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## Industrial Alliance Insurance and Financial Services Inc.

Management's Discussion and Analysis for the Third Quarter of 2021

November 3, 2021



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance" or the "Company") is dated November 3, 2021. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 and 2020. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2020.

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## HIGHLIGHTS<sup>1</sup>

**Profitability** – In the third quarter of 2021, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$216 million, compared to \$222 million in the third quarter of 2020.

**Business growth** – Total assets under management and administration were up 15% from the previous year, amounting to \$211.2 billion at September 30, 2021. Premiums and deposits showed continued growth during the third quarter (+7%). Solid sales results for the third quarter continued the momentum recorded for several quarters. In Canada, we continued to strengthen our market position, recording excellent sales for Individual Insurance (+28%), segregated funds (+58%) and mutual funds (+21%). Combined, segregated and mutual funds recorded impressive net inflows of \$1.1 billion. Sales for Group Savings totalled \$810 million compared to \$1,180 million for the same period last year, when a major insured annuity contract was signed. The Special Markets division recorded excellent sales growth during the quarter(+20%). iA Auto and Home was no exception, with good sales growth (+7%). In the U.S., Individual Insurance sales were similar to a year earlier and Dealer Services posted significant growth, mainly due to synergies with its affiliate company, IAS.

**Financial position** – The solvency ratio for iA Insurance was 121% at September 30, 2021, compared with 120% at the end of the previous quarter and 124% a year earlier. This is above iA Insurance's target range of 110% to 116%. The increase of one percentage point in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative.

**Dividend** – iA Insurance paid no dividend in the second quarter of 2021. For the fourth quarter of 2021, the Board of Directors of iA Insurance approved that there will be no dividend to its sole common shareholder, iA Financial Corporation, and therefore no dividend should be paid by iA Insurance to iA Financial Corporation.

**Annual actuarial assumption review** – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 16, 2022, with the fourth quarter 2021 earnings release. The impact of the annual actuarial assumption review on the fourth quarter 2021 results is expected to be non-significant.

### Management appointments

- On August 23, 2021, Pierre Miron was appointed to the new position of Executive Vice-President and Chief Transformation Officer.
- On September 21, 2021, Philippe Sarfati was appointed to the position of Executive Vice-President and Chief Risk Officer.

**Litigation** – On March 10, 2021, the Saskatchewan Court of Appeal ruled in favour of iA Financial Group in the litigation between the Company and Ituna Investment LP ("Ituna"). Ituna sought to make unlimited deposits into a universal life insurance contract that it purchased from a policyholder. iA Financial Group has always maintained that the position taken by Ituna was legally unfounded and that life insurance contracts were never intended to be used as deposit accounts and for purposes unrelated to life insurance. In its decision, the Court of Appeal found that Ituna's position was inconsistent with the language and the purpose of the contract. Ituna is seeking leave from the Supreme Court of Canada to appeal the entire decision of the Court of Appeal. A decision on Ituna's application for leave to appeal is expected on November 4, 2021.

### Subsequent to the third quarter of 2021:

#### Disposal of PPI Benefits Inc. and Agile Benefits Inc.

On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary, PPI Benefits Inc. (including Agile Benefits Inc.) to AGA Benefits Solutions. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support for independent advisors.

#### Signing of a real estate asset management partnership

On October 19, iA Financial Group and Canderel announced the signing of an agreement in the real estate investment sector. The agreement confirms that Canderel has been selected as iA Financial Group's strategic partner and as such will be responsible for the operational management (operations and leasing) and maintenance of iA's real estate assets in Quebec. The agreement covers the operations of 16 properties—five in Montreal and 11 in Quebec City—and will take effect January 1, 2022.

*Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period last year.*

<sup>1</sup> This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.

**ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS**

The following analysis should be read in conjunction with Note 16 “Segmented Information” in the Company’s unaudited interim condensed consolidated financial statements.

<b>Consolidated Income Statements</b>						
<b>(In millions of dollars)</b>	<b>Third quarter</b>			<b>Year-to-date at September 30</b>		
	<b>2021</b>	<b>2020</b>	<b>Variation</b>	<b>2021</b>	<b>2020</b>	<b>Variation</b>
Revenues						
Net premiums	3,293	3,171	122	9,677	8,021	1,656
Investment income	(47)	394	(441)	(1,875)	3,691	(5,566)
Other revenues	515	422	93	1,468	1,278	190
Total	3,761	3,987	(226)	9,270	12,990	(3,720)
Less: policy benefits and expenses	3,469	3,713	(244)	8,446	12,409	(3,963)
Income before income taxes	292	274	18	824	581	243
Less: income taxes	67	50	17	191	104	87
Net income	225	224	1	633	477	156
Less: net income attributed to participating policyholders	3	(4)	7	(3)	4	(7)
Net income attributed to shareholders	222	228	(6)	636	473	163
Less: dividends on preferred shares	6	6	—	17	17	—
Net income attributed to common shareholder	216	222	(6)	619	456	163

**Revenues**

The following table presents the composition of revenues by line of business.

<b>Revenues by Line of Business</b>							
<b>(In millions of dollars)</b>	<b>Third quarter</b>						
	<b>Individual Insurance</b>	<b>Individual Wealth Management</b>	<b>Group Insurance</b>	<b>Group Savings and Retirement</b>	<b>US Operations</b>	<b>Other</b>	<b>Total</b>
Net premiums	433	1,359	439	804	155	103	3,293
<i>Variation vs. 2020</i>	<i>21</i>	<i>426</i>	<i>28</i>	<i>(364)</i>	<i>(1)</i>	<i>12</i>	<i>122</i>
Investment income	(114)	(2)	31	(5)	6	37	(47)
<i>Variation vs. 2020</i>	<i>(371)</i>	<i>30</i>	<i>(11)</i>	<i>(76)</i>	<i>(8)</i>	<i>(5)</i>	<i>(441)</i>
Other revenues	31	458	14	29	40	(57)	515
<i>Variation vs. 2020</i>	<i>4</i>	<i>88</i>	<i>(1)</i>	<i>3</i>	<i>4</i>	<i>(5)</i>	<i>93</i>
Total	350	1,815	484	828	201	83	3,761
<i>Variation vs. 2020</i>	<i>(346)</i>	<i>544</i>	<i>16</i>	<i>(437)</i>	<i>(5)</i>	<i>2</i>	<i>(226)</i>

*Net premiums* – The \$122 million increase over the third quarter of 2020 is mainly explained by segregated fund premium growth in Individual Wealth Management, mitigated by a decrease in Group Savings and Retirement given that a major insured annuities contract was signed in the same period last year.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

Note that net premiums include amounts invested by insureds in segregated funds, but do not include those invested by clients in mutual funds.

*Investment income* – The \$441 million decrease in investment income compared to third quarter 2020 is largely due to the decrease in the fair value of bond and derivative financial instrument investments supporting the Individual Insurance contract liabilities, mainly caused by variations in interest rates and currency exchange rates.

Note that investment income mostly fluctuates based on variations in the fair value of investments due to 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 generally 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 were up \$93 million in the third quarter compared to the same period last year, essentially due to business growth in Individual Wealth Management.

### Policy Benefits and Expenses

Policy benefits and expenses decreased by \$244 million in the third quarter compared to the same period last year. This decrease is explained by a lower variation in insurance contract liabilities in the Group Savings and Retirement sector and market value movements. 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 mitigated by:

- A variation in net transfers to segregated funds in the Individual Wealth Management sector.
- A variation in net benefits and claims on contracts reflecting the normal course of business, mostly in the Individual Wealth Management sector. Net benefits and claims on contracts include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.

### Income Taxes

For the third quarter of 2021, the Company recorded an income tax expense of \$67 million versus \$50 million in 2020. These amounts represent the Company's tax expense net of adjustments for prior years, if applicable.

### Net Income Attributed to Common Shareholder

Net income attributed to the sole common shareholder, iA Financial Corporation, totalled \$216 million for the third quarter of 2021, compared to \$222 million for the same period last year.

The following table presents a summary of iA Insurance's financial results for the last nine quarters.

Selected Financial Data									
(In millions of dollars, unless otherwise indicated)	2021			2020				2019	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	3,761	5,274	235	4,444	3,987	6,677	2,326	2,541	3,715
Net income attributed to common shareholder	216	232	171	182	222	193	41	175	184
Basic earnings per common share (in dollars)	1.99 \$	\$2.14	\$1.57	\$1.68	\$2.04	\$1.78	\$0.37	\$1.61	\$1.69

### Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the third quarter of 2021.

### Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a proportion of marketable high-quality securities and strictly managing cash flows and matching.

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In light of the simulations carried out, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the “Risk Management” section of the Company’s Management’s Discussion and Analysis for 2020.

The Company also has certain investment commitments as well as a line of credit. Its investment commitments correspond to various contractual commitments related to commercial and residential loan offers, private placements, joint ventures and real estate which are not reflected in the financial statements and may not be fulfilled.

For more information on the Company’s commitments, refer to Note 19 of the Company’s unaudited interim condensed consolidated financial statements.

#### Accounting Policies and Main Accounting Estimates

The Company’s third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 “General Information” of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management’s best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements for the year ended December 31, 2020.

More information on new accounting policies applied and future changes in accounting policies is presented in Note 3 “Changes in Accounting Policies” of the unaudited interim condensed consolidated financial statements.

#### INVESTMENTS

<b>Investment Mix</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Book value of investments	43,250	42,673	44,225	44,231
Allocation of investments by asset class				
Bonds	73.0%	72.7%	71.8%	72.5%
Stocks	8.3%	8.1%	7.2%	7.1%
Mortgages and other loans	6.7%	6.8%	6.3%	5.9%
Investment properties	4.3%	4.4%	4.3%	4.5%
Policy loans	2.3%	2.3%	2.0%	2.0%
Cash and short-term investments	3.2%	2.9%	3.6%	3.8%
Other	2.2%	2.8%	4.8%	4.2%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was more than \$43 billion at September 30, 2021, up from June 30, 2021. The above table shows the main asset classes that make up the Company’s investment portfolio.

<b>Quality of Investments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Gross impaired investments	23	23	45	45
Provisions for impaired investments	6	6	14	8
Net impaired investments	17	17	31	37
Net impaired investments as a % of total investments	0.04%	0.04%	0.07%	0.08%
Bonds – Proportion rated BB or lower	1.00%	0.87%	1.00%	0.77%

The indicators in the above table confirm the quality of the investment portfolio. The decrease over twelve months in impaired investments is related to the disposal of an impaired private bond.

<b>Derivative Financial Instruments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Total notional amount (\$B)	25	28	32	31
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	485	761	1,651	1,411
Negative fair value	804	602	569	775

The Company uses derivative financial instruments in the normal course of managing the risks associated with fluctuations in interest rates, stock markets, currencies and the fair value of invested assets. These instruments are composed of various types of contracts, including interest rate swaps, market index and exchange rate contracts, forward agreements, futures contracts, and market index and currency options.

Derivative financial instruments are used as part of the Company's hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company's risk profile.

The positive fair value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties.

For more information, refer to Note 5 and Note 8 of the Company's unaudited interim condensed consolidated financial statements.

## FINANCIAL POSITION

<b>Capitalization</b>				
<b>(In millions of dollars)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Equity				
Common shares	1,655	1,655	1,655	1,655
Preferred shares	525	525	525	525
Contributed surplus	—	—	—	—
Retained earnings	3,416	3,171	2,864	3,176
Accumulated other comprehensive income	85	104	150	143
Subtotal	5,681	5,455	5,194	5,499
Debentures	653	653	653	652
Participating policyholders' accounts	38	35	41	46
Total	6,372	6,143	5,888	6,197

The Company's capital totalled nearly

<b>Solvency<sup>2</sup></b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>September 30, 2021</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>	<b>September 30, 2020</b>
Available capital, surplus allowance and eligible deposits	9,499	9,263	8,829	9,215
Base solvency buffer	7,822	7,722	7,246	7,442
Solvency ratio	121%	120%	122%	124%

<sup>2</sup> This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

The solvency ratio of iA Insurance was 121% at September 30, 2021, compared with 120% at the end of the previous quarter and 124% a year earlier. This is above iA Insurance's target range of 110% to 116%. The increase of one percentage point in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative.

Please note that in accordance with the terms of the plan of arrangement whereby iA Financial Corporation became the parent company of iA Insurance on January 1, 2019, the Company's class A preferred shares and debentures issued and outstanding at the effective date of the arrangement are guaranteed by iA Financial Corporation. If iA Insurance should default on its obligations, iA Financial Corporation will be jointly and severally liable with iA Insurance for payments due in connection with the debentures and preferred shares.

## DECLARATION OF DIVIDEND

The Board of Directors of iA Insurance approved a quarterly dividend of \$0.2875 per Non-Cumulative Class A Preferred Share – Series B, \$0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and \$0.3000 per Non-Cumulative Class A Preferred Share – Series I. In the third quarter of 2021, iA Insurance paid no dividend to its sole common shareholder, iA Financial Corporation. For the fourth quarter of 2021, no dividend should be paid by iA Insurance to iA Financial Corporation.

Following are the amounts and dates of payment and closing of registers for the various categories of iA Insurance's preferred shares.

Declaration of Dividend				
	Amount	Payment date	Closing date	
Class A Preferred Share – Series B	\$0.2875	December 31, 2021	November 26, 2021	Non-cumulative dividend
Class A Preferred Share – Series G	\$0.2360625	December 31, 2021	November 26, 2021	Non-cumulative dividend
Class A Preferred Share – Series I	\$0.3000	December 31, 2021	November 26, 2021	Non-cumulative dividend

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial or territorial tax legislation, all dividends paid by iA Insurance on its common and preferred shares are considered to be eligible dividends.

## NOTICE AND GENERAL INFORMATION

### Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Non-IFRS Financial Information

iA Insurance reports its financial results and statements in accordance with International Financial Reporting Standards (IFRS). It also publishes certain financial measures 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 used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's 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 financial 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.

Non-IFRS financial measures published by the Company include, but are not limited to: return on common shareholders' equity (ROE), sales, assets under management (AUM), assets under administration (AUA), capital and solvency ratio.

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include fund entries from both in-force contracts and new business written during the period. Assets under management and administration is a non-IFRS measure used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration. An analysis of revenues by sector is presented in the "Analysis According to the Financial Statements" section of the Management's Discussion and Analysis.



## Forward-Looking Statements

This Management's Discussion and Analysis may contain statements relating to strategies used by iA Insurance 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", and "forecast" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this Management's Discussion and Analysis, 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, particularly in light of the ongoing and evolving COVID-19 pandemic, its effect on the global economy and its uncertain impact on our operations.

Although iA Insurance 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. 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. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of iA Insurance 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; accuracy of accounting policies and actuarial methods used by iA Insurance; insurance risks including mortality, morbidity, longevity and policyholder behaviour and the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

*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 Corporation's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Corporation remains financially solid. In addition, iA Financial Corporation'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.

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 the Management's Discussion and Analysis for 2020, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2020 and elsewhere in iA Insurance's filings with Canadian Securities Administrators, which are available for review at [sedar.com](http://sedar.com).

The forward-looking statements in this Management's Discussion and Analysis reflect the Company's expectations as of the date of this document. iA Insurance 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 the Company's financial results are available on the iA Financial Group website at [ia.ca](http://ia.ca) under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can also be found on the SEDAR website at [sedar.com](http://sedar.com), as well as in the Company's Annual Information Form, which can also be found on the iA Financial Group website or the SEDAR website.

## Conference Call

Management will hold a conference call to present iA Financial Group's third quarter results on Wednesday, November 3, 2021 at 2:00 p.m. (ET). The dial-in number is 416-981-9033 or 1-800-750-5857 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 3, 2021. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21997782. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at [ia.ca](http://ia.ca).

## About 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 an important Canadian public company and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

**CONSOLIDATED INCOME STATEMENTS**

(unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	\$ 3,543	\$ 3,387	\$ 10,382	\$ 8,638
Premiums ceded	(250)	(216)	(705)	(617)
Net premiums	3,293	3,171	9,677	8,021
<b>Investment income</b>				
Interest and other investment income	421	359	1,101	1,108
Change in fair value of investments	(468)	35	(2,976)	2,583
	(47)	394	(1,875)	3,691
Other revenues	515	422	1,468	1,278
	3,761	3,987	9,270	12,990
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,596	1,439	5,823	4,267
Ceded benefits and claims on contracts	(175)	(129)	(506)	(400)
Net transfer to segregated funds	1,018	622	2,274	1,834
Increase (decrease) in insurance contract liabilities	96	950	(1,935)	4,266
Increase (decrease) in investment contract liabilities	1	3	(6)	25
Decrease (increase) in reinsurance assets	(39)	(18)	(57)	(112)
	2,497	2,867	5,593	9,880
Commissions	534	449	1,552	1,283
General expenses	388	351	1,155	1,113
Premium and other taxes	35	34	105	94
Financing charges	15	12	41	39
	3,469	3,713	8,446	12,409
<b>Income before income taxes</b>	292	274	824	581
Income taxes	67	50	191	104
<b>Net income</b>	\$ 225	\$ 224	\$ 633	\$ 477
Net income attributed to participating policyholders	3	(4)	(3)	4
<b>Net income attributed to shareholders</b>	\$ 222	\$ 228	\$ 636	\$ 473
Dividends attributed to preferred shares	6	6	17	17
<b>Net income attributed to common shareholder</b>	\$ 216	\$ 222	\$ 619	\$ 456
<b>Basic earnings per common share (in dollars)</b>	\$ 1.99	\$ 2.04	\$ 5.70	\$ 4.20

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at September 30 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
<b>Assets</b>		
<b>Investments</b>		
Cash and short-term investments	\$ 1,366	\$ 1,593
Bonds	31,568	31,762
Stocks	3,587	3,168
Mortgages and other loans	2,897	2,801
Derivative financial instruments	485	1,651
Policy loans	1,015	881
Other invested assets	457	453
Investment properties	1,875	1,916
	43,250	44,225
Other assets	4,035	2,897
Reinsurance assets	2,010	1,808
Fixed assets	354	371
Deferred income tax assets	15	23
Intangible assets	779	773
Goodwill	557	556
General fund assets	51,000	50,653
Segregated funds net assets	36,886	32,815
<b>Total assets</b>	<b>\$ 87,886</b>	<b>\$ 83,468</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 34,636	\$ 36,527
Investment contract liabilities	566	575
Derivative financial instruments	804	569
Other liabilities	8,308	6,846
Deferred income tax liabilities	314	248
Debentures	653	653
General fund liabilities	45,281	45,418
Liabilities related to segregated funds net assets	36,886	32,815
<b>Total liabilities</b>	<b>\$ 82,167</b>	<b>\$ 78,233</b>
<b>Equity</b>		
Share capital	\$ 2,180	\$ 2,180
Retained earnings and accumulated other comprehensive income	3,501	3,014
Participating policyholders' accounts	38	41
	5,719	5,235
<b>Total liabilities and equity</b>	<b>\$ 87,886</b>	<b>\$ 83,468</b>

## 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

(in millions of Canadian dollars)	Quarter ended September 30, 2021							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Revenues</b>								
Net premiums	\$ 433	\$ 1,359	\$ 439	\$ 804	\$ 155	\$ 103	\$ 3,293	
Investment income	(114)	(2)	31	(5)	6	37	(47)	
Other revenues	31	458	14	29	40	(57)	515	
	350	1,815	484	828	201	83	3,761	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	219	553	295	361	152	16	1,596	
Ceded benefits and claims on contracts	(77)	—	(14)	(6)	(105)	27	(175)	
Net transfer to segregated funds	—	842	—	176	—	—	1,018	
Increase (decrease) in insurance contract liabilities	(108)	(66)	15	258	(3)	—	96	
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1	
Decrease (increase) in reinsurance assets	(46)	—	(1)	1	7	—	(39)	
Commissions, general and other expenses	251	404	150	33	131	(12)	957	
Financing charges	4	1	8	—	—	2	15	
	243	1,734	454	823	182	33	3,469	
Income before income taxes and allocation of other activities	107	81	30	5	19	50	292	
Allocation of other activities	33	9	4	2	2	(50)	—	
Income before income taxes	140	90	34	7	21	—	292	
Income taxes	25	26	9	2	5	—	67	
<b>Net income</b>	115	64	25	5	16	—	225	
Net income attributed to participating policyholders	3	—	—	—	—	—	3	
<b>Net income attributed to shareholders</b>	\$ 112	\$ 64	\$ 25	\$ 5	\$ 16	\$ —	\$ 222	

(in millions of Canadian dollars)	Quarter ended September 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 412	\$ 933	\$ 411	\$ 1,168	\$ 156	\$ 91	\$ 3,171
Investment income	257	(32)	42	71	14	42	394
Other revenues	27	370	15	26	36	(52)	422
	696	1,271	468	1,265	206	81	3,987
<b>Operating expenses</b>							
Gross benefits and claims on contracts	178	480	281	341	145	14	1,439
Ceded benefits and claims on contracts	(51)	—	(13)	(7)	(86)	28	(129)
Net transfer to segregated funds	—	381	—	241	—	—	622
Increase (decrease) in insurance contract liabilities	269	15	17	652	1	(4)	950
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3
Decrease (increase) in reinsurance assets	(37)	—	3	1	11	4	(18)
Commissions, general and other expenses	221	325	143	28	127	(10)	834
Financing charges	3	1	8	—	—	—	12
	583	1,202	442	1,256	198	32	3,713
Income before income taxes and allocation of other activities	113	69	26	9	8	49	274
Allocation of other activities	31	7	3	2	6	(49)	—
Income before income taxes	144	76	29	11	14	—	274
Income taxes	27	—	14	7	2	—	50
<b>Net income</b>	117	76	15	4	12	—	224
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)
<b>Net income attributed to shareholders</b>	\$ 121	\$ 76	\$ 15	\$ 4	\$ 12	\$ —	\$ 228

(in millions of Canadian dollars)	Nine months ended September 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 1,297	\$ 4,231	\$ 1,267	\$ 2,132	\$ 456	\$ 294	\$ 9,677
Investment income	(1,757)	(157)	69	(102)	(34)	106	(1,875)
Other revenues	93	1,306	37	86	110	(164)	1,468
	(367)	5,380	1,373	2,116	532	236	9,270
<b>Operating expenses</b>							
Gross benefits and claims on contracts	669	1,774	897	2,016	426	41	5,823
Ceded benefits and claims on contracts	(236)	—	(38)	(18)	(295)	81	(506)
Net transfer to segregated funds	—	2,489	—	(215)	—	—	2,274
Increase (decrease) in insurance contract liabilities	(1,732)	(292)	(19)	209	(102)	1	(1,935)
Increase (decrease) in investment contract liabilities	—	—	(6)	—	—	—	(6)
Decrease (increase) in reinsurance assets	(119)	—	—	4	59	(1)	(57)
Commissions, general and other expenses	737	1,184	433	100	384	(26)	2,812
Financing charges	7	2	25	—	1	6	41
	(674)	5,157	1,292	2,096	473	102	8,446
Income before income taxes and allocation of other activities	307	223	81	20	59	134	824
Allocation of other activities	87	22	9	8	8	(134)	—
Income before income taxes	394	245	90	28	67	—	824
Income taxes	78	66	25	7	15	—	191
<b>Net income</b>	316	179	65	21	52	—	633
Net income attributed to participating policyholders	(3)	—	—	—	—	—	(3)
<b>Net income attributed to shareholders</b>	\$ 319	\$ 179	\$ 65	\$ 21	\$ 52	\$ —	\$ 636

## Nine months ended September 30, 2020

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 1,203	\$ 2,785	\$ 1,183	\$ 2,155	\$ 444	\$ 251	\$ 8,021
Investment income	2,738	223	150	300	160	120	3,691
Other revenues	84	1,116	43	78	103	(146)	1,278
	4,025	4,124	1,376	2,533	707	225	12,990
<b>Operating expenses</b>							
Gross benefits and claims on contracts	605	1,376	846	999	402	39	4,267
Ceded benefits and claims on contracts	(178)	—	(39)	(20)	(237)	74	(400)
Net transfer to segregated funds	—	1,229	—	605	—	—	1,834
Increase (decrease) in insurance contract liabilities	2,766	419	49	838	197	(3)	4,266
Increase (decrease) in investment contract liabilities	—	—	25	—	—	—	25
Decrease (increase) in reinsurance assets	(76)	—	7	3	(49)	3	(112)
Commissions, general and other expenses	669	996	405	82	359	(21)	2,490
Financing charges	11	2	24	—	—	2	39
	3,797	4,022	1,317	2,507	672	94	12,409
Income before income taxes and allocation of other activities	228	102	59	26	35	131	581
Allocation of other activities	87	15	8	4	17	(131)	—
Income before income taxes	315	117	67	30	52	—	581
Income taxes	47	26	15	6	10	—	104
<b>Net income</b>	268	91	52	24	42	—	477
Net income attributed to participating policyholders	4	—	—	—	—	—	4
<b>Net income attributed to shareholders</b>	\$ 264	\$ 91	\$ 52	\$ 24	\$ 42	\$ —	\$ 473

## Segmented Premiums

## Quarter ended September 30, 2021

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 547	\$ 213	\$ 469	\$ 332	\$ 317	\$ 41	\$ 1,919
Invested in segregated funds	—	1,146	—	478	—	—	1,624
	547	1,359	469	810	317	41	3,543
<b>Premiums ceded</b>							
Invested in general fund	(114)	—	(30)	(6)	(162)	62	(250)
<b>Net premiums</b>	\$ 433	\$ 1,359	\$ 439	\$ 804	\$ 155	\$ 103	\$ 3,293

Quarter ended September 30, 2020							
(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 514	\$ 209	\$ 442	\$ 666	\$ 290	\$ 34	\$ 2,155
Invested in segregated funds	—	724	—	508	—	—	1,232
	514	933	442	1,174	290	34	3,387
<b>Premiums ceded</b>							
Invested in general fund	(102)	—	(31)	(6)	(134)	57	(216)
<b>Net premiums</b>	\$ 412	\$ 933	\$ 411	\$ 1,168	\$ 156	\$ 91	\$ 3,171

Nine months ended September 30, 2021							
(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 1,618	\$ 662	\$ 1,352	\$ 583	\$ 912	\$ 118	\$ 5,245
Invested in segregated funds	—	3,569	—	1,568	—	—	5,137
	1,618	4,231	1,352	2,151	912	118	10,382
<b>Premiums ceded</b>							
Invested in general fund	(321)	—	(85)	(19)	(456)	176	(705)
<b>Net premiums</b>	\$ 1,297	\$ 4,231	\$ 1,267	\$ 2,132	\$ 456	\$ 294	\$ 9,677

Nine months ended September 30, 2020							
(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 1,494	\$ 589	\$ 1,271	\$ 786	\$ 827	\$ 86	\$ 5,053
Invested in segregated funds	—	2,196	—	1,389	—	—	3,585
	1,494	2,785	1,271	2,175	827	86	8,638
<b>Premiums ceded</b>							
Invested in general fund	(291)	—	(88)	(20)	(383)	165	(617)
<b>Net premiums</b>	\$ 1,203	\$ 2,785	\$ 1,183	\$ 2,155	\$ 444	\$ 251	\$ 8,021



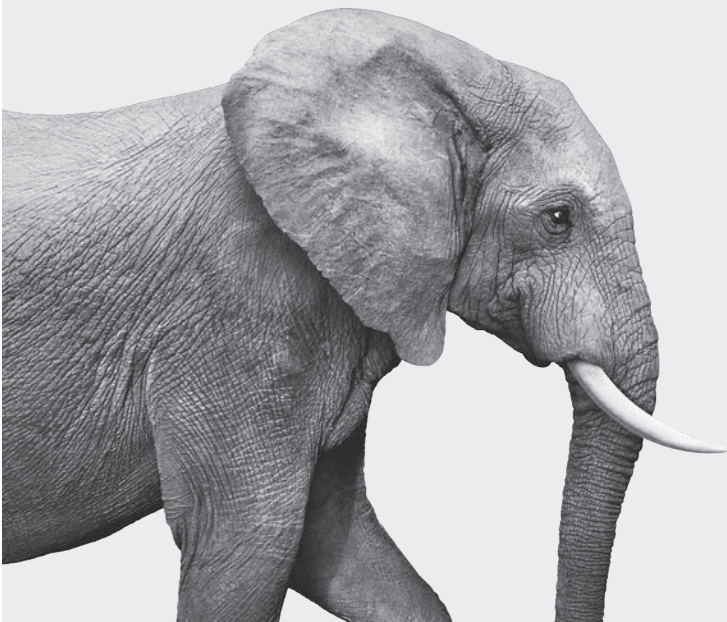
## Segmented Assets and Liabilities

(in millions of Canadian dollars)	As at September 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 25,037	\$ 1,928	\$ 1,986	\$ 5,137	\$ 1,228	\$ 7,934	\$ 43,250
Segregated funds net assets	—	22,862	—	14,024	—	—	36,886
Reinsurance assets	85	—	225	127	1,698	(125)	2,010
Other	110	1,135	—	—	32	4,463	5,740
<b>Total assets</b>	<b>\$ 25,232</b>	<b>\$ 25,925</b>	<b>\$ 2,211</b>	<b>\$ 19,288</b>	<b>\$ 2,958</b>	<b>\$ 12,272</b>	<b>\$ 87,886</b>
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 23,956	\$ 1,964	\$ 2,261	\$ 5,240	\$ 1,892	\$ (111)	\$ 35,202
Liabilities related to segregated funds net assets	—	22,862	—	14,024	—	—	36,886
Other	680	51	3	14	—	9,331	10,079
<b>Total liabilities</b>	<b>\$ 24,636</b>	<b>\$ 24,877</b>	<b>\$ 2,264</b>	<b>\$ 19,278</b>	<b>\$ 1,892</b>	<b>\$ 9,220</b>	<b>\$ 82,167</b>

(in millions of Canadian dollars)	As at December 31, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 25,922	\$ 2,145	\$ 1,969	\$ 4,949	\$ 1,211	\$ 8,029	\$ 44,225
Segregated funds net assets	—	19,240	—	13,575	—	—	32,815
Reinsurance assets	(36)	—	222	130	1,615	(123)	1,808
Other	109	1,096	—	—	32	3,383	4,620
<b>Total assets</b>	<b>\$ 25,995</b>	<b>\$ 22,481</b>	<b>\$ 2,191</b>	<b>\$ 18,654</b>	<b>\$ 2,858</b>	<b>\$ 11,289</b>	<b>\$ 83,468</b>
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 25,661	\$ 2,246	\$ 2,272	\$ 5,030	\$ 2,003	\$ (110)	\$ 37,102
Liabilities related to segregated funds net assets	—	19,240	—	13,575	—	—	32,815
Other	441	47	3	8	—	7,817	8,316
<b>Total liabilities</b>	<b>\$ 26,102</b>	<b>\$ 21,533</b>	<b>\$ 2,275</b>	<b>\$ 18,613</b>	<b>\$ 2,003</b>	<b>\$ 7,707</b>	<b>\$ 78,233</b>

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