fair value of investments, which is influenced by changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate, and realized profits and losses on the disposition of available-for-sale assets.

From an accounting standpoint, the majority of stocks and bonds are classified as *Designated at fair value through profit or loss* and are used as underlying assets for the provisions for future policy benefits. The variation in the fair value of these assets is therefore reflected in the increase (decrease) in insurance contract liabilities.

Other Revenues

Other revenues represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues for the fourth quarter of 2022 were down $47 million, or 8%, year over year. This variation came mainly from the Individual Wealth Management segment.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Net Income Attributed to Common Shareholders

(In millions of dollars)	Individual Insurance 2022	Individual Insurance 2021	Individual Wealth Management 2022	Individual Wealth Management 2021	Group Insurance 2022	Group Insurance 2021	Group Savings and Retirement 2022	Group Savings and Retirement 2021	US Operations 2022	US Operations 2021	Total 2022	Total 2021
Sources of earnings:[†]												
Expected profit on in-force	409	384	269	284	129	98	25	33	150	128	982	927
Experience gains (losses)	(42)	59	(34)	9	6	10	7	(12)	(22)	3	(85)	69
Gain (strain) on sales	37	(9)	—	—	—	—	(1)	—	11	(6)	47	(15)
Changes in assumptions	(115)	31	4	1	8	(3)	85	(31)	69	4	51	2
Operating profit	289	465	239	294	143	105	116	(10)	208	129	995	983
Income on capital	70	108	(15)	22	(18)	5	6	10	(21)	(20)	22	125
Income taxes	(38)	(119)	(38)	(86)	(30)	(31)	(33)	—	(36)	(20)	(175)	(256)
Net income attributed to shareholders	321	454	186	230	95	79	89	—	151	89	842	852
Less: preferred share dividends	17	16	4	3	2	2	2	1	—	—	25	22
Net income attributed to common shareholders	**304**	**438**	**182**	**227**	**93**	**77**	**87**	**(1)**	**151**	**89**	**817**	**830**

Quarterly Results

(In millions of dollars, unless otherwise indicated)	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Revenues								
Net premiums	3,492	2,871	3,132	3,614	3,353	3,332	3,104	3,375
Investment income	352	463	(3,418)	(3,997)	2,067	(41)	1,730	(3,550)
Other revenues	510	514	527	535	557	543	510	506
Total	**4,354**	**3,848**	**241**	**152**	**5,977**	**3,834**	**5,344**	**331**
Income before income taxes	256	262	245	193	292	289	304	233
Income taxes	45	48	27	36	68	63	69	59
Net income	211	214	218	157	224	226	235	174
Less: net income attributed to participating policyholders	(29)	(4)	(9)	—	10	3	(1)	(5)
Net income attributed to shareholders	240	218	227	157	214	223	236	179
Less: preferred share dividends	11	3	5	6	5	6	5	6
Net income attributed to common shareholders	**229**	**215**	**222**	**151**	**209**	**217**	**231**	**173**
Earnings per common share								
Basic	$2.18	$2.03	$2.07	$1.40	$1.95	$2.01	$2.16	$1.61
Diluted	$2.17	$2.03	$2.06	$1.40	$1.94	$2.01	$2.15	$1.61
Net transfers to segregated funds	392	191	547	1,239	1,004	1,018	845	411
Increase (decrease) in insurance contract liabilities	897	497	(3,344)	(4,269)	1,890	96	1,789	(3,820)
Increase (decrease) in investment contract liabilities	4	3	(24)	(27)	5	1	7	(14)
Total general fund assets	50,091	49,945	48,868	51,835	55,082	54,226	53,160	52,238
Segregated funds net assets	37,334	35,469	35,625	38,874	39,577	36,886	35,837	33,437

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Financial Position

Capitalization and Solvency

Capitalization†

iA Financial Corporation's capital structure can be divided into three categories: equity, debentures, and participating policyholders' accounts. At December 31, 2022, the Company's capital† was more than $8.6 billion, compared to nearly $8.7 billion a year earlier, with equity and participating policyholders' accounts representing 83% of total capital.

The variation in 2022 is mainly due to the decrease in accumulated other comprehensive income (AOCI) resulting from rising interest rates, and, to a lesser extent, the decrease in common shares as a result of share buybacks. These decreases were partly offset by an increase in retained earnings resulting from profits realized during the year, net of dividends paid to common shareholders.

Capital Structure†

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Equity					
Common shares	1,675	1,706	1,674	1,666	1,656
Preferred shares[1]	525	525	525	525	525
Retained earnings[2,3]	5,331	4,963	4,170	3,823	3,440
Contributed surplus	17	17	20	18	23
AOCI[4]	(414)	(14)	83	56	23
Subtotal	7,134	7,197	6,472	6,088	5,667
Debentures[1]	1,500	1,450	1,449	1,050	901
Participating policyholders' accounts[4]	6	48	41	42	52
Total	**8,640**	**8,695**	**7,962**	**7,180**	**6,620**

Financial Leverage† and Coverage Ratio†

The debt ratio† measured as debentures over the capital structure was 17.4% at December 31, 2022. With preferred shares added to the debentures, the ratio was 23.4%. The increase in these ratios is mainly explained by the net value between the redemption of $250 million of subordinated debentures and the issuance of $300 million of unsecured subordinated debentures (the Company's inaugural sustainability bonds) in February 2022.

At December 31, 2022, the coverage ratio† was 13.2x, compared to 16.1x at December 31, 2021. The decrease is mainly due to lower pre-tax earnings and to higher financing expenses as a result of 2022 capital management. The coverage ratio is measured as the Company's earnings for the last twelve months before interest and income tax expenses divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Debt ratios†					
Debentures/capital structure	17.4%	16.7%	18.2%	14.6%	13.6%
Debentures and preferred shares/capital structure	23.4%	22.7%	24.8%	21.9%	21.5%
Coverage ratio (number of times)[†,5]	13.2x	16.1x	11.7x	16.6x	14.6x

1 Items considered as long-term debt and included in the debt ratio calculation.
2 In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by $58 million.
3 In the fourth quarter of 2019, an adjustment retroactive to January 1, 2018 was made transferring $7 million from retained earnings to participating policyholders' accounts.
4 AOCI: Accumulated other comprehensive income.
5 Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred share dividends and preferred share redemption premiums (if applicable).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Solvency

When iA Financial Corporation was created as a holding company, it committed to following the Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline issued by the Autorité des marchés financiers (AMF). The Company had a solvency ratio† of 126% at December 31, 2022, compared to 134% at December 31, 2021. This decrease is mainly due to the impact of unfavourable macroeconomic variations, the NCIB share redemption, as well as management actions and portfolio adjustments in view of the transition to the new accounting standards IFRS 9 and 17. These factors more than offset the strong contribution of organic capital generation† net of digital initiatives, the impacts of a reinsurance agreement signed in 2022 and the net positive impact of the February debenture redemption and issuance. Note that most of the negative impacts of the portfolio adjustments in preparation for the transition to the new accounting regime will be reversed under IFRS 9 and 17. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2022.

As mentioned above, organic capital generation† was very strong throughout the year with the Company generating approximately $550 million in additional capital in 2022, exceeding the $450 million to $525 million target range for the year. The very good organic capital generation is expected to continue into 2023, and the Company intends to maintain a solvency ratio within or above the target range for iA Financial Corporation.[6]

	As at December 31	
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**
Available capital	4,781	4,982
Surplus allowance and eligible deposits	4,621	5,261
Base solvency buffer	7,481	7,640
Solvency ratio†	**126%**	**134%**

Equity and Financing

Redemption and Issue of Financial Instruments

In February 2022, iA Insurance redeemed its subordinated debentures issued in February 2015 with a principal amount of $250 million and bearing interest of 2.64%.

In February 2022, iA Financial Corporation issued $300 million in 3.187% fixed/ floating subordinated debentures.

In June 2022, iA Financial Corporation issued $250 million in 6.611% fixed/ floating Limited Recourse Capital Notes. In connection with the issuance of the notes, iA Financial Corporation issued 250,000 non-cumulative 5-year rate reset Class A Preferred Shares – Series A.

In June 2022, iA Insurance redeemed its non-cumulative 5-year rate reset Class A Preferred Shares – Series G issued in June 2012 for a total redemption price of $250 million.

Debentures

The Company had four series of debentures, one of which was issued by iA Insurance, on its balance sheet at December 31, 2022, with a total book value of $1,494 million. These four series, which are detailed in the table later in this section, were classified as financial liabilities at amortized cost. The debentures represent direct unsecured obligations of the Company that are subordinate to those of the Company's policyholders and other creditors. In 2022, the financing expense, made up of interest and the amortization of issuance costs, amounted to $45.7 million compared to $41.6 million in 2021.

Limited Recourse Capital Notes

The Company had one Limited Recourse Capital Note on its balance sheet at December 31, 2022, with a total book value of $250 million. This note, which is detailed in the table later in this section, was classified as other equity instruments at cost. The note represents a direct unsecured limited recourse obligation of the Company. As such, recourse of the noteholder is limited to that holder's proportionate share of the Limited Recourse Trust's assets, which consist of non-cumulative 5-year rate reset Class A Preferred Shares – Series A. In 2022, the distributions and transaction costs amounted to $9.6 million and were recognized directly to retained earnings.

Outstanding Common Shares

The Company has only one class of common shares and all common shares contain a single voting right. In addition, no shareholder may acquire, directly or indirectly, 10% or more of the voting shares of iA Financial Corporation, and iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance. iA Financial Corporation's common shares are traded on the Toronto Stock Exchange under the ticker symbol IAG. (See the "Notice" at the beginning of this Management's Discussion and Analysis for more information about the legal constitution of iA Financial Group.)

[6] Please refer to the "Forward-Looking Statements" section of this document.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The number of issued and outstanding common shares at December 31, 2022 was 104,772,775, a decrease of 2,784,802 compared to December 31, 2021. This decrease is mainly due to the redemption and cancellation of common shares under the Normal Course Issuer Bid (NCIB) program, which was marginally offset by the exercise of stock options under the stock option plan for executives.

Common Shares

	As at December 31				
(In millions)	**2022**	**2021**	**2020**	**2019**	**2018**
Number of common shares outstanding	105	108	107	107	109

Stock Price and Market Capitalization

iA Financial Group became a stock company in February 2000. The Company's stock began trading on the Toronto Stock Exchange on February 3, 2000, at a price of $7.875, taking into account the two-for-one split of the Company's common shares, which took place on May 16, 2005. The Company's stock closed the year at $79.27, with a market capitalization of slightly over $8.3 billion, an increase of 10% in 2022.

Stock Price and Market Capitalization

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**	**2020**	**2019**	**2018**
Stock price	$79.27	$72.38	$55.18	$71.33	$43.57
Market capitalization	8,305	7,785	5,908	7,630	4,731

Book Value per Common Share[7]

The book value per common share was $63.06 at the end of 2022, up nearly 2% during the year. This increase stems mainly from the contribution of retained earnings net of dividends paid in 2022. The growth of this metric in 2022 was tempered by unrealized losses in other comprehensive income. Without this factor, book value growth would have been over 9% in 2022.

Book Value per Common Share

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Book value per common share[7]	$63.06	$62.01	$55.52	$51.99	$47.34

Preferred Shares

In 2022, the iA Insurance subsidiary paid $18 million in dividends to preferred shareholders with Class A Shares, Series B, G and I. iA Insurance's capital currently includes two series of Class A Preferred Shares, Series B and I, as shown in the full-page table later in this section.

Dividends

In July 2022, the Company increased its quarterly dividend per common share by 8%, from $0.6250 to $0.6750. As a result, the dividend for 2022 totalled $2.6000 per common share, compared to $2.0800 per common share in 2021, an increase of 25%. In total, the Company paid out $277 million in dividends to common shareholders in 2022. The dividend payout ratio[†] for the year was 29% of the net income attributed to common shareholders, which is within the 25% to 35% target range given as guidance at the beginning of 2022.

Dividends

	2022	**2021**	**2020**	**2019**	**2018**
Dividends paid per common share	$2.60	$2.08	$1.94	$1.77	$1.59
Dividend payout ratio[†]	29%	27%	34%	27%	28%

Declaration of Fourth Quarter Dividends

Following are the amounts and dates of payment and closing of registers for common shares and the various categories of preferred shares.

The Board of Directors has approved a quarterly dividend of $0.6750 per share, the same as that announced the previous quarter, on the outstanding common shares of iA Financial Corporation. This dividend is payable on March 15, 2023 to the shareholders of record as at February 24, 2023.

[7] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

In the fourth quarter of 2022, iA Insurance paid a dividend of $150 million to its sole common shareholder, iA Financial Corporation. For the first quarter of 2023, the Board of Directors of iA Insurance determined that there will be no dividend to its sole common shareholder, iA Financial Corporation. As a result, no dividend should be paid by iA Insurance to iA Financial Corporation during the first quarter of 2023.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.2875 per non-cumulative Class A Preferred Share – Series B. The dividend is payable in cash on March 31, 2023, to the preferred shareholders of record as at February 24, 2023.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.3000 per non-cumulative Class A Preferred Share – Series I. The dividend is payable in cash on March 31, 2023, to the preferred shareholders of record as at February 24, 2023.

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial and territorial tax legislation, all dividends paid by iA Financial Corporation on its common shares and by Industrial Alliance Insurance and Financial Services on its preferred shares are eligible dividends.

Stock Option Plan

In accordance with the Stock Option Plan adopted by the Board of Directors in 2001, the Human Resources and Compensation Committee granted 195,000 new share purchase options in 2022. These new options, which will expire in 2032, were granted at a weighted average exercise price of $83.87 in February 2022 and of $63.55 in May 2022. The issue, net of the options exercised and cancelled during the year, brings the number of share purchase options outstanding to 1,539,133 or 1.47% of the number of issued and outstanding shares at December 31, 2022.

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

The Dividend Reinvestment and Share Purchase Plan for Common Shareholders allows participants to have their dividends automatically reinvested in iA Financial Corporation common shares and to make cash purchases of additional iA Financial Corporation common shares. Shares issued under the plan are currently acquired on the secondary market.

Normal Course Issuer Bid

On November 9, 2022, the Company announced the early termination of its Normal Course Issuer Bid (NCIB), in effect since December 6, 2021, and the establishment of a new NCIB. The terminated NCIB expired at the close of markets on November 11, 2022 and the new NCIB began on November 14, 2022. Through this new NCIB, the Company can redeem, in the normal course of its activities, from November 14, 2022 to November 13, 2023, up to 5,265,045 common shares representing 5% of the issued and outstanding common shares. A total of 3,109,402 shares were redeemed and cancelled in 2022, representing a cumulative amount of $213M.

Preferred Shares, Debentures and other Equity Instruments – iA Financial Corporation Inc.

Subordinated debentures issued on February 21, 2020 and maturing on February 21, 2030	
Principal amount:	$400 million
Book value:	$398 million
Interest:	2.400% until February 21, 2025. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate) plus 0.71%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 21, 2025, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.8 million.
Subordinated debentures issued on September 24, 2019 and maturing on September 24, 2031	
Principal amount:	$400 million
Book value:	$398 million
Interest:	3.072% until September 24, 2026. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 1.31%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 24, 2026, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $2.0 million.
Subordinated debentures issued on February 25, 2022 and maturing on February 25, 2032	
Principal amount:	$300 million
Book value:	$299 million
Interest:	3.187% until February 25, 2027. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 0.91%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 25, 2027, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $1.0 million.
Limited Recourse Capital Notes issued on June 1, 2022 and maturing on June 30, 2082	
Principal amount:	$250 million
Book value:	$250 million
Interest:	6.611% until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the interest rate on these notes will be reset at an interest rate per annum equal to the 5-year Government of Canada bond yield plus 4.00%.
Redemption and repayment:	Redeemable by the Company on June 30, 2027, and every 5 years thereafter from May 31 to June 30, in whole or in part, subject to prior approval by the regulatory bodies.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Class A Preferred Shares – Series A issued on May 25, 2022 as part of the Limited Recourse Capital Notes ("Notes") issuance on June 1, 2022	
Number:	250,000
Held by:	Class A Preferred Shares – Series A held by the Limited Recourse Trustee, Computershare Trust Company of Canada, as trust assets (the "Limited Recourse Trust"). In the event of non-payment of interest on or principal of the Notes when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Series A shares, except in certain limited circumstances.
Principal amount:	$250 million
Book value:	Held within the Limited Recourse Trust and therefore is eliminated on the Company's Consolidated Statements
Dividend:	Non-cumulative 5-year rate reset semi-annual dividend at an initial annual rate of $66.11 in cash per preferred share until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada Yield plus 4.00%. Until revoked, the Limited Recourse Trust has waived its right to receive any and all dividends on the Class A Preferred Shares – Series A.
Voting rights:	No voting rights
Conversion:	None
Redemption and repayment:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on June 30, 2027 and every 5 years thereafter from May 31 to June 30 inclusive.

Preferred Shares, Debentures and Other Equity Instruments – Industrial Alliance Insurance and Financial Services Inc.

Class A Preferred Shares – Series B	
Number:	5,000,000
Principal amount:	$125 million
Book value:	Shares recognized at their acquisition value
Dividend:	Fixed non-cumulative quarterly dividend of $0.2875 per preferred share
Voting rights:	No voting rights
Conversion:	Not convertible into common shares, convertible to Class A Preferred Shares.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the Autorité des marchés financiers (AMF), on or after March 31, 2011.

Class A Preferred Shares – Series I	
Number:	6,000,000
Principal amount:	$150 million
Book value:	Shares recognized at their acquisition value
Dividend:	Non-cumulative 5-year rate reset quarterly dividend at an initial annual rate of $1.20 in cash per preferred share until March 31, 2023. On March 31, 2023 and on March 31 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada bond yield plus 2.75%.
Voting rights:	No voting rights
Conversion:	Convertible at the option of the holder to Class A Preferred Shares – Series J on March 31, 2023 and on March 31 every 5 years thereafter.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on March 31, 2023 and on March 31 every 5 years thereafter.

Subordinated debentures issued on September 16, 2016 and maturing on September 15, 2028	
Principal amount:	$400 million
Book value:	$399 million
Interest:	3.30% until September 15, 2023. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR plus 2.14%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 15, 2023, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.0 million.

More information about the features of the preferred shares, debentures and other equity instruments can be found in the prospectus documents, which are available on the Company's website at ia.ca in the *Investor Relations* section under *About iA*.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported in a timely fashion to senior management, in particular the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary in order that appropriate decisions may be made regarding disclosure. These controls and procedures are also designed to ensure that the information is gathered, recorded, processed, condensed and reported within the time frames prescribed by Canadian securities regulations.

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the controls and procedures for disclosing the Company's information. Following an evaluation carried out by these senior officers as at December 31, 2022, the Company's disclosure controls and procedures were deemed to be effective.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance that the Company's financial reporting is reliable and that, for the purposes of publishing its financial information, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the Company's internal control over financial reporting as defined in Multilateral Instrument 52-109 (*Certification of Disclosure in Issuers' Annual and Interim Filings*). As at December 31, 2022, they evaluated the effectiveness of the internal control over financial reporting using the framework and criteria established in the *Internal Control – Integrated Framework* report published by the Committee of Sponsoring Organizations of the Treadway Commission. Following this evaluation, they concluded that the internal control over financial reporting was effective. During the year, no changes had, or are reasonably likely to have had, a material impact on internal control over financial reporting.

Significant Accounting and Actuarial Policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For more information on significant accounting policies, refer to Note 2 of the Company's consolidated financial statements.

The preparation of the financial statements requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results may differ from management's estimates. The estimates and assumptions are revised periodically based on changes in relevant facts and circumstances. The changes are then accounted for in the period in which the revisions are made and in all subsequent periods affected by the revisions. The most significant estimates and judgments pertain to the classification of contracts and the determination of policy liabilities.

Other Items

Related Party Transactions

Related party transactions are described in Note 28 of the Company's consolidated financial statements.

Guarantees, Commitments and Contingencies

In the normal course of business, the Company frequently signs various types of contracts or agreements which, in certain cases, can be considered to be guarantees, commitments or contingencies.

As at December 31, 2022, the Company's contractual obligations and commitments were as follows:

Contractual Obligations – Payments Due by Period

	As at December 31, 2022			
(In millions of dollars)	**Total**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Debentures	1,500	—	—	1,500
Lease liabilities	110	20	52	38
Purchasing commitments	319	98	221	—
Other long-term commitments	4,386	2,551	1,020	815
Total of contractual obligations	**6,315**	**2,669**	**1,293**	**2,353**

For more information on commitments to third parties, investment commitments and the Company's lines of credit, refer to Note 29 of the consolidated financial statements.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Credit Ratings

The Company and its subsidiaries receive credit ratings from three independent rating agencies: Standard & Poor's, DBRS Morningstar and A.M. Best. These ratings, presented in the table below, confirm the financial strength of the Company and its subsidiaries and their ability to meet their commitments to policyholders and creditors.

In 2022, the credit ratings assigned by Standard & Poor's, DBRS Morningstar and A.M. Best remained unchanged, with a stable outlook.

Credit Ratings

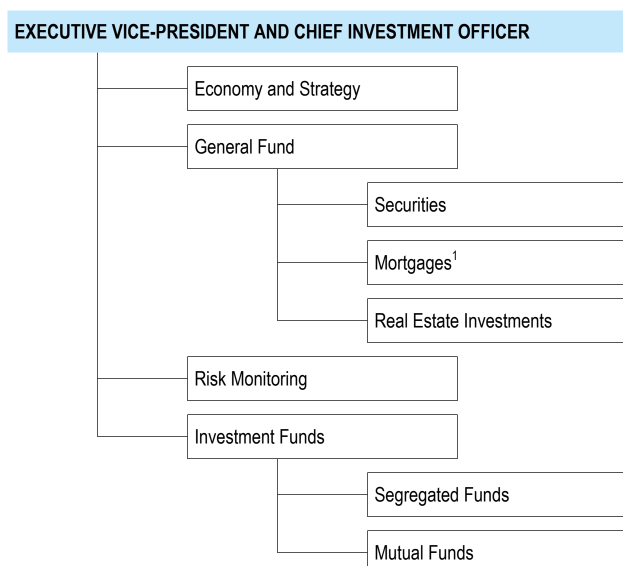
Agency	Type of evaluation	Rating
iA Financial Corporation Inc.		
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
	Limited Recourse Capital Notes	BBB+
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)
	Limited Recourse Capital Notes	BBB (high)
Industrial Alliance Insurance and Financial Services Inc.		
Standard & Poor's	Issuer Credit Rating	AA-
	Financial Strength Rating	AA-
	Subordinated Debentures	A+
	Preferred Shares – Canadian scale	P-1 (low)
	Preferred Shares – Global scale	A
DBRS Morningstar	Financial Strength	AA (low)
	Issuer Rating	AA (low)
	Subordinated Debentures	A (high)
	Preferred Shares	Pfd-1 (low)
A.M. Best	Financial Strength	A+ (Superior)
	Issuer Credit Rating	aa- (Superior)
	Subordinated Debentures	a (Excellent)
	Preferred Shares	a- (Excellent)
IA American Life Group Entities (IA American Life Insurance Company, American-Amicable Life Insurance Company of Texas, Pioneer Security Life Insurance Company, Pioneer American Insurance Company, Occidental Life Insurance Company of North Carolina)		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)
Industrial Alliance Pacific General Insurance Corporation		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a+ (Excellent)
Dealers Assurance Company		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investments

Description of Sector

The Investments sector has two main functions: managing the assets in the Company's general fund and managing the investment funds offered to its clients. All of iA Financial Group's investment activities, including those associated with its U.S. operations, are combined under a single authority and share a common philosophy. The Investment management structure is illustrated below.



Most of iA Financial Group's investment professionals look after asset allocation and securities selection for the general fund and for a number of segregated and mutual funds, in addition to overseeing all external managers.

The general fund experts manage a diverse range of investments, including bonds, stocks, mortgages, real estate investments, short-term investments and derivatives.

The risk monitoring team is responsible for developing a global vision for the control and monitoring of the various investment risks (interest rate, stock market, foreign currency, credit, liquidity, etc.). It is also responsible for analyzing and monitoring active risk and risks related to investment funds. In addition to quantifying the risks, the team helps develop strategies for managing these risks effectively.

Sustainable Investment Approach

The *Responsible Investment Policy*, *Sustainable Development Policy* and *Proxy Voting Policy* provide guidance on how our investment teams incorporate ESG considerations into investment management and stewardship activities in a consistent and comprehensive manner.

When assets are managed internally, Industrial Alliance Investment Management Inc. (iAIM) portfolio managers and analysts are expected to adhere to the guiding principles of the Responsible Investment Policy, in particular the incorporation of ESG considerations into the investment process. iAIM regularly assesses the application of this Policy across its investment portfolios. When assets are managed by an external manager, we review their Responsible Investment policy and practices as part of the selection process, as well as on a regular, ongoing basis.

[1] The Company withdrew from the residential mortgage market in 2020. The mortgage portfolio is now made up of multi-unit residential and non-residential loans.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Assets Under Management and Administration†

At December 31, 2022, iA Financial Group had $200.4 billion in assets under management and administration, compared to $221.2 billion at the previous year end. Growth in asset levels throughout 2022 was tempered by challenging financial market conditions and rising interest rates.

Assets Under Management and Administration

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Assets under management†					
General fund	50,091	55,082	53,662	45,280	39,760
Segregated funds	37,334	39,577	32,804	27,868	23,781
Mutual funds	11,611	13,955	11,393	11,594	10,833
Other	3,670	2,862	3,797	15,500	14,721
Subtotal	102,706	111,476	101,656	100,242	89,095
Assets under administration†	97,717	109,687	95,830	89,246	79,678
Total	**200,423**	**221,163**	**197,486**	**189,488**	**168,772**

Assets under management, which are made up of amounts in the general fund, segregated funds and mutual funds, as well as certain assets managed for third parties (classified as *Other*), amounted to $102.7 billion at December 31, 2022, compared to $111.5 billion at the previous year end.

Assets under administration totalled $97.7 billion at December 31, 2022, compared to $109.7 billion the previous year. Assets under administration essentially include third-party assets that are administered through the mutual fund brokerage company (Investia Financial Services), the securities brokerage company (iA Private Wealth) and the trust company (iA Trust).

General Fund

General Fund Investments

The Company takes a prudent, disciplined approach to investing and aims to achieve an optimal balance between risk and return. In addition to ensuring that its investments are well diversified among issuers and operating sectors, as well as geographically, the Company closely monitors its asset/liability matching and maintains a sufficient level of liquidity at all times. For more information about liquidity risk and how it is managed, and about the asset/ liability matching process and the measures used by the Company to reduce the risks associated with this process, refer to the "Risk Management" section of this Management's Discussion and Analysis.

The assets related to the Company's insurance and annuity operations are mainly invested in fixed-income securities, such as bonds, and to a lesser extent, in equity securities (stocks). The assets related to the Company's capital are invested in fixed-income securities and preferred shares.

Composition of General Fund Investments

At the end of 2022, 68% of the Company's investments were invested in bonds and 7% in mortgages and other loans, for a total of 75% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 75% and 79% over the last five years, while stocks have varied between 7% and 10%.

General Fund Investments

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Bonds	27,287	32,893	32,099	27,509	23,592
Mortgages and other loans	2,831	2,922	2,802	3,870	3,661
Stocks	4,033	3,906	3,286	3,024	3,055
Real estate	1,804	1,870	1,916	2,077	1,721
Other invested assets	4,030	4,060	5,045	3,440	2,550
Total	**39,985**	**45,651**	**45,147**	**39,919**	**34,579**

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investments by Asset Category

	As at December 31	
	2022	**2021**
Portfolio	**$40.0B**	**$45.7B**
Bonds	68%	72%
Mortgages and other loans	7%	6%
Stocks	10%	9%
Real estate	5%	4%
Other	10%	9%

The figures do not always add up exactly due to rounding differences.

Overall Quality of Investments

At December 31, 2022, net impaired investments totalled $22 million, compared to $17 million a year earlier. On a $40.0 billion portfolio, this represents 0.05% of total investments (0.04% at December 31, 2021). The increase is the net result of the early prepayment of the entire principal and interest accrued on one impaired bond and the addition of a new impaired bond following a deterioration in credit quality, which stems from shifting trends related to the pandemic.

The overall quality of investments continued to be very good in 2022.

Net Impaired Investments (Excluding Insured Loans)

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Bonds	22	17	31	10	13
Mortgages and other loans	—	—	—	1	3
Total	**22**	**17**	**31**	**11**	**16**

Net impaired investments are made up of bonds and conventional mortgages that are three or more months in arrears, as well as restructured loans and other loans in default, taking into account any specific provisions for losses set up in consideration of these assets.

Net Impaired Investments as a Percentage of Total Investments

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Net impaired investments	0.05	0.04	0.07	0.03	0.05

For the investment portfolio as a whole, unrealized losses on corporate fixed-income securities classified as *available for sale* amounted to $277 million at December 31, 2022 ($36 million at December 31, 2021).

Bond Portfolio

The quality of the Company's bond portfolio is very good, totalling $27.3 billion at December 31, 2022.

In accordance with the rules defined in the investment policies, the Company largely invests in bonds whose credit rating from a recognized rating agency is BBB low or higher at the time of acquisition. In the event no evaluation is available from a recognized rating agency, the Company uses an in-house method to evaluate the quality of the bonds in question.

The proportion of bonds rated A or higher made up 75% of the bond portfolio at the end of 2022, compared to 80% at the end of 2021. At December 31, 2022, bonds rated BB and lower (high-yield bonds) totalled $275 million (1.0% of the bond portfolio), compared to $309 million at December 31, 2021 (0.9% of the bond portfolio).

Bonds by Credit Rating

	As at December 31	
	2022	**2021**
Portfolio	**$27.3B**	**$32.9B**
AAA	8%	5%
AA	29%	41%
A	37%	34%
BBB	24%	19%
BB and lower	1%	1%

The figures do not always add up exactly due to rounding differences.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

In addition to investing in bonds issued through public placements (government bonds and bonds of public corporations), the Company also invests in bonds issued through private placements. These bonds offer investment opportunities that are generally not available on the public market, and offer performance and risk features that are suitable for the operations of a life insurance company. They also provide greater access to information from issuers. However, bonds issued through private placements do not have the same level of liquidity and could be affected by changing credit conditions in the market. At December 31, 2022, private issue bonds totalled $5.8 billion, accounting for 21% of the bond portfolio ($5.8 billion or 18% of the portfolio at December 31, 2021).

Bond Portfolio

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)	**27,287**	**32,892**	**32,099**	**27,509**	**23,592**
Distribution by category of issuer (%)					
Governments	31	40	47	50	51
Municipalities	3	4	5	5	5
Corporates – Public issues	45	38	31	28	26
Corporates – Private issues	21	18	17	17	18
Total	100	100	100	100	100

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to $2.8 billion at December 31, 2022 compared to $2.9 billion a year earlier. At the end of 2022, 14% of the portfolio ($380 million) was securitized through the Canada Mortgage and Housing Corporation (CMHC) Canada Mortgage Bond (CMB) program.

The mortgage portfolio alone, made up of multi-unit residential and non-residential mortgages, totalled nearly $1.6 billion and was of excellent quality at December 31, 2022, with a delinquency rate of nil. The delinquency rate data includes both insured and uninsured mortgages.

Delinquency Rate as a Percentage of Mortgages

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Delinquency rate	—	—	—	0.08	0.09

As shown in the table below, insured mortgages have represented approximately three-quarters of the total mortgage portfolio in recent years (71% in 2022).

Mortgages and Other Loans Portfolio

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)					
Mortgages	1,612	1,866	1,892	3,076	2,999
Other loans – Car loans	1,219	1,055	910	794	662
Total	**2,831**	**2,922**	**2,802**	**3,870**	**3,661**
Distribution of mortgages by type of loan (%)					
Insured loans	71	71	73	74	76
Conventional loans	29	29	27	26	24
Total	**100**	100	100	100	100
Mortgage delinquency rate (%)	—	—	—	0.08	0.09

At December 31, 2022, the proportion of mortgages secured by multi-unit residential properties was 84%. This number has been above 80% for several years.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Mortgages by Type of Property

	As at December 31	
	2022	**2021**
Portfolio	**$1.6B**	**$1.9B**
Residential	—	—
Multi-unit residential	84%	84%
Non-residential	16%	16%

In addition to mortgages and other loans, the Company also manages assets for third parties. In total, the Company's portfolio of mortgages and other loans plus assets managed for third parties amounted to $6.2 billion at December 31, 2022 ($5.3 billion at December 31, 2021).

Stock Portfolio

At December 31, 2022, investments in equity securities amounted to $4.0 billion, or 10% of the Company's total investments, compared to $3.9 billion or 9% a year earlier.

Investments in equity securities, as well as the Company's preferred shares, are used to match long-term insurance contract liabilities and to cover the commitments on certain Universal Life policies. The stock portfolio matched to very long-term commitments delivered a return of 8% in 2022, while the Company's preferred shares delivered a return of -15%. Private equities occupy an increasingly large part of the portfolio. This equity category offers opportunities in terms of diversification, returns and matching of very long-term commitments.

Stock Portfolio by Type of Matching

	As at December 31	
	2022	**2021**
Portfolio	**$4.0B**	**$3.9B**
Very long-term commitments	60%	54%
Universal Life policies	28%	30%
Capital (preferred shares)	12%	15%

The figures do not always add up exactly due to rounding differences.

The management strategy used for the stock portfolio aims to optimize return through investments in preferred shares, common shares, market indices and investment funds. The Company favours a policy of diversification by industrial sector and by issuer to limit its exposure to concentration risk and to participate in the growth of all primary economic sectors.

Stock Portfolio

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)	**4,033**	**3,906**	**3,286**	**3,024**	**3,055**
Distribution by category of stock (%)					
Common shares and investment fund units	27	30	30	27	36
Preferred shares	12	18	23	19	16
Market indices	7	5	2	10	10
Private equities	54	47	45	44	38
Total	100	100	100	100	100

Real Estate Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties decreased by $66 million in the past year to $1.8 billion at December 31, 2022. Changes in the book value are normally due to the net amount of acquisitions and dispositions, the change in the fair value of investment properties that were reappraised during the year and any capital expenses on the properties. Real estate investments represented 4.5% of the total investment portfolio at December 31, 2022.

The occupancy rate of investment properties was 88% at December 31, 2022, compared to 92% at December 31, 2021. This decrease is mainly due to iA's "Work from Anywhere" program. In line with this program, iA vacated and consolidated some of its office space in Quebec City, Montreal and Toronto. Nevertheless, this occupancy rate continues to compare favourably with commercial rental properties in large Canadian cities. The weighted average lease term (WALT) of the real estate portfolio is 8.8 years, ensuring stable long-term revenues for the Company.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Office buildings account for nearly 86% of the Company's real estate investments.

Investment Properties

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio	**1,804**	**1,870**	**1,916**	**2,077**	**1,721**
Occupancy rate	88%	92%	95%	94%	95%

Investment Properties by Category of Property

	As at December 31	
	2022	**2021**
Portfolio	**$1.8B**	**$1.9B**
Office	86%	87%
Retail	5%	6%
Industrial	4%	2%
Multi-unit residential, land and other	5%	4%

The figures do not always add up exactly due to rounding differences.

Derivative Financial Instruments

The Company uses derivative financial instruments in the normal course of managing the risk arising from fluctuations in interest rates, equity markets, currencies and credit. These instruments are primarily made up of interest rate, equity and foreign exchange swaps, as well as options, futures and forward contracts.

Derivative financial instruments are used as part of the Company's hedging program. This program aims to alleviate the sensitivity of the capital guarantees on certain segregated fund products to interest rate and stock market fluctuations.

The Company also uses derivatives in the implementation of strategies to improve the matching of assets backing long-term life insurance liabilities and to hedge the risk associated with the Universal Life policy funds.

The Company uses derivative financial instruments to hedge its exposure to currency risk when investing in assets not denominated in the same currency as the liabilities backed by these assets.

The Company has an investment strategy that uses options to obtain synthetic stock market exposure while reducing its macroeconomic risk profile.

The table below presents certain values pertaining to the Company's financial instruments. For more information, refer to Note 8 of the Company's consolidated financial statements.

Derivative Financial Instruments – Fair Value and Exposure

	As at December 31	
(In millions of dollars)	**2022**	**2021**
Net fair value	(480)	391
Notional amount	37 950	30,587

Other Invested Assets

The *Other invested assets* category is made up of cash and cash equivalents, policy loans (most insurance contracts, except for term insurance contracts, allow policyholders to obtain a loan on the surrender value of their contracts), derivatives, short-term investments and other investments. These investments totalled $4.0 billion at December 31, 2022 ($4.1 billion at December 31, 2021).

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $48.9 billion at December 31, 2022 ($37.3 billion in segregated funds and $11.6 billion in mutual funds), a decrease of $4.7 billion from the previous year. This decrease is mostly explained by unfavourable financial markets which also decreased sales.

Segregated Fund and Mutual Fund Assets

	As at December 31				
(In billions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Segregated funds	37.3	39.6	32.8	27.9	23.8
Mutual funds	11.6	14.0	11.4	11.6	10.8

Range of Funds

iA Financial Group offers a broad and diverse range of investment funds. As at December 31, 2022, the Company offered its clients more than 250 funds, with approximately half of the assets in these funds being managed by internal investment teams.

The Company continued to adjust its segregated fund offering in 2022 to increase its diversity and complementarity and to respond to client demand. In the individual segregated fund segment, the Company added five funds, including four sustainable investment funds, to further diversify its offering in this market segment. On the mutual fund front, IA Clarington Investments also added three funds during the year, including two sustainable investment funds, as well as a managed risk income portfolio designed to give clients additional downside protection. Lastly, in the Group Savings and Retirement sector, the Company made some minor enhancements to its lineup with three additions and two closures.

iA Financial Group's Investment Funds

	As at December 31, 2022	
	Assets ($billion)	**Distribution of assets**
Segregated funds	37.3	76%
Mutual funds	11.6	24%
Total	**48.9**	**100%**

Investment Fund Performance

2022 was a very eventful year. After 2020 (the year of the virus) and 2021 (the year of the vaccine and economic re-openings), 2022 was the year that saw inflation spike to multi-decade highs, leading central banks to significantly raise interest rates to curtail inflationary pressures. Energy prices also rose sharply, influenced by the war between Russia and Ukraine and the resulting sanctions. In this environment, performance was challenging for both equities and fixed income assets, thus offering little relief for investors.

For equities, the S&P 500 representing the U.S. equity market fell 18.1% (in USD) for the year but a more modest -12.5% in Canadian dollar terms given the relative strength of the U.S. dollar. The tech-heavy Nasdaq 100 had an even more difficult year with a -28.1% reading for the year (in CAD). In Canada, the S&P/TSX held up better with a -5.8% result given its exposure to Energy, which strongly benefited from the rise in oil prices. Overseas, the MSCI EAFE and MSCI EM representing international equity and emerging markets, respectively, returned -8.2% and -13.9% for the year (in CAD). Globally, the MSCI World, which includes all developed countries, returned -12.2% (in CAD) in 2022. For fixed income, 2022 was also a difficult year given the strong rise in interest rates. In Canada, the FTSE Canada Universe Index, representing the investment grade fixed income market, returned -11.7% for the year.

In this context, the returns on the vast majority of our funds were difficult given public market results. These results were generally aligned with those of similar funds offered in the industry. The returns on all the Company's investment funds, as well as detailed financial information on these funds, are presented in the investment fund financial reports prepared by iA Financial Group.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Risk Management

The “Risk Management” section of the Management’s Discussion and Analysis contains certain information required under IFRS 7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the audited consolidated financial statements for the period ended December 31, 2022, given that the standard permits cross-references between the Notes to the Financial Statements and the Management’s Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally aligned with what is found in the financial statements.

As a financial group, iA Financial Corporation must take and manage a variety of risks arising from its business activities in order to create long-term value and ensure its sustainability.

Risk Management Principles and Responsibilities

iA Financial Corporation defines risk as the possibility of an event occurring that will have an adverse impact on its business, financial condition and achievement of objectives. Sound and effective risk management therefore involves identifying, assessing, measuring, understanding, managing, monitoring and communicating the risks to which the Company is exposed in the course of its operations, and the effectiveness of the controls in place to mitigate them.

In accordance with this principle, iA Financial Corporation has implemented an integrated risk management framework that is continually applied and taken into account in developing the Company’s business strategies and in all of its operations. The risk management framework enables the Company to conduct sound and prudent risk management by promoting an approach that balances the achievement of strategic objectives with risk taking. This approach is characterized by the consideration of risks in decision-making, aligning the strategic orientations, and respecting the Company’s risk appetite and tolerance. The framework defines the Company’s risk appetite and tolerance as the amount of risk the Company is willing to accept in relation to its strategic objective and to enhance its long-term value.

To maximize the benefits of an integrated risk management framework, iA Financial Corporation considers the interrelationships and interdependencies between risks and controls, and ensures that strategies, tools and resources are aligned to provide holistic risk management across the Company. The risk management framework allows the Company to monitor its risk profile and increase its ability to act effectively and quickly when necessary. A better understanding of its risks helps iA Financial Corporation reach its strategic and business objectives, prevent losses and allocate resources more effectively, while promoting the Company's resilience. By providing sufficient and relevant information on the effectiveness of risk management, the risk management framework also provides senior management and the Board of Directors with a reasonable level of confidence and comfort that all categories of risk are understood and managed in relation to the achievement of iA Financial Corporation’s objectives. It helps ensure that the Company can meet its commitments to policyholders, creditors and regulatory bodies.

The Company’s risk management process is supported by a strong governance structure, a sound risk management culture and an effective framework that adapts to the evolution of the Company, its activities, its level of maturity and its environment. As part of this process, the Company continuously reviews and improves its risk management framework in light of its financial and non-financial situation, the nature, size and complexity of its activities, its risk profile, its long-term strategic plan and the internal and external environment in which it operates.

The framework is governed by a corporate policy designed to classify, define and manage the risks the Company is exposed to. The policy outlines the risk management governance and organizational structure, including the roles and responsibilities of the various people involved in the risk management process. It also describes the key steps in the process, particularly in terms of identifying, assessing, measuring, managing, monitoring and communicating the risks. Compliance with and application of the framework allow for a sound risk management culture to be maintained and promoted within the Company.

The diagram that follows illustrates the responsibility levels with respect to integrated risk management within the Company.

† This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Supported by a strong risk culture, the Company's risk management approach is based on the three lines of defense governance model. This approach is premised on the implementation of coordinated risk management and control systems throughout the Company.

The first line of defense is composed of the risk owners. It includes the operating sectors, operational units, business lines and corporate sectors, with the exception of the Risk Management and Compliance function and the Internal Audit function, which belong to the second and third lines of defense, respectively. They are responsible for establishing and executing the business strategies in keeping with the Company's defined risk appetite and tolerance, and ensuring a long-term balance between risk and return. They are also responsible for applying the principles, frameworks, policies, guidelines, standards, tools and methodologies developed by the second line of defense and for identifying, communicating and managing risks that could prevent them from achieving the objectives identified in their respective areas of responsibility.

The second line of defense refers to the Risk Management and Compliance function, headed up by the Executive Vice-President and Chief Risk Officer and by the Vice-President and Chief Compliance Officer, as well as any other person connected to the Chief Risk Officer by a functional relationship, with responsibilities for all or part of a risk management and compliance matter. The second line of defense is responsible for objectively and impartially monitoring and critically analyzing the risks arising from the activities and controls implemented by the first line of defense. It is also responsible for developing and maintaining the principles, frameworks, guidelines, standards, tools and methodologies to identify, assess, measure, manage, monitor and communicate on current and emerging risks. To this end, it coordinates, guides and supports the first line of defense in the rigorous assessment of significant risks to which the Company is exposed.

These two lines of defense work together to ensure prudent and disciplined management in protecting the Company's reputation and long-term sustainability. They are also responsible for keeping senior management and the Board of Directors regularly informed about the Company's main risks and the steps taken to manage them.

The Chief Risk Officer and his team work closely with the first line of defense to promote a culture of sound risk management across the organization. Based on a holistic view of the risks and considering the interrelationships that may exist between them, the Chief Risk Officer communicates any pertinent information to senior management and the Board of Directors.

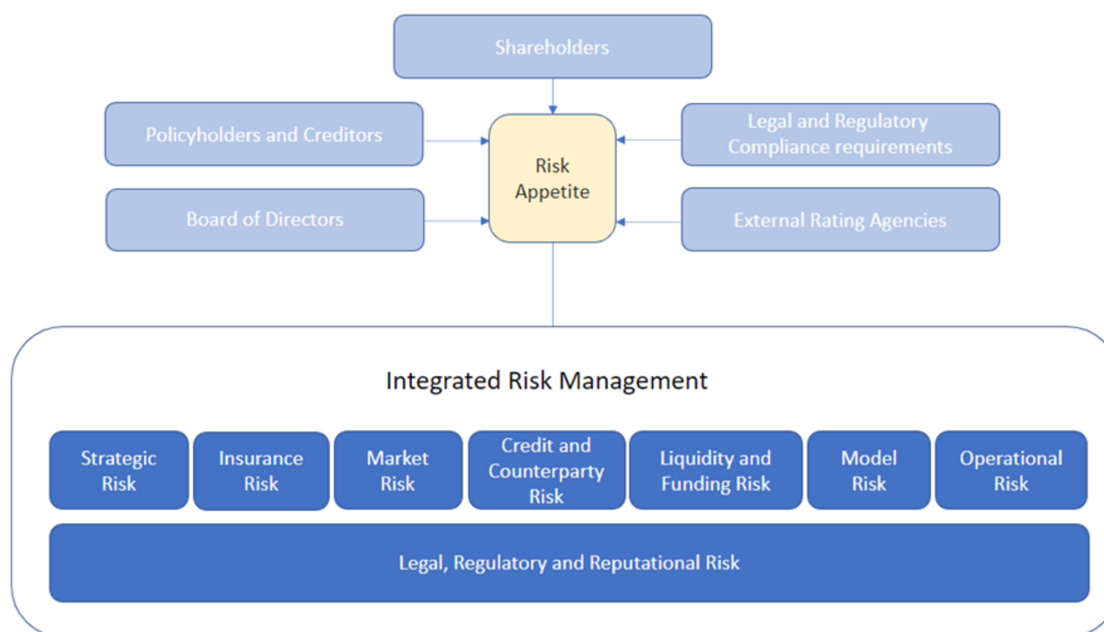
As the third line of defense, Internal Audit provides independent assurance to senior management and to the Board of Directors regarding the adequacy and effectiveness of governance, risk management and internal control processes. It recommends improvements and reports on the situation to the Board of Directors' Audit Committee.

The Board of Directors, supported by the Risk, Governance and Ethics Committee, approves the corporate policy governing the integrated risk management framework, as well as any changes that are made to it. It also approves the overall level of risk the Company is willing to accept as well as the associated tolerances and limits, in order to achieve its business objectives and enhance its long-term value.

The integrated risk management framework applies to the Company's subsidiaries. A collaborative relationship is established between the corporate risk management team and those responsible for risk management in the subsidiaries, while a functional reporting relationship takes place between the corporate compliance team and those responsible for compliance in the subsidiaries.

The Boards of Directors of the subsidiaries, which are made up of members renowned for their expertise in their respective fields as well as senior executives from the parent company, also play an important role in monitoring risks and approving relevant policies.

Integrated Risk Management Framework



† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The diagram above illustrates the categories of risk the Company is exposed to while pursuing its strategic objectives. A summary of these risks and the processes for managing them is outlined in the following pages. Each of these risk categories can include current and emerging risks, and the way in which they are taken into account across the organization is adjusted accordingly.

Risk management is a process designed to ensure that risks are properly managed and that they are within iA Financial Corporation's risk appetite and tolerance. The process is composed of five steps performed in an iterative and continuous manner. These steps are illustrated in the diagram below.

Although the steps in the process are common to all risk categories, each category requires a tailored strategy for risk identification, assessment and management that is adapted and relevant to its specificities. In addition, the management of these risks is supported by a strong risk management culture across the organization. This culture can be defined as the behaviours adopted by Company employees, who observe and apply the principles of the integrated risk management framework to their job and their day-to-day activities. These behaviours are also governed by respect for ethics and transparency in decision-making. This culture and these behaviours make up the solid common foundation for the Company's risk management activities.

iA Financial Corporation has developed a risk taxonomy that includes the following risk categories.

Strategic Risk

Strategic risk is the risk that internal or external decisions or events prevent the Company from achieving its business plan and its strategic initiatives including merger, acquisition, and divestiture decisions, and thus hinder the achievement of its strategic objectives. Strategic risk can therefore arise from an inappropriate or poorly executed business plan, or from the Company's inability to adapt to changes in the competitive, economic, technological, legal, or regulatory environment, among others.

Risk Associated with the Business Environment – The insurance and wealth management sectors are highly competitive. There is a risk that competitive pressures or changes in client needs and spending habits could lead to increased pressure on the business model and have an adverse effect on the Company's results if it doesn't adapt accordingly.

Risk Associated with the Economic Environment – Changes in the economic environment, like increased credit risk, a fluctuation in interest rates or a deterioration in financial market conditions that leads to increased volatility, could increase pressure on the business model or adversely affect the Company's profitability, financial strength and access to capital.

Risk Associated with the Legal or Regulatory Environment – Financial institutions are subject to a vast number of laws and regulations. As a result, legislative and regulatory changes could increase the amount of time and resources needed to ensure ongoing compliance. The Company is also exposed to risk related to changes in accounting and actuarial standards.

Risk Associated with the Political and Social Environment – Political events or decisions could have an adverse impact on the relevance of the Company's products or its profitability.

Risk Associated with the Technological Environment – Not adapting well to changes in the technological environment could impact the integrity of our information systems and technology infrastructure or generally disrupt the Company's business plan.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Risk Related to Climate Change – Climate change could have adverse impacts on insurance, market, and credit risks by increasing the frequency and cost of claims or deteriorating the quality or value of the investment portfolio. The Company has incorporated climate change risk in its risk appetite and tolerance statement and uses the climate-related risks defined by the Task Force on Climate-Related Financial Disclosures (TCFD) as the foundation of its climate change risk assessments. The Company conducted an entity-wide Climate Change Materiality Assessment. The impact and likelihood criteria used were aligned with iA Financial Corporation's integrated risk assessment methodology to ensure that climate-related risks are assessed consistently and proportionately relative to other risks. In continuity with its commitment to the United Nations-supported Principles for Responsible Investment (PRI), the Company, through its subsidiary iAIM which manages its assets, has released its Responsible Investment Policy, which includes a section on climate change and commitments to integrate climate change factors into investment decisions. More information on the climate-related risk management and governance framework is available in the Sustainability Report and the TCFD Report.

By its nature, strategic risk is impacted by both external factors related to the impact of unanticipated external events on the Company, and internal factors related to poor handling of external impacts or poor execution of the business plan. All sectors of the Company keep informed and monitor changes in the competitive, economic, technological, legal or regulatory environment in order to anticipate potential impacts on their activities and to consider potential responses should these changes occur. Strategic risk management also consists in identifying the risks of strategic activities upstream of their execution; assessing their potential impact on the risk limits defined in the Corporate Risk Appetite Policy, particularly on the internal target ratio and the target operating level of the solvency ratio; continuously monitoring strategic risks, as identified in the risk taxonomy, for activities of a strategic nature to measure their evolution; and disclosing this risk assessment to senior management and appropriate governance bodies on a periodic basis.

In addition to continuous monitoring, senior management reassesses current and emerging strategic risks annually or more frequently, at their discretion and according to the circumstances. During the corporate and sector strategic planning exercises carried out across the organization, these risks are analyzed to determine their impact on the Company's strategy and, conversely, to identify whether additional strategies are needed to manage or mitigate the risks.

During the 2022 review of strategic and emerging risks, the following identified risks were confirmed and the strategies in place for managing them were renewed.

Talent shortage – Attracting and retaining talent and labour is a concern. The talent shortage creates pressure on labour costs and impacts the ability to deliver transformation programs while running daily operations. In this regard, the Company has put measures in place for its employees and is developing prioritization processes to release pressure. However, the gap between human resource needs and capacity remains a significant challenge that seems likely to persist over time.

Data security and cyber risks – The risk of cyber-attacks and/or external fraud has always been a high priority, but with hackers sponsored by governments and even more malicious software available, the Company must continuously reinforce its policies and controls as well as conduct regular testing on its information and technology systems. The Company pays particular attention to the risk of data theft and other cyber risks by continuously strengthening its cybersecurity risk management framework (see the description of this mechanism in the "Operational Risk" section).

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern. Central banks have hiked interest rates to combat last year's high inflation. The war in Ukraine and tension in China are also causing instability in global markets. These events could result in significant financial volatility and test the Company's ability to anticipate and mitigate headwinds in its markets.

Insurance Risk

Insurance risk is the risk of financial loss arising from higher claims than anticipated during product pricing and design. This category is associated with the following risk factors:

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates compared to assumptions.

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

Longevity – Risk of overestimation of the mortality rate in product pricing and design assumptions.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

General Insurance – Risk of loss arising from higher claims than anticipated when designing and pricing general insurance products.

Insurance risk can occur at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the provisions for future policy benefits. The Company has put controls and processes in place at each of these stages to ensure appropriate management of these risks.

The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

With regard to the underwriting and claims adjudication process, the Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds. They are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

With regard to calculating the provisions for future policy benefits, the Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the Canadian Institute of Actuaries (or any other relevant organization), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business. In addition, every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

The table below summarizes the impact on net income attributed to common shareholders of adverse deviations from assumptions for certain insurance risks.

Decrease in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations from the Assumptions

(In millions of dollars)	2022	2021
Insurance risk: adverse deviation of 5%		
Mortality rate[1]	147	180
Lapse rate[2]	161	205
Unit costs[3]	89	86
Morbidity rate[4]	56	59

Favourable variances from the assumptions would have the same impact, but in the opposite direction.

For more information on insurance risk management, refer to notes 13 and 14 of the Company's audited consolidated financial statements.

Market Risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of an insurance contract or a financial instrument will fluctuate due to variations in market risk factors. This category includes risk factors related to interest rates, stock markets, foreign currency and return on return-seeking assets.

The Company has established investment policies that contain a variety of quantitative measures designed to limit the impact of these risk factors. The investment policies are reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Investment management and policy compliance are monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Interest Rate Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate risk is the risk of loss associated with fluctuations in benchmark interest rates and/or rate spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates on the corresponding liabilities, or if an asset needs to be liquidated in order to match the liability cash flows and a loss in market value of the liquidated asset occurs due to rising interest rates. This risk depends on asset allocation as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees, and the policyholder options.

To mitigate this risk, the Company has developed a strict replicating process that considers the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the replicating process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. Some liabilities can be immunized to a very large degree against interest rate fluctuations because they can be backed by assets offering a similar cash flow structure.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. For the purpose of these strategies, the liabilities are divided into three main categories, as presented below, based on the structure of the underlying financial commitments.

[1] The adverse deviation is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products.
[2] The adverse deviation is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products.
[3] Adjusted to reflect the adjustability of certain products.
[4] The adverse deviation is expressed assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active, adjusted to reflect the adjustability of certain products.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Net Liabilities According to Type of Matching

	As at December 31			
	2022		2021	
	$M	%	$M	%
Immunized liabilities				
On a cash flow basis	9,345	32%	9,263	26%
Universal Life policy accounts	1,789	6%	1,933	6%
Subtotal	11,134	38%	11,196	32%
Non-immunized liabilities	17,996	62%	24,225	68%
Total	**29,130**	**100%**	**35,421**	**100%**

1› Liabilities Immunized on a Cash Flow Basis

This category represents 32% of the policy liabilities and primarily reflects the commitments with regard to annuity and other insurance contracts with a maturity of less than 30 years.

For liabilities immunized on a cash flow basis, the objective of the replicating strategy is to minimize the interest rate sensitivity, represented by the volatility of the deviations that can occur between the returns realized on the assets and those expected for the liabilities. The liabilities' expected returns include the interest rates credited to client contracts and the fluctuation margins set out in the actuarial valuation of the policy liabilities. To appropriately monitor matching, investments are segmented by blocks based on the cash flow structure of the liabilities, and these blocks are grouped together by line of business. A careful examination of these matching blocks is carried out once a month, and a number of techniques are used to assess the quality of the matching in order to guide the selection of investments.

To measure the sensitivity to interest rate fluctuations, the Company uses metrics recognized by immunization experts, such as duration and dispersion. The investment policies set out maximum spreads between the result of the measures applied to the assets and the corresponding result obtained for the liabilities. These results are provided to the Investment Committee on a quarterly basis.

The Company also carries out sensitivity analyses to assess the financial impact that would result from various types of fluctuations in the interest rate yield curve. These analyses are carried out using stochastic scenarios that are used to quantify the residual risks that may remain in the portfolios. Simulations based on predefined scenarios are also analyzed to measure the impact of specific fluctuations. The sensitivity analyses are also used to assess the behaviour of the future fluctuation margins projected in the actuarial valuation of the policy liabilities.

In addition, in order to minimize the reinvestment risk that can arise when the maturity of the assets does not match the maturity of the corresponding liabilities, the investment policies also require that an effort be made to ensure that the asset cash flows correspond to the liability cash flows. To this end, the policies set relative and absolute limits regarding the size of the cumulative net cash flows, both for all the matching blocks combined and for each individual block.

For this liability category, the use of a very strict immunization approach means that the impact on net income of a decrease or increase in interest rates would be negligible.

2› Immunized Liabilities Linked to Universal Life Policy Accounts

This category represents 6% of policy liabilities, and includes all liabilities linked to Universal Life policy accounts. The returns on these liabilities are determined on the basis of a market or portfolio index. For these liabilities, the matching is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly reproduce the returns credited to the underlying accounts.

For managed index accounts and managed accounts where the return varies based on a fund or an index, the impact on net income of a change in the stock markets applied to the assets would be negligible, since an equivalent change would be applied to the corresponding liabilities.

3› Non-Immunized Liabilities

This category corresponds to 62% of the Company's policy liabilities and primarily encompasses individual insurance products whose cash flows have a specific structure and for which a classic immunization strategy cannot be applied. Therefore, for this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets by using the various types of leverage available to limit its exposure to reinvestment risk.

For this liability category, a widespread decrease in interest rates could have an adverse impact on annual net income to common shareholders, primarily due to the attendant increase in policy liabilities. If interest rates were to decrease, the reinvested cash flows would generate lower investment income for the total duration of the investment. A decrease in interest rates could lead to a downward adjustment of the initial reinvestment rate (IRR) assumption, and a prolonged decrease could lead to a decrease in the ultimate reinvestment rate (URR) assumption used to calculate the policy liabilities.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The Company uses high-quality assets, primarily made up of long-term fixed income securities, equity securities (common and preferred shares, market indexes, market index options and investment fund units), and real estate, to optimize the risk and return of this liability category. The asset class allocation aims to achieve an optimal return at maturity, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the investment policies, particularly with regard to diversification of the portfolio.

The Company also uses various types of leverage, including an inter segment note program that allows cash flows to be exchanged among activity sectors and various derivative financial instruments to be used to reduce the reinvestment risk (IRR).

During the period ended December 31, 2022, derivative financial instruments were used as part of the Company's strategy to optimize returns. To mitigate its risk related to interest rate fluctuations on these non-liability backing assets and its mortgage securitization activities, the Company used hedge accounting through derivative instruments with a nominal value of $288 million in 2022 ($712 million in 2021). For more information, refer to notes 7 and 8 of the Company's consolidated financial statements as at December 31, 2022.

The following tables summarize the impact of matching and interest rate risk on net income attributed to the common shareholder and on accumulated other comprehensive income.

Decrease in Net Income Attributed to Common Shareholder Resulting from Adverse Deviations

(In millions of dollars)	2022	2021
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[5]	(104)	(61)
10 basis point decrease in the ultimate reinvestment rate (URR)	43	68

Decrease in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

(In millions of dollars)	2022	2021
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[6]	(3)	(7)

Similar increases in the IRR, URR and interest rates would have the same impact as corresponding decreases, but in the opposite direction.

To test for market sensitivity, the Company uses an interest rate variance of 25 basis points for the IRR and 10 basis points for the URR because it believes these interest rate variances to be reasonable given market conditions as at December 31, 2022.

The impact of this variance in interest rates does not take into account the protection for the IRR in the actuarial reserves.

Risk of a Market Downturn – Risk of a market downturn represents the risk of loss resulting from a downturn in the stock markets. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management;[†] 2) the discounted future revenues on Universal Life policy funds; 3) the income on assets held in the general fund; and 4) benefits from guarantees on segregated funds.

To measure its market sensitivity, the Company examined the impact of a 10% market variance at the end of 2022, believing that this kind of variance was reasonable in the current market environment. However, to take into account the possibility that a market variance of more than 10% could have an impact that is not linearly proportional, the Company also measured the impact of a 25% market variance.

For these items, the Company estimates that a sudden 10% drop in the markets as at December 31, 2022 would have led to a $39 million decrease in net income and a $39 million decrease in other comprehensive income over a 12-month period. A 25% drop in the markets as at December 31, 2022 would have reduced net income by approximately $97 million, and other comprehensive income by $98 million over a 12-month period.

In order to ensure sound management of the equity, the Company's investment policies define quantitative and qualitative limits for the use of equity securities. The target asset mix in the form of equity securities is designed to maximize the Company's returns and reduce the potential risk associated with guaranteed minimum returns under long-term commitments.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the risk tolerance limits and the prudential requirements set out in the investment policies, including a minimum credit rating for the counterparty financial institution.

During the year ended December 31, 2022, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain exposure to stock markets for assets backing non-immunized liabilities while limiting potential losses. They were also used as part of the hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

If the markets were to drop more than 1% from their levels at December 31, 2022, all other things being equal, the Company would not have the leeway to absorb an additional drop in the markets without a significant impact on its provisions for future policy benefits related to individual insurance.

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[5] These estimates do not take into account compensatory measures to alleviate the impact of an interest rate decrease. The Company could reconsider the investment allocation for each asset class backing the very long-term commitments.

[6] Excluding any downward adjustment of the IRR or URR.

[†] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

In addition to the impact on the Company's income, a stock market downturn could also have an impact on the Company's solvency ratio.

Sensitivity of the Solvency Ratio to Variances in the S&P/TSX Index (CARLI)

	2022	2021
Solvency ratio as at December 31†	126%	134%
S&P/TSX index as at December 31	19,385	21,223
Level of S&P/TSX index for the solvency ratio to be at 110%	6,500	N/A
Level of S&P/TSX index for the solvency ratio to be at 100%	2,000	N/A

Segregated funds risk – Segregated funds expose the Company to significant interest rate risk, risk of a market downturn and, to a lesser extent, exchange risk.

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Some products may also offer a guarantee for partial withdrawals. Due to volatility mainly from interest rates and the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee comes into effect and that it will then have to compensate the investor for the difference in the form of a benefit. In order to get an overview of its exposure to the risk associated with the segregated fund guarantees, the Company monitors the net amount at risk, which is the amount, at a given point in time, by which the guaranteed minimum value exceeds the market value for all contracts in this situation. The net amount at risk does not constitute a payable benefit as such but rather an estimate of the amount at risk. This is because benefits that might have to be paid in the future will depend on various eventualities, including market performance and contract holder longevity and behaviour.

The following table provides information on the segregated fund assets under management in the Individual Wealth Management sector.

Individual Wealth Management Segregated Fund Assets Under Management

(In millions of dollars)	2022	2021
Assets under management†	23,451	24,722
Guaranteed minimum value	20,695	18,916
Value of assets underlying significant guarantees[7]	6,169	7,366
Value of assets underlying minimum guarantees[8]	17,281	17,356

In order to mitigate some of the risk associated with this exposure, the Company has set up a dynamic hedging program. All contracts with significant guarantees are covered under the hedging program. For some of these contracts issued before the hedging program was in place, the Company assumes 10% of the risk for the guarantees at maturity. There is limited risk for guarantees at death and minimum guarantees, so the Company has decided not to include them in its dynamic hedging program.

The dynamic hedging program involves short selling futures contracts on market indices traded on stock exchanges, as well as concluding agreements for forward exchange contracts for currencies traded on stock exchanges, interest rate swaps and internal total-rate-of-return swaps for indices traded on stock exchanges. This program is used to hedge a significant portion of the sensitivity of net income to the performance of the bond and equity funds and to the interest rate fluctuations arising from the segregated fund guarantees. In order for the Company's strategy to adequately cover the risks related to the hedged guarantees, a dynamic rebalancing of the hedging instruments is carried out based on changes in financial market conditions.

Under the dynamic hedging program, the value of the liabilities associated with the guarantees is updated several times per day to reflect differences between expected experience and actual results. In the process of calculating expected experience, the Company uses certain assumptions regarding policyholder longevity and future redemptions. The redemption assumption, however, has certain limitations. The timing and size of the withdrawals and fund transfers cannot be hedged using derivative financial instruments since these are factors decided by the contract holder, and adverse deviation from expected experience can alter the quality of the hedge.

The dynamic hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss on the income statement. The hedging program itself entails certain risks that may limit the program's effectiveness, in particular:

- The program is based on dynamic rebalancing of the derivative hedging instruments. A decrease in the liquidity of these instruments would have an adverse impact on the effectiveness of the program.
- The use of derivative hedging instruments entails a counterparty risk, which is mitigated by the presence of collateral agreements whose net settlement is carried out on a daily basis.
- There may be a favourable or unfavourable variance between the returns realized on the segregated funds and those realized on the hedge positions held to cover the guarantees associated with these funds.

[7] Represents the value of assets underlying guarantees at maturity with a significant level of risk, or withdrawal guarantees.
[8] Represents the value of assets for which the risk of the guarantees is limited and which the Company has decided not to include in the dynamic hedging program.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The variations in the economic worth of the liabilities are largely offset by variations in assets held under the hedging program. In the last eight quarters, the quarterly effectiveness of our dynamic hedging program has fluctuated between 86% and 97% depending on the volatility of the financial markets. In addition, it has had an excellent effectiveness rate of 93% since it was implemented in October 2010.

Foreign Currency Risk – Foreign currency risk represents the risk that the Company will have to assume losses due to exchange rates on foreign currencies to which the Company is exposed. The Company has adopted a policy to avoid exposing itself to material currency risk. To this end, liabilities are generally matched with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure. As at December 31, 2022, the Company was not exposed to any material foreign currency risk.

The Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to a net investment in a foreign operation that has a different functional currency from the Company's functional currency. Residual foreign currency risk does not have a significant impact on the Company's consolidated financial statements. Disclosure of hedge accounting is presented in Note 8 "Derivative Financial Instruments" of the Company's consolidated financial statements.

Risk Associated with the Return on Alternative Long-Term Assets – This is the risk of loss arising from fluctuations in the value of private equity, real estate, infrastructure, timberland and farmland. Real estate investments are used to back long-term commitments for certain lines of business, like Individual Insurance, and help ensure sound diversification of the Company's investments.

To mitigate this risk, the Company's investment policies authorize prudent investments in the real estate market, private equity and infrastructure within certain clearly defined limits, both globally and by geographic region.

Credit and Counterparty Risk

Credit risk represents the risk of loss arising from a deterioration in credit quality or failure of a counterparty to meet its commitments when due. This risk originates mainly from credit granted in the form of loans and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share our policyholder commitments.

The Company uses derivative products under its investment policies, including swaps, futures and options contracts. Some of these contracts are used to replicate assets and liabilities and to manage financial risk. They are primarily used to mitigate credit risk, as well as risks associated with fluctuations in interest rates, currencies and stock markets.

The derivative products used expose the Company to credit risk due to the presence of counterparties involved. As indicated earlier, the counterparties for derivative products must meet certain well-defined criteria, and collateral exchange agreements to offset daily variation margins have been reached with these institutions in accordance with industry norms and standards, in order to minimize and control the credit risk.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. More information about concentration risk is presented in Note 7 of the consolidated financial statements as at December 31, 2022.

The Company's investment policies aim to mitigate concentration risk by promoting the sound diversification of investments, limiting exposure to any one issuer and seeking a relatively high quality of issuers. They also impose limits by groups of related issuers, by activity sector and by geographic region. These limits depend on the credit quality of the issuers.

The Company also has a credit policy that stipulates the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The policy and procedures in place establish certain selection criteria and define the credit authorization limits based on the scope and degree of risk. In order to manage the credit risk associated with these investments, the Company may require collateral, particularly for real estate, residential or commercial mortgages.

Lastly, although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit risk associated with the amounts ceded to reinsurers. This risk category includes residual insurance risk, legal risk, counterparty risk and liquidity risk resulting from reinsurance operations. To limit this risk, the Company applies the processes and criteria prescribed in its reinsurance risk management policy, such as conducting due diligence on the selected reinsurers, limiting the concentration of risks and carrying out sensitivity testing. The Company's reinsurance agreements are diversified such that the Company is not dependent on a single reinsurer and the Company's operations are not substantially dependent upon any single reinsurance contract.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Liquidity and Funding Risk

Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions to honour its financial commitments as they come due. The Company is exposed to this risk mainly through: 1) benefits payable according to the insurance contracts in force or its wealth management activities; 2) cash outflows needed for the acquisition or during the holding period of its investments; 3) the amounts of collateral to be paid to its counterparties in respect of its derivatives contracts; and 4) other corporate needs related to the Company's capital structure or its strategic and business objectives. The total or partial non-availability of liquidity sources is also a component of this risk.

The Company has established a liquidity risk management policy that contains multiple metrics, time horizons and concentration measures to ensure sound and prudent management of its liquidity risk, and to monitor its liquidity position under different market conditions. In order to maintain an appropriate level of liquidity, the Company ensures that it holds a good proportion of its assets in highly liquid securities. In addition, a number of scenarios are analyzed to ensure that the Company will be able to meet its commitments in various extreme situations. The policy is reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Liquidity management and policy compliance are monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

The risk associated with benefits payable under insurance contracts is managed through replicating assets with financial liabilities as well as strict cash flow management.

The use of derivatives requires that securities be sent as collateral to clearing houses and derivative counterparties in order to mitigate the credit risk. Simulations are carried out to measure the liquidity needs that could arise due to interest rate and stock market turmoil in order to assess the liquidity that needs to be maintained to meet those requirements.

Given the quality of its investment portfolio, and despite financial market volatility, the Company believes its current liquidity level to be adequate.

Model Risk

The Company is exposed to model risk, which is the risk of decision errors being made on the basis of model results.
While the use of data and models generates value for the Company and offers significant opportunities for the future based on business and artificial intelligence, it also introduces the risk that a loss might occur or inappropriate decisions might be made due to modelling deficiencies or limitations, improper implementation or utilization, inaccurate or inappropriate data, or incorrect assumptions.

To reduce this risk, a model design guide is available to the different sectors of the Company. This guide is intended to help model owners identify model risk and to standardize the approach across the Company.

Operational Risk

Operational risk is the risk of loss arising from deficiencies or errors attributable to processes, people, systems or external events.

This risk is present in all the Company's activities. It can be related to financial reporting, human resources, fraud, data protection, information security and technology, process execution, business relationships with clients, external events or contractual agreements with suppliers. The impact of one of these risks occurring can take the form of financial losses from regulatory fines and penalties, legal costs, missed financial gains or additional expenses, for example, as well as commercial relationship or reputational damage, diversion of resources or additional regulatory scrutiny.

To manage operational risk, the Company emphasizes proactive management practices by ensuring that appropriate and effective internal controls are in place and by utilizing competent, well-trained employees at all levels. The Company also makes it a priority to revise its policies and develop stricter standards, when appropriate, to account for changes in its operations and environment.

Through its integrated and operational risk management frameworks, the Company makes all managers accountable by asking them to confirm their sector's compliance with procedures, describe the processes in place for ensuring this compliance, and confirm that policies and procedures are up to date. The risks that could arise are also assessed and quantified, as well as the steps taken to manage the most material risks.

In addition to mitigation measures carried out by Risk Management on all processes and procedures, a continuity plan involving a predefined crisis team reduces this residual risk.

Financial Reporting – This risk refers to the risk of not preparing internal and external financial reports that fully and accurately reflect financial results. The Company maintains an ongoing control evaluation program in order to issue the certification required by the regulatory authorities with respect to the financial information presented in the Company's annual and interim filings (certification under Multilateral Instrument 52-109). Under this program, the managers of each business line evaluate and test the controls in their sector, following which a designated team verifies the quality of the controls and the conclusion of the managers' evaluation. A summary report is submitted annually to the Audit Committee, which then reports the results of the evaluation to the Board of Directors. The certification of the financial information presented in the annual and interim filings is submitted quarterly in the prescribed format. This certification is available on SEDAR and on the Company's website.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Human Resources – The competency of human resources is an essential factor in implementing business and operational risk management strategies. Human resources risk is therefore the risk of loss resulting from a lack of qualified human resources in the short or long term or from the non-optimal contribution of human resources. In this regard, the Company follows best practices and has a code of business conduct in addition to well-defined policies and procedures with respect to compensation, recruitment, training, employment equity, diversity and occupational health and safety. These policies are continually kept up to date in order to attract and retain the best candidates at every level of the Company. The Company shows its concern for its employees' quality of life by offering programs that promote a healthy lifestyle and adopting various measures designed to improve the work environment.

Fraud – Fraud risk is defined as the pursuit of intentional unauthorized activities to obtain benefits from either the Company or assets under the Company's control, or by using or appropriating the Company's products. Benefits may take the form of cash, cash equivalents or physical assets, including the indirect benefit of extended employment or an additional bonus. To mitigate this risk, the Company has implemented a corporate policy promoting a culture of integrity. The Company also has a monitoring program as well as a segregation of duties process that aims to prevent and detect fraud situations within iA Financial Corporation.

Protection of Personal Information – The use of emerging technology entails numerous challenges for the protection of personal information. While data analytics is useful in providing better client service, the increase in available data and the risks associated with it require vigilance by all Company stakeholders. An abundance of privacy risks, ranging from the unethical use of collected data to identity theft, can arise if personal information is hacked or inadvertently disclosed. All of these risks are mitigated by applying sound governance practices throughout the life cycle of all sensitive data. Ensuring the ongoing awareness of all employees and partners also helps to maintain a high level of commitment to privacy, supported by an increased focus on device security. The Company implements policies and directives that regulate data use and governance. It strives to comply with the highest ethical and moral standards while meeting all legal requirements in this regard. It continues to develop new tools and practices to provide optimal protection for all its partners and clients.

Technology, Data and Information Security – Reliable information and communications technologies, protection of information and sophisticated data are essential for the successful execution of the business process, and the Company places special emphasis on this aspect. It has a comprehensive plan in place for reducing and controlling the risk of technology, data or information security failure based on best practices and recognized IT standards, protection of information and data management. The management of these risks is reviewed at regular intervals in order to adapt to changing technologies, regulations and Company needs.

Changing business needs in the insurance and financial services industry are accelerating the use of online applications, mobile technologies and cloud computing. Along with this acceleration comes an increase in risks related to information security and cyber threats as it is difficult to develop and implement effective preventive measures to keep up with industry attacks. Cybercrime techniques are sophisticated and continually evolving, and they come from an increasing number of sources: viruses, malware, denial of service, phishing, ransomware, exfiltration, etc.

Potential consequences range from service interruptions, unauthorized access to sensitive data and unauthorized use of data, to theft of assets or intellectual property. These can lead to reputational damage, lawsuits and other repercussions.

To mitigate information security and cybersecurity risks, the Company has an information security authority framework in place outlining roles and responsibilities with respect to information security. The normative framework, a reference model aligned with industry best practices, and technology resources and services for identifying, preventing, detecting and eliminating threats against its assets and operations are overseen by the Chief Information Security Officer and the technology, data and information security risk management team. These measures are continuously complemented by information security awareness campaigns and training for all Company employees.

To mitigate technology risks, the Chief Information Officer aligns its priorities with those of information security and data governance teams in terms of risk management to ensure consistency.

Business Continuity – This risk refers to the inability to maintain critical activities through inaccessibility to the workplace, unavailability of systems, applications or connectivity, loss of critical third-party providers, or interruption of processes and services. The Company's business continuity management program covers all the potential risks the Company may be exposed to through a consequence-based approach and is adapted to the hybrid operating model that combines remote with onsite work. The Company has implemented business continuity plans throughout its business units to ensure continued service delivery at acceptable predefined levels following events that may disrupt their activities. Business continuity plans and the related procedures are reviewed and tested on a regular basis.

With respect to incidents and crisis management, a structure and processes are in place within the Company to ensure that events that could disrupt its activities are quickly identified and managed. Depending on the significance of these events, a multidisciplinary, management-level committee oversees the response and ensures consistency throughout the Company.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Legal, Regulatory and Reputational Risk

The Company is regulated by the provinces and territories of Canada and by the various states in the U.S. where it conducts business. It is also supervised by various regulatory bodies and must ensure compliance with laws and regulations in all jurisdictions in which it operates.

Regulatory non-compliance risk arises from the possibility of the Company failing to comply with applicable regulatory requirements in the jurisdictions where it operates.

The Company has adopted a Regulatory Risk Management Policy that is used as the basis for a regulatory risk management program. The Chief Compliance Officer is responsible for coordinating the program within the Company and ensuring that it is implemented and enforced in the various business units.

To ensure the sound management of regulatory non-compliance risk, the Company uses a methodology that focuses on identifying, assessing and quantifying risk and putting effective, efficient and appropriate controls in place in its day-to-day activities. The Company's assessment of regulatory risk includes the potential impacts on its operations and reputation, among other things.

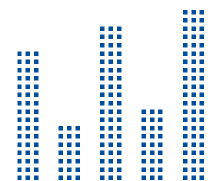
The Company monitors new regulatory risks and communicates them to the appropriate business lines to ensure that any controls required to comply with new laws or guidelines are put in place in a timely manner. More generally, the Company emphasizes ongoing communication to remind employees of the importance of legal and regulatory compliance issues.

Reputational Risk – The Company is also exposed to reputational risk. This risk is defined as the overall exposure caused by the effectiveness or ineffectiveness of the Company's management of other non-financial risks. It can arise from the occurrence of one or more risks in any of the risk categories that may, rightly or wrongly, have a negative impact on the public's perception of the Company and potentially lead to fewer clients, lost revenues or considerable litigation costs.

The Company has adopted a detailed communication plan designed to protect its corporate image during a crisis and to reassure the public about its ability to manage this kind of situation. The plan outlines the communication strategies to use in a crisis in order to notify the public of its causes and consequences, the procedures in place to resolve it and the measures taken to reduce the risk of recurrence. In addition, the Company continually monitors social media for elements that could have a negative impact on the Company's reputation and produces a report on the subject once a year, while also keeping a log of complaints found on social media.

† This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

CONSOLIDATED FINANCIAL STATEMENTS



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Responsibility for Financial Reporting

The Consolidated Financial Statements of **iA Financial Corporation Inc.**, which have been approved by the Board of Directors, were prepared by Management in accordance with International Financial Reporting Standards and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the significant accounting policies utilized are appropriate in the circumstances and are adequate to reflect the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in the Annual Report is consistent with the information contained in the financial statements.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept. These internal control systems provide for communication of professional conduct rules and principles, using the Code of Business Conduct prepared by the Company for all organizational members. These internal control systems are reinforced by the work of a team of internal auditors, who make a periodic review of all material departments within the Company.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, ensures that Management assumes its responsibility in terms of financial statements.

The functions of the Audit Committee are to:

- Review the financial statements and recommend them for approval by the Board of Directors;
- Review the internal control systems and security;
- Recommend the appointment of the internal auditor as well as the appointment and fee arrangements of the independent auditor to the Board of Directors;
- Review other accounting, financial and security matters as required.

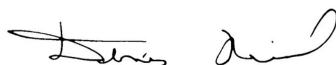
The Audit Committee meets regularly with Management, the internal auditor and the independent auditor. The latter may, as it sees fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The Appointed Actuary of Industrial Alliance Insurance and Financial Services Inc., a subsidiary of the Company, is appointed by the Board of Directors of this subsidiary, pursuant to the *Insurers Act* (Quebec), and is responsible for ensuring that assumptions and methods used in the valuation of insurance contract liabilities are in accordance with the standards of practice of the Canadian Institute of Actuaries (CIA). The Appointed Actuary is required to express an opinion regarding the appropriateness of the insurance contract liabilities net of reinsurance assets at the Statement of Financial Position date to meet all policyholder obligations of the Company. Examination of supporting data for the accuracy and completeness analysis of Company assets for their ability to support the amount of insurance contract liabilities net of reinsurance assets are important elements of the work required to form this opinion.

The independent auditor is appointed to report to the shareholders regarding the fairness of presentation of the Company's Consolidated Financial Statements. The independent auditor fulfills this responsibility by carrying out an independent audit of these financial statements in accordance with Canadian generally accepted auditing standards.

The Autorité des marchés financiers (AMF) has the power to perform checks to ensure, when applicable, the respect of the *Insurers Act*, the preservation of the interests of the policyholders and the pursuit of sound capitalization and good solvency.

On behalf of Management,



Denis Ricard
President and Chief Executive Officer
Quebec City, February 14, 2023

Jacques Potvin
Executive Vice-President, CFO and Chief Actuary
Quebec City, February 14, 2023

Independent Auditor's Report

To the Shareholders of
iA Financial Corporation Inc.

Opinion

We have audited the consolidated financial statements of **iA Financial Corporation Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated income statements, consolidated comprehensive income statements, consolidated equity statements and consolidated cash flows statements for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 14 to the Financial Statements

Key Audit Matter Description

The Company has significant insurance contract liabilities representing the majority of its total liabilities. Insurance contract liabilities are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries. Insurance risk is the risk of loss resulting from higher actual benefit amounts than those expected at the time of product design and pricing.

While there are many assumptions which management makes, the assumptions with the greatest uncertainty are those related to lapse behaviour and mortality. Management has applied a heightened level of judgment to determine the impact, if any, of the COVID-19 pandemic on these assumptions. Lapse and mortality assumptions required significant auditor attention in certain circumstances, including where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) policyholder behaviour may be irrational. Auditing of certain actuarial models and lapse and mortality assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to actuarial models and lapse behaviour and mortality assumptions included the following, among others:

- With the assistance of actuarial specialists, we tested the reasonableness of lapse behaviour and mortality assumptions, by:
  - Evaluating whether management's methods and assumptions used were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
  - Testing experience studies and other inputs used in the determination of the lapse and mortality assumptions.
  - Analyzing management's interpretation of its experience study results, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
- With the assistance of actuarial specialists, we tested the appropriateness of actuarial models used in the estimation process by:
  - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.
  - Testing the accuracy of changes in key assumptions for a sample of actuarial models.

Future Changes in Accounting Policies — IFRS 17 Insurance Contracts ("IFRS 17") – Refer to Note 3 to the Financial Statements

Key Audit Matter Description

For the period beginning on January 1, 2023, the Company will be adopting IFRS 17 which will impact how the Company recognizes, measures, presents and discloses insurance contracts. In accordance with IAS 8, Accounting Policies, Changes in Accounting Errors and Estimates ("IAS 8"), the Company disclosed the estimated impact of transition to the new standard. The disclosures in 2022 are intended to provide users with an understanding of the estimated impact of the new standard and, as a result, are more limited than the disclosures to be included in the first year of adoption, being 2023.

Management was required to make judgments to determine the accounting treatment at transition and the estimated transitional impacts, which include the expected impact on equity. This resulted in an increased extent of audit effort, including the involvement of various specialists.

How the Key Audit Matter was Addressed in the Audit
With the assistance of various specialists, our audit procedures related to management's determination of the accounting treatment at transition and the estimate of the expected impact on equity included the following, among others:

- Evaluated management's key judgements to determine the accounting treatment at transition by analyzing the disclosures against IFRS 17 accounting guidance;
- Assessed the appropriateness and reasonableness of key models and valuation methodologies, significant assumptions and other relevant inputs used in determining the expected impact on equity;
- Evaluated the disclosures against relevant accounting guidance.

When additional IFRS 17 disclosures are required in 2023 consolidated financial statements, further procedures will be performed on the impacts of transition.

Other Information
Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Sophie Fortin.

Deloitte LLP[1]

Quebec City, Quebec
February 14, 2023

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[1] CPA auditor, public accountancy permit No. A124208

Consolidated Income Statements

Years ended December 31 (in millions of Canadian dollars, unless otherwise indicated)	2022	2021
Revenues		
Premiums		
Gross premiums	**$ 14,279**	$ 14,199
Premiums ceded	**(1,170)**	(1,035)
Net premiums (Note 24)	**13,109**	13,164
Investment income (Note 5)		
Interest and other investment income	**2,146**	1,624
Change in fair value of investments	**(8,746)**	(1,418)
	(6,600)	206
Other revenues	**2,086**	2,116
	8,595	15,486
Policy benefits and expenses		
Gross benefits and claims on contracts	**7,825**	7,731
Ceded benefits and claims on contracts	**(834)**	(740)
Net transfer to segregated funds	**2,369**	3,278
Increase (decrease) in insurance contract liabilities (Note 14)	**(6,219)**	(45)
Increase (decrease) in investment contract liabilities (Note 14)	**(44)**	(1)
Decrease (increase) in reinsurance assets (Note 14)	**(123)**	(76)
	2,974	10,147
Commissions	**2,352**	2,180
General expenses (Note 21)	**2,062**	1,823
Premium and other taxes	**154**	141
Financing charges (Note 22)	**97**	77
	7,639	14,368
Income before income taxes	**956**	1,118
Income taxes (Note 23)	**156**	259
Net income	**$ 800**	$ 859
Net income attributed to participating policyholders	**(42)**	7
Net income attributed to shareholders	**$ 842**	$ 852
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments (Note 18)	**25**	22
Net income attributed to common shareholders	**$ 817**	$ 830
Earnings per common share (in dollars) (Note 25)		
Basic	**$ 7.68**	$ 7.73
Diluted	**7.65**	7.70
Weighted average number of shares outstanding (in millions of units) (Note 25)		
Basic	**106**	107
Diluted	**107**	108
Dividends per common share (in dollars) (Note 17)	**2.60**	2.08

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Comprehensive Income Statements

Years ended December 31 (in millions of Canadian dollars)	2022	2021
Net income	**$ 800**	$ 859
Other comprehensive income, net of income taxes		
Items that may be reclassified subsequently to net income:		
Available for sale financial assets		
Unrealized gains (losses) on available for sale financial assets	**(469)**	(67)
Reclassification of losses (gains) on available for sale financial assets included in net income	**(31)**	(26)
	(500)	(93)
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	**189**	(17)
Hedges of net investment in foreign operations	**(113)**	13
	76	(4)
Cash flow hedge		
Unrealized gains (losses) on cash flow hedges	**2**	—
Items that will not be reclassified subsequently to net income:		
Revaluation surplus related to transfers to investment properties	**22**	—
Remeasurement of post-employment benefits	**(7)**	196
Total other comprehensive income	**(407)**	99
Comprehensive income	**$ 393**	$ 958
Comprehensive income attributed to participating policyholders	**(42)**	7
Comprehensive income attributed to shareholders	**$ 435**	$ 951

Income Taxes Included in Other Comprehensive Income

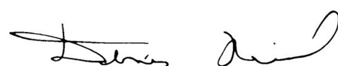
Years ended December 31 (in millions of Canadian dollars)	2022	2021
Income tax recovery (expense) related to:		
Items that may be reclassified subsequently to net income:		
Unrealized losses (gains) on available for sale financial assets	**$ 153**	$ 20
Reclassification of gains (losses) on available for sale financial assets included in net income	**12**	9
Hedges of net investment in foreign operations	**19**	(2)
	184	27
Items that will not be reclassified subsequently to net income:		
Revaluation surplus related to transfers to investment properties	**(4)**	—
Remeasurement of post-employment benefits	**2**	(70)
Total income tax recovery (expense) included in other comprehensive income	**$ 182**	$ (43)

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Financial Position

As at December 31 (in millions of Canadian dollars)	2022	2021
Assets		
Investments (Note 5)		
Cash and short-term investments	**$ 1,358**	$ 1,546
Bonds	**27,287**	32,893
Stocks	**4,033**	3,906
Mortgages and other loans	**2,831**	2,922
Derivative financial instruments (Note 8)	**990**	917
Policy loans	**1,119**	1,040
Other invested assets	**563**	557
Investment properties	**1,804**	1,870
	39,985	45,651
Other assets (Note 9)	**3,950**	3,850
Reinsurance assets (Note 14)	**2,570**	2,210
Fixed assets (Note 10)	**337**	369
Deferred income tax assets (Note 23)	**147**	27
Intangible assets (Note 11)	**1,784**	1,708
Goodwill (Note 11)	**1,318**	1,267
General fund assets	**50,091**	55,082
Segregated funds net assets (Note 12)	**37,334**	39,577
Total assets	**$ 87,425**	$ 94,659
Liabilities		
Insurance contract liabilities (Note 14)	**$ 30,423**	$ 36,540
Investment contract liabilities (Note 14)	**547**	577
Derivative financial instruments (Note 8)	**1,470**	526
Other liabilities (Note 15)	**8,638**	8,303
Deferred income tax liabilities (Note 23)	**373**	441
Debentures (Note 16)	**1,500**	1,450
General fund liabilities	**42,951**	47,837
Liabilities related to segregated funds net assets (Note 12)	**37,334**	39,577
Total liabilities	**$ 80,285**	$ 87,414
Equity		
Share capital and contributed surplus	**$ 1,692**	$ 1,723
Preferred shares issued by a subsidiary and other equity instruments (Note 18)	**525**	525
Retained earnings and accumulated other comprehensive income	**4,917**	4,949
Participating policyholders' accounts	**6**	48
	7,140	7,245
Total liabilities and equity	**$ 87,425**	$ 94,659

The accompanying notes are an integral part of these Consolidated Financial Statements.



Denis Ricard
President and Chief Executive Officer

Danielle G. Morin
Chair of Audit Committee

Consolidated Equity Statements

Years ended December 31 (in millions of Canadian dollars)

	Participating policyholders' accounts	Common shares	Preferred shares issued by a subsidiary and other equity instruments	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total
		(Note 17)	(Note 18)			(Note 19)	
Balance as at December 31, 2020	$ 41	$ 1,674	$ 525	$ 20	$ 4,170	$ 83	$ 6,513
Net income attributed to shareholders	—	—	—	—	852	—	852
Net income attributed to participating policyholders' accounts	7	—	—	—	—	—	7
Other comprehensive income	—	—	—	—	—	99	99
Comprehensive income for the year	7	—	—	—	852	99	958
Equity transactions							
Transfer of post-employment benefits (Note 27)	—	—	—	—	196	(196)	—
Stock option plan (Note 26)	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(6)	—	—	(6)
Common shares issued	—	34	—	—	—	—	34
Redemption of common shares	—	(2)	—	—	(6)	—	(8)
Dividends on common shares	—	—	—	—	(224)	—	(224)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	(3)	—	(3)
	—	32	—	(3)	(59)	(196)	(226)
Balance as at December 31, 2021	**48**	**1,706**	**525**	**17**	**4,963**	**(14)**	**7,245**
Net income attributed to shareholders	**—**	**—**	**—**	**—**	**842**	**—**	**842**
Net income attributed to participating policyholders' accounts	**(42)**	**—**	**—**	**—**	**—**	**—**	**(42)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**(407)**	**(407)**
Comprehensive income for the year	**(42)**	**—**	**—**	**—**	**842**	**(407)**	**393**
Equity transactions							
Transfer of post-employment benefits (Note 27)	**—**	**—**	**—**	**—**	**(7)**	**7**	**—**
Stock option plan (Note 26)	**—**	**—**	**—**	**3**	**—**	**—**	**3**
Stock options exercised	**—**	**—**	**—**	**(3)**	**—**	**—**	**(3)**
Common shares issued	**—**	**19**	**—**	**—**	**—**	**—**	**19**
Redemption of common shares	**—**	**(50)**	**—**	**—**	**(163)**	**—**	**(213)**
Redemption of preferred shares issued by a subsidiary	**—**	**—**	**(250)**	**—**	**—**	**—**	**(250)**
Issuance of other equity instruments	**—**	**—**	**250**	**—**	**(3)**	**—**	**247**
Dividends on common shares	**—**	**—**	**—**	**—**	**(277)**	**—**	**(277)**
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	**—**	**—**	**—**	**—**	**(25)**	**—**	**(25)**
Other	**—**	**—**	**—**	**—**	**1**	**—**	**1**
	—	**(31)**	**—**	**—**	**(474)**	**7**	**(498)**
Balance as at December 31, 2022	**$ 6**	**$ 1,675**	**$ 525**	**$ 17**	**$ 5,331**	**$ (414)**	**$ 7,140**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Cash Flows Statements

Years ended December 31 (in millions of Canadian dollars)		**2022**		2021
Cash flows from operating activities				
Income before income taxes	**$**	**956**	$	1,118
Financing charges		**97**		77
Income taxes paid, net of refunds		**(262)**		(215)
Operating activities not affecting cash:				
Increase (decrease) in insurance contract liabilities		**(6,221)**		19
Increase (decrease) in investment contract liabilities		**(30)**		2
Decrease (increase) in reinsurance assets		**(237)**		(203)
Unrealized losses (gains) on investments		**8,752**		1,418
Provisions for losses		**37**		28
Amortization of premiums and discounts		**12**		26
Other depreciation		**503**		415
Gain on disposal of businesses (Note 4)		**—**		(12)
Other items not affecting cash		**(90)**		89
Operating activities affecting cash:				
Sales, maturities and repayments on investments		**34,366**		26,344
Purchases of investments		**(36,886)**		(28,931)
Realized losses (gains) on investments		**(47)**		(32)
Other items affecting cash		**(337)**		42
Net cash from (used in) operating activities		**613**		185
Cash flows from investing activities				
Acquisition of businesses, net of cash		**—**		(61)
Disposal of businesses, net of cash		**—**		15
Sales (purchases) of fixed and intangible assets		**(287)**		(248)
Net cash from (used in) investing activities		**(287)**		(294)
Cash flows from financing activities				
Issuance of common shares		**16**		28
Redemption of common shares (Note 17)		**(213)**		(8)
Redemption of preferred shares issued by a subsidiary (Note 18)		**(250)**		—
Issuance of other equity instruments (Note 18)		**246**		—
Issuance of debentures (Note 16)		**298**		—
Redemption of debentures (Note 16)		**(250)**		—
Reimbursement of lease liabilities[1]		**(20)**		(22)
Dividends paid on common shares		**(277)**		(224)
Dividends paid on preferred shares issued by a subsidiary and distributions on other equity instruments		**(27)**		(22)
Interest paid on debentures		**(44)**		(42)
Interest paid on lease liabilities		**(4)**		(4)
Net cash from (used in) financing activities		**(525)**		(294)
Foreign currency gains (losses) on cash		**11**		—
Increase (decrease) in cash and short-term investments		**(188)**		(403)
Cash and short-term investments at beginning		**1,546**		1,949
Cash and short-term investments at end	**$**	**1,358**	$	1,546
Supplementary information:				
Cash	**$**	**1,006**	$	1,334
Short-term investments		**352**		212
Total cash and short-term investments	**$**	**1,358**	$	1,546

[1] For the year ended December 31, 2022, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of $8 ($5 for the year ended December 31, 2021) of items not affecting cash, mostly attributable to new liabilities.

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2022 and 2021 (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, mortgages, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

Publication of these Consolidated Financial Statements (the "Financial Statements") was authorized for issue by the Company's Board of Directors on February 14, 2023.

2 › Significant Accounting Policies

a) Basis of Presentation

The Company's financial statements are established according to International Financial Reporting Standards (IFRS) on December 31, 2022. The IFRS are published by the International Accounting Standards Board (IASB) and are based on International Financial Reporting Standards, International Accounting Standards (IAS), and on interpretations developed by the IFRS Interpretations Committee (IFRS IC).

As permitted by IFRS 4 *Insurance Contracts*, insurance contract liabilities are measured in accordance with accepted actuarial practice in Canada using the Canadian Asset Liability Method (CALM).

The financial statements are presented in millions of Canadian dollars. The Canadian dollar is the Company's functional and reporting currency. The presentation order of the items included in the Statements of Financial Position is based on liquidity. Each line item includes both current and non-current balances, if applicable.

b) Important Estimates, Assumptions and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and complementary information. Management has exercised its judgment, made estimates and established the assumptions described in the notes referred to below:

Determination of control for purposes of consolidation	Note 2, section c) "Basis of Consolidation and Method" Note 7 "Management of Risks Associated with Financial Instruments", section b) iii) "Other Information on Credit Risk - Interests in Non-Consolidated Structured Entities"
Fair value and impairment of financial instruments and fair value of investment properties	Note 2, section d) "Invested Assets and Investment Income" Note 5 "Invested Assets and Investment Income" Note 6 "Fair Value of Financial Instruments and Investment Properties" Note 7 "Management of Risks Associated with Financial Instruments"
Classification of contracts, measurement of insurance contract liabilities and investment contract liabilities and measurement of reinsurance assets	Note 2, section j) "Reinsurance Assets" Note 2, section k) "Insurance Contract Liabilities and Investment Contract Liabilities" Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities"
Goodwill and intangible assets	Note 2, section g) "Intangible Assets" Note 2, section h) "Goodwill" Note 4 "Acquisition and Disposal of Businesses" Note 11 "Intangible Assets and Goodwill"
Income taxes	Note 2, section m) "Income Taxes" Note 23 "Income Taxes"
Post-employment benefits	Note 2, section s) "Post-Employment Benefits" Note 27 "Post-Employment Benefits"
Determination of reporting segments and allocation methodologies in the presentation of segmented information	Note 24 "Segmented Information"

Actual results could differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing circumstances and facts, and changes are recognized in the period in which the revision is made and future periods affected by this revision. The significant accounting policies, estimates and assumptions are detailed in the following notes when it is meaningful and relevant.

Impacts of COVID-19 Pandemic

Since March 2020, the COVID-19 pandemic has had major and unprecedented implications for both society and the economy. The risk management program established by the Company has made it possible, since the beginning of the pandemic, to mitigate the negative effects of this crisis on its results. The significant estimates, assumptions and judgments made by management in the preparation of these Financial Statements take into account these uncertainties. For the year ended December 31, 2021, the assumptions used in the calculation of provisions for future policy benefits reflected the trends in additional mortality claims and the improvements of lapse assumptions for policies targeted by a specific COVID-19 provision in 2020. For the year ended December 31, 2022, the direct and indirect impacts of the COVID-19 pandemic are now included in the basic provisions for future policy benefits as part of the annual assumption review. See Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities".

c) Basis of Consolidation and Method

Entities over which the Company exercises control are consolidated. Control is defined as being the exposure or the right to receive variable returns from the involvement with an entity and the ability to affect those returns through the power held over it. The Company holds the power when it has existing rights that give it the current ability to direct the relevant activities, that is, the activities that significantly affect the investee's returns. Management makes judgments in determining whether control exists, particularly in determining the extent to which the Company has the ability to exercise its power to generate variable returns. Entities are consolidated from the date control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary and the difference between the acquisition cost of the subsidiary and the fair value of the subsidiary's net identifiable assets acquired is recorded as goodwill. The Company uses uniform accounting policies in the Financial Statements for similar transactions and events. Intercompany balances, and revenues and expenses for intercompany transactions, are eliminated on consolidation.

The Company uses the equity method to record joint ventures and entities over which it has significant influence. Significant influence is the power to participate in decisions regarding the financial and operating policies of an entity but is not control over those policies. Significant influence is presumed to exist by holding 20% or more of the voting rights. A joint venture exists when the Company has joint control of a joint arrangement and has rights to the net assets of the arrangement. Joint control is the sharing of control under a contractual agreement and exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company records its share of the entity's net assets and financial results using uniform accounting policies for similar transactions and events.

d) Invested Assets and Investment Income

Invested assets include financial assets such as cash and short-term investments, bonds, stocks, mortgages and other loans, derivative financial instruments, policy loans, other invested assets and investment properties.

Financial assets are classified into one of the following categories:

- assets at fair value through profit or loss, including assets held for trading and assets designated at fair value through profit or loss;
- assets available for sale, carried at fair value, with fair value variations recognized in *Other comprehensive income*;
- assets held to maturity, carried at amortized cost;
- loans and receivables, carried at amortized cost using the effective interest method.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. The fair value option of designating financial assets in the category assets at fair value through profit or loss is used by the Company for its assets matching the insurance contract liabilities and investment contract liabilities, except for mortgages and other loans and bonds that are not quoted on an active market. Thus, any changes in the fair value of underlying assets matched to the insurance contract liabilities and investment contract liabilities are directly reflected in the insurance contract liabilities and investment contract liabilities. Changes in fair value of assets matching these liabilities and changes in corresponding insurance contract liabilities and investment contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise.

Bonds and stocks that are not matched with insurance contract liabilities and investment contract liabilities are classified as available for sale. Mortgages and other loans, as well as bonds not quoted in an active market are classified as loans and receivables. Bonds quoted in an active market that are related to securitization liabilities are classified as assets held to maturity.

The Company applies the trade date accounting method, which is the date on which the Company commits to purchase or sell assets. Transaction costs related to financial assets classified at fair value through profit or loss are recorded in the Income Statement as incurred. Transaction costs related to financial assets available for sale are capitalized to the asset and, in the case of bonds, these costs are amortized using the effective interest method. Transaction costs related to loans and receivables and to assets held to maturity are capitalized to the asset and amortized in the Income Statement using the effective interest method.

Invested assets are accounted for using the methods described below.

i) Cash and Short-Term Investments

Cash and short-term investments consist of cash, payments in transit and fixed income securities held for short-term commitments. Cash and payments in transit are classified as loans and receivables and accounted for at amortized cost using the effective interest method. Fixed income securities are classified as held for trading and accounted for at fair value.

ii) Bonds

Designated at Fair Value Through Profit or Loss

Bonds designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

Available for Sale
Bonds classified as available for sale are carried at fair value. Unrealized gains and losses are recognized in *Other comprehensive income*, except for the portion related to foreign exchange difference, which is recorded in the Income Statement. Upon realization, gains or losses are reclassified to the Income Statement in *Interest and other investment income*. Interest as well as premiums and discounts are calculated according to the effective interest method and are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as available for sale are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, the cumulative loss recorded in *Accumulated other comprehensive income* is reclassified as an impairment loss in the Income Statement under *Investment income*. Following impairment loss recognition, these bonds continue to be recorded at fair value. Subsequent decreases in fair value are recorded in the Income Statement and they are evaluated at each reporting date to determine whether there is a fair value increase. If there is a fair value increase, impairment loss recorded in the Income Statement could be reversed if the fair value increase can be objectively linked to an event occurring after the impairment loss was recognized.

Held to maturity
Bonds classified as held to maturity are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as held to maturity are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is an impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the asset and the recoverable amount valuated according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

Loans and Receivables
Private bonds not traded in an active market are classified as loans and receivables. These bonds are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as loans and receivables are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the asset and the recoverable amount valuated according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

iii) Stocks

Designated at Fair Value Through Profit or Loss
Stocks designated at fair value through profit or loss are measured at fair value. Realized and unrealized gains and losses are recognized immediately in *Change in fair value of investments* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

Available for Sale
Stocks classified as available for sale are carried at fair value. Unrealized gains and losses and variations of exchange rates are recognized in *Other comprehensive income*. Upon realization, gains or losses are reclassified in *Interest and other investment income* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

At each reporting date, stocks classified as available for sale are tested for impairment. The Company records an impairment loss if objective evidence of impairment exists, such as observable data about the issuer's significant financial difficulty or changes in the economic, legal or technological environment that have a negative effect on the issuer. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. For stocks with similar characteristics and behaviour to debt instruments, the Company records an impairment loss if evidence of impairment exists and considers that the amount invested will not be recovered.

When there is impairment, the cumulative losses previously accounted for in *Accumulated other comprehensive income* are reclassified as impairment losses under *Interest and other investment income* in the Income Statement. These stocks continue to be recorded at fair value. Any decline in value subsequent to impairment is recorded in the Income Statement, while increases are recorded in *Other comprehensive income*. An increase in value of an impaired security is only recorded in the Income Statement when the security is sold or derecognized.

iv) Mortgages and Other Loans

Loans and Receivables

Other loans consist of personal loans. Mortgages and other loans classified as loans and receivables are carried at amortized cost using the effective interest method, net of a provision for credit losses, if applicable. Interest and realized gains or losses on disposition of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, the Company performs an impairment test on each loan. A group test is then performed on groups of assets with similar risks, including loans valued individually and which had no indication of impairment. On a group basis, the Company considers similar risk characteristics such as the type of loan, the activity sector, geographic situation, potential late payment observed and other relevant factors. On an individual basis, the Company considers an impairment loss if it deems it unlikely that it will be able to recover the full amount of principal and interest at maturity due to objective evidence of impairment, including the borrower's financial difficulty, a bankruptcy or a default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the loan and the recoverable amount valuated according to the estimated future cash flows, discounted at the initial effective interest rate. The estimated cash flows consider the fair value of any guarantee underlying the loans, less related costs. When the effects of the cause of the impairment begin to fade, and future payments are reasonably assured, the provision is reduced or reversed. When there is no longer a realistic probability of recovery or when the asset is derecognized after the guarantee is exercised or the asset is sold, the provision is written off and reduced by any recovery. All changes affecting the provision for losses are recorded in the Income Statement.

When an impairment loss is recognized on a loan, the future interest is recognized based on the interest rate used to discount the future cash flows in order to valuate the fair value loss. When contractual payments are 90 days or more in arrears in the case of mortgages and 120 days or more in the case of other loans, contractual interest is no longer recognized. Contractual interest is resumed once the contractual payments are no longer considered in arrears and are considered current.

Designated at Fair Value Through Profit or Loss

Mortgages and other loans designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income.*

Securitization of Mortgages

Residential Mortgages

The Company transferred the risks and rewards related to securitized loans. As part of the securitization of residential mortgages, the asset derecognition criteria are met and, consequently, the Company derecognized these loans. The liability related to the amounts initially securitized remains recorded in *Other liabilities*. Interest expenses on liabilities are recorded in *Financing charges* in the Income Statement.

Multi-residential and Non-residential Mortgages

As part of the securitization of multi-residential and non-residential mortgages, since the Company retains substantially all risks and rewards related to the transferred mortgages, the asset derecognition criteria are not met. The Company continues to recognize multi-residential and non-residential mortgages in the Statement of Financial Position and a liability related to the amounts securitized is recorded in *Other liabilities*. Interest income on securitized loans continues to be recorded in *Interest and other investment income* in the Income Statement according to the effective interest method and interest expenses on liabilities are recorded in *Financing charges* in the Income Statement.

v) Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency, interest rates, credit risk and other market risks associated with specific assets and liabilities. Derivative financial instruments are classified as held for trading. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in *Change in fair value of investments* in the Income Statement unless the derivative financial instruments are part of a qualified hedging relationship, as described below.

Hedge Accounting

When the Company determines that hedge accounting is appropriate, a hedging relationship is designated and documented from inception. Effectiveness of the hedge is valuated on inception and at the end of each financial reporting period for the duration of the hedge. Hedge accounting, which recognizes the offsetting effects of hedging instruments and hedged items the same way, can only be applied if the relationship is demonstrated to be effective. If it is established that the hedging instrument is no longer an effective hedge, if the hedging instrument is sold or if the expected transaction has ceased to be highly probable, the Company ceases to apply hedge accounting prospectively.

Fair Value Hedging

Changes in fair value of hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Cash Flow Hedging

The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income.* Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments.* When accumulated gains and losses in *Other comprehensive income* in respect of the hedged item have an impact on results during the period, they are reclassified to the Income Statement, whereas when they affect the Statement of Financial Position, they are reclassified to the Statement of Financial Position.

Net Investment Hedge

The Company uses currency forward contracts as hedging items of foreign exchange risk related to net investments in foreign operations. The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement as *Change in fair value of investments*. Cumulative gains and losses in *Other comprehensive income* are reclassified in the Income Statement in the period in which the net investment in foreign operations is subject to a total or partial disposition.

vi) Embedded Derivative Financial Instruments

Embedded derivative financial instruments are separate from the host contract and are accounted for at fair value if the economic characteristics and risks of the embedded derivative financial instruments are not closely linked to the economic characteristics and risks of the host contract, if the terms of the embedded derivative financial instrument are the same as an independent derivative financial instrument, and if the host instrument itself is not accounted for at fair value through profit or loss. Changes in the fair value of embedded derivative financial instruments are recorded in the Income Statement under *Change in fair value of investments*.

vii) Policy Loans

Policy loans, classified as loans and receivables, correspond to the unpaid capital balance and are fully secured by the cash surrender value on the insurance contracts on which the respective loans are made.

viii) Other Invested Assets

Other invested assets include the investment in associates and joint ventures, bonds and investment fund units that are restricted investments and notes receivable. Notes receivable are classified as loans and receivables and are accounted for at amortized cost using the effective interest method. Investments in associates and joint ventures are accounted for according to the equity method as described in section c) “Basis of Consolidation and Method”, in the present note. Bonds and investment fund units that are restricted investments are classified as available for sale.

ix) Investment Properties

Investment properties are properties owned by the Company that are not owner-occupied and that are held to earn rental income or capital appreciation. Investment properties are recognized at the transaction price plus transaction costs upon acquisition. These properties are subsequently valued at fair value, except in the case of properties under construction, when the fair value cannot be reliably assessed. These are recorded at unamortized cost until the fair value can be reliably assessed. The fair value excludes the fair value of the linearization of rents, which is recorded in *Other assets*. Changes in fair value are recognized in *Change in fair value of investments* in the Income Statement. Rental income is recognized in the Income Statement linearly according to the term of the lease, and operating expenses of properties are recorded in *General expenses*.

When an own-use property is reclassified to investment properties, the property is revalued at fair value at the transfer date. The change in fair value is recorded in *Other comprehensive income*.

x) Derecognition

A financial asset (or portion of a financial asset) is derecognized when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers to a third party the financial asset and substantially all the risks and rewards of the financial asset. If the Company does not transfer or retain substantially all the risks and rewards of the financial asset and keeps control over the ceded asset, the Company accounts for the part of the asset it kept and recognizes a corresponding liability for the amount payable.

e) Other Assets

The nature of other assets is detailed in Note 9 “Other Assets”.

Financial assets included in *Other assets* are classified as loans and receivables and are measured at amortized cost. Real estate held for resale (foreclosed properties) is measured at the lower of fair value less cost to sell and the carrying value of the underlying loans at foreclosure date. Funds deposited in trust represent amounts received from clients held in trust.

The Company purchases securities and, simultaneously, agrees to resell them in the short term, at a set price and date. These reverse repurchase agreements are recorded in the Statement of Financial Position at the consideration paid plus accrued interest. Commitments related to securities purchased under reverse repurchase agreements are recorded at amortized cost using the effective interest method and are classified as loans and receivables. Interest on reverse repurchase operations is recorded in the Income Statement as *Interest and other investment income*.

The Company is involved in a public-private type service agreement, which must be accounted for in accordance with IFRIC 12 *Service Concession Arrangements*. The concession service to be received increases based on the fair value of operational and maintenance services, recovery costs, administrative costs and financing costs, and decreases through payments received. The concession account receivable, included in *Accounts receivable*, is classified as a loan and receivable and is carried at amortized cost using the effective interest rate.

f) Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and mainly include own-use properties, right-of-use assets and other items classified under fixed assets. Right-of-use assets consist of rental space and other assets arising from leases, recognized at the commencement date of the contract, which is when the leased asset is made available to the Company.

The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life using the following periods:

Own-use property components	10	to	60 years
Right-of-use assets	2	to	30 years
Other	3	to	15 years

At the end of each year, the Company must revise the residual value and useful life of fixed assets. Any change represents a modification of an accounting estimate and must be accounted for prospectively.

g) Intangible Assets

Intangible assets are composed of assets with finite and indefinite useful life and are initially recorded at cost.

Intangible assets with finite useful life primarily include capitalized software applications, distribution networks and customer relationships. These assets are depreciated linearly over their estimated useful life varying between 4 and 25 years. Useful life is reassessed each year and any depreciation expense is adjusted prospectively, if applicable. Finite life intangible assets are subject to impairment testing if there is evidence of impairment and losses in value are calculated and recorded on an individual basis for each asset.

Intangible assets with indefinite useful life primarily include fund management contracts and distribution networks. These assets are not subject to depreciation and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized in the Income Statement under *General expenses* when the carrying value exceeds the recoverable value. Intangible assets are considered to have indefinite useful lives when, on the basis for analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Company.

h) Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of identifiable assets, assumed liabilities and contingent liabilities of the acquired entities at the acquisition date. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulting from business combinations is presumed to have an indefinite life and is not amortized.

The Company allocates goodwill to a CGU or to a group of CGUs (hereinafter referred to collectively as CGU), which is the smallest group of identifiable assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. To determine whether there is impairment, the Company compares for each CGU the net carrying value and the recoverable amount. The recoverable amount is the higher of the fair value less costs of sale and the value in use. The value in use of a CGU is the discounted value of expected future cash flows resulting from a CGU. When the assets and liabilities of the CGU have not changed significantly, the recoverable amount substantially exceeds the carrying value of the CGU and impairment is unlikely under current circumstances, the most recent detailed calculation of the recoverable amount of the CGU carried out during a prior period is used in the impairment test for the period considered. Goodwill impairments are recorded as *General expenses* in the Income Statement and cannot be reversed subsequently.

i) Segregated Funds

Funds from group or individual annuities issued by the Company may be invested in segregated portfolios at the option of the policyholders. The underlying assets are registered in the name of the Company and the segregated funds policyholders have no direct access to the specific assets. The policyholders bear the risks and rewards of the funds' investment performance. The Company derives fee income from the management of its segregated funds. These revenues are accounted for in *Other revenues* in the Income Statement. Investment income and changes in fair value of the segregated fund assets are not presented separately in the Income Statement and are offset by a corresponding change in the liabilities related to segregated funds net assets.

Segregated Funds Net Assets

Segregated funds net assets are accounted for separately from the total general fund assets in the Statement of Financial Position and investments constituting segregated funds assets are accounted for at fair value. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that the Company has established. The liabilities included in the segregated funds net assets are accounted for at amortized cost.

Liabilities Related to Segregated Funds Net Assets

Insurance or investment contract liabilities whose financial risk corresponds to the risk assumed by insureds are presented separately from the total general fund liabilities in the Statement of Financial Position and are accounted for at the fair value of segregated funds net assets.

Liabilities related to the segregated funds guarantees granted by the Company are included in *Insurance contract liabilities* in the Statement of Financial Position.

j) Reinsurance Assets

In the normal course of business, the Company uses reinsurance to limit its risk exposure. Reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who share the risks. Reinsurance assets represent the amounts due to the Company for ceded insurance contract liabilities, investment contract liabilities and unearned premiums. The calculation of these amounts is similar to the calculation of the underlying insurance contract liabilities and investment contract liabilities and unearned premiums, in accordance with the contract provisions of reinsurance agreements. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

Gains or losses that could occur on buying reinsurance are recognized in net income immediately and are not amortized. The gross amounts of assets and liabilities related to reinsurance are presented separately in the Statement of Financial Position. The amounts due to or from reinsurers for premiums received or claims made are included in *Other assets* and *Other liabilities* in the Statement of Financial Position. Premiums for ceded reinsurance are shown under *Ceded premiums* in the Income Statement. The *Ceded benefits and claims on contracts* item in the Income Statement shows expense recoveries related to reinsurance contracts.

The reinsurance assets are tested for impairment. The Company considers impairment if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the reinsurance agreement due to objective evidence of impairment, such as the third party's financial difficulty, a bankruptcy or default of payment of amounts due. This provision is immediately recorded in *General expenses* in the Income Statement.

k) Insurance Contract Liabilities and Investment Contract Liabilities

i) Classification of Contracts

The Company issues contracts that contain an insurance risk, a financial risk or both. Insurance contracts, including reinsurance acceptances, are contracts that contain a significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing are unknown. This risk is assessed by reviewing a portfolio of contracts with similar risk features.

Investment contracts are contracts that contain a financial risk and which do not include a significant insurance risk. The financial risk represents the risk of a possible future change in one or more of the following items: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

Service contracts are contracts that do not contain any significant insurance risk and no financial risk and for which the Company offers administrative services only. Service contracts also include the service components of investment contracts. The accounting policy relating to the fee income earned from these contracts is described in section q) "Other Revenues" in the present note.

Management makes judgments to evaluate the classification of contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Insurance contracts are accounted for in accordance with IFRS 4 *Insurance Contracts*, whereas investment contracts are accounted for according to IAS 39 *Financial Instruments: Recognition and Measurement*, and service contracts according to IFRS 15 *Revenue from Contracts with Customers.*

ii) Insurance Contract Liabilities

The appointed actuary determines the amount of insurance contract liabilities using the CALM, in accordance with the standards of the CIA, and as permitted by IFRS 4 *Insurance Contracts*. Pursuant to the CALM, insurance contract liabilities represent the amount which, added to future premiums and investment income, will be sufficient to cover estimated future benefits, policyholder dividends and experience rating refunds, taxes (other than income taxes), commissions and fees to administer in-force policies. The change in the insurance contract liabilities is included in *Increase (decrease) in insurance contract liabilities* in the Income Statement.

iii) Investment Contract Liabilities

Investment contract liabilities are the amounts that the Company owes to clients since these contracts do not have significant insurance risk. These contracts are initially carried at fair value less transaction costs directly related to the establishment of the contract and are subsequently re-measured at amortized cost. This liability is derecognized when all the obligations relating to this type of contract are performed, extinguished or expire.

l) Other Liabilities

The nature of other liabilities is detailed in Note 15 "Other Liabilities".

Financial liabilities included in *Other liabilities* are classified as financial liabilities at amortized cost, except for short-selling securities, which are classified as held for trading. The commitments related to short-selling securities reflect the Company's obligation to deliver securities that it sold without owning them at the time of sale. Short-selling securities are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in *Change in fair value of investments* in the Income Statement. A financial liability is derecognized when the obligation related to the financial liability is settled, cancelled or expires.

The Company sells securities and, simultaneously, agrees to repurchase them in the short term, at a set price and date. These repurchase agreements are recorded in the Statement of Financial Position at the consideration received plus accrued interest. Commitments related to securities acquired under repurchase agreements are recorded at amortized cost using the effective interest method. Interest on repurchase operations is recorded in the Income Statement under *Financing charges*.

Lease liabilities are recognized, from the commencement date of the contract, at the discounted value of the lease payments that have not yet been paid, discounted at the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. After their initial recognition, lease liabilities are recorded at amortized cost using the effective interest method and the related interest expense is recognized in *Financing charges* in the Income Statement. Lease liabilities exclude amounts relating to variable lease payments or payments for which the Company is reasonably certain not to exercise. The Company has elected to recognize lease payments for short-term and low-value contracts on a straight-line basis over the lease term in *General expenses*.

The purchased businesses in force are initially recorded at fair value. If negative, this fair value is recorded in the Statement of Financial Position in *Other liabilities* for an amount equal to the discounted value of estimated future gains or losses related to purchased businesses in force at the acquisition date. The discounted value of the future gain or loss takes into consideration the cost of capital and is estimated using actuarial assumptions that are similar to the ones used to establish the insurance contract liability purchased and a discount rate integrating a risk premium. The fair value of purchased businesses in force recorded as part of a business combination is amortized over the useful life of the portfolio contracts.

m) Income Taxes

The income tax expense includes current taxes and deferred taxes. The calculation of current income tax expense is based on taxable income for the year. Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be paid to or received from tax authorities using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income taxes result from temporary differences between the assets' and liabilities' carrying value and their value for tax purposes, using those rates enacted or substantively enacted applicable to the periods the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences subject to certain exceptions, carry forward for unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets can be utilized. The Company assesses all available evidence, both positive and negative, to determine the amount of deferred tax assets to be recognized.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset them, for the same legal entity and levied by the same taxation authority, and if the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The current and deferred taxes are presented in the Income Statement except when they relate to items that are recognized in *Other comprehensive income* or directly in equity. In this case, they are presented in the Comprehensive Income Statement and the Equity Statement respectively.

To determine the impact of taxes, the Company must comply with both IFRS and actuarial standards of practice. Consequently, according to the CALM, the determination of insurance contract liabilities must account for all cash flows associated with the insurance contract liabilities provided, including income taxes. Insurance contract liabilities are determined by considering the tax impacts related to these contracts on a discounted basis, adjusted for all related deferred tax assets and liabilities. The net result of this adjustment is to leave the discounting effect of deferred taxes related to temporary differences on tax items related to insurance contracts in *Insurance contract liabilities*.

The Company is subject to income tax laws in Canada and the United States. Tax laws are complex and may be subject to different interpretations by the Company and by the tax authority. The provision for income taxes and deferred income taxes represents the Company's interpretation of the tax laws and estimates of current and future tax consequences of the transactions and events during the period. In addition, future events, such as changes in tax laws, tax regulations or the interpretations of such laws or regulations could have a material effect on the amounts of the tax expense, the deferred income tax and the effective tax rate during the year in which they occur.

n) Debentures

The Company has chosen to classify its debentures as financial liabilities at amortized cost. The fair value, net of related transaction costs, is used to initially recognize the debentures. Debentures are subsequently measured at amortized cost using the effective interest method. Interest calculated according to the effective interest method and premiums paid on redemption of debentures are recognized in the Income Statement and presented as *Financing charges*.

o) Foreign Exchange Conversion

Transactions in foreign currencies are converted into the functional currency at the rate in effect when each transaction takes place. Monetary items in the Statement of Financial Position are converted at the end-of-period exchange rate. Non-monetary items in the Statement of Financial Position that are measured at fair value are converted at the end-of-period exchange rate, while non-monetary items that are measured at historical cost are converted at the exchange rate in effect when each transaction takes place. Gains and losses on foreign currency conversions are recognized in the Income Statement.

The financial statements of certain entities of the group, whose functional currency (the currency of the principal economic environment in which the entity operates) differs from the parent company, are converted into the reporting currency. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the end-of-period exchange rate. Revenues and expenses are translated at the average rate. Gains and losses on foreign currency and hedge results of some of these investments are accounted for in *Other comprehensive income, net of income taxes*.

p) Premiums and Expenses

Insurance and annuity premiums, including those invested in the general fund and segregated funds, are recognized as revenue when due under contracts in force. Net premiums represent gross premiums, including assumed premiums, net of the share ceded to reinsurers for insuring a part of the risk. When premiums are recognized, provisions for future policy benefits are calculated, with the result that benefits and expenses are matched with such revenue.

General insurance premiums are recorded when written. Premiums are recognized as premiums earned over the contract period. The unrecognized portion is recorded as unearned premiums in *Other liabilities* in the Statement of Financial Position.

Benefits and claims on contracts mainly consist of amounts paid on death, annuities, redemptions and health.

Benefits and claims as well as expenses are recognized when incurred.

q) Other Revenues

Other revenues mainly come from contracts that meet the definition of service contracts and especially include fees earned from the management of the Company's segregated fund and mutual fund assets, commissions from intermediary activities, administration income and administrative services only (ASO) income. Other revenues are recognized based on the considerations specified in the contract with the customer and exclude any amounts received on behalf of third parties. The nature of the activities included in other revenues represents a single performance obligation (service) which consists of a series of similar services provided to the same customer. The Company recognizes other revenues in the Income Statement on an accrual basis when services are rendered and when it is unlikely that they will be reversed.

r) Net Transfer to Segregated Funds

Net transfer to segregated funds represents the total amount transferred from the general fund to segregated funds less the total amount transferred from the segregated funds to the general fund at the request of policyholders.

s) Post-Employment Benefits

The Company has established defined benefit plans and provides certain post-retirement benefits to eligible employees. In some cases, eligible retirees have to pay a portion of premiums for these benefits. The cost of the retirement plans is determined using the Projected Unit Credit Method and management's best estimate regarding the discount rate, salary increases, mortality and expected health care costs. Defined benefit costs are divided into four components: service cost, net interest and administrative expense, which are shown in the Income Statement as *General expenses,* and revaluations, which are presented in *Other comprehensive income*.

The revaluations of defined benefit net liabilities (assets) includes the actuarial gain or loss, the yield on plan assets (excluding amounts included in net interest on the defined benefit net liabilities (assets)) and the variation of the asset ceiling on a capitalized benefit plan, if applicable, and are recognized immediately as *Other liabilities (Other assets)* in the Statement of Financial Position and in *Other comprehensive income* on the other side. The Company decided to transfer the amounts recorded in *Other comprehensive income* to *Retained earnings*. The cost of past service is recognized in *Net income* in the period in which there has been a change, reduction or liquidation of the pension plan. The net interest is calculated by multiplying the defined benefit net liabilities (assets) at the beginning of the period by the discount rate. The difference between defined benefit assets and defined benefit obligations under defined benefit plans is recognized as an asset or liability in the Statement of Financial Position. The discount rate used to determine obligations under defined benefit plans is based on the market interest rate at the valuation date for debt securities with high quality and cash flows in line with forecast benefit payments.

In accordance with IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction*, the Company must determine whether the assets of a capitalized plan provide an economic benefit to the Company through refunds from the plan or as a reduction in future contributions to the plan. If not, the net liabilities (assets) resulting from the obligation in respect of defined benefits must reflect the ceiling on the capitalized plan assets.

t) Stock-Based Compensation

i) Stock Option Plan

The stock option plan is accounted for as a transaction which is settled in equity. The cost of stock options granted is calculated using the fair value method. Fair value of options is estimated at the grant dates taking into account a forfeiture rate and using the graded vesting method. The cost of stock options is accounted for as a remuneration expense included in *General expenses* in the Income Statement. The corresponding amount is recorded in the Company's *Contributed surplus* in the Equity Statement. For options that are cancelled before vesting, the remuneration expense that has previously been recognized is reversed. When options are exercised, contributed surplus is reversed and the shares issued are credited to share capital. Stock-based compensation is recognized at the grant date for grants to management personnel who are eligible to retire on the grant date and over the period from the date of grant to the date of retirement eligibility for grants to management personnel who will become eligible to retire during the vesting period.

ii) Share Purchase Plan for Employees

The Company's cash contribution is charged to the Income Statement as *General expenses* in the period the common shares are purchased.

iii) Deferred Share Units Plan

Measurement of deferred share units, which are settled in cash, is based on the value of the Company's common shares. When a grant is made, the Company recognizes a remuneration expense in the Income Statement and a liability equivalent to the fair value of the Company's common shares in the Statement of Financial Position. This liability is revalued at the end of each reporting period and on the settlement date according to the value of the Company's common shares and the change in fair value is recorded in *General expenses* in the Income Statement.

iv) Mid-Term Incentive Plan and Time-Based and Performance-Based Restricted Share Unit Plan

Measurement of these plans, which are settled in cash, is based on the value of the Company's common shares. At the end of each reporting period, the Company records a remuneration expense in the Income Statement and a liability in the Statement of Financial Position, equal to the average fair value of the Company's common shares for the reference period. This expense is amortized linearly according to the estimated number of shares expected to be vested at the end of the vesting period. Changes in the fair value of liabilities are recorded in *General expenses* in the Income Statement.

v) Restricted Share Units Plan

The restricted share units plan is accounted for as a share-based payment transaction that is settled in cash. Its valuation is based on the fair value of the common shares of a subsidiary of the Company, which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the group which are not under its control. Fair value is determined using equity valuation models. Based on the estimated number of restricted share units expected to be vested, the Company recognizes the remuneration expense in *General expenses* in the Income Statement and the corresponding liability in the Statement of Financial Position for the vesting period. At the end of each reporting period and on the settlement date, the liability is remeasured based on the fair value of the common shares of the subsidiary and the change is recorded in *General expenses* in the Income Statement.

3 › Changes in Accounting Policies

New Accounting Policies Applied

These standards or amendments apply to financial statements beginning on or after January 1, 2022.

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 *Insurance Contracts*	*Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts*. This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4: • the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; • the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. On June 25, 2020, the IASB published an amendment to IFRS 4 *Insurance Contracts* to extend the deferral approach until January 1, 2023. *Status:* The Company met all criteria and chose the deferral approach, as described below in the section "Information on the Deferral of the Application of IFRS 9 *Financial Instruments*". The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.
IAS 16 *Property, Plant and Equipment*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 16 *Property, Plant and Equipment*. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment apply retrospectively. *Impact:* No impact on the Company's financial statements.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	*Description:* On May 14, 2020, the IASB published an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment apply on a modified retrospective basis. *Impact:* No impact on the Company's financial statements.
IFRS 3 *Business Combinations*	*Description:* On May 14, 2020, the IASB published an amendment to IFRS 3 *Business Combinations*. The amendment updates the reference to the *Conceptual Framework* and adds an exception to its requirement for an entity to refer to the *Conceptual Framework* to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provisions of this amendment apply prospectively. *Impact:* No impact on the Company's financial statements.
Annual Improvements to IFRSs 2018-2020 Cycle	*Description:* On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify specific situations: • IFRS 1 *First-time Adoption of International Financial Reporting Standards* related to the fact that a subsidiary that becomes a first-time adopter later than its parent is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs; • IAS 41 *Agriculture* related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*. The provisions of IFRS 1 and IAS 41 apply prospectively. *Impact:* No impact on the Company's financial statements.

Future Changes in Accounting Policies
Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

Standards IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*

<table>
<tr><th>Standards</th><th>Description of the standards</th></tr>
<tr><td>IFRS 17 Insurance Contracts</td><td> Description: On May 18, 2017, the IASB published the standard IFRS 17 Insurance Contracts which replaces the provisions of the standard IFRS 4 Insurance Contracts. Amendments to IFRS 17 Insurance Contracts were also published in June 2020 and December 2021 with the objective to help companies in implementing the standard, thus allowing the application date to be postponed to January 1, 2023 and the usefulness of the comparative information to be improved at the initial, concurrent application of IFRS 9 Financial Instruments.
The standard IFRS 17:

has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement;
establishes the principles for recognition, measurement, presentation and disclosure;
defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities;
defines a specific model for contracts of one year or less.

The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2023.
The adoption of IFRS 17 will impact how the Company accounts for its insurance contracts, the timing of revenues recognition and the presentation of its financial performance in the Income Statement. Premiums and policy benefits and claims on contracts will no longer be presented in the Income Statement. New items will be presented such as Insurance revenue, Insurance services expenses and Finance income (expenses) from insurance contracts. The insurance revenue will reflect the services rendered during the period. The current presentation of the Statement of Financial Position, under which Outstanding premiums, Due from reinsurers and Deferred sales commissions are included in Other assets, and Unearned premiums, Due to reinsurers and Other insurance contract liabilities are presented in Other liabilities, will be modified. These items will henceforth be included, for each portfolio, as Insurance contract assets, Insurance contract liabilities, Reinsurance contract assets or Reinsurance contract liabilities.
IFRS 17 introduces three approaches that measure insurance contracts: the premium allocation approach, the variable fee approach and the general model approach.
The general model approach, which will be mostly used by the Company, measures insurance contracts based on the Company's estimates of:

fulfilment cash flows which comprise estimates of expected future cash flows, an adjustment to reflect the time value of money and the associated financial risks (discount rate), plus a risk adjustment for non-financial risk;
the contractual service margin (CSM) which represents the unearned profit the Company will recognize as it provides services in the future.

The discount rate used to adjust the fulfilment cash flows must be consistent with the readily available quoted price in active markets and reflect the characteristics of the cash flows and liquidity of the insurance contracts. This valuation method is different from the Canadian Asset Liability Method (CALM) used under IFRS 4 Insurance Contracts, which relied on the invested assets held by the Company and on its investment strategy.
The CSM is measured at the initial recognition of the insurance contracts and is then released in the Income Statement as the services are rendered by the Company. If a group of contracts is or becomes onerous, an entity will recognize the loss immediately. IFRS 17 also requires the Company to separately disclose amounts resulting from groups of contracts that are expected to be onerous from those that are expected to be non-onerous, based on their respective portfolios. The fulfilment cash flows will be measured at each reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk.
Status: The Company is finalizing its analysis of the impact on the measurement, presentation and disclosure of insurance contracts that this standard will have on its financial statements beginning on January 1, 2023. At the transition date, January 1, 2022, the Company will apply two of the three transition approaches available under IFRS 17: the full retrospective approach and the fair value approach. For a majority of groups of contracts, the fair value approach will be applied considering the fact that the full retrospective approach is impracticable, since reasonable and supportable information to apply this approach is not available without undue cost or effort. The impact of the adoption of this new standard is described in the section "Impact of IFRS 17 and IFRS 9 Adoption" below. </td></tr>
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IFRS 9 *Financial Instruments*	The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. *Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement*. Amendments to IFRS 9 *Financial Instruments* were also published in October 2017 and August 2020 along with an annual improvement to IFRSs in May 2020 to provide clarifications on specific topics. The standard IFRS 9: • requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; • changes the accounting for financial liabilities measured using the fair value option; • proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; • modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of the new standard IFRS 9 will apply retrospectively. However, in accordance with the amendment to IFRS 17 published in December 2021, entities applying IFRS 17 and IFRS 9 simultaneously for the first time will be able to apply the classification overlay to designated financial assets by presenting comparative information as if the classification and measurement requirements of IFRS 9 had been applied. Entities are not required to apply the impairment requirements of IFRS 9 for the comparative period. *Status:* The Company is finalizing its assessment of the impact of this standard on its financial statements. At the transition date, January 1, 2022, the Company will apply the classification overlay to all its financial instruments, including derecognized assets. In addition, the Company will apply the impairment requirements of IFRS 9. The change in classification as at January 1, 2022 will be applied using the classification projected as at January 1, 2023. The impact of the adoption of this new standard is described in the section "Impact of IFRS 17 and IFRS 9 Adoption" below.

Impact of IFRS 17 and IFRS 9 Adoption

Reconciliation of the Consolidated Statement of Financial Position as at January 1, 2022

The following table presents the estimated impact of the new IFRS 17 and IFRS 9 standards on the Consolidated Statement of Financial Position at the transition date:

(in millions of dollars)	As at December 31, 2021	IFRS 17 adjustments	IFRS 9 adjustments	As at January 1, 2022
Investments	$ 45,651	$ (182)	$ 296	$ 45,765
Insurance and reinsurance contract assets	2,210	(194)	(3)	2,013
Segregated funds net assets	39,577	—	—	39,577
Other	7,221	(956)	1	6,266
Total assets	$ 94,659	$ (1,332)	$ 294	$ 93,621
Insurance, reinsurance and investment contract liabilities	37,117	2,147	—	39,264
Liabilities related to segregated funds net assets	39,577	—	—	39,577
Other	10,720	(3,205)	58	7,573
Total liabilities	$ 87,414	$ (1,058)	$ 58	$ 86,414
Participating policyholders' accounts	48	(48)	—	—
Total shareholders' equity	7,197	(226)	236	7,207
Total equity	$ 7,245	$ (274)	$ 236	$ 7,207

The Company expects that the initial application of IFRS 17 in conjunction with the application of IFRS 9 will have a limited effect on its equity at transition on January 1, 2022, i.e. an increase of $10 in the shareholders' equity. This impact takes into account the new accounting policies that the Company will adopt from the transition date. In particular, the Company will recognize the finance income and the finance expenses from insurance contracts and from reinsurance contracts entirely in the Income Statement without any allocation to other comprehensive income. In addition, most of the Company's financial assets will be classified at fair value through profit or loss.

Impact of the adoption of IFRS 17

The application of the standard IFRS 17 will result in a decrease of the shareholders' equity as at January 1, 2022 for an estimated amount of $226 related to the new principles of recognition and measurement of insurance contract liabilities, that is, $310 before the adjustment of $84 on deferred income tax net assets. In addition, the standard IFRS 17 will lead to some reclassifications between insurance and reinsurance contract assets, insurance, reinsurance and investment contract liabilities, other assets, other liabilities and participating policyholders' accounts which will have no impact on shareholders' equity. The amount of $48 of participating policyholders' accounts will now be included in insurance contract liabilities. At the time of transition, on January 1, 2022, the level of the contractual service margin is approximately 5.5 billion dollars.

Impact of the adoption of IFRS 9

The application of the standard IFRS 9 will increase the shareholders' equity at transition as at January 1, 2022 for an estimated amount of $236. This increase mainly arises from the changes in the classification of certain assets which were accounted for at amortized cost and which will henceforth be accounted for at fair value through profit or loss. Deferred income tax net liabilities will be recognized upon transition for an amount of $85. Some reclassifications between Consolidated Statement of Financial Position items will result from the transition.

Information on the Deferral of the Application of IFRS 9 *Financial Instruments*

The Company has applied IFRS 4 *Insurance Contracts* in its operations until December 31, 2022. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 *Financial Instruments* if total liabilities for insurance activities represent more than 90% of the entity's total liabilities. This calculation has been made as of the closing date preceding April 1, 2016, the calculation date identified in the standard. For this calculation, the Company primarily considered insurance contract liabilities, investment contract liabilities, liabilities related to segregated funds net assets and debentures as at December 31, 2015. Liabilities related to its insurance activities were at that time greater than 90% of total liabilities.

The Company has chosen to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at December 31, 2022, an amount of $648 ($906 as at December 31, 2021) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

Other Changes

Amendments	Description of the amendments
IAS 1 *Presentation of Financial Statements*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Disclosure of Accounting Policies* requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements. *Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Classification of Liabilities as Current or Non-current* only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. The provisions of this amendment were initially to be applied retrospectively to financial statements beginning on or after January 1, 2022, but on July 15, 2020, the IASB decided to postpone the effective date to financial statements beginning on or after January 1, 2023. On October 31, 2022, the IASB published a new amendment, *Non-current Liabilities with Covenants*, which specifies conditions affecting the classification of a liability when an entity must comply with covenants within 12 months after the reporting period and clarifies the disclosure requirements in the Notes. In addition, the latest amendment further postpones the effective date of the previous amendments to financial statements beginning on or after January 1, 2024, with retrospective application. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of these amendments on its financial statements.
IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	*Description:* On February 12, 2021, the IASB published an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Accounting Estimates* introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements.
IAS 12 *Income Taxes*	*Description:* On May 7, 2021, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* clarifies the accounting for deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition, such as with leases and decommissioning obligations. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2023. Early adoption is permitted. *Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements.
IFRS 16 *Leases*	*Description:* On September 22, 2022, the IASB published an amendment to IFRS 16 *Leases*. The amendment *Lease Liability in a Sale and Leaseback* adds requirements for the subsequent measurement of a lease liability by a seller-lessee in a sale and leaseback transaction accounted for as a sale, with the aim to prevent the recognition of a gain or loss relating to the right of use retained. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2024. Early adoption is permitted. *Status:* The Company is currently evaluating the impact of this amendment on its financial statements.

4 › Acquisition and Disposal of Businesses

Acquisition of Businesses

On November 2, 2021, the Company announced that it acquired, through one of its subsidiaries, 70% of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd and Surexdirect.com (Ontario) Ltd (collectively "Surex"). During the year ended December 31, 2022, the Company finalized the allocation of the acquisition price and the adjustments made in the final allocation did not have a significant impact on its financial statements.

Disposal of Businesses

On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary PPI Benefits Inc. to AGA Benefits Solutions. A gain of $12 before tax ($10 after tax) was recognized in the Income Statement in *Other revenues*. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support to independent advisors.

5 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

				2022			
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	$ 238	$ —	$ —	$ 1,120	$ —	$ 1,358	$ 1,358
Bonds							
Governments	6,298	2,017	105	104	—	8,524	
Municipalities	487	198	—	—	—	685	
Corporate and other	12,648	2,240	—	3,190	—	18,078	
	19,433	4,455	105	3,294	—	27,287	26,833
Stocks							
Common	2,405	56	—	—	—	2,461	
Preferred	172	318	—	—	—	490	
Stock indexes	184	105	—	—	—	289	
Investment fund units	787	6	—	—	—	793	
	3,548	485	—	—	—	4,033	4,033
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,134	—	1,134	
Non-residential	—	—	—	3	—	3	
	—	—	—	1,137	—	1,137	
Conventional mortgages							
Multi-residential	53	—	—	174	—	227	
Non-residential	25	—	—	223	—	248	
	78	—	—	397	—	475	
Other loans	—	—	—	1,219	—	1,219	
	78	—	—	2,753	—	2,831	2,780
Derivative financial instruments	990	—	—	—	—	990	990
Policy loans	—	—	—	1,119	—	1,119	1,119
Other invested assets	—	72	—	2	489	563	563
Investment properties	—	—	—	—	1,804	1,804	1,837
Total investments	$ 24,287	$ 5,012	$ 105	$ 8,288	$ 2,293	$ 39,985	$ 39,513

				2021			
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	$ 216	$ —	$ —	$ 1,330	$ —	$ 1,546	$ 1,546
Bonds							
Governments	10,763	2,105	255	106	—	13,229	
Municipalities	1,129	240	—	39	—	1,408	
Corporate and other	13,037	2,450	—	2,769	—	18,256	
	24,929	4,795	255	2,914	—	32,893	33,157
Stocks							
Common	2,118	54	—	—	—	2,172	
Preferred	236	479	—	—	—	715	
Stock indexes	169	10	—	—	—	179	
Investment fund units	834	6	—	—	—	840	
	3,357	549	—	—	—	3,906	3,906
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,326	—	1,326	
Non-residential	—	—	—	3	—	3	
	—	—	—	1,329	—	1,329	
Conventional mortgages							
Multi-residential	51	—	—	184	—	235	
Non-residential	38	—	—	264	—	302	
	89	—	—	448	—	537	
Other loans	—	—	—	1,056	—	1,056	
	89	—	—	2,833	—	2,922	2,991
Derivative financial instruments	917	—	—	—	—	917	917
Policy loans	—	—	—	1,040	—	1,040	1,040
Other invested assets	—	92	—	6	459	557	557
Investment properties	—	—	—	—	1,870	1,870	1,901
Total investments	$ 29,508	$ 5,436	$ 255	$ 8,123	$ 2,329	$ 45,651	$ 46,015

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments as well as securities designated at fair value through profit or loss.

Other invested assets are made up of bonds and investment fund units that represent restricted investments, notes receivable and investments in associates and joint ventures. Bonds and investment fund units are classified as available for sale. Notes receivable are classified as loans and receivables. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column. Investment fees are presented in Note 21 "General Expenses".

Fair value of investment properties is $1,837 ($1,901 in 2021) and is composed of investment properties of $1,804 ($1,870 in 2021) and of linearization of rents of $33 ($31 in 2021). The linearization of rents is the total rental income under the lease, distributed evenly over the lease term, using an average rate, which considers free rents and other advantages granted to tenants. Amounts related to the linearization of rents are presented in Note 9 "Other Assets". Rental income is presented in the investment income table in section c) of this note and operating expenses for investment properties are shown in Note 21 "General Expenses".

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at December 31, 2022 and 2021. The carrying value of these investments as at December 31, 2022 is $489 ($459 as at December 31, 2021). The share of net income and comprehensive income for the year ended December 31, 2022 amounts to $96 ($34 for the year ended December 31, 2021).

c) Investment Income

	2022					
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total
Cash and short-term investments						
Interest	$ —	$ —	$ —	$ 53	$ —	$ 53
Change in fair value	6	—	—	—	—	6
Bonds						
Interest	712	117	6	206	—	1,041
Change in fair value	(6,405)	—	—	—	—	(6,405)
Gains (losses) realized	—	44	—	2	—	46
Variation in provisions for losses	—	—	—	1	—	1
Stocks						
Dividends	320	26	—	—	—	346
Change in fair value	(344)	—	—	—	—	(344)
Mortgages and other loans						
Interest	3	—	—	189	—	192
Gains (losses) realized	—	—	—	1	—	1
Variation in provisions for losses	—	—	—	(38)	—	(38)
Derivative financial instruments						
Interest	18	—	—	—	—	18
Change in fair value	(1,798)	—	—	—	—	(1,798)
Policy loans						
Interest	—	—	—	52	—	52
Other invested assets	(65)	3	—	10	235	183
Investment properties						
Rental income	—	—	—	—	185	185
Change in fair value	—	—	—	—	(139)	(139)
Total investment income	$ (7,553)	$ 190	$ 6	$ 476	$ 281	$ (6,600)
Interest	715	117	6	500	—	1,338
Dividends	320	26	—	—	—	346
Derivative financial instruments	18	—	—	—	—	18
Rental income	—	—	—	—	185	185
Gains (losses) realized	—	44	—	3	—	47
Variation in provisions for losses	—	—	—	(37)	—	(37)
Other	1	3	—	10	235	249
Interest and other investment income	1,054	190	6	476	420	2,146
Cash and short-term investments	6	—	—	—	—	6
Bonds	(6,405)	—	—	—	—	(6,405)
Stocks	(344)	—	—	—	—	(344)
Derivative financial instruments	(1,798)	—	—	—	—	(1,798)
Investment properties	—	—	—	—	(139)	(139)
Other	(66)	—	—	—	—	(66)
Change in fair value of investments	(8,607)	—	—	—	(139)	(8,746)
Total investment income	$ (7,553)	$ 190	$ 6	$ 476	$ 281	$ (6,600)

	2021					
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total
Cash and short-term investments						
Interest	$ —	$ —	$ —	$ 18	$ —	$ 18
Bonds						
Interest	622	99	9	111	—	841
Change in fair value	(1,423)	—	—	—	—	(1,423)
Gains (losses) realized	—	34	(1)	(4)	—	29
Variation in provisions for losses	—	—	—	(3)	—	(3)
Stocks						
Dividends	272	32	—	—	—	304
Change in fair value	312	—	—	—	—	312
Gains (losses) realized	—	1	—	—	—	1
Mortgages and other loans						
Interest	3	—	—	185	—	188
Change in fair value	(2)	—	—	—	—	(2)
Gains (losses) realized	—	—	—	2	—	2
Variation in provisions for losses	—	—	—	(25)	—	(25)
Derivative financial instruments						
Interest	11	—	—	—	—	11
Change in fair value	(279)	—	—	—	—	(279)
Policy loans						
Interest	—	—	—	40	—	40
Other invested assets	(3)	—	—	7	26	30
Investment properties						
Rental income	—	—	—	—	186	186
Change in fair value	—	—	—	—	(24)	(24)
Total investment income	$ (487)	$ 166	$ 8	$ 331	$ 188	$ 206
Interest	625	99	9	354	—	1,087
Dividends	272	32	—	—	—	304
Derivative financial instruments	11	—	—	—	—	11
Rental income	—	—	—	—	186	186
Gains (losses) realized	—	35	(1)	(2)	—	32
Variation in provisions for losses	—	—	—	(28)	—	(28)
Other	(1)	—	—	7	26	32
Interest and other investment income	907	166	8	331	212	1,624
Bonds	(1,423)	—	—	—	—	(1,423)
Stocks	312	—	—	—	—	312
Mortgages and other loans	(2)	—	—	—	—	(2)
Derivative financial instruments	(279)	—	—	—	—	(279)
Investment properties	—	—	—	—	(24)	(24)
Other	(2)	—	—	—	—	(2)
Change in fair value of investments	(1,394)	—	—	—	(24)	(1,418)
Total investment income	$ (487)	$ 166	$ 8	$ 331	$ 188	$ 206

6 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management exercises its judgment to determine the data that will be used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

Financial Assets

Short-Term Investments – Carrying value of these investments represents the fair value due to their short-term maturity.

Bonds – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available.

Stocks – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

Mortgages and Other Loans – The fair value of mortgages and other loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for loans with substantially the same credit risk and terms.

Derivative Financial Instruments – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable on the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable on the market, as described previously. The Company's use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

Policy Loans – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their nature.

Other Invested Assets – The fair value of other invested assets is determined according to the type of invested assets. Fair value of notes receivable and investments in associates and joint ventures is approximately the same as the carrying value due to the nature of these elements. Bonds which are restricted investments are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available. Investment fund units which are restricted investments are evaluated at the net asset value published by the fund manager.

Other Assets – The fair value of the other financial assets is approximately the same as the carrying value due to their short-term nature.

Investment Properties
The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible physical use that is legally admissible, financially feasible and achievable in the short term based on demand, and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly. During the year, 100% of the investment properties portfolio was assessed by independent appraisers (100% in 2021).

Financial Liabilities
Derivative Financial Instruments – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 8 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

Other Liabilities – The fair value of other liabilities, except short-selling securities, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified as held for trading, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets.

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms. The fair value of securitization liabilities is disclosed in Note 7 "Management of Risks Associated with Financial Instruments" in section b) iii).

As at December 31, 2022, the fair value of the mortgage debt is $3 ($71 as at December 31, 2021). As at December 31, 2021, a mortgage debt with a fair value of $71 was secured by an investment property with a carrying value of $169 and bore interest of 3.143%. This mortgage debt, which matured on May 1, 2022, was repaid in full on that date. As at December 31, 2022, the mortgage debt with a fair value of $3 is secured by an investment property with a carrying value of $42, bears interest of 2.370% and will mature on September 27, 2028. The interest expense on the mortgage debt is less than $1 ($2 for the year ended December 31, 2021). The carrying value of the mortgage debt is included in Note 15 "Other Liabilities".

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments. Fair value of debentures is presented in Note 16 "Debentures".

b) Hierarchy of the Fair Value
Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.
Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.
Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

Assets

(in millions of dollars)	2022 Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	$ —	$ 238	$ —	$ 238
Bonds				
Designated at fair value through profit or loss				
Governments	1,195	5,103	—	6,298
Municipalities	—	487	—	487
Corporate and other	—	12,517	131	12,648
	1,195	18,107	131	19,433
Available for sale				
Governments	189	1,828	—	2,017
Municipalities	—	198	—	198
Corporate and other	—	2,239	1	2,240
	189	4,265	1	4,455
	1,384	22,372	132	23,888
Stocks				
Designated at fair value through profit or loss	1,322	98	2,128	3,548
Available for sale	128	318	39	485
	1,450	416	2,167	4,033
Mortgages and other loans				
Designated at fair value through profit or loss	—	78	—	78
Derivative financial instruments				
Held for trading	37	952	1	990
Other invested assets				
Available for sale	15	57	—	72
Investment properties	—	—	1,804	1,804
General fund investments recognized at fair value	2,886	24,113	4,104	31,103
Segregated funds financial instruments and investment properties	28,923	7,351	802	37,076
Total financial assets at fair value	$ 31,809	$ 31,464	$ 4,906	$ 68,179

		2021		
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	$ —	$ 216	$ —	$ 216
Bonds				
Designated at fair value through profit or loss				
Governments	348	10,415	—	10,763
Municipalities	—	1,129	—	1,129
Corporate and other	—	12,879	158	13,037
	348	24,423	158	24,929
Available for sale				
Governments	182	1,923	—	2,105
Municipalities	—	240	—	240
Corporate and other	—	2,450	—	2,450
	182	4,613	—	4,795
	530	29,036	158	29,724
Stocks				
Designated at fair value through profit or loss	1,499	70	1,788	3,357
Available for sale	28	479	42	549
	1,527	549	1,830	3,906
Mortgages and other loans				
Designated at fair value through profit or loss	—	89	—	89
Derivative financial instruments				
Held for trading	196	718	3	917
Other invested assets				
Available for sale	22	70	—	92
Investment properties	—	—	1,870	1,870
General fund investments recognized at fair value	2,275	30,678	3,861	36,814
Segregated funds financial instruments and investment properties	30,710	8,054	508	39,272
Total financial assets at fair value	$ 32,985	$ 38,732	$ 4,369	$ 76,086

There were no transfers from Level 1 to Level 2 during the year ended December 31, 2022 (none for the year ended December 31, 2021).

There were no transfers from Level 2 to Level 1 during the year ended December 31, 2022 (none for the year ended December 31, 2021).

Transfers from Level 2 to Level 3 during the year ended December 31, 2022 amount to $23 ($28 for the year ended December 31, 2021). The transfers for the year ended December 31, 2022 amount to $15 from segregated funds financial instruments (none for the year ended December 31, 2021) and $8 from bonds designated at fair value through profit or loss ($28 for the year ended December 31, 2021). The fair value of segregated funds financial instruments and bonds is measured at the quoted market price obtained through brokers. However, their price has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer. For some bonds as at December 31, 2021, the fair value was measured using unobservable inputs.

Transfers from Level 3 to Level 2 during the year ended December 31, 2022 amount to $8 ($2 for the year ended December 31, 2021). These transfers are from bonds designated at fair value through profit or loss. The fair value of these bonds is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. As at December 31, 2022 and 2021, the value of these bonds is based on a price obtained less than 30 days prior.

Transfers from Level 1 to Level 3 during the year ended December 31, 2022 amount to $2 (none for the year ended December 31, 2021). These transfers are from segregated funds financial instruments. The fair value of these instruments is measured at the quoted market price obtained through brokers. However, the price of these financial instruments has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer.

There were no transfers from Level 3 to Level 1 during the year ended December 31, 2022 (none for the year ended December 31, 2021).

During the year ended December 31, 2022, the Company made Level 3 transfers from owner-occupied properties to investment properties in relation to a change in use of the properties (none for the year ended December 31, 2021). The fair value of the properties at the transfer dates was assessed at $53. The revaluation adjustments of $26 before tax ($22 after tax) have been recorded in the Comprehensive Income Statement in *Revaluation surplus related to transfers to investment properties*.

The Company presents the transfers between hierarchy levels at the quarter-end fair value for the quarter during which the transfer occurred.

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.31% to 3.09% as at December 31, 2022 (1.06% to 2.72% as at December 31, 2021). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at December 31, 2022 are the discount rate, which is between 5.00% and 8.25% (5.25% and 8.00% in 2021) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.00% in 2021). The discount rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Considering the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value because the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the CALM. Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

The following table presents assets recognized at fair value evaluated according to Level 3 parameters:

	2022							
(in millions of dollars)	**Balance as at December 31, 2021**	**Realized and unrealized gains (losses) included in net income**	**Realized and unrealized gains (losses) included in other comprehensive income**	**Purchases**	**Sales and settlements**	**Transfers into (out of) Level 3 and reclassifications**	**Balance as at December 31, 2022**	**Total unrealized gains (losses) included in net income on investments still held**
Bonds								
Designated at fair value through profit or loss	$ 158	$ (23)	$ —	$ —	$ (4)	$ —	$ 131	$ (24)
Available for sale	—	—	—	1	—	—	1	—
Stocks								
Designated at fair value through profit or loss	1,788	166	—	276	(102)	—	2,128	168
Available for sale	42	—	—	—	(3)	—	39	—
Derivative financial instruments								
Held for trading	3	(2)	—	—	—	—	1	(2)
Investment properties	1,870	(139)	—	23	(3)	53	1,804	(139)
General fund investments recognized at fair value	3,861	2	—	300	(112)	53	4,104	3
Segregated funds financial instruments and investment properties	508	46	—	258	(27)	17	802	39
Total	$ 4,369	$ 48	$ —	$ 558	$ (139)	$ 70	$ 4,906	$ 42

(in millions of dollars)	2021							
	Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3 and reclassifications	Balance as at December 31, 2021	Total unrealized gains (losses) included in net income on investments still held
Bonds								
Designated at fair value through profit or loss	$ 140	$ (8)	$ —	$ 3	$ (3)	$ 26	$ 158	$ (9)
Stocks								
Designated at fair value through profit or loss	1,444	204	—	365	(225)	—	1,788	189
Available for sale	43	—	(1)	5	(5)	—	42	—
Derivative financial instruments								
Held for trading	3	1	—	—	(1)	—	3	2
Investment properties	1,916	(24)	—	22	(44)	—	1,870	(24)
General fund investments recognized at fair value	3,546	173	(1)	395	(278)	26	3,861	158
Segregated funds financial instruments and investment properties	264	32	—	228	(16)	—	508	31
Total	$ 3,810	$ 205	$ (1)	$ 623	$ (294)	$ 26	$ 4,369	$ 189

For the year ended December 31, 2022, an amount of $23 ($22 for the year ended December 31, 2021) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of $53 (none for the year ended December 31, 2021) corresponds to reclassifications of fixed assets to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2021).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 12 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 19 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses).*

Fair Value Disclosed in the Notes

The Company classifies certain financial instruments as held to maturity or as loans and receivables. These financial instruments are measured at amortized cost and fair value is disclosed in the notes. The following table shows the hierarchy level of such fair values:

(in millions of dollars)	**2022**			
	Level 1	**Level 2**	**Level 3**	**Total**
Classified as held to maturity				
Bonds				
Governments	**$ —**	**$ 102**	**$ —**	**$ 102**
Total of assets classified as held to maturity	**—**	**102**	**—**	**102**
Classified as loans and receivables				
Bonds				
Governments	**—**	**5**	**100**	**105**
Corporate and other	**—**	**165**	**2,573**	**2,738**
	—	**170**	**2,673**	**2,843**
Mortgages and other loans	**—**	**2,702**	**—**	**2,702**
Total of assets classified as loans and receivables	**—**	**2,872**	**2,673**	**5,545**
Total of assets whose fair value is disclosed in the notes	**$ —**	**$ 2,974**	**$ 2,673**	**$ 5,647**

(in millions of dollars)	Level 1	2021 Level 2	Level 3	Total
Classified as held to maturity				
Bonds				
Governments	$ —	$ 255	$ —	$ 255
Total of assets classified as held to maturity	—	255	—	255
Classified as loans and receivables				
Bonds				
Governments	—	7	130	137
Municipalities	—	50	—	50
Corporate and other	—	198	2,793	2,991
	—	255	2,923	3,178
Mortgages and other loans	—	2,902	—	2,902
Total of assets classified as loans and receivables	—	3,157	2,923	6,080
Total of assets whose fair value is disclosed in the notes	$ —	$ 3,412	$ 2,923	$ 6,335

Financial Liabilities

The following table presents financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

(in millions of dollars)	**Level 1**	**2022** **Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Other liabilities				
Held for trading	**$ 734**	**$ 222**	**$ —**	**$ 956**
Derivative financial instruments				
Held for trading	**6**	**1,459**	**5**	**1,470**
Total of liabilities classified as held for trading	**740**	**1,681**	**5**	**2,426**
Classified at amortized cost				
Other liabilities				
Securitization liabilities	**—**	**443**	**—**	**443**
Mortgage debt	**—**	**3**	**—**	**3**
Debentures	**—**	**1,407**	**—**	**1,407**
Total of liabilities classified at amortized cost	**$ —**	**$ 1,853**	**$ —**	**$ 1,853**

(in millions of dollars)	Level 1	2021 Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Held for trading	$ 94	$ 168	$ —	$ 262
Derivative financial instruments				
Held for trading	79	418	29	526
Total of liabilities classified as held for trading	173	586	29	788
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	780	—	780
Mortgage debt	—	71	—	71
Debentures	—	1,484	—	1,484
Total of liabilities classified at amortized cost	$ —	$ 2,335	$ —	$ 2,335

The following table presents liabilities recognized at fair value evaluated according to Level 3 parameters:

	2022							
(in millions of dollars)	**Balance as at December 31, 2021**	**Realized and unrealized gains (losses) included in net income**	**Realized and unrealized gains (losses) included in other comprehensive income**	**Purchases**	**Sales and settlements**	**Transfers into (out of) Level 3**	**Balance as at December 31, 2022**	**Total unrealized gains (losses) included in net income on financial liabilities**
Derivative financial instruments	**$ 29**	**$ (6)**	**$ —**	**$ 1**	**$ (19)**	**$ —**	**$ 5**	**$ —**

	2021							
(in millions of dollars)	Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2021	Total unrealized gains (losses) included in net income on financial liabilities
Derivative financial instruments	$ 39	$ 1	$ —	$ 3	$ (14)	$ —	$ 29	$ —

7 › Management of Risks Associated with Financial Instruments

Effective risk management rests on identifying, understanding and communicating all risks the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to annual reviews. More information regarding the principles, responsibilities and key measures and management practices of the Company's risk management is provided in the shaded portion of the "Risk Management" section of the Management's Discussion and Analysis on pages 58 to 69. The shaded information in these pages is considered an integral part of these Financial Statements. Market risk, credit risk and liquidity risk are the most significant risks that the Company must manage for financial instruments.

a) Market Risk

Market risk represents the risk of fluctuation in the fair value of a financial instrument, which could lead to a loss due to changes in market factors, such as interest rates, stock prices and exchange rates.

Interest Rate Risk

One of an insurer's fundamental activities is to invest client premiums for the payment of future benefits, whose maturity date may be a long-time in the future, such as death benefits and annuity payments. To properly manage the risks of interest rate fluctuations and fund availability, the Company maintains a system to match its assets to its insurance contract liabilities and long-term debts, matches its liabilities until they expire and uses derivative financial instruments as complementary management tools. Consequently, assets are chosen based on amount, cash flow and return in order to correspond to the characteristics of the matched liabilities. The accounting policies for derivative financial instruments used for matching correspond to those used for the underlying items. Therefore, any change in the fair value of assets held for matching purposes will have little impact on the financial position of the Company and on its ability to honour its obligations. One of the strategies used in matching is immunization. This strategy consists in using fixed income securities to immunize a liability against interest rate variations. In the measurement of its insurance contract liabilities, as described in Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities", the Company takes into account the level of matching achieved between assets and liabilities.

Risk of a Market Downturn

The risk of a market downturn represents the risk of losses caused by stock market fluctuations or caused by private equity value fluctuations. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management; 2) the discounted future revenues on Universal Life policy funds; 3) the income on capital generated by the assets backing the Company's capital; and 4) benefits from guarantees on segregated funds.

In its risk management strategy, the Company has implemented a dynamic hedging program for all minimum withdrawal guarantees and almost all maturity guarantees offered by the Individual Wealth Management sector. The value of the assets underlying the hedged guarantees represents $6,169 as at December 31, 2022 ($7,366 in 2021). More detailed information on the hedging program is provided in the shaded portion of the "Risk Management" section of the Management's Discussion and Analysis on page 65.

Foreign Currency Risk

Foreign currency risk represents the risk that the Company assumes for losses due to exchange rates related to foreign currencies to which the Company is exposed. The Company has adopted a policy to avoid exposure to currency risk whereby liabilities are generally matched with assets of the same currency; otherwise, derivative financial instruments are used. To protect itself against foreign currency risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to a net investment in a foreign operation that has a different functional currency from the Company's functional currency. Disclosure of hedge accounting is presented in Note 8 "Derivative Financial Instruments".

Impairment of Financial Assets Classified as Available for Sale

For the years ended December 31, 2022 and 2021, the Company did not reclassify any unrealized losses of stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

Since the financial assets designated at fair value through profit or loss are matched, variations of fair value, other than those related to credit risk, are directly reflected in the *Increase (decrease) in insurance contract liabilities*, which prevents a disparity of the treatment in the net income. Only variations in the fair value related to credit events regarding cash flows would have an impact on the Company's net income.

The unrealized gains and losses on financial assets classified as available for sale and included in the *Accumulated other comprehensive income* are the following:

	2022			2021		
(in millions of dollars)	**Fair value**	**Unrealized losses**	**Unrealized gains**	Fair value	Unrealized losses	Unrealized gains
Bonds						
Governments	**$ 2,017**	**$ (210)**	**$ —**	$ 2,105	$ (19)	$ 55
Municipalities	**198**	**(21)**	**—**	240	(2)	3
Corporate and other	**2,240**	**(277)**	**—**	2,450	(24)	31
	4,455	**(508)**	**—**	4,795	(45)	89
Stocks	**485**	**(91)**	**7**	549	(2)	29
Other invested assets	**72**	**(8)**	**—**	92	(1)	1
Total	**$ 5,012**	**$ (607)**	**$ 7**	$ 5,436	$ (48)	$ 119

b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet its commitments. This is a material risk for the Company, and it originates mainly from credit granted in the form of mortgages and other loans as well as private placements, exposure to different investment portfolios, derivative financial instruments and reinsurance activities. The maximum credit risk associated with financial instruments corresponds to the carrying value of financial instruments presented in the Statement of Financial Position, except for the investments in associates and joint ventures.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. This constitutes concentration risk.

The Company's credit risk management policies include the assignment of risk ratings, management of impaired loans, as well as a level of authorization according to the rating and the amount of the financial instrument. The Company establishes investment policies that are regularly reviewed, updated and approved by the Board of Directors. Consequently, the Company manages credit risk in accordance with these investment policies. These policies define the credit risk limits according to the characteristics of the counterparties. The Company requires prudent diversification of its credit portfolios, the use of follow-up mechanisms that rely on pricing procedures and granting of credit and a regular follow-up of its risk measurement after the initial granting of credit. The Company also requires a review and independent audit of its credit risk management program and reports the results of the follow-up, review and audit program to the Board of Directors. The credit risk related to derivative financial instruments is presented in Note 8 "Derivative Financial Instruments".

b) i) Credit Quality Indicators

Bonds by Investment Grade

(in millions of dollars)	**2022**	2021
AAA	**$ 2,291**	$ 1,623
AA	**8,001**	13,588
A	**10,189**	11,073
BBB	**6,531**	6,300
BB and lower	**275**	309
Total	**$ 27,287**	$ 32,893

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,048 as at December 31, 2022 ($2,133 as at December 31, 2021).

Mortgages and Other Loans

(in millions of dollars)	2022	2021
Insured mortgages	**$ 1,137**	$ 1,329
Conventional mortgages	**475**	537
Other loans	**1,219**	1,056
Total	**$ 2,831**	$ 2,922

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.

Derivative Financial Instruments
The Company's credit risk exposure is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument. The Company applies the same criteria in selecting counterparties as it does for investing in bonds. As at December 31, 2022, all counterparties to derivative financial instrument contracts have a credit rating of AA- or higher (AA- or higher as at December 31, 2021).

Reinsurance Assets
The Company assesses the financial soundness of reinsurers before signing any reinsurance agreements and monitors their situation on a regular basis. It can eliminate certain risks by using letters of credit and by requiring cash deposits in trust accounts. Reinsurance agreements without security held from reinsurers are with several well-established, highly rated reinsurers. The Company's reinsurance assets are with reinsurers who have a minimum credit rating of A- in a proportion of 99% (99% in 2021).

b) ii) Past Due or Impaired Financial Assets
To manage risk, the Company evaluates, among other things, the ability of the issuer to ensure current and future contractual payments of principal and interest. The Company follows up monthly to ensure that cash flows stipulated in the contract are recovered in a timely manner and takes the necessary action to address the outstanding amounts. In addition, the Company identifies the issuers that may have an unstable financial situation and classifies each of the issuer's assets under one of the following quality lists:

Watch list: The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require monitoring. No impairment loss is recognized in respect of assets of these issuers.

List of securities on the monitor list: The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require increased monitoring. An asset is moved from the watch list to the list of securities on the monitor list when changes in facts and circumstances of the issuer increase the likelihood that a security suffers a loss-generating event in the near future. No impairment loss is accounted for in respect of assets of these issuers.

List of impaired assets: The collection of current and future contractual payments of principal and interest is no longer assured. For investments classified as available for sale or carried at amortized cost, an impairment loss is recognized in net income.

The Company maintains provisions for potential credit losses, including losses of principal and interest on bonds, mortgages and other loans, and real estate held for resale. Provisions for credit losses consist of specific provisions for loans and debt securities considered to be impaired, as well as amounts for financial assets which have similar credit risks that are subject to a collective impairment test.

The carrying value of loans and debt securities considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable. A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired. When an asset is classified as impaired, allowances for losses are established to adjust the carrying value of the asset to its net recoverable amount. To determine this amount, several factors are taken into account, including market conditions, evaluations obtained from third parties and/or the discounted value of expected cash flows. A provision for losses on reinsurance assets is established when a reinsurance counterparty is no longer able to meet its contractual commitments to the Company. In addition, a provision, included as a component of insurance contract liabilities, is made for other potential future losses on loans and debt securities matching these liabilities, in compliance with actuarial standards.

Past Due Bonds, Mortgages and Other Loans
Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date.

(in millions of dollars)	Bonds classified as held to maturity	Bonds classified as loans and receivables	2022 Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	**$ 105**	**$ 3,272**	**$ 1,534**	**$ 1,187**	**$ 6,098**
Past due and not impaired					
30 – 89 days in arrears	**—**	**—**	**—**	**52**	**52**
90 – 119 days in arrears	**—**	**—**	**—**	**7**	**7**
120 days or more in arrears	**—**	**—**	**—**	**3**	**3**
Impaired	**—**	**27**	**—**	**—**	**27**
Total of gross values	**$ 105**	**$ 3,299**	**$ 1,534**	**$ 1,249**	**$ 6,187**
Specific provisions for losses	**—**	**5**	**—**	**—**	**5**
	105	**3,294**	**1,534**	**1,249**	**6,182**
Collective provisions for losses	**—**	**—**	**—**	**30**	**30**
Total of net values	**$ 105**	**$ 3,294**	**$ 1,534**	**$ 1,219**	**$ 6,152**

(in millions of dollars)	Bonds classified as held to maturity	Bonds classified as loans and receivables	2021 Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	$ 255	$ 2,897	$ 1,777	$ 1,040	$ 5,969
Past due and not impaired					
30 – 89 days in arrears	—	—	—	37	37
90 – 119 days in arrears	—	—	—	5	5
120 days or more in arrears	—	—	—	2	2
Impaired	—	23	—	—	23
Total of gross values	$ 255	$ 2,920	$ 1,777	$ 1,084	$ 6,036
Specific provisions for losses	—	6	—	—	6
	255	2,914	1,777	1,084	6,030
Collective provisions for losses	—	—	—	28	28
Total of net values	$ 255	$ 2,914	$ 1,777	$ 1,056	$ 6,002

Foreclosed Properties

During the year ended December 31, 2022, the Company did not take possession of any properties it held as collateral on mortgages (none for the year ended December 31, 2021). Foreclosed properties that the Company still held at year-end are presented as real estate held for resale in Note 9 “Other Assets”.

Specific Provisions for Losses

(in millions of dollars)	**2022** **Bonds classified as loans and receivables**	2021 Bonds classified as loans and receivables
Balance at beginning	**$ 6**	$ 14
Variation in specific provisions for losses	**(1)**	(8)
Balance at end	**$ 5**	$ 6

During the years ended December 31, 2022 and 2021, the specific provisions for losses did not vary for bonds classified as held to maturity, mortgages classified as loans and receivables and other loans.

b) iii) Other Information on Credit Risk

Investment properties

Minimum payments receivable from rental of investment properties in future years are as follows:

(in millions of dollars)	2022	2021
Due in 1 year or less	**$ 86**	$ 83
Due after 1 year to 5 years	**274**	281
Due after 5 years	**360**	389
Total	**$ 720**	$ 753

These payments are received under operating leases and are therefore not recorded in the Statement of Financial Position.

Securitization of Mortgages

Securitization of Residential Mortgages

As part of a transaction with an unrelated counterparty, carried out in 2020, the Company derecognized its securitized residential mortgages and recognized government bonds as part of its assets. The securitization liability related to these mortgages, presented in *Other liabilities*, was not derecognized because the Company is party to a total return swap agreement and remains responsible for the related liabilities. As at December 31, 2022, the carrying value of the government bonds is $105 ($255 in 2021) and their fair value is $102 ($255 in 2021).

Securitization of Multi-residential and Non-residential Mortgages

As part of the Canada Mortgage and Housing Corporation (CMHC) program, the Company transferred insured multi-residential and non-residential mortgages to an unrelated counterparty. As part of this transfer, the Company conserved substantially all risks and rewards related to the transferred mortgages. For these multi-residential and non-residential mortgages, the Company is exposed to credit risk in the event of a late payment by the borrower. In this situation, the unrelated counterparty has no obligation to compensate the Company. Additionally, in the event of prepayment, any difference between the return generated by the reinvestment versus the Company's obligations to the counterparty would be assumed by the Company. Consequently, the Company continues to recognize the full carrying value of these multi-residential and non-residential mortgages. As at December 31, 2022, the carrying value of the ceded mortgages is $380 ($485 in 2021) and their fair value is $365 ($491 in 2021).

The carrying value of the liability related to the securitization of residential, multi-residential and non-residential mortgages is $453 ($770 in 2021). Its fair value is $443 ($780 in 2021).

Securities Lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. Collateral, which represents between 102% and 105% (between 102% and 105% in 2021) of the fair value of the loaned securities according to their nature, is deposited by the borrower with a lending agent, usually a securities custodian, and retained by the lending agent until the underlying security has been returned to the Company. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is Company practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency. As at December 31, 2022, the Company had loaned securities, which are included in invested assets, with a carrying value of approximately $863 ($254 in 2021).

Right of Offset, Collateral Held and Transferred

The Company negotiates financial instruments in accordance with the Credit Support Annex, which forms part of the International Swaps and Derivative Association's (ISDA) Master Agreement, and in accordance with the Supplemental Terms or Conditions Annex, which forms part of the Global Master Repurchase Agreement (GMRA). These agreements require guarantees by the counterparty or by the Company. The amount of assets to pledge is based on changes in fair value of financial instruments. The fair value is monitored daily. The assets pledged as collateral consist of, but are not limited to cash, Treasury bills and Government of Canada bonds. The Company may receive assets as collateral from the counterparty. According to the conditions set forth in the Credit Support Annex, the Company may be authorized to sell or re-pledge the assets it receives. In addition, under the ISDA and the GMRA, the Company has the right to offset in the event of default, insolvency, bankruptcy or other early termination. The following table presents the impact of conditional compensation on the financial situation and that of other similar agreements, namely the GMRA and the Credit Support Appendices (CSA).

	2022			
	Financial instruments presented in the Statements of Financial Position	**Related amount not offset in the Statements of Financial Position**		**Net amount**
(in millions of dollars)		**Financial instruments**	**Financial collateral received/pledged**	
Financial assets				
Derivative financial instruments (Note 8)	**$ 990**	**$ 929**	**$ 12**	**$ 49**
Financial liabilities				
Derivative financial instruments (Note 8)	**$ 1,470**	**$ 929**	**$ 518**	**$ 23**

	2021			
	Financial instruments presented in the Statements of Financial Position	Related amount not offset in the Statements of Financial Position		Net amount
(in millions of dollars)		Financial instruments	Financial collateral received/pledged	
Financial assets				
Derivative financial instruments (Note 8)	$ 917	$ 430	$ 279	$ 208
Financial liabilities				
Derivative financial instruments (Note 8)	$ 526	$ 430	$ 75	$ 21
Securities sold under repurchase agreements (Note 15)	74	—	74	—
	$ 600	$ 430	$ 149	$ 21

Since the Company does not offset the financial instruments presented in the Statement of Financial Position, the net amount of the financial instruments is identical to the gross amount of the financial position.

Financial collateral received/pledged shown in the table above excludes initial margin on over-the-counter derivatives and forward currency contracts traded on the stock exchange, amounts related to segregated fund assets, overcollateralization as well as overcollateralized derivative financial instruments. The total value of collateral received was $388 as at December 31, 2022 on the assets of derivative financial instruments ($327 as at December 31, 2021). As at December 31, 2022, the Company's pledge was $880 on derivative financial instrument liabilities ($148 as at December 31, 2021) and the Company had no pledge on securities sold under repurchase agreements ($74 as at December 31, 2021).

Interests in Non-Consolidated Structured Entities

The Company has determined that its investments in asset-backed securities, its investments in investment fund units and its private stocks represent interests held in non-consolidated structured entities.

Asset-backed securities and mortgage securities are managed by entities that combine similar assets and sell them to investors who receive all or a portion of the cash flows generated. These entities are managed by managers who are not related to the Company.

The goal of the investment fund units in which the Company invests is to generate capital growth. These investment fund units are either managed by external managers or by internal managers through Company subsidiaries. The managers apply various investment strategies to meet their respective objectives. The Company also invests in fund units through its segregated funds.

The table below presents the non-consolidated structured entities according to their type in the Statement of Financial Position.

	2022		2021	
(in millions of dollars)	**Carrying amount**	**Maximum risk**	Carrying amount	Maximum risk
Government bonds				
Mortgage-backed securities	**$ 147**	**$ 147**	$ 295	$ 295
Corporate and other bonds				
Unsecured mortgage-backed securities	**14**	**14**	14	14
Asset-backed securities	**4**	**4**	3	3
	165	**165**	312	312
Stocks				
Investment fund units managed internally	**423**	**423**	430	430
Investment fund units managed externally	**371**	**371**	410	410
Private stocks	**2,164**	**2,164**	1,830	1,830
	2,958	**2,958**	2,670	2,670
Total	**$ 3,123**	**$ 3,123**	$ 2,982	$ 2,982

The maximum risk represents the risk of total loss that the Company could suffer on investments in non-consolidated structured entities, which equals the carrying amount of these investments in the above table.

The Company develops and sponsors mutual funds to implement investment strategies on behalf of investors, and earns management fees for providing these services. The Company does not control these mutual funds. The Company's interest in mutual funds is limited to the capital invested, if any, and fees earned. The Company's mutual fund assets under management as at December 31, 2022 were $11,611 ($13,955 as at December 31, 2021).

b) iv) Concentration Risk

Concentration risk arises when there is a concentration of investments in entities with similar characteristics, or when a substantial investment is made with a single entity. The following tables provide information about the Company's investment concentration risk.

Bonds by sector of activity

	2022			
(in millions of dollars)	**At fair value through profit or loss**	**Available for sale**	**Loans and receivables**	**Total**
Bonds (corporate and other)				
Financial services	**$ 2,216**	**$ 1,210**	**$ 717**	**$ 4,143**
Utilities	**4,587**	**291**	**876**	**5,754**
Consumer cyclical and non-cyclical	**1,923**	**179**	**434**	**2,536**
Energy	**877**	**144**	**534**	**1,555**
Industry	**1,137**	**87**	**174**	**1,398**
Communications	**1,285**	**243**	**1**	**1,529**
Other	**623**	**86**	**454**	**1,163**
Total	**$ 12,648**	**$ 2,240**	**$ 3,190**	**$ 18,078**

	2021			
(in millions of dollars)	At fair value through profit or loss	Available for sale	Loans and receivables	Total
Bonds (corporate and other)				
Financial services	$ 2,187	$ 1,390	$ 568	$ 4,145
Utilities	4,660	270	779	5,709
Consumer cyclical and non-cyclical	2,439	162	385	2,986
Energy	1,108	196	515	1,819
Industry	979	105	183	1,267
Communications	1,110	250	1	1,361
Other	554	77	338	969
Total	$ 13,037	$ 2,450	$ 2,769	$ 18,256

Mortgages and other loans by region and type

	2022					
(in millions of dollars)	**Atlantic provinces**	**Quebec**	**Ontario**	**Western provinces**	**Outside Canada**	**Total**
Insured mortgages						
Multi-residential	**$ 18**	**$ 730**	**$ 116**	**$ 270**	**$ —**	**$ 1,134**
Non-residential	**—**	**—**	**—**	**3**	**—**	**3**
	18	**730**	**116**	**273**	**—**	**1,137**
Conventional mortgages						
Multi-residential	**—**	**39**	**48**	**20**	**120**	**227**
Non-residential	**19**	**24**	**67**	**71**	**67**	**248**
	19	**63**	**115**	**91**	**187**	**475**
Other loans	**153**	**321**	**381**	**364**	**—**	**1,219**
Total	**$ 190**	**$ 1,114**	**$ 612**	**$ 728**	**$ 187**	**$ 2,831**

(in millions of dollars)	Atlantic provinces	Quebec	Ontario	Western provinces	Outside Canada	Total
			2021			
Insured mortgages						
Multi-residential	$ 19	$ 837	$ 139	$ 331	$ —	$ 1,326
Non-residential	—	—	—	3	—	3
	19	837	139	334	—	1,329
Conventional mortgages						
Multi-residential	—	39	49	22	125	235
Non-residential	20	38	79	83	82	302
	20	77	128	105	207	537
Other loans	133	285	319	319	—	1,056
Total	$ 172	$ 1,199	$ 586	$ 758	$ 207	$ 2,922

Investment properties by type

(in millions of dollars)	**2022**	2021
Office	**$ 1,552**	$ 1,622
Retail	**101**	110
Industrial	**66**	52
Land	**85**	86
Total	**$ 1,804**	$ 1,870

c) Interest Rate Risk

Interest rate risk arises, among other things, from the uncertainty of the future interest rates at which maturing investments will be reinvested. The following table provides information on the maturity dates of the Company's investments subject to interest rate risk. Policy loans do not have a maturity date.

(in millions of dollars)	**2022** Bonds	**2022** Mortgages and other loans	2021 Bonds	2021 Mortgages and other loans
Due in 1 year or less	**$ 811**	**$ 303**	$ 635	$ 212
Due after 1 year to 5 years	**3,020**	**1,424**	3,254	1,639
Due after 5 years to 10 years	**4,627**	**927**	3,327	840
Due after 10 years	**18,829**	**177**	25,677	231
Total	**$ 27,287**	**$ 2,831**	$ 32,893	$ 2,922

The effective yield is between 0.00% and 12.78% (0.00% and 12.00% in 2021) for bonds, between 0.49% and 34.99% (0.49% and 34.99% in 2021) for mortgages and other loans and between 0.00% and 12.00% (0.00% and 12.00% in 2021) for policy loans.

d) Liquidity Risk

Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions, to honour its financial commitments.

The following tables present the maturities of financial liabilities and lease liabilities:

	2022				
(in millions of dollars)	**Due in 1 year or less**	**Due in over 1 year to 3 years**	**Due in over 3 years to 5 years**	**Due in over 5 years**	**Total**
Benefits payable	**$ 284**	**$ —**	**$ —**	**$ —**	**$ 284**
Other policy liabilities	**82**	**12**	**2**	**—**	**96**
Amounts on deposit related to products other than insurance contracts	**1,614**	**—**	**—**	**—**	**1,614**
Investment contract liabilities	**197**	**90**	**61**	**199**	**547**
Derivative financial instruments	**440**	**361**	**106**	**563**	**1,470**
Other financial liabilities	**1,642**	**111**	**20**	**44**	**1,817**
Short-selling securities	**956**	**—**	**—**	**—**	**956**
Securitization liabilities	**190**	**257**	**—**	**6**	**453**
Mortgage debt	**—**	**—**	**—**	**3**	**3**
Lease liabilities	**20**	**34**	**18**	**38**	**110**
Debentures	**—**	**—**	**—**	**1,500**	**1,500**
Total	**$ 5,425**	**$ 865**	**$ 207**	**$ 2,353**	**$ 8,850**

	2021				
(in millions of dollars)	Due in 1 year or less	Due in over 1 year to 3 years	Due in over 3 years to 5 years	Due in over 5 years	Total
Benefits payable	$ 271	$ —	$ —	$ —	$ 271
Other policy liabilities	54	10	3	—	67
Amounts on deposit related to products other than insurance contracts	1,817	—	—	—	1,817
Investment contract liabilities	195	81	55	246	577
Derivative financial instruments	170	41	43	272	526
Other financial liabilities	1,777	93	17	37	1,924
Securities sold under repurchase agreements	74	—	—	—	74
Short-selling securities	262	—	—	—	262
Securitization liabilities	312	370	81	7	770
Mortgage debt	73	—	—	—	73
Lease liabilities	21	42	18	42	123
Debentures	250	—	—	1,200	1,450
Total	$ 5,276	$ 637	$ 217	$ 1,804	$ 7,934

Annual interest payments are as follows:

(in millions of dollars)	**2023**	**2024**	**2025**	**2026**	**2027**
Securitization liabilities	**$ 11**	**$ 5**	**$ 2**	**$ —**	**$ —**
Lease liabilities	**3**	**3**	**2**	**2**	**2**
Debentures	**$ 45**	**$ 45**	**$ 45**	**$ 45**	**$ 45**

Information concerning off-Statement of Financial Position commitments is presented in Note 29 “Guarantees, Commitments and Contingencies”.

e) Interest Rate Benchmark Reform

On May 16, 2022, the AMF approved the decision by the administrator of the Canadian Dollar Offered Rate (CDOR), Refinitiv Benchmark Services Limited (RBSL), to end the publication of the rate as of June 28, 2024. The Canadian Alternative Reference Rate Working Group (CARR), which brings together representatives from companies in the financial sector and from public institutions, proposed to replace the CDOR with the Canadian Overnight Repo Rate Average (CORRA), also administered by RBSL. At this time, no decision has been published for an alternative benchmark rate to be used in place of the CDOR.

The Company is assessing the effects of abandoning the CDOR on the risks that it is exposed to and the valuation of the financial instruments impacted by the reform. As at December 31, 2022, derivative financial instruments with a notional amount of $12,218 and financial liabilities with a carrying value of $1,496 are affected by the CDOR reform and will be transitioned to an alternative reference rate.

8 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

Swaps are over-the-counter (OTC) contractual agreements between the Company and a third party to exchange a series of cash flows based on rates applied to a notional amount. Interest rate swaps are contractual agreements in which two counterparties exchange a fixed or a floating interest rate payment based on the notional amount for a specified period, according to a frequency and denominated in the same currency. Currency rate swaps are transactions in which two counterparties exchange cash flows of the same nature and denominated in two different currencies. Total return swaps are contracts that transfer the variations in value of a reference asset, including any returns such as interest earned on these assets, in exchange for a reference return specified in the contract.

Forwards, which are OTC contractual agreements negotiated between counterparties, and futures contracts, which are traded on an organized market, are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or to sell a financial asset at a predetermined price during a given time period or at a fixed date.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at December 31, 2022 is $974 ($914 in 2021). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

	2022					
	Notional amount				**Fair value**	
(in millions of dollars)	**Less than 1 year**	**1 to 5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**
Equity contracts						
Swap contracts	**$ 945**	**$ —**	**$ 80**	**$ 1,025**	**$ 16**	**$ (23)**
Futures contracts	**455**	**—**	**—**	**455**	**15**	**—**
Options	**1,499**	**—**	**—**	**1,499**	**28**	**(7)**
Currency contracts						
Swap contracts	**142**	**197**	**5,342**	**5,681**	**235**	**(138)**
Forward contracts	**5,401**	**456**	**—**	**5,857**	**40**	**(27)**
Options	**254**	**38**	**—**	**292**	**6**	**(6)**
Interest rate contracts						
Swap contracts	**434**	**4,407**	**8,901**	**13,742**	**603**	**(750)**
Futures contracts	**2**	**—**	**—**	**2**	**—**	**—**
Forward contracts	**8,618**	**698**	**—**	**9,316**	**46**	**(514)**
Other derivative contracts	**1**	**3**	**77**	**81**	**1**	**(5)**
Total	**$ 17,751**	**$ 5,799**	**$ 14,400**	**$ 37,950**	**$ 990**	**$ (1,470)**

	2021					
	Notional amount				Fair value	
(in millions of dollars)	Less than 1 year	1 to 5 years	Over 5 years	Total	Positive	Negative
Equity contracts						
Swap contracts	$ 914	$ 243	$ 95	$ 1,252	$ 21	$ (3)
Futures contracts	474	—	—	474	—	(8)
Options	4,756	—	—	4,756	231	(99)
Currency contracts						
Swap contracts	64	358	4,531	4,953	106	(209)
Forward contracts	3,254	1,199	—	4,453	35	(38)
Options	38	—	—	38	—	—
Interest rate contracts						
Swap contracts	1,430	4,079	5,044	10,553	309	(107)
Forward contracts	2,449	1,407	—	3,856	212	(33)
Other derivative contracts	3	5	244	252	3	(29)
Total	$ 13,382	$ 7,291	$ 9,914	$ 30,587	$ 917	$ (526)

	2022		
	Notional amount	**Fair value**	
(in millions of dollars)		**Positive**	**Negative**
Derivative financial instruments not designated as hedge accounting	**$ 35,424**	**$ 976**	**$ (1,457)**
Net investment hedge	**2,103**	**11**	**—**
Fair value hedges			
Interest risk	**288**	**2**	**(9)**
Currency risk	**24**	**—**	**(1)**
Cash flow hedges			
Currency risk	**111**	**1**	**(3)**
Total of derivative financial instruments	**$ 37,950**	**$ 990**	**$ (1,470)**

	2021		
	Notional amount	Fair value	
(in millions of dollars)		Positive	Negative
Derivative financial instruments not designated as hedge accounting	$ 28,018	$ 903	$ (509)
Net investment hedge	1,715	5	(15)
Fair value hedges			
Interest risk	712	5	(1)
Currency risk	27	1	(1)
Cash flow hedges			
Currency risk	115	3	—
Total of derivative financial instruments	$ 30,587	$ 917	$ (526)

Embedded Derivative Financial Instruments

The Company owns perpetual preferred shares with call options that give the issuer the right to redeem the shares at a predetermined price. Accounting standards require that the value of the call options be measured separately from the preferred shares. The value of the call options for embedded derivative financial instruments is determined using a valuation that relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as *Other derivative contracts.*

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year as at December 31, 2022 (less than 1 year to 3 years as at December 31, 2021). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the years ended December 31, 2022 and 2021, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

During the year, the Company terminated a hedging relationship which aimed to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company used interest rate swap contracts that had maturities of less than 1 year to 13 years as at December 31, 2021.

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 6 years as at December 31, 2022 (less than 1 year to 7 years as at December 31, 2021).

For the year ended December 31, 2022, the Company has recognized a loss of $27 on the hedging instruments (gain of $17 for the year ended December 31, 2021) and a gain of $26 on the hedged items (loss of $21 for the year ended December 31, 2021). For the year ended December 31, 2022, the Company has recognized an ineffectiveness of $1 ($4 for the year ended December 31, 2021).

Currency rate risk hedging

The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts with maturities of less than 1 year as at December 31, 2022 (less than 1 year as at December 31, 2021). For the years ended December 31, 2022 and 2021, the Company did not recognize any ineffectiveness.

Cash Flow Hedges

The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from 1 year to 7 years as at December 31, 2022 (from less than 1 year to 8 years as at December 31, 2021). For the years ended December 31, 2022 and 2021, the Company did not recognize any ineffectiveness.

9 › Other Assets

(in millions of dollars)	**2022**	2021
Investment income due and accrued	**$ 319**	$ 255
Outstanding premiums	**113**	109
Due from reinsurers	**206**	194
Post-employment benefits	**—**	82
Due from agents	**191**	155
Accounts receivable	**1,162**	1,183
Deferred sales commissions	**732**	598
Prepaid expenses	**69**	69
Linearization of rents	**33**	31
Income taxes receivable	**235**	165
Funds deposited in trust	**881**	999
Miscellaneous	**9**	10
Total	**$ 3,950**	$ 3,850

The amount of *Other assets* that the Company expects to receive within the next 12 months is $2,226 ($2,061 as at December 31, 2021).

10 › Fixed Assets

	Own-use Property		**Right-of-use Assets**			
(in millions of dollars)	**Land**	**Real estate**	**Rental space**	**Other**	**Other fixed assets**	**Total**
Cost						
Balance as at December 31, 2020	$ 48	$ 200	$ 154	$ 12	$ 242	$ 656
Acquisitions	—	5	4	1	37	47
Acquisition of businesses	—	1	—	—	1	2
Disposals/write-offs	—	—	(7)	(1)	(31)	(39)
Transfer to investment properties	—	(5)	—	—	—	(5)
Balance as at December 31, 2021	**48**	**201**	**151**	**12**	**249**	**661**
Acquisitions	**—**	**20**	**8**	**1**	**38**	**67**
Disposals/write-offs	**—**	**(1)**	**(12)**	**(1)**	**(23)**	**(37)**
Transfer to investment properties	**(9)**	**(37)**	**—**	**—**	**—**	**(46)**
Effect of changes in exchange rates	**—**	**1**	**1**	**—**	**2**	**4**
Balance as at December 31, 2022	**39**	**184**	**148**	**12**	**266**	**649**
Accumulated depreciation						
Balance as at December 31, 2020	—	66	31	6	163	266
Depreciation for the year	—	10	18	3	26	57
Depreciation on disposals/write-offs	—	—	(4)	—	(26)	(30)
Depreciation transferred to investment properties	—	(1)	—	—	—	(1)
Balance as at December 31, 2021	**—**	**75**	**45**	**9**	**163**	**292**
Depreciation for the year	**—**	**9**	**16**	**3**	**31**	**59**
Depreciation on disposals/write-offs	**—**	**—**	**(6)**	**—**	**(16)**	**(22)**
Depreciation transferred to investment properties	**—**	**(19)**	**—**	**—**	**—**	**(19)**
Effect of changes in exchange rates	**—**	**1**	**—**	**—**	**1**	**2**
Balance as at December 31, 2022	**—**	**66**	**55**	**12**	**179**	**312**
Net carrying value as at December 31, 2022	**$ 39**	**$ 118**	**$ 93**	**$ —**	**$ 87**	**$ 337**
Net carrying value as at December 31, 2021	$ 48	$ 126	$ 106	$ 3	$ 86	$ 369

During the years ended December 31, 2022 and 2021, no own-use property was transferred to properties held for resale under *Other assets*.

11 › Intangible Assets and Goodwill

Intangible assets (in millions of dollars)	Finite useful life		Indefinite useful life	Total
	Software applications	Other		
Cost				
Balance as at December 31, 2020	$ 628	$ 1,065	$ 348	$ 2,041
Acquisitions	174	46	—	220
Acquisition of businesses	11	16	—	27
Transfer[1]	—	26	(26)	—
Disposals/write-offs	(20)	—	—	(20)
Disposal of businesses	—	(5)	(2)	(7)
Reclassification after allocation of the purchase price	6	(1)	—	5
Effect of changes in exchange rates	—	(4)	—	(4)
Balance as at December 31, 2021	**799**	**1,143**	**320**	**2,262**
Acquisitions	**189**	**51**	**—**	**240**
Disposals/write-offs	**(43)**	**(4)**	**—**	**(47)**
Effect of changes in exchange rates	**2**	**37**	**—**	**39**
Balance as at December 31, 2022	**947**	**1,227**	**320**	**2,494**
Accumulated depreciation				
Balance as at December 31, 2020	226	194	—	420
Depreciation for the year	66	76	—	142
Depreciation on disposals/write-offs	(8)	—	—	(8)
Balance as at December 31, 2021	**284**	**270**	**—**	**554**
Depreciation for the year	**77**	**84**	**—**	**161**
Depreciation on disposals/write-offs	**(10)**	**(1)**	**—**	**(11)**
Effect of changes in exchange rates	**—**	**6**	**—**	**6**
Balance as at December 31, 2022	**351**	**359**	**—**	**710**
Net carrying value as at December 31, 2022	**$ 596**	**$ 868**	**$ 320**	**$ 1,784**
Net carrying value as at December 31, 2021	$ 515	$ 873	$ 320	$ 1,708

[1] During the year ended December 31, 2021, the Company changed its assessment of the useful life of a $26 intangible asset from indefinite to finite due to the situation described below under "Combination of cash-generating units".

Goodwill (in millions of dollars)	
Balance as at December 31, 2020	$ 1,224
Acquisition of businesses	69
Disposal of businesses	(6)
Reclassification after allocation of the purchase price	(16)
Effect of changes in exchange rates	(4)
Balance as at December 31, 2021	**1,267**
Reclassification after allocation of the purchase price	**3**
Effect of changes in exchange rates	**48**
Balance as at December 31, 2022	**$ 1,318**

(in millions of dollars)	2022 Indefinite useful life intangible assets	2022 Goodwill	2021 Indefinite useful life intangible assets	2021 Goodwill
Cash generating unit				
Individual Wealth Management	**$ 308**	**$ 280**	$ 308	$ 280
Individual Insurance	**6**	**143**	6	143
Group Insurance	**1**	**144**	1	144
General Insurance	**2**	**83**	2	80
US Operations	**3**	**668**	3	620
Total	**$ 320**	**$ 1,318**	$ 320	$ 1,267

Goodwill and intangible assets with indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances occur that may cause the recoverable amount of a CGU or CGU group to decrease to below its carrying value. The recoverable amount is the higher of the fair value less costs of sale and the value in use. Fair value less costs of sale is assessed by using a valuation multiples methodology. Under this methodology, fair value is assessed with reference to multiples or ratios of comparable businesses or previous business acquisition transactions. The value in use is based on the best estimates of future earnings and the level and cost of capital estimated on contract duration. The value attributed to new business is based on the business plans, on reasonable assumptions about growth and the levels of profitability of this new business. The discount rates reflect the nature and environment of the CGU.

When estimating the recoverable amount of the CGU or CGU group, the Company makes judgments and various assumptions and estimates that could result in material adjustments to the recoverable amount. Any significant change in a key assumption, such as the discount rate, growth rates, the value of new sales and any significant change in projected cash flows could result in significant changes in the recoverable amounts. As at December 31, 2022, management has determined that no reasonably possible change in the assumptions used would lead to a recoverable amount of a CGU or CGU group less than its carrying amount.

Individual Wealth Management, General Insurance and Other Activities
The recoverable amount of CGUs in the Individual Wealth Management sector is determined according to calculations of the value in use or according to the fair value less costs of sale. The recoverable amount of CGUs in the General Insurance and Other activities sectors has been determined according to calculations of the value in use, which were higher than the fair value less costs of sale.

The calculations of the recoverable amount of CGUs call upon cash flow projections before tax based on financial budgets approved by management and which cover a five-year period. Cash flows that go beyond this period are extrapolated using estimated growth rates. The calculation of the fair value less costs of sale is based on price-to-assets-under-management or price-to-assets-under-administration measures. The fair value measurements are categorized in Level 3 of the fair value hierarchy.

The Company uses several key assumptions in determining the recoverable amount. The assumed discount rate for determining the value of the CGUs is between 15% and 16% before tax (between 13% and 15% before tax in 2021).The assumptions used in the calculation are set for the medium-term growth rate between 4% and 5% (between 4% and 6% in 2021) and the long-term growth rate between 1% and 4% (between 1% and 4% in 2021).

Management determined the gross margin forecast according to past returns and its expectations in terms of market development. The growth rates used are in line with forecasts published in industry reports. The long-term growth rates used are projected industry growth rates. The discount rate is the interest rate used to establish the present value of future cash flows, and the rates used are before tax, which take into account specific risks in relation to relevant activity sectors.

Combination of cash-generating units
During the year ended December 31, 2021, the Company combined the totality of the *Other activities* CGU with the *Individual Insurance* CGU to reflect the way in which management now manages these businesses.

Individual Insurance, Group Insurance and US Operations
The recoverable amount of CGUs in the Individual Insurance, Group Insurance and US Operations sectors was determined according to calculations of the value in use or according to the fair value less costs of sale. The calculation of the fair value less costs of sale is based on measures such as multiple based on results. The calculations of the recoverable amount rely on discounted cash flow projections and represent estimated actuarial amounts which take into account the present value of net shareholder assets, future profitability of in-force business and profitability of new business where insurance companies are concerned. Cash flow projections before tax based on financial budgets approved by management and which cover a 5-year period are used for other kinds of businesses. Cash flows that go beyond this period are extrapolated using estimated growth rates.

The Company uses several key assumptions in delivering the recoverable amount. The assumed discount rate for determining the value of CGUs is between 12% and 16% before tax (between 11% and 13% before tax in 2021).

The key assumptions of the valuation take into account the discount rate, expected business growth, expected return of the financial markets, fees and, when applicable, mortality as well as lapses.

12 › Segregated Funds Net Assets

Policyholders can select from a variety of segregated funds. Although the underlying assets are registered in the name of the Company and the segregated funds policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated funds policyholder bears the risk and rewards of the funds' investment performance. However, the Company offers guarantees on some contracts and is exposed to equity market risk and interest rate risk as a result of these guarantees. The Company's exposure to loss from segregated fund products is limited to the value of these guarantees and the related liabilities are recorded in *Insurance contract liabilities*.

(in millions of dollars)	**2022**	2021
Assets		
Cash and short-term investments	**$ 1,583**	$ 1,448
Bonds	**6,416**	6,794
Stocks and investment funds	**29,465**	31,235
Mortgages	**56**	42
Investment properties	**13**	15
Derivative financial instruments	**11**	12
Other assets	**168**	450
	37,712	39,996
Liabilities		
Accounts payable and accrued expenses	**378**	419
Net assets	**$ 37,334**	$ 39,577

The following table presents the change in segregated funds net assets:

(in millions of dollars)	**2022**	2021
Balance at beginning	**$ 39,577**	$ 32,804
Add:		
Amounts received from policyholders	**6,736**	8,004
Interest, dividends and other investment income	**1,307**	1,416
Change in fair value of investments	**(5,186)**	2,883
	42,434	45,107
Less:		
Amounts withdrawn by policyholders	**4,393**	4,864
Operating expenses	**707**	666
	5,100	5,530
Balance at end	**$ 37,334**	$ 39,577

	2022	2021
Type of funds		
Equity	**48%**	48%
Balanced	**34%**	34%
Fixed income	**16%**	17%
Money market	**2%**	1%
Total	**100%**	100%

Money market funds consist of investments that have a term of maturity of less than one year. Fixed income funds primarily consist of investments in fixed income securities and, for some funds, a small proportion in high-yield bonds. The balanced funds consist of fixed income securities and a larger equity investment component. The equity funds, which range from low volatility equity funds to aggressive equity funds, invest in a varying mix of Canadian, U.S. and global equities.

13 › Management of Insurance Risk

Insurance risk is the risk of financial loss resulting from higher actual benefit amounts than those expected at the time of product design and pricing. It may arise at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when establishing provisions for future policy benefits.

When designing and pricing products, insurance risk may result from inappropriate pricing resulting in insufficient returns as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience regarding several factors, such as mortality, morbidity, lapse, expenses and taxes. Insurance risk may also arise when the selection of the risks to be insured or the settlement of claims is inconsistent with the design and pricing of the product. When calculating provisions for future policy benefits, a financial loss could arise in the event of inadequate use of experience results to establish assumptions.

The Company has controls and processes in place at each of these stages to ensure that these risks are adequately managed.

Product Design and Pricing

For certain types of contracts, insurance risk may be shared with or transferred to the policyholder through a dividends and experience refunds policy, or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk, thus the need to carry out a proper valuation of the commitments in this regard.

The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

At this stage in the life of a product, risk is primarily managed through a regular analysis of the pricing adequacy of Company products as compared to recent experience. The pricing assumptions are revised as needed or the various options offered by the reinsurance market are utilized.

Underwriting and Claims Adjudication

Given the geographic diversity of its clients, the Company is not heavily exposed to concentration risk with respect to individuals or groups. The largest portion of the Company's mortality risk is in Canada.

The Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds, and are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Calculation of Provisions for Future Policy Benefits

In any insurance company, calculating the provisions for future policy benefits is a complex process that relies on financial projection models and assumptions to determine the value of the amounts that will be paid in the future to policyholders and beneficiaries. Internal reviews of changes in technical results and external sources of information are monitored for the purpose of revising the assumptions, which may result in revisions of provisions for future policy benefits.

The Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the CIA (or another relevant organization), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business.

Every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

Reinsurance

In the normal course of business, the Company uses reinsurance agreements to limit its risk on every life insured. The Company adopted a reinsurance risk management policy whereby maximum benefit amounts, which vary by line of business, are established for life and health insurance.

Although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit associated with the amounts ceded to reinsurers in the event that the reinsurers are unable to meet their obligations.

14 › Insurance Contract Liabilities and Investment Contract Liabilities

A) Insurance Contract Liabilities

Insurance contract liabilities are determined according to the CALM described in Note 2 “Significant Accounting Policies”, section k) ii) “Insurance Contract Liabilities”. Insurance contract liabilities are determined using generally accepted actuarial practices according to standards established by the CIA. An explicit projection of the cash flows using the most probable assumptions for each cash flow component and each significant contingency is used to calculate the provisions for future policy benefits.

a) Composition

(in millions of dollars)	**2022**	2021
Provisions for future policy benefits	**$ 29,557**	$ 35,679
Other insurance contract liabilities		
Benefits payable and provisions for unreported claims	**466**	414
Policyholders’ amounts on deposit	**379**	424
Provisions for dividends to policyholders and experience rating refunds	**21**	23
	866	861
Total	**$ 30,423**	$ 36,540

	2022						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Insurance contract liabilities (gross)							
Canada	**$ 19,926**	**$ 2,286**	**$ 1,633**	**$ 5,274**	**$ —**	**$ —**	**$ 29,119**
United States	**—**	**—**	**—**	**—**	**1,327**	**(25)**	**1,302**
Other countries	**2**	**—**	**—**	**—**	**—**	**—**	**2**
	19,928	**2,286**	**1,633**	**5,274**	**1,327**	**(25)**	**30,423**
Reinsurance assets							
Canada	**462**	**—**	**110**	**63**	**—**	**—**	**635**
United States	**—**	**—**	**—**	**—**	**668**	**(10)**	**658**
	462	**—**	**110**	**63**	**668**	**(10)**	**1,293**
Net insurance contract liabilities	**$ 19,466**	**$ 2,286**	**$ 1,523**	**$ 5,211**	**$ 659**	**$ (15)**	**$ 29,130**

	2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Insurance contract liabilities (gross)							
Canada	$ 25,759	$ 1,924	$ 1,691	$ 5,392	$ —	$ —	$ 34,766
United States	—	—	—	—	1,878	(106)	1,772
Other countries	2	—	—	—	—	—	2
	25,761	1,924	1,691	5,392	1,878	(106)	36,540
Reinsurance assets							
Canada	144	—	122	116	—	—	382
United States	—	—	—	—	828	(91)	737
	144	—	122	116	828	(91)	1,119
Net insurance contract liabilities	$ 25,617	$ 1,924	$ 1,569	$ 5,276	$ 1,050	$ (15)	$ 35,421

b) Changes in Insurance Contract Liabilities and Reinsurance Assets

	2022			
(in millions of dollars)	**Provisions for future policy benefits**	**Other insurance contract liabilities**	**Insurance contract liabilities**	**Reinsurance assets**
Balance at beginning	**$ 35,679**	**$ 861**	**$ 36,540**	**$ 1,119**
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	**(7,356)**	**—**	**(7,356)**	**268**
On new policies	**1,087**	**—**	**1,087**	**(167)**
Changes in methods and assumptions	**50**	**—**	**50**	**22**
	(6,219)	**—**	**(6,219)**	**123**
Changes in methods and assumptions	**—**	**2**	**2**	**—**
Effect of change in exchange rates	**97**	**8**	**105**	**47**
Other	**—**	**(5)**	**(5)**	**4**
	97	**5**	**102**	**51**
Balance at end	**$ 29,557**	**$ 866**	**$ 30,423**	**$ 1,293**

	2021			
(in millions of dollars)	Provisions for future policy benefits	Other insurance contract liabilities	Insurance contract liabilities	Reinsurance assets
Balance at beginning	$ 35,729	$ 798	$ 36,527	$ 1,059
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	(707)	—	(707)	232
On new policies	673	—	673	(148)
Changes in methods and assumptions	(11)	—	(11)	(7)
	(45)	—	(45)	77
Changes in methods and assumptions	—	(2)	(2)	(1)
Effect of change in exchange rates	(16)	(1)	(17)	(7)
Other	11	66	77	(9)
	(5)	63	58	(17)
Balance at end	$ 35,679	$ 861	$ 36,540	$ 1,119

The variation of insurance contract liabilities and reinsurance assets include the amounts related to participating contracts.

Gains and Losses on New Reinsurance Treaties
During the year ended December 31, 2022, the Company concluded new reinsurance agreements (none during the year ended December 31, 2021) for which a gain of $52 was recorded in the Income Statement.

c) Risk Management and Assumptions for Valuation of Insurance Contract Liabilities
Best estimate assumptions represent current and objective estimates of the expected outcomes. Their selection takes into consideration current circumstances, historical data from the Company, the industry or the sector, the relationship between the historical and anticipated future results as well as other relevant factors. The use of actuarial assumptions in the valuation of insurance contract liabilities requires significant judgment. The margins for adverse deviation assumptions and methods used to establish the most significant assumptions are described below.

Mortality and Morbidity
Mortality represents the occurrence of death in a given population. The mortality assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative. For Individual Insurance, the Company's mortality experience has exhibited a gradually declining trend. The calculation of insurance contract liabilities for this operating segment takes into account an improvement in future mortality rates. For Individual Wealth Management and Group Savings and Retirement, annuity mortality improvement has been projected to occur throughout the future. For the Group Insurance segment, the expected future mortality experience is incorporated into the calculation of insurance contract liabilities for this block, but no future mortality improvement is assumed.

Morbidity represents the occurrence of accident or illness among insured risks. The morbidity assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative.

To manage mortality and morbidity risk, the Company uses detailed and uniform underwriting procedures that assess the insurability of the candidate and control exposure to large claims. The Company conducts monthly monitoring of technical results relating to claims and fixes retention limits that vary across markets and regions. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

As at December 31, 2022, the Company estimates that a 5% permanent deterioration in mortality rates would result in a $147 reduction in net income attributed to common shareholders due to the strengthening of the insurance contract liabilities (reduction of $180 as at December 31, 2021). The 5% deterioration is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products. An improvement of the same percentage in mortality rates would have a similar impact, but in the opposite direction.

As at December 31, 2022, the Company estimates that a 5% deterioration in morbidity rates would result in a $56 reduction in net income attributed to common shareholders (reduction of $59 as at December 31, 2021). The 5% deterioration is expressed assuming 95% of the termination rate of disability when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is not disabled. An improvement of the same percentage in morbidity rates would have a similar impact, but in the opposite direction.

Investment Return and Interest Rate Risk
The Company segments assets to sustain liabilities by sector and by geographic market and establishes appropriate investment strategies for each liability.

CALM is the method prescribed by the standards of the CIA to ensure the adequacy of assets backing the insurance contract liabilities. By closely matching the asset cash flows with those of the corresponding liabilities, the Company reduces its sensitivity to future variations. These cash flows related to the assets and liabilities are projected based on a number of scenarios, some of which are prescribed by the CIA. The disinvestment or reinvestment occurs according to the specifications of each scenario and the insurance contract liabilities are determined based on the range of possible outcomes. Changes in fair value of assets matching these liabilities and changes in insurance contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise. A description of the CALM is found in Note 2 “Significant Accounting Policies”, section k) ii) “Insurance Contract Liabilities”.

Interest rate risk is the risk of loss due to future changing interest rates. The investment returns are projected from the current investment portfolios as well as the planned reinvestment strategies. The uncertainty related to interest rate fluctuation is that economic losses or gains can occur following the disinvestment or reinvestment of future cash flows. The Company manages interest rate risk through an asset and liability matching policy that is updated periodically. The primary objective of this policy is to minimize the volatility of profit margins caused by fluctuations between the realized returns and those credited to existing contracts. To monitor matching, investments are segmented by matching blocks established based on the cash flow structure of the liabilities, with blocks of business being grouped together by line of business. For non-immunized liabilities, primarily individual insurance products that have very long-term commitments, the Company favours an investment strategy that tends to achieve a balance between optimizing after-tax return and capital protection since it is impossible to apply a complete immunization strategy due to a lack of availability of fixed income securities for such maturities. However, the Company has taken several initiatives to improve the short-term flows of non-immunized liabilities.

As at December 31, 2022, the Company estimates that a 0.1% decrease in the initial reinvestment rate would lead to a decrease in the insurance contract liabilities of approximately $42 after tax (decrease of $25 after tax as at December 31, 2021). A 0.1% decrease in the ultimate reinvestment rate would lead to an increase in the insurance contract liabilities of about $43 after tax (increase of $68 after tax as at December 31, 2021). The Company estimates that a 0.1% increase in the initial reinvestment rate and in the ultimate reinvestment rate would have a similar impact to a decrease, but in the opposite direction.

Also, the Company estimates that if the markets suddenly decreased by 10% as at December 31, 2022, net income attributed to common shareholders would be about $39 lower than expected for its regular operations ($44 as at December 31, 2021). The Company estimates that a sudden 10% increase at the beginning of the period, followed by market growth in line with expectations, would have a similar impact but in the opposite direction.

Expenses
Administration expenses include costs of servicing and maintaining in-force policies and associated overhead expenses. Policy administration expenses were calculated using the Company's internal expense allocation studies. These studies consider investments in improvement projects for which productivity gains are planned. These gains are only recognized up to the cost of the project that generates them. Unit expense factors projected for the coming years vary according to the investments planned in improvement projects, productivity that they will generate and the inflation assumption, which is established coherently with the interest rate assumption.

The risk related to expenses is the risk that the costs of future expenses are greater than the estimated costs in the measurement of liabilities or used in the design and pricing of products. A rigorous budget process is implemented annually. The budget is monitored on an ongoing basis throughout the year to assess the differences between budgeted costs and actual costs. To manage the risk, the Company prices its products to cover expected costs.

As at December 31, 2022, the Company estimates that a 5% increase in unit costs would result in a $89 reduction in net income attributed to common shareholders ($86 as at December 31, 2021). A decrease of the same percentage would have a similar impact, but in the opposite direction.

Lapse

Cancellation of contracts includes lapses and surrenders. Lapse means that the policyholder has stopped paying premiums. Surrender means that the policyholder voluntarily cancelled the contract. Long-term lapse rate assumptions take into account the usually lower contract cancellation rates with respect to lapse-supported products compared to other products. Expected lapse rate assumptions are generally based on the Company's recent lapse experience and are adjusted to take into account industry experience where the Company's experience is limited.

The Company reduces its exposure to lapse and surrender risk as much as possible through the way it develops its products. The contracts are built with modalities having a positive impact on the lapse rate. These modalities may result in charges for surrenders, limitations on the amounts surrendered or limitations regarding the moment when surrenders may be made. Finally, the Company has established a monthly method to follow up on lapses and surrenders.

As at December 31, 2022, the Company estimates that a 5% deterioration in lapse rates would result in a $161 reduction in net income attributed to common shareholders ($205 as at December 31, 2021). The 5% deterioration is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products. An improvement of the same percentage would have a similar impact, but in the opposite direction.

Premium Payment Patterns

For Universal Life contracts, assumptions must be established with respect to premium payment patterns. The Company has studied the payment pattern experience of Universal Life contracts. When this experience is not sufficiently representative, it is adjusted to take into consideration the industry experience. The premium payment patterns can vary depending on the payment frequency, the level of the target premium compared to the minimum premium, the type of policy insurance costs (level or annually increasing costs), the type of product and the year of issue.

Currency Risk

Currency risk results from a difference between the currency of liabilities and the currency of the assets they are backing. Generally speaking, the Company's strategy to manage exposure to currency risk consists of matching assets to the corresponding liabilities according to the currency. The Company implements a hedging strategy when the liabilities are matched to assets of a different currency.

Guarantees on Segregated Funds

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Because of the volatility inherent in the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee is applied and that it will then have to compensate the investor for the difference in the form of a benefit. The Company has set up a dynamic hedging program. In this program, a large part of the variations in the economic value of liabilities is offset by variations in assets held. The hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss in the Income Statement.

A liability related to the segregated fund guarantees granted by the Company is maintained in the general fund. The amount of the liability is at least as great as the amount determined using the methodology defined by the CIA.

Margins for Adverse Deviations

Assumptions that rely on best estimates are used to calculate the insurance contract liabilities. According to CIA standards, the appointed actuary must adjust these assumptions to include margins for adverse deviations and to take into account the uncertainty related to the establishment of these best estimates and a potential deterioration of the expected experience. These margins increase insurance contract liabilities and provide reasonable assurance that the amount of assets backing the insurance contract liabilities is sufficient to cover the impact of adverse experience.

The range of margins for adverse deviations is set out in standards issued by the CIA. The factors considered in the selection of appropriate ranges include the degree of uncertainty with respect to the expected experience and the relative volatility of potential losses over the remaining term of the policies. Provisions for adverse deviations that are not required to offset future adverse experience will be released back as an increase in *Net income*.

d) Impact of Changes in Methodologies and Assumptions on Net Insurance Contract Liabilities

A review of the methods and assumptions is performed annually to reflect changing experience and to reduce the uncertainty risk related to the insurance contract liabilities and the assets backing the liabilities.

The following table presents the impact of changes in methodologies and assumptions as well as their explanation:

(in millions of dollars)	**2022**	2021	
Mortality and morbidity	**$ 25**	$ 39	Mainly explained by the annual update of mortality and morbidity studies 2022: Partly offset by the application of the new mortality table from the CIA 2021: Including an increase of $13 to reflect the most recent trends in additional mortality for direct and indirect COVID-19 pandemic impacts
Policyholder behaviour	**114**	10	Mainly explained by the annual update of lapse rate studies 2022: Including lower excess premiums projected in universal life policies 2021: Including a decrease of $49 to reflect the evolution of the portfolio of policies for which a specific provision related to the COVID-19 pandemic was set up in 2020
Investment returns	**(288)**	(47)	Mainly explained by the annual update of investment return assumptions 2022: Including the impact of interest rate increases on financial guarantee provisions and the release of some macroeconomic protections
Expenses, models and other	**151**	(4)	Mainly explained by the update of the expense assumptions and model refinements
Impact on net non-participating insurance contract liabilities	**2**	(2)	
Impact on net participating insurance contract liabilities	**28**	(3)	
Impact on net insurance contract liabilities	**$ 30**	$ (5)	

B) Investment Contract Liabilities

a) Composition

Non-participating deficit reimbursement agreement group insurance contracts are classified as investment contracts. Under deficit reimbursement agreements, the policyholder reimburses any deficit to the Company at the end of the contract.

The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. Transactions involving deposits, withdrawals and earned interest correspond to the variation in investment contract liabilities.

(in millions of dollars)		**2022**			2021	
		Group			Group	
	Insurance	**Savings and Retirement**	**Total**	Insurance	Savings and Retirement	Total
Investment contract liabilities (gross)						
Canada	**$ 536**	**$ 11**	**$ 547**	$ 577	$ —	$ 577
Reinsurance assets						
Canada	**53**	**—**	**53**	49	—	49
Net investment contract liabilities	**$ 483**	**$ 11**	**$ 494**	$ 528	$ —	$ 528

b) Variations in Net Investment Contract Liabilities

	2022		2021	
(in millions of dollars)	**Investment contract liabilities**	**Reinsurance assets**	Investment contract liabilities	Reinsurance assets
Balance at beginning	**$ 577**	**$ 49**	$ 575	$ 83
Deposits	**108**	**10**	180	15
Withdrawals	**(87)**	**(7)**	(159)	(49)
Increase (decrease) in investment contract liabilities and reinsurance assets	**(44)**	**—**	(1)	1
Other	**(7)**	**1**	(18)	(1)
Balance at end	**$ 547**	**$ 53**	$ 577	$ 49

C) Assets Backing Liabilities and Equity

The carrying value of total assets backing insurance contract liabilities, investment contract liabilities, other liabilities and equity is as follows:

	2022									
	Individual		Group							
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Insurance contract liabilities total	Investment contract liabilities	Other liabilities and equity	Total
Cash and short-term investments	$ (292)	$ (41)	$ 2	$ 120	$ —	$ —	$ (211)	$ 2	$ 1,567	$ 1,358
Bonds	13,257	2,374	1,404	4,599	575	(15)	22,194	432	4,661	27,287
Mortgages and other loans	88	56	114	358	20	—	636	58	2,137	2,831
Stocks	3,404	2	3	93	—	—	3,502	1	530	4,033
Policy loans	984	71	—	—	64	—	1,119	—	—	1,119
Other invested assets	486	—	—	—	—	—	486	—	77	563
Derivative financial instruments[1]	(339)	(176)	—	41	—	—	(474)	1	(7)	(480)
Investment properties	1,797	—	—	—	—	—	1,797	—	7	1,804
Reinsurance assets	462	—	110	63	668	(10)	1,293	53	1,224	2,570
Other	81	—	—	—	—	—	81	—	7,455	7,536
Total	$ 19,928	$ 2,286	$ 1,633	$ 5,274	$ 1,327	$ (25)	$ 30,423	$ 547	$ 17,651	$ 48,621

	2021									
	Individual		Group							
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Insurance contract liabilities total	Investment contract liabilities	Other liabilities and equity	Total
Cash and short-term investments	$ (103)	$ (1)	$ 7	$ (22)	$ —	$ —	$ (119)	$ 11	$ 1,654	$ 1,546
Bonds	18,756	1,741	1,430	4,778	970	(16)	27,659	449	4,785	32,893
Mortgages and other loans	97	59	128	422	25	—	731	65	2,126	2,922
Stocks	3,201	2	4	70	—	—	3,277	2	627	3,906
Policy loans	897	88	—	—	55	—	1,040	—	—	1,040
Other invested assets	456	—	—	—	—	—	456	—	101	557
Derivative financial instruments[1]	358	35	—	29	—	—	422	—	(31)	391
Investment properties	1,863	—	—	—	—	—	1,863	—	7	1,870
Reinsurance assets	144	—	122	116	828	(91)	1,119	49	1,042	2,210
Other	92	—	—	(1)	—	1	92	1	7,128	7,221
Total	$ 25,761	$ 1,924	$ 1,691	$ 5,392	$ 1,878	$ (106)	$ 36,540	$ 577	$ 17,439	$ 54,556

[1] In its matching process, the Company considers the net value of derivative financial instruments, therefore, both assets and liabilities. Derivative financial instruments liabilities of an amount of $1,231 ($395 in 2021) for Individual Insurance, $200 ($44 in 2021) for Individual Wealth Management, none for Group Insurance (none in 2021) and $10 ($33 in 2021) for Group Savings and Retirement were considered in the matching process.

The fair value of assets backing net insurance contract liabilities as at December 31, 2022 was estimated at $28,715 ($35,737 as at December 31, 2021). Insurance contract liabilities are measured at fair value as per the CALM, except for liabilities backed by assets that are measured at amortized cost, such as mortgages, and bonds classified as loans and receivables.

The fair value of assets backing net investment contract liabilities as at December 31, 2022 represents approximately $480 ($536 as at December 31, 2021).

15 › Other Liabilities

(in millions of dollars)	**2022**	2021
Unearned premiums	**$ 3,129**	$ 2,690
Other insurance contract liabilities	**160**	109
Post-employment benefits	**172**	228
Income taxes payable	**115**	126
Amounts on deposit on products other than insurance contracts	**1,614**	1,817
Accounts payable	**1,569**	1,669
Due to reinsurers	**309**	293
Securities sold under repurchase agreements	**—**	74
Short-selling securities	**956**	262
Securitization liabilities	**453**	770
Mortgage debt	**3**	73
Lease liabilities	**110**	123
Fair value of purchased business in force	**11**	10
Miscellaneous	**37**	59
Total	**$ 8,638**	$ 8,303

16 › Debentures

	2022		2021	
(in millions of dollars)	**Carrying value**	**Fair value**	Carrying value	Fair value
Subordinated debentures bearing interest at 2.64%	**$ —**	**$ —**	$ 250	$ 251
Subordinated debentures bearing interest at 3.30%	**400**	**393**	399	411
Subordinated debentures bearing interest at 3.072%	**399**	**366**	398	414
Subordinated debentures bearing interest at 2.40%	**399**	**372**	399	404
Subordinated debentures bearing interest at 3.187%	**298**	**272**	—	—
Floating rate surplus notes based on LIBOR plus 4.25%	**4**	**4**	4	4
Total	**$ 1,500**	**$ 1,407**	$ 1,450	$ 1,484

Subordinated debentures represent direct unsecured obligations of the Company that are subordinate to the Company's policyholders and other creditors.

Subordinated Debentures Bearing Interest at 2.64%
On February 23, 2022, iA Insurance redeemed all of its $250 subordinated debentures maturing February 23, 2027, bearing interest of 2.64% payable semiannually until February 23, 2022. The subordinated debentures were redeemed at nominal value plus accrued and unpaid interest, for a total disbursement of $253.

Subordinated Debentures Bearing Interest at 3.30%
Subordinated debentures maturing September 15, 2028, bearing interest of 3.30%, payable semi-annually from March 15, 2017 to September 15, 2023, and a variable interest rate equal to the 3-month CDOR plus 2.14%, payable quarterly commencing December 15, 2023 until September 15, 2028. These subordinated debentures are redeemable by the Company starting September 15, 2023, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes the amortized transaction costs and issue discount for a total of less than $1.

Subordinated Debentures Bearing Interest at 3.072%
Subordinated debentures maturing September 24, 2031, bearing interest of 3.072%, payable semi-annually from March 24, 2020 to September 24, 2026, and a variable interest rate equal to the 3-month CDOR plus 1.31%, payable quarterly commencing December 24, 2026 until September 24, 2031. These subordinated debentures are redeemable by the Company starting September 24, 2026, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes the amortized transaction costs and issue discount for a total of $1.

Subordinated Debentures Bearing Interest at 2.40%
Subordinated debentures maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and a variable interest rate equal to the 3-month CDOR plus 0.71%, payable quarterly commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes the amortized transaction costs and issue discount for a total of $1.

Subordinated Debentures Bearing Interest at 3.187%

On February 25, 2022, the Company issued subordinated debentures in the amount of $300 due February 25, 2032, bearing interest of 3.187%, payable semiannually from August 25, 2022 to February 25, 2027, and variable interest equal to the 3-month CDOR plus 0.91%, payable quarterly commencing May 25, 2027 and ending on February 25, 2032. These subordinated debentures are redeemable by the Company, in whole or in part, from February 25, 2027, subject to prior approval by the AMF. The carrying amount of these debentures includes the amortized transaction costs and issue discount for a total of $1.

Floating Rate Surplus Notes Based on LIBOR plus 4.25%

Floating rate surplus notes, bearing interest equal to the LIBOR 3-month rate plus 4.25%, payable quarterly, maturing in May 2034.

17 › Share Capital

The Company's authorized share capital consists of the following:

Common Shares

Unlimited number of common shares without par value, with one voting right.

Class A Preferred Shares

Class A preferred shares, without par value, issuable in series. The number that may be issued is limited to not more than one-half of the number of common shares issued and outstanding at the time of the proposed issue of such Class A preferred shares.

The share capital issued by the Company is as follows:

	2022		2021	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning	**107,557**	**$ 1,706**	107,064	$ 1,674
Shares issued on exercise of stock options	**325**	**19**	606	34
Shares redeemed	**(3,109)**	**(50)**	(113)	(2)
Balance at end	**104,773**	**$ 1,675**	107,557	$ 1,706

Normal Course Issuer Bid

With the approval of the Toronto Stock Exchange and the AMF, the Board of Directors authorized the early termination by the Company, at the close of markets on November 11, 2022, of the normal course issuer bid in effect since December 6, 2021. The Board of Directors also authorized the establishment of a new normal course issuer bid under which the Company may purchase, in the normal course of its activities, between November 14, 2022 and November 13, 2023, up to 5,265,045 common shares (5,382,503 common shares in the normal course issuer bid of 2021), representing approximately 5% of its 105,300,913 common shares issued and outstanding as at November 1, 2022. For the year ended December 31, 2022, a total of 3,109,402 common shares (112,500 in 2021) were purchased and cancelled for a net cash amount of $213 ($8 in 2021), of which $50 was recorded against share capital ($2 in 2021) and $163 against retained earnings ($6 in 2021).

Dividends

	2022		2021	
(in millions of dollars, unless otherwise indicated)	**Total**	**Per share (in dollars)**	Total	Per share (in dollars)
Common shares	**$ 277**	**$ 2.60**	$ 224	$ 2.08

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.675 dollars per share was approved by the Board of Directors of the Company on February 14, 2023. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on March 15, 2023 to the shareholders of record as of February 24, 2023, date on which it will be recognized in the equity of the Company.

Dividend Reinvestment and Share Purchase Plan

The Company offers a Dividend Reinvestment and Share Purchase Plan to its common shareholders. Dividends on common shares are deducted from equity in the period in which they were authorized. The common shares issued under the plan will be purchased on the secondary market.

18 › Preferred Shares Issued by a Subsidiary and Other Equity Instruments

The description of the preferred shares issued by iA Insurance, a subsidiary of the Company, is as follows:

An unlimited number of Class A – Series B preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash of 0.2875 dollars per share, redeemable in whole or in part at the option of the Company commencing on March 31, 2011, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year and convertible at the option of the shareholders, subject to approval by the AMF, into new Class A preferred shares.

An unlimited number of Class A – Series G preferred shares, without par value, without voting rights, with a non-cumulative quarterly dividend in cash with an initial annual rate equal to 1.0750 dollars per share, redeemable in whole or in part at the option of the Company on June 30, 2017 and on June 30 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series H preferred shares on June 30, 2017 and thereafter on June 30 every 5 years. On June 30, 2017, the Company modified the non-cumulative quarterly dividend to an annual rate equal to 0.94425 dollars in cash per share.

An unlimited number of Class A – Series I preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash with an annual rate equal to 1.20 dollars per share for a period of five years beginning on March 7, 2018 and ending on March 31, 2023, excluding this date, redeemable in whole or in part at the option of the Company on March 31, 2023 and on March 31 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series J preferred shares on March 31, 2023 and thereafter on March 31 every 5 years.

The other equity instruments issued are as follows:

Limited Recourse Capital Notes Series 2022-1 Subordinated Debentures (Series 2022-1 Notes) maturing June 30, 2082, bearing interest of 6.611%, payable semi-annually from December 31, 2022 to June 30, 2027. On June 30, 2027 and every 5 years thereafter until June 30, 2077, the interest rate will be reset at an interest rate equal to the 5-year Government of Canada yield plus 4.00%. These Series 2022-1 Notes are redeemable by the Company on June 30, 2027 and thereafter from May 31 to June 30 every 5 years, in whole or in part, subject to approval by the AMF.

Class A – Series A non-cumulative 5-year rate reset preferred shares held by the Limited Recourse Trust issued in connection with the issuance of the Series 2022-1 Notes. The Series A preferred shares are eliminated on the Company's Consolidated Statements of Financial Position while being held within the Limited Recourse Trust. In case of non-payment of interest or principal of the Series 2022-1 Notes when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of Series A preferred shares except in limited circumstances. The holders of the Series A preferred shares will be entitled to receive fixed-rate semi-annual non-cumulative preferential cash dividends, as and when declared by the Board of Directors.

Preferred shares issued by iA Insurance and other equity instruments are as follows:

	2022		2021	
(in millions of dollars, unless otherwise indicated)	**Number of shares (in thousands)**	**Amount**	Number of shares (in thousands)	Amount
Preferred shares, Class A , issued by iA Insurance				
Balance at beginning	**21,000**	**$ 525**	21,000	$ 525
Shares redeemed – Series G	**(10,000)**	**(250)**	—	—
Balance at end	**11,000**	**275**	21,000	525
Other equity instruments				
Balance at beginning	**—**	**—**	—	—
Subordinated debentures issued – Series 2022-1	**250**	**250**	—	—
Balance at end	**250**	**250**	—	—
Total preferred shares issued by iA Insurance and other equity instruments	**11,250**	**$ 525**	21,000	$ 525

Preferred Shares Issued by iA Insurance

Redemption

On June 30, 2022, iA Insurance redeemed all of the 10,000,000 Class A – Series G preferred shares at a price of 25 dollars per share for a cash amount of $250.

Other Equity Instruments

Issuance

On June 1, 2022, the Company issued Limited Recourse Capital Notes Series 2022-1 Subordinated Debentures, bearing interest at 6.611% and maturing in 2082, for a net cash amount of $247. Transaction costs for a total of $4 ($3 after tax) were recognized in the Equity Statement in *Retained earnings*.

At the same time, the Company issued 250,000 Series A non-cumulative 5-year rate reset preferred shares to be held by the Limited Recourse Trust, which has been newly formed by the Company.

Dividends and Distributions

(in millions of dollars, unless otherwise indicated)	2022 Total	2022 Per share (in dollars)	2021 Total	2021 Per share (in dollars)
Dividends on preferred shares, issued by iA Insurance				
Class A – Series B	**$ 6**	**$ 1.15**	$ 6	$ 1.15
Class A – Series G	**4**	**0.47**	9	0.94
Class A – Series I	**8**	**1.20**	7	1.20
	18		22	
Distributions on other equity instruments				
Subordinated debentures – Series 2022-1	**7**		—	
	7		—	
Total dividends and distributions	**$ 25**		$ 22	

The distributions on other equity instruments for a total of $9 ($7 after tax) were recognized in the Equity Statement in *Retained earnings*.

19 › Accumulated Other Comprehensive Income

(in millions of dollars)	Bonds	Stocks	Other investments and investment properties	Currency translation	Hedging	Total
Balance as at December 31, 2020	$ 136	$ 6	$ —	$ (30)	$ (29)	$ 83
Unrealized gains (losses)	(105)	21	(3)	—	—	(87)
Income taxes on unrealized gains (losses)	24	(5)	1	—	—	20
Other	—	—	—	(17)	15	(2)
Income taxes on other	—	—	—	—	(2)	(2)
	(81)	16	(2)	(17)	13	(71)
Realized losses (gains)	(34)	(1)	—	—	—	(35)
Income taxes on realized losses (gains)	9	—	—	—	—	9
	(25)	(1)	—	—	—	(26)
Balance as at December 31, 2021	**30**	**21**	**(2)**	**(47)**	**(16)**	**(14)**
Unrealized gains (losses)	**(501)**	**(112)**	**(9)**	**—**	**—**	**(622)**
Income taxes on unrealized gains (losses)	**120**	**31**	**2**	**—**	**—**	**153**
Revaluation surplus related to transfers to investment properties	**—**	**—**	**26**	**—**	**—**	**26**
Income taxes on revaluation surplus related to transfers to investment properties	**—**	**—**	**(4)**	**—**	**—**	**(4)**
Other	**—**	**—**	**—**	**189**	**(130)**	**59**
Income taxes on other	**—**	**—**	**—**	**—**	**19**	**19**
	(381)	**(81)**	**15**	**189**	**(111)**	**(369)**
Realized losses (gains)	**(44)**	**—**	**1**	**—**	**—**	**(43)**
Income taxes on realized losses (gains)	**12**	**—**	**—**	**—**	**—**	**12**
	(32)	**—**	**1**	**—**	**—**	**(31)**
Balance as at December 31, 2022	**$ (383)**	**$ (60)**	**$ 14**	**$ 142**	**$ (127)**	**$ (414)**

20 › Capital Management

As part of its capital management, the Company pursues sound capitalization and good solvency objectives to ensure capital protection, to respect the requirements established by the organization that regulates its operations, the AMF, to favour its development and growth, to enhance shareholder returns and to maintain favourable credit ratings.

To reach its objectives, the Company has an enterprise risk management framework that aims to describe the relationship between the Company's appetite, risk tolerance and capital requirements. This framework includes a capital management policy that describes the key processes related to capital management, including the process for determining the target operating level of the solvency ratio. The framework also comprises reporting on the Company's risk profile and an own risk and solvency assessment (ORSA) report. These reports enable the identification of risks and the evaluation of required capital to support these risks and contain proposals for possible risk management actions. These documents are revised annually and filed with the Board of Directors.

Considering the various items that can influence the Company's capital, including the contribution of net income and the features of assets underlying the capital, the Company adjusts its management strategy to enable it to optimize the structure and cost of its capital according to needs and regulatory requirements. For example, the Company may issue or redeem participating shares or subordinated debt securities.

Regulatory Requirements and Solvency Ratio

The Company is committed to respecting certain requirements of the guideline on capital adequacy requirements for life insurers (CARLI).

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to common shareholders, to preferred shares issued by a subsidiary and to other equity instruments. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is primarily composed of subordinated debentures.

The surplus allowance is the value of specific provisions for adverse deviations included in insurance contract liabilities.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, between-risk diversification and adjustable products) multiplied by a scalar of 1.05.

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

The Company manages its capital on a consolidated basis. As at December 31, 2022 and 2021, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	**2022**	2021
Available capital		
Tier 1 capital	**$ 2,417**	$ 2,985
Tier 2 capital	**2,364**	1,997
Surplus allowance and eligible deposits	**4,621**	5,261
Total	**$ 9,402**	$ 10,243
Base solvency buffer	**$ 7,481**	$ 7,640
Total ratio	**126%**	134%

21 › General Expenses

(in millions of dollars)	2022	2021
Salaries, benefits and stock-based compensation	**$ 935**	$ 885
Professional fees	**286**	251
Depreciation of fixed assets (Note 10)	**59**	57
Depreciation of intangible assets (Note 11)	**161**	142
Real estate operating expenses	**101**	94
Other administrative expenses	**520**	394
Total	**$ 2,062**	$ 1,823

General expenses include investment fees for an amount of $85 ($65 in 2021). These investment fees exclude real estate operating expenses.

22 › Financing Charges

(in millions of dollars)	2022	2021
Interest on debentures	**$ 47**	$ 43
Interest on securitization liabilities	**16**	21
Interest on lease liabilities	**4**	4
Other	**30**	9
Total	**$ 97**	$ 77

23 › Income Taxes

a) Income Tax Expense (Recovery) for the Year

Income tax

(in millions of dollars)	2022	2021
Current income tax		
Current year	**$ 177**	$ 202
Adjustments of previous years	**18**	28
	195	230
Deferred income tax		
Creation and reversal of temporary differences	**8**	42
Adjustments of previous years	**(48)**	(14)
Variation in tax rates	**1**	1
	(39)	29
Income tax expense (recovery)	**$ 156**	$ 259

Income tax recognized directly in equity

(in millions of dollars)	2022	2021
Recognized in other comprehensive income		
Current income tax expense (recovery)	**$ (17)**	$ (7)
Deferred income tax expense (recovery)	**(165)**	50
Total	**$ (182)**	$ 43

(in millions of dollars)	2022	2021
Recognized in retained earnings		
Deferred income tax expense (recovery)	**$ (3)**	$ —

b) Reconciliation of Income Tax Expense

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

(in millions of dollars, unless otherwise indicated)	**2022**		2021	
Income before income taxes	**$ 956**		$ 1,118	
Income tax expense at Canadian statutory tax rate	**259**	**27%**	295	26%
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	**(17)**	**(2)%**	(7)	(1%)
Tax-exempt investment income	**(62)**	**(6)%**	(49)	(4)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	**4**	**—%**	—	—%
Adjustments related to prior years	**(30)**	**(3)%**	14	2%
Variation in tax rates	**1**	**—%**	1	—%
Other	**1**	**—%**	5	—%
Income tax expense (recovery) and effective income tax rate	**$ 156**	**16%**	$ 259	23%

c) Deferred Income Taxes

i) Recognized deferred income tax assets and liabilities

(in millions of dollars)	**2022**	2021
Deferred income tax assets	**$ 147**	$ 27
Deferred income tax liabilities	**(373)**	(441)
Net deferred income tax assets (liabilities)	**$ (226)**	$ (414)

Deferred income tax assets and deferred income tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities for the same taxable entity and the same taxation authority and if the Company intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

ii) Changes in net deferred tax assets (liabilities) for the year are as follows:

	2022								
(in millions of dollars)	**Balance as at December 31, 2021**	**Recognized in net income**	**Recognized in other comprehensive income**	**Recognized in retained earnings**	**Acquisition and disposal of businesses**	**Effect of changes in exchange rates**	**Recognized as goodwill**	**Other**	**Balance as at December 31, 2022**
Bonds	**$ (46)**	**$ 85**	**$ 26**	**$ —**	**$ —**	**$ 1**	**$ —**	**$ —**	**$ 66**
Stocks	**(63)**	**(5)**	**3**	**—**	**—**	**(2)**	**—**	**—**	**(67)**
Real estate	**(129)**	**17**	**(1)**	**—**	**—**	**—**	**—**	**—**	**(113)**
Right-of-use assets	**(29)**	**8**	**—**	**—**	**—**	**—**	**—**	**(1)**	**(22)**
Intangible assets	**(284)**	**9**	**—**	**—**	**—**	**(7)**	**(7)**	**—**	**(289)**
Insurance contract liabilities	**6**	**(94)**	**116**	**—**	**—**	**(7)**	**—**	**—**	**21**
Post-employment benefits	**21**	**32**	**2**	**—**	**—**	**—**	**—**	**—**	**55**
Lease liabilities	**32**	**(7)**	**—**	**—**	**—**	**—**	**—**	**1**	**26**
Losses available for carry-forward	**112**	**1**	**3**	**2**	**—**	**8**	**—**	**—**	**126**
Other	**(34)**	**(7)**	**16**	**1**	**—**	**(4)**	**—**	**(1)**	**(29)**
Total	**$ (414)**	**$ 39**	**$ 165**	**$ 3**	**$ —**	**$ (11)**	**$ (7)**	**$ (1)**	**$ (226)**

(in millions of dollars)	Balance as at December 31, 2020	Recognized in net income	Recognized in other comprehensive income	Recognized in retained earnings	Acquisition and disposal of businesses	Effect of changes in exchange rates	Recognized as goodwill	Other	Balance as at December 31, 2021
	2021								
Bonds	$ (86)	$ 19	$ 7	$ —	$ —	$ 1	$ —	$ 13	$ (46)
Stocks	(36)	(11)	—	—	—	—	—	(16)	(63)
Real estate	(113)	(15)	—	—	—	—	—	(1)	(129)
Right-of-use assets	(34)	6	—	—	—	—	—	(1)	(29)
Intangible assets	(289)	(9)	—	—	(4)	—	9	9	(284)
Insurance contract liabilities	(6)	(3)	14	—	—	—	—	1	6
Post-employment benefits	102	(11)	(70)	—	—	—	—	—	21
Lease liabilities	37	(5)	—	—	—	—	—	—	32
Losses available for carry-forward	114	(5)	—	—	1	(1)	—	3	112
Other	(33)	5	(1)	—	—	—	—	(5)	(34)
Total	$ (344)	$ (29)	$ (50)	$ —	$ (3)	$ —	$ 9	$ 3	$ (414)

Non-capital carryforward tax losses for which a deferred tax asset has not been recognized amount to $1 ($7 in 2021). These losses will expire between the years 2031 and 2042.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries, branches, associates and joint ventures unless the Company is able to control the timing of the reversal of these differences and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2022, temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which a deferred tax liability has not been recognized amount to $1,308 ($964 in 2021).

24 › Segmented Information

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management makes judgments in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company makes judgments and uses assumptions and methodologies to allocate general expenses that are not directly attributable to a business segment The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

Segmented Income Statements

	2022						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 1,882	$ 5,111	$ 1,953	$ 2,800	$ 945	$ 418	$ 13,109
Investment income	(6,007)	(52)	25	(401)	(363)	198	(6,600)
Other revenues	121	1,746	92	116	364	(353)	2,086
	(4,004)	6,805	2,070	2,515	946	263	8,595
Operating expenses							
Gross benefits and claims on contracts	1,004	2,698	1,349	1,893	807	74	7,825
Ceded benefits and claims on contracts	(347)	—	(64)	(27)	(559)	163	(834)
Net transfer to segregated funds	—	1,921	—	448	—	—	2,369
Increase (decrease) in insurance contract liabilities	(5,809)	355	(73)	(119)	(658)	85	(6,219)
Increase (decrease) in investment contract liabilities	—	—	(44)	—	—	—	(44)
Decrease (increase) in reinsurance assets	(314)	—	8	53	215	(85)	(123)
Commissions, general and other expenses	1,214	1,591	714	150	931	(32)	4,568
Financing charges	10	1	37	—	2	47	97
	(4,242)	6,566	1,927	2,398	738	252	7,639
Income before income taxes and allocation of other activities	238	239	143	117	208	11	956
Allocation of other activities	58	(15)	(18)	6	(20)	(11)	—
Income before income taxes	296	224	125	123	188	—	956
Income taxes	17	38	30	34	37	—	156
Net income	279	186	95	89	151	—	800
Net income attributed to participating policyholders	(42)	—	—	—	—	—	(42)
Net income attributed to shareholders	$ 321	$ 186	$ 95	$ 89	$ 151	$ —	$ 842

	2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 1,758	$ 5,709	$ 1,728	$ 2,746	$ 828	$ 395	$ 13,164
Investment income	56	(149)	114	29	(16)	172	206
Other revenues	142	1,780	77	118	351	(352)	2,116
	1,956	7,340	1,919	2,893	1,163	215	15,486
Operating expenses							
Gross benefits and claims on contracts	951	2,432	1,205	2,451	631	61	7,731
Ceded benefits and claims on contracts	(369)	—	(50)	(24)	(406)	109	(740)
Net transfer to segregated funds	—	3,312	—	(34)	—	—	3,278
Increase (decrease) in insurance contract liabilities	23	(319)	2	356	(113)	6	(45)
Increase (decrease) in investment contract liabilities	—	—	(1)	—	—	—	(1)
Decrease (increase) in reinsurance assets	(176)	—	3	14	89	(6)	(76)
Commissions, general and other expenses	1,040	1,618	622	140	832	(108)	4,144
Financing charges	9	2	33	—	2	31	77
	1,478	7,045	1,814	2,903	1,035	93	14,368
Income before income taxes and allocation of other activities	478	295	105	(10)	128	122	1,118
Allocation of other activities	105	21	5	10	(19)	(122)	—
Income before income taxes	583	316	110	—	109	—	1,118
Income taxes	122	86	31	—	20	—	259
Net income	461	230	79	—	89	—	859
Net income attributed to participating policyholders	7	—	—	—	—	—	7
Net income attributed to shareholders	$ 454	$ 230	$ 79	$ —	$ 89	$ —	$ 852

Segmented Premiums

	2022						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Gross premiums							
Invested in general fund	**$ 2,344**	**$ 1,203**	**$ 2,081**	**$ 878**	**$1,863**	**$ 53**	**$ 8,422**
Invested in segregated funds	**—**	**3,908**	**—**	**1,949**	**—**	**—**	**5,857**
	2,344	**5,111**	**2,081**	**2,827**	**1,863**	**53**	**14,279**
Premiums ceded							
Invested in general fund	**(462)**	**—**	**(128)**	**(27)**	**(918)**	**365**	**(1,170)**
Net premiums	**$ 1,882**	**$ 5,111**	**$ 1,953**	**$ 2,800**	**$ 945**	**$ 418**	**$ 13,109**

(in millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
	2021						
Gross premiums							
Invested in general fund	$ 2,199	$ 891	$ 1,842	$ 697	$1,552	$ 126	$ 7,307
Invested in segregated funds	—	4,818	—	2,074	—	—	6,892
	2,199	5,709	1,842	2,771	1,552	126	14,199
Premiums ceded							
Invested in general fund	(441)	—	(114)	(25)	(724)	269	(1,035)
Net premiums	$ 1,758	$ 5,709	$ 1,728	$ 2,746	$ 828	$ 395	$ 13,164

Segmented Assets and Liabilities

(in millions of dollars)	**Individual Insurance**	**Individual Wealth Management**	**Group Insurance**	**Group Savings and Retirement**	**US Operations**	**Other**	**Total**
	2022						
Assets							
Invested assets	**$ 20,249**	**$ 2,644**	**$ 1,997**	**$ 5,478**	**$ 1,245**	**$ 8,372**	**$ 39,985**
Segregated funds net assets	**—**	**23,451**	**—**	**13,883**	**—**	**—**	**37,334**
Reinsurance assets	**462**	**—**	**163**	**63**	**2,159**	**(277)**	**2,570**
Other	**86**	**1,109**	**—**	**—**	**78**	**6,263**	**7,536**
Total assets	**$ 20,797**	**$ 27,204**	**$ 2,160**	**$ 19,424**	**$ 3,482**	**$ 14,358**	**$ 87,425**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**$ 19,928**	**$ 2,286**	**$ 2,169**	**$ 5,285**	**$ 1,327**	**$ (25)**	**$ 30,970**
Liabilities related to segregated funds net assets	**—**	**23,451**	**—**	**13,883**	**—**	**—**	**37,334**
Other	**1,236**	**206**	**3**	**10**	**—**	**10,526**	**11,981**
Total liabilities	**$ 21,164**	**$ 25,943**	**$ 2,172**	**$ 19,178**	**$ 1,327**	**$ 10,501**	**$ 80,285**

(in millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
	2021						
Assets							
Invested assets	$ 25,761	$ 1,859	$ 2,082	$ 5,214	$ 1,473	$ 9,262	$ 45,651
Segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Reinsurance assets	144	—	171	116	2,049	(270)	2,210
Other	100	1,201	—	—	108	5,812	7,221
Total assets	$ 26,005	$ 27,782	$ 2,253	$ 20,185	$ 3,630	$ 14,804	$ 94,659
Liabilities							
Insurance contract liabilities and investment contract liabilities	$ 25,761	$ 1,924	$ 2,268	$ 5,392	$ 1,878	$ (106)	$ 37,117
Liabilities related to segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Other	398	44	3	33	—	10,242	10,720
Total liabilities	$ 26,159	$ 26,690	$ 2,271	$ 20,280	$ 1,878	$ 10,136	$ 87,414

25 › Earnings Per Common Share

Basic Earnings Per Share

Basic earnings per share are calculated by dividing the net income attributed to common shareholders by the weighted average number of outstanding common shares during the year.

(in millions of dollars, unless otherwise indicated)	**2022**	2021
Net income attributed to common shareholders	**$ 817**	$ 830
Weighted average number of outstanding shares (in millions of units)	**106**	107
Basic earnings per share (in dollars)	**$ 7.68**	$ 7.73

Diluted Earnings Per Share

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to take into account the conversion of all potentially dilutive common shares.

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the year). In 2022, an average of 62,911 antidilutive stock options (34,147 in 2021) were excluded from the calculation.

(in millions of dollars, unless otherwise indicated)	**2022**	2021
Net income attributed to common shareholders	**$ 817**	$ 830
Weighted average number of outstanding shares (in millions of units)	**106**	107
Add: dilutive effect of stock options granted and outstanding (in millions of units)	**1**	1
Weighted average number of outstanding shares on a diluted basis (in millions of units)	**107**	108
Diluted earnings per share (in dollars)	**$ 7.65**	$ 7.70

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these Financial Statements.

26 › Stock-Based Compensation

Stock Option Plan

The Company grants a certain number of common stock options to management and to senior management and determines the exercise price of the options, the expiry date and the date on which the options can be exercised. Once they are exercised, these options involve the issuance of new shares of the Company.

The exercise price of each option is equal to the weighted average price of the shares traded on the Toronto Stock Exchange during the five days of trading preceding the option grant date. The options are generally valid for 10 years. They can be exercised at a maximum rate of 25% per year for the first four anniversaries of the grant. In certain cases, the Human Resources and Compensation Committee can modify the number of options purchased following an event, moving up the expiration date of the option.

The Board can grant options for a total of 11,350,000 common shares and cannot grant more than 1.4% of the issued and outstanding common shares of the Company per person eligible for the plan.

The following table presents the activities of the plan:

	2022		2021	
(in dollars, unless otherwise indicated)	**Number of stock options (in thousands)**	**Weighted average exercise price**	Number of stock options (in thousands)	Weighted average exercise price
Balance at beginning	**1,669**	**$ 54.39**	1,965	$ 51.15
Options granted	**195**	**83.35**	310	58.55
Options exercised	**(325)**	**48.54**	(606)	46.00
Balance at end	**1,539**	**59.30**	1,669	54.39
Exercisable at end	**915**	**$ 53.15**	955	$ 49.69

The stock options outstanding as at December 31, 2022 by exercise price are as follows:

Exercise price (in dollars, unless otherwise indicated)	**Number of stock options (in thousands)**	**Weighted average exercise price**	**Average remaining contractual life (in years)**
32.09-43.51	**286**	**$ 41.06**	**2.34**
43.52-55.85	**400**	**52.45**	**5.27**
55.86-58.43	**393**	**58.03**	**7.24**
58.44-83.87	**460**	**77.68**	**8.03**
Total	**1,539**	**$ 59.30**	**6.05**

Fair value of options is estimated at the grant dates using the Black-Scholes option pricing model. The weighted average fair value of the options granted in 2022 is 15.20 dollars (10.02 dollars in 2021). The pricing model assumes the following information:

	2022	2021
Risk-free interest rate	**1.69%**	0.58%
Expected volatility	**26.71%**	27.70%
Expected life (in years)	**5.2**	5.4
Expected dividends	**3.10%**	3.50%
Exercise price (in dollars)	**83.33**	58.55

The stock-based compensation expense during the year ended December 31, 2022 is $3 ($3 in 2021), and an equivalent amount was accounted for in *Contributed surplus* in the Equity Statements.

The Black-Scholes option pricing model estimates the fair value of traded options that have no vesting restrictions and are fully transferable. Option pricing models also use assumptions that are highly subjective, including expected volatility of the underlying stocks. The expected volatility is based on historical volatility of the common shares as well as comparable market data analysis. Changes in assumptions can materially affect estimates of fair values.

Share Purchase Plan for Employees

The Company adopted an employee share purchase plan in which employees can contribute up to 5% of their salary to a maximum of 3,000 dollars per year. The Company matches 50% of the employee's contribution amount up to a maximum of 1,000 dollars per year. The share purchase plan for employees does not involve the issuance of new shares. The shares purchased by employees are already outstanding common shares of the Company and they are purchased on the market. The shares purchased by the employees under the share purchase plan must be kept by the employees for a minimum period of 2 years. The compensation expense recognized in respect of this plan is $3 ($3 in 2021).

Deferred Share Units Plan

This plan is offered to the Company's directors, management and senior management. Under this plan, each member may choose to receive all or a percentage of their annual directors' remuneration, or management or senior management incentive bonus, in the form of deferred share units (DSUs). The election to participate must be made on an annual basis and rights issued are vested immediately. Each DSU is equivalent to one common share and earns dividend equivalents in the form of additional DSUs at the same rate as the dividends on common shares. The value at the time of the settlement will be based on the fair value of the common shares. To manage the risk of cash flow variation of its common share quoted price fluctuation, the Company uses derivative financial instruments. The amount of outstanding deferred share units is 251,196 (215,522 in 2021). The variation related to the fluctuation of the Company's common share quoted price, excluding adjustments arising from derivative financial instruments which are accounted for in *Interest and other investment income,* generated a charge of $2 in 2022 ($4 in 2021) recorded in *General expenses*. The liability for this plan is $20 ($16 in 2021).

Mid-Term Incentive Plan

This plan, replaced in its entirety since January 1, 2022 by the Time-Based and Performance-Based Restricted Share Unit Plan, was created for the Company's management and senior management. Under this plan, each member could receive, in the form of performance share units, a compensation based on the Company's performance over three years. Awards under this plan will continue to vest until 2024. Performance is measured based on the Company's total net income attributed to common shareholders. Each performance share unit is equivalent to one common share and earns dividend equivalents in the form of additional performance share units at the same rate as the dividends on common shares. The value at the time of settlement will be based on the average market price of common shares for the last 20 working days of the period, increased by a vesting factor based on the Company's net income attributed to common shareholders return on equity over the three-year period. Settlement is made in cash.

Time-Based and Performance-Based Restricted Share Unit Plan

This plan, established on January 1, 2022, was created for the Company's management and senior management. Under this plan, each member may receive, in the form of time-based restricted share units and performance-based restricted share units, a compensation with a three-year vesting period. Performance-based restricted share units have a vesting factor that depends on the performance of the Company over a three-year period. Performance is measured based on the Company's total net income attributed to common shareholders and according to a comparator group. Each restricted share unit, whether time-based or performance-based, is equivalent to one common share and earns dividend equivalents in the form of additional share units at the same rate as the dividends on common shares. The value at the time of settlement will be based on the average market price of common shares for the last 20 working days of the period. Settlement is made in cash.

Considering both the Time-Based and Performance-Based Restricted Share Unit Plan and the Mid-Term Incentive Plan, 212,888 (153,710 in 2021) restricted share units are outstanding as at December 31, 2022. The compensation expense recognized is $8 ($4 in 2021), and the liabilities are $11 ($7 in 2021).

Restricted Share Units Plan

This plan was created for certain members of management of the Company. Under this plan, each member receives restricted share units (RSUs), which vest over a period of 5 years from the effective date of the plan, at a rate of 20% per year. RSUs whose rights are not ultimately vested, where applicable, may be reallocated. Each RSU is equivalent to one common share of a subsidiary of the Company which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the Company which are not under its control. These units give the right to dividend equivalents cumulated in favour of the participant until the plan settlement date. Settlement of RSUs and dividend equivalents will be made in cash at the end of the 5-year vesting period. As at December 31, 2022, 33,200,000 (35,000,000 in 2021) restricted share units are outstanding. The compensation expense recognized in respect of this plan is $9 ($10 in 2021) and the liability is $26 ($15 in 2021).

Stock-Based Compensation Expense

(in millions of dollars)	**2022**	2021
Expense arising from equity-settled stock-based payment transactions	**$ 3**	$ 3
Expense arising from cash-settled stock-based payment transactions	**22**	21
Total of stock-based compensation expense	**$ 25**	$ 24

These expenses are recorded in the Income Statement as *General expenses.*

27 › Post-Employment Benefits

The Company maintains a funded defined benefit plan and a number of unfunded plans that provide pension benefits and defined contribution plans.

Defined Benefit Plans

The Company provides defined benefit plans to eligible employees. The defined benefit plans are end-of-career plans based on the average of the best 5 years of salary. No indexation clause is included in the plan. The funded defined benefit plan is administered separately from the Company by a retirement fund that is a legally distinct entity. The retirement committee of the funded retirement plan is made up of members from the Company, members of retirement plan and non-members of retirement plan. The laws and regulations that the retirement plan is subject to require that the retirement committee act in the interests of the retirement fund and stakeholders, such as active, inactive and retired members. The retirement committee is responsible for the investment policy for retirement plan assets.

The plans are exposed to investment risks, such as credit risk, market risk, concentration risk and interest rate risk, and actuarial risks, such as risk related to mortality, rate of compensation increase and discount rate. The Company measures by extrapolation its accrued benefit obligation for the current year from the December 31, 2021 actuarial valuation. The most recent actuarial valuation of the pension plans for funding purposes was completed on December 31, 2021. The next required valuation will be performed as at December 31, 2022 and will be available later in 2023.

Other Post-Retirement Benefits

The Company provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

Variation in the discounted value of the assets and liabilities in respect of the defined benefits of plans during the year is as follows:

	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Accrued benefit plan obligation				
Balance at beginning	**$ 1,603**	**$ 54**	$ 1,719	$ 56
Current service cost	**62**	**2**	68	3
Interest cost	**54**	**2**	47	2
Employee contributions	**31**	**—**	27	—
Actuarial losses (gains) following remeasurement				
Actuarial losses (gains) on demographic assumption changes	**—**	**1**	—	(2)
Actuarial losses (gains) on financial assumption changes	**(455)**	**(16)**	(199)	(7)
Actuarial losses (gains) arising from members' experience	**21**	**—**	(5)	4
Benefits paid	**(51)**	**(2)**	(54)	(2)
Balance at end	**$ 1,265**	**$ 41**	$ 1,603	$ 54

(in millions of dollars)	2022 Pension plans	2022 Other plans	2021 Pension plans	2021 Other plans
Defined benefit plan assets				
Fair value at beginning	**$ 1,511**	**$ —**	$ 1,395	$ —
Interest income	**50**	**—**	38	—
Actuarial gains (losses) following remeasurement				
Return on assets (excluding the amount included in the net interest)	**(310)**	**—**	57	—
Administrative expense	**(2)**	**—**	(1)	—
Employee contributions	**31**	**—**	27	—
Employer contributions	**53**	**—**	49	—
Benefits paid	**(51)**	**—**	(54)	—
Fair value at end	**$ 1,282**	**$ —**	$ 1,511	$ —

Amounts Recognized in the Statement of Financial Position

(in millions of dollars)	2022 Pension plans	2022 Other plans	2021 Pension plans	2021 Other plans
Obligation in respect of capitalized defined benefit plans[1]	**$ 1,134**	**$ —**	$ 1,442	$ —
Obligation in respect of non-capitalized defined benefit plans	**131**	**41**	161	54
Accrued benefit plan obligation	**1,265**	**41**	1,603	54
Fair value of plan assets[1]	**1,282**	**—**	1,511	—
Net liabilities (assets) before asset ceiling on a capitalized benefit plan	**(17)**	**41**	92	54
Asset ceiling on a capitalized benefit plan	**148**	**—**	—	—
Net liabilities (assets) resulting from the obligation in respect of defined benefits	**$ 131**	**$ 41**	$ 92	$ 54

[1] As at December 31, 2022, a pension plan surplus of $148 (surplus of $69 in 2021) has been reduced by the asset ceiling on a capitalized benefit plan.

As at December 31, 2022, no amount related to pension plans is presented in Note 9 “Other Assets” ($82 as at December 31, 2021).

The amounts presented in Note 15 “Other Liabilities” are:

(in millions of dollars)	2022	2021
Pension plans	**$ 131**	$ 174
Other plans	**41**	54
Post-employment benefits	**$ 172**	$ 228

Amounts Recognized in Net Income and Other Comprehensive Income

(in millions of dollars)	2022 Pension plans	2022 Other plans	2021 Pension plans	2021 Other plans
Current service cost	**$ 62**	**$ 2**	$ 68	$ 3
Net interest	**4**	**2**	9	2
Administrative expense	**2**	**—**	1	—
Components of the cost of defined benefits recognized in the net income	**68**	**4**	78	5
Remeasurement of net liabilities (assets) as defined benefits				
Rate of return on assets (excluding amounts included in the net interest above)	**310**	**—**	(57)	—
Actuarial losses (gains) on demographic assumption changes	**—**	**1**	—	(2)
Actuarial losses (gains) on financial assumption changes	**(455)**	**(16)**	(199)	(7)
Actuarial losses (gains) arising from members’ experience	**21**	**—**	(5)	4
Increase (decrease) of the asset ceiling on a capitalized benefit plan	**148**	**—**	—	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	**24**	**(15)**	(261)	(5)
Total of defined benefit cost components	**$ 92**	**$ (11)**	$ (183)	$ —

Items that will not be reclassified subsequently to net income

	2022		2021	
(in millions of dollars)	**Pension plans**	**Other plans**	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	**$ 24**	**$ (15)**	$ (261)	$ (5)
Income taxes on remeasurement of post-employment benefits	**(6)**	**4**	69	1
Total of other comprehensive income	**$ 18**	**$ (11)**	$ (192)	$ (4)

Plan members make contributions to their retirement plan varying from 0% to 9% (0% to 9% in 2021). The Company makes the necessary residual contributions to plans. The Company finances plans in such a way as to constitute defined benefits according to the plan provisions. The value of these benefits is established using an actuarial valuation method. The weighted average duration of the obligation in respect of defined benefits at the end of the year is 14.6 years (19.0 years in 2021) for pension plans and 10.1 years (10.4 years in 2021) for the other plans. The Company estimates that it will have to contribute an amount of $55 to its defined benefit plans in 2023.

As at December 31, 2022 and 2021, the plan assets are 100% invested in diversified fund units.

The retirement committee adopted, under the recommendation of the investment committee, an investment policy that takes into account the characteristics specific to the plan, the laws and regulations that the plan is subject to, and the investment orientations favoured by the retirement committee. The investment policy defines the target allocation of assets used as a benchmark portfolio. The main objectives of the investment policy, which are dictated by the financing policy, are to maintain a stable and sustainable cost of the plan, as well as an appropriate level of funding to ensure the security of the plan's commitments. The plan is exposed to various investment risks, namely the risks that the investments suffer losses or do not produce the expected return. The investment policy contains several quantitative and qualitative measures that aim to limit the impact of these risks. All fund units have prices listed on active markets and are classified as Level 1.

The effective return of plan assets is negative 17% (positive 7% in 2021). The plan assets are managed by a subsidiary of the Company. The pension plan assets did not include any common shares of the Company in 2022 and 2021.

Significant Assumptions

Significant judgments and assumptions are made by management in determining the expense and benefits obligations for the Company's defined benefit pension plans and other post-employment benefits. The significant actuarial assumptions made are detailed as follows:

	2022		2021	
	Pension plans	**Other plans**	Pension plans	Other plans
Accrued benefit plan obligation				
Discount rate	**5.3%**	**5.3%**	3.3%	3.3%
Rate of compensation increase	**From 3.3% to 4.0%**	**—**	3.3%	—
Rate of mortality (table)	**CPM-2014Publ**	**CPM-2014Publ**	CPM-2014Publ	CPM-2014Publ
Benefit plan expenses				
Discount rate	**3.4%**	**3.4%**	2.9%	2.9%
Rate of compensation increase	**3.3%**	**—**	3.3%	—

	2022		
	Other plans		
	Drug	**Dental**	**Other**
Assumed health care cost trend rates			
Initial health care cost trend rates	**5.2%**	**5.0%**	**4.8%**
Cost trend rate declines to	**3.9%**	**3.0%**	**4.8%**
Number of years required to stabilize the rate	**7**	**6**	**—**

	2021		
	Other plans		
	Drug	Dental	Other
Assumed health care cost trend rates			
Initial health care cost trend rates	5.4%	3.0%	4.8%
Cost trend rate declines to	3.9%	3.0%	4.8%
Number of years required to stabilize the rate	7	—	—

Sensitivity Analysis
Retirement Plan
The significant assumptions used to determine the accrued benefit plan obligation are the discount rate, the rate of compensation increase and the mortality rate. Each sensitivity analysis below is done with a variation of only one assumption with other assumptions unchanged.

Sensitivity of Key Assumptions of Benefit Plan Obligation

	2022		2021	
	Pension plans		Pension plans	
(in millions of dollars)	**Increase**	**Decrease**	Increase	Decrease
Discount rate assumption				
Impact of an absolute change of 1.0%	**$ (179)**	**$ 235**	$ (255)	$ 355
Rate of compensation increase				
Impact of an absolute change of 1.0%	**$ 81**	**$ (70)**	$ 82	$ (98)
Rate of mortality				
Impact of a relative change of 10.0%	**$ (22)**	**$ 24**	$ (26)	$ 29

	2022	2021
Sample life expectancies based on mortality assumptions (in years)		
Male		
Age 65 in fiscal year	**23.4**	23.4
Age 65 in fiscal year + 30 years	**25.4**	25.4
Female		
Age 65 in fiscal year	**25.3**	25.3
Age 65 in fiscal year + 30 years	**27.2**	27.2

Other Post-Retirement Benefits
Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	2022		2021	
(in millions of dollars)	**Increase**	**Decrease**	Increase	Decrease
Accrued benefit obligation	**$ 5**	**$ (4)**	$ 7	$ (5)

The impact of the one percentage-point fluctuation in the assumed health care cost trend on the total of service and interest cost is less than $1 for 2022 (less than $1 in 2021).

The Company could expect interrelations between the assumptions, especially between the discount rate and expected growth of salaries since they are both influenced by the expected inflation rate. The above analysis excludes these interrelations between assumptions.

Defined Contribution Plan
A defined contribution plan, providing pension benefits, is maintained by the Company. These amounts are not included in the cost recognized for the defined benefit plans above. The total cost recognized for the Company's defined contribution plan is $4 ($4 in 2021). The liability related to this plan is presented in Note 15 "Other Liabilities" included in *Accounts payable* for an amount of $1 ($1 in 2021).

28 › Related Party Transactions

The Company eliminates transactions carried out with its subsidiaries and carried out between the various subsidiaries of the group on consolidation. The Company provides investment management services to its pension plans. These services are offered by the Company in the normal course of business and are subject to normal market conditions. The Company also concludes transactions with associates. These transactions are concluded in the normal course of business and are subject to normal market conditions.

Key Management Personnel
The Company's key management personnel are members of senior management who have the power and responsibility to plan, manage and control the Company's operations. Senior executives are likely to purchase insurance, wealth management and other products and services offered by the Company as part of its regular operations. The terms and conditions of these operations are essentially the same as those granted to clients or employees.

The compensation of directors and key management personnel for the year was as follows:

(in millions of dollars)	**2022**	2021
Salaries and other short-term benefits	**$ 9**	$ 9
Post-retirement benefits	**2**	2
Stock-based compensation	**5**	4
Total	**$ 16**	$ 15

29 › Guarantees, Commitments and Contingencies

In the normal course of its operations, the Company frequently concludes several types of contracts or agreements which, in certain cases, can be considered as guarantees, commitments or contingencies.

Contractual Commitments

The Company currently has contracts covering various products and services, such as outsourced computer services, which, due to their nature, are difficult to cancel. The minimum commitment amounts for the coming years represent $98 in 2023, $71 in 2024, $58 in 2025, $49 in 2026 and $43 in 2027 and beyond.

Lease Commitments

The Company is also involved in short term leases and leases for which the underlying asset is of low value, including equipment. The minimum commitment for the next 12 months represents less than $1.

In the normal course of business, the Company is involved in lease agreements that will come into effect shortly. These leases are not reflected in the financial statements.

Commitments

The Company is committed to a third party for one of its subsidiaries for an amount of $7 (less than $1 in 2021). The Company is also committed to third parties to ensure the funds offered by one of its subsidiaries.

Investment Commitments

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were $648 ($599 as at December 31, 2021) of outstanding commitments as at December 31, 2022, of which the estimated disbursements will be $22 ($22 as at December 31, 2021) in 30 days, $213 ($166 as at December 31, 2021) in 31 to 365 days and $413 ($411 as at December 31, 2021) in more than one year.

Letters of Credit

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at December 31, 2022, the balance of these letters is $2 ($2 as at December 31, 2021).

Indemnifications

In the normal course of business, the Company enters into several types of agreements that could include indemnities in favour of third parties. Under certain unusual circumstances, the Company could be called upon to pay specific indemnifications. These indemnifications could vary based upon the nature and terms of the agreements. The primary indemnifications would concern the Company's directors, among others, in case of an event not covered by the liability insurance on the directors. The amount of these indemnifications cannot be determined. The Company has not had to pay out significant indemnities in the past and considers the likelihood of such payment being made to be low.

Lines of Credit

As at December 31, 2022, the Company had operating lines of credit totalling $57 ($57 as at December 31, 2021). As at December 31, 2022 and 2021, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Legal and Regulatory Proceedings

The Company is regularly involved in legal actions, both as defendant and as a plaintiff. In addition, government and regulatory bodies in Canada and in the United States, from time to time, make inquiries and require the production of information or conduct examinations or investigations concerning the Company's compliance with insurance, securities and other laws. Management makes judgments to evaluate the possible outcomes and does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

30 › Subsidiaries

The following is a list of directly and indirectly held major operating subsidiaries.

As at December 31, 2022	Ownership (%)	Address	Description
Industrial Alliance Insurance and Financial Services Inc.[1]	100	Quebec City, Canada	Life and health insurance company that distributes life and health insurance products, savings and retirement plans, mortgages and other financial products and services
Michel Rhéaume et associés ltée	100	Montreal, Canada	Life insurance broker
PPI Management Inc.[1]	100	Toronto, Canada	Insurance broker
IA Clarington Investments Inc.[1]	100	Toronto, Canada	Fund management firm that markets investment products, including mutual funds and segregated funds
Investia Financial Services Inc.	100	Quebec City, Canada	Mutual fund broker
iA Private Wealth Inc.[1]	100	Montreal, Canada	Securities broker
iA Private Wealth (USA) Inc.[2]	100	Toronto, Canada	Cross-border securities broker
Industrial Alliance Investment Management Inc.[1]	100	Quebec City, Canada	Investment advisor that oversees the management of the Company's general fund, segregated fund and mutual fund portfolios
Industrial Alliance Trust Inc.	100	Quebec City, Canada	Trust services
Industrial Alliance Auto and Home Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Prysm General Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Industrial Alliance Pacific General Insurance Corporation	100	Quebec City, Canada	Property and casualty insurance, and other ancillary products company
SAL Marketing Inc.	100	Vancouver, Canada	Extended warranty and other ancillary products company
National Warranties MRWV Limited	100	Laval, Canada	Extended warranty and other ancillary products company
iA Auto Finance Inc.[1]	100	Oakville, Canada	Auto finance company
IA American Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer Security Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
American-Amicable Life Insurance Company of Texas	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer American Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Occidental Life Insurance Company of North Carolina	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Dealers Alliance Corporation[1]	100	Addison, Texas, United States	Extended warranty/service contracts and other ancillary products company
Dealers Assurance Company	100	Addison, Texas, United States	Property and casualty insurer providing liability insurance coverage to companies offering extended warranty/service contracts and other ancillary products
iA American Warranty Corp.	100	Albuquerque, New Mexico, United States	Administrator of extended warranty/service contracts and other ancillary products
Ecoblock, Inc.	100	Albuquerque, New Mexico, United States	Provider of ancillary automotive products
First Automotive Service Corporation	100	Albuquerque, New Mexico, United States	Extended warranty/service contracts and other ancillary products company
Lubrico Warranty Inc.	100	London, Canada	Automobile warranty company
WGI Service Plan Division Inc.	100	Vancouver, Canada	Automobile warranty and ancillary products company
WGI Manufacturing Inc.	100	Scarborough, Canada	Manufacturer and distributor of automobile protection products
IAS Parent Holdings, Inc.[1]	100	Austin, Texas, United States	Vehicle warranty and related software and services company
Surexdirect.com Ltd	70	Magrath, Canada	Digital property and casualty insurance distribution company

[1] These subsidiaries hold directly or indirectly other subsidiaries with essentially a 100% ownership.
[2] iA Private Wealth (USA) Inc. was created on March 25, 2022.

Management of iA Financial Group

Executive Committee

Denis Ricard
President and Chief Executive Officer

Alain Bergeron
Executive Vice-President and
Chief Investment Officer

Stephan Bourbonnais
Executive Vice-President
Wealth Management

Stéphanie Butt Thibodeau
Executive Vice-President and
Chief Talent and Culture Officer

Éric Jobin
Executive Vice-President
Operational Efficiency

Renée Laflamme
Executive Vice-President
Individual Insurance, Savings
and Retirement

Pierre Miron
Executive Vice-President and
Chief Transformation Officer

Sean O'Brien
Executive Vice-President
Group Benefits and Retirement Solutions

Jacques Potvin
Executive Vice-President,
Chief Financial Officer and Chief Actuary

Philippe Sarfati
Executive Vice-President and
Chief Risk Officer

Lilia Sham
Executive Vice-President
Corporate Strategy and Development

Michael L. Stickney
Executive Vice-President and
Chief Growth Officer

Senior Vice-Presidents

Alain Bergeron (IT)
Senior Vice-President
Information Technology (CIO)

Vincenzo Ciampi
Senior Vice-President
Global Client Experience

Gwen Gareau
Senior Vice-President
Dealer Services

Manon Gauthier
Senior Vice-President,
Administration Individual Insurance,
Savings and Retirement

Paul R. Grimes
Senior Vice-President
Distribution Independent Advisor
Network Individual Insurance,
Savings and Retirement

Alnoor Jiwani
Senior Vice-President
Business Development and Finance
Dealer Services

Louis-Philippe Pouliot
Senior Vice-President
Group Benefits and Retirement Solutions

Pierre Vincent
Senior Vice-President
Distribution and Products Development
Individual Insurance,
Savings and Retirement

Subsidiaries

iA American and American-Amicable Group of Companies

Joe W. Dunlap
President

iA American Warranty Group Dealers Assurance Company

Kristen Gruber
President

iA Auto and Home Insurance

Isabelle Blackburn
President and Chief Operating Officer

iA Clarington

Adam Elliott
President and Chief Executive Officer

iA Auto Finance

Charles Parent
President

iA Private Wealth

Stephan Bourbonnais
President and Chief Executive Officer

Investia Financial Services

Louis H. DeConinck
President

David Chapman
Chief Operating Officer

MRA

Dominique Laberge
President

PPI Management

J.A. (Jim) Virtue
Executive Chairman and
Chief Executive Officer

Offices of iA Financial Group

INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.

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1080 Grande Allée West
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1-800-463-6236
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Individual Insurance and Individual Wealth Management

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1-800-465-5818

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Group Insurance Employee Plans

Halifax

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Brossard

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1-855-378-5626

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PO Box 5900
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1-800-611-6667

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1-800-661-1699

Group Savings and Retirement

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Dartmouth, NS B3B 1Y2
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Quebec City, QC G1K 7M3
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1-888-532-1505

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Mortgage Loans

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1-888-368-7738

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INDUSTRIAL ALLIANCE PACIFIC GENERAL INSURANCE CORPORATION

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AMERICAN-AMICABLE LIFE INSURANCE COMPANY OF TEXAS

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iaawg.com

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INDUSTRIAL ALLIANCE TRUST INC.

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INDUSTRIAL ALLIANCE AUTO AND HOME INSURANCE INC.

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iA Financial Group does its part to respect and protect the environment.

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iA Financial Group offers an online version of this annual report at ia.ca in order to reduce the quantity of reports printed.

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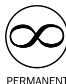
This annual report was jointly produced by the iA Financial Group Actuarial; Accounting; Investor Relations and Public Affairs; and Digital Marketing and Brand Management departments.

PCF



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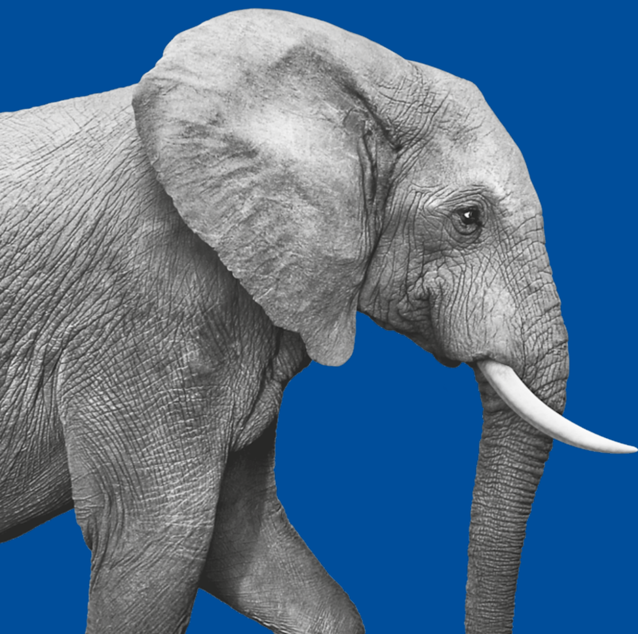
General Information

For information on upcoming earnings releases, investor conferences and disclosure documents, consult our website at ia.ca, under *About iA*, in the *Investor Relations* section.

For questions regarding iA Financial Group products and services, contact your advisor or consult pages 147 and 148 of this annual report to find the office nearest you.



Shareholder Information

Head Office

iA Financial Group
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3

Telephone: 418-684-5000
Toll-free: 1-800-463-6236
ia.ca

Stock Exchange Listing

The common shares of iA Financial Corporation Inc. are listed on the Toronto Stock Exchange under the stock symbol IAG.

The preferred shares of Industrial Alliance Insurance and Financial Services Inc. are listed on the Toronto Stock Exchange under the stock symbol IAF.

Annual Meeting of Shareholders

Wednesday, May 10, 2023 at 2:00 PM

Shareholder Services and Dividend Reinvestment and Share Purchase Plan

For questions regarding share accounts, dividends, changes of address and ownership and other related matters, contact our transfer agent:

Computershare Investor Services Inc.
1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, QC H3A 3S8
Telephone: 514-982-7555
Toll-free: 1-877-684-5000
ia@computershare.com

Investor Relations

For analysts, portfolio managers and investors requesting financial information, contact our Investor Relations and Public Affairs Department:

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ia.ca