Éric Jobin

I'm Éric Jobin. I'm EVP, CFO, and chief actuary at iA Financial Group, for a few years now, but I've been with the company for, more than twenty-five years. Over that, period, I took on I inventoried the number of appointments, also. I've taken about 10 roles or 10 mandates over that, 25 period plus at iA. As you may suspect, most of them were in the finance area.

But, when I looked, two of them stood out to be different that were great learning experience to me. The first one was an appointment with the acquisition team. I've been there a couple of years. I had to enjoy the huge effort we did at the beginning with the wealth management growth and how we build that segment. So that was a great experience.

And the second one that stood out is, an appointment I had later on in the line of business to get closer to clients and know how to, service clients and, you know, move away from the glass tower down to earth by serving clients and feeling the heat. So that was a great, great learning experience. Today, I will start with a motivational quote. I have a few of them that I use in my leadership on a day-to-day basis. And, one of them comes from Thomas Edison. Everybody knows Thomas Edison. Right? He invented the light bulb. And he, long time ago, said vision without execution is hallucination. So my goal today is to show you that we are not hallucinating.

So I will start with a quick look back. Denis talked about the iA way. So I will show you the iA way from the financial side, but there are two things today that I want to cover with you. First is our proven discipline and execution on delivering on our financial targets over the years. Very simple exercise to do. Just a look back and you see that we've delivered. Second thing is that we are ready for new financial targets and raise the bar. So that's my second topic today.

So speaking about the iA way, I think I'm going to spend a bit more time on this slide because it's quite important. It shows up the iA way from the finance and risk management purpose over the last many years.

Denis talked about, demutualization. I'm not going back that far on this slide, but just to show how do we work with finance at iA and what is, our approach with respect to finance and risk management. And I'm going to give you a couple of examples. The first one on the risk management, Denis talked about how we are different in product design. When I joined iA, in fact, twenty-five years ago, the first role I had was to price sick fund guarantees with very sophisticated pricing techniques.

And I know that our CRO is in the room, so close your ear, Philippe. But, you know that at the time, the computers were not as performant as of today. So I needed horsepower on the computing side. So I was waiting every day at the end of the day that everybody leaves, and then I was going around and setting up job batch job on every computer to get as much result as possible. And, Denis, at that time, if I don't know if you remember, you were in the marketing area.

So, we worked extensively on this. And this was really unique because, we started the SegFund guarantees by edging the risk within the product. And that was quite important because we wanted to capture all the inherent risk of the guarantees. There were lots of things going on in the marketplace at the time, and we didn't want to go in those things. We wanted to be in control and avoid concentration risk or excessive policyholder behavior risk. So we were really, we were going really deep in the analysis to make sure that our guarantees were sound.

And later on, we introduced, a few years later, dynamic edging that resulted in economic risk protection on top of that, but we started from edging within the product. That was quite different. We didn't want just to take what the market was offering and say, okay, that's what we offer. We assessed the risk internally and decided to go one way.

And today, Renée is building on that very strong foundation of risk management and sophisticated product design to grow our business in a sound manner. So that's example number one. Second example is the management of market risk. You may remember in the previous accounting regime that we had what we called the additional protections on the balance sheet. We always wanted to be ahead of the curve in terms of interest rate wind that were declining. So we always had some, additional protection to face the declining rates and manage it. And, also, when you're in the business of long-term liabilities, you have to hold NFI's, non-fixed income instruments like stocks and real estate and so on. And those come with higher yield advantage, but they can bring in a bit more volatility on the financial performance. We had again there a special protection that, cover the risk and help us, you know, have more stable result over the years while holding those very high-yielding assets in our portfolios.

And I will say third example is gradually in the mid tens, we started to shift away from high guarantee product types, whether it's an insurance individual insurance or segregated fund guarantee world, we started to move away from higher guarantees to lower guarantees product.

So those are just three examples of what's our iA way in the financial management of the company. So now happened IFRS 17. By the way, when I started to work, IFRS 17 was in preparation, about twenty-five years. So it took a while to deliver. Right? That gave us a lot of time to anticipate and adjust and see what was coming with IFRS 17. In that preparation, one of the key things that we've implemented is an improved methodology to manage our asset portfolio to maximize yield or for the liabilities that we have for the long term. So that was a key element, and I will come back to this in a couple of slides.

So as a result of all those actions in preparation of IFRS 17, Denis mentioned it, we were the only lifecos in Canada not to have a book value hit transition because we were positioned in a prudent manner in our balance sheet and we had a seamless transition to IFRS 17. That said, on the, on the following year, I must admit, I joined the finance area year back in 2023 when we just implemented the IFRS 17, and we had a couple of surprises here.

If you remember, the macroeconomic was a bit nasty in, the first year of IFRS 17 with curve inversions and so on. So we realized that the interest rate sensitivity was slightly higher than we expected. So we worked relentlessly for about nine months to first understand where it was coming from and why was it diverting from our expectation and then fix it. So that was basically our approach in the following months to fix this interest rate sensitivity. And as a result, we were able to further reduce the interest rate sensitivity by 65% for parallel shift in interest rates.

Okay? That's quite important because we still have some volatility. We cannot hedge against everything, but 65% reduction in one year for remaining interest rate sensitivity. It means now that we're close to, to 0 for 10 basis point. I think we're about 0.4 million per 10 basis point now to core earnings. So very low level. So we're really comfortable, with this level of interest rate sensitivity.

So how has iA way with managing finance resulted in terms of our earnings quality? Well, there's nothing better than facts. When we look at this, even if we have in mind core earnings, this is our true north, core earnings. We want core earnings to be representative of future sustainable earnings, and we want reported to fluctuate around core earnings. This is our goal with the core earning definition.

So when we look back, it's ten years. A lot of things happened over the last ten years, as you know. Guess what? Excluding acquisition-related items, reported earnings represent 96% of core earnings. 96%. So we're getting to our goal with this. And if we look a bit more in the recent future with IFRS 17, there's been volatility. We knew that even though IFRS 17, with what we did on edging the interest rate exposure, we knew we would have remaining volatility.

Well, that number, the 96% in the last eight quarters or first eight quarters of IFRS 17 is equivalent to 90% excluding acquisition-related items. So very few data points and we're really close to where we want to be in terms of quality of earnings. Okay? That 90% has three out of eight quarters of reported earnings over core earnings in that short period of time. None of the other lifecos have done that. None. The best, the best is getting about the same and wants. So we've achieved the best quality of our reported earnings to core in the last eight quarters.

So now back on the investment portfolio and total portfolio management approach, I said we improved the methodology. In the past accounting regime, we used to do that approach at the line of business level. And when we got in preparation for IFRS 17, we wanted to improve the approach. We saw an opportunity. In fact, IFRS 17 offered an opportunity to improve the methodology. So we increased the approach, improved the approach to apply it at the company level and say, we have liabilities to clients, let's not just do optimal portfolio optimization by line of business. Let's take everything together and do the ALM at the company level. So that was what we improved at, at the transition and it resulted in us being able to reduce the interest rate sensitivity at the company level. So that's the primary goal. We basically improve the efficient frontier. We maximize the risk reward. We improve the yield on our portfolio, and we collect the benefit as, in comparison to our liabilities.

But we're not only efficient with portfolio management and the other things, we're also efficient at expense management. In 2018, Pierre will talk about it later on, we've accelerated IT investment in our lines of business because we needed an upgrade on the foundation, IT foundation of our lines of business. And this came along with big increase in budget of many lines of business that resulted in increase in expenses. But when we do those investments, we do them like we do an acquisition. We have a stand-alone business case that shows the cost and expected benefits for each of them. And we have a targeted return on those like we do for pricing purposes and other stuff.

So we are in control of the cost and benefit related to those big investment. And, as a, a way to further expand the expense scrutiny, in 2022, we've implemented in the organization what we call the operating leverage. That's an internal KPI that is very simple. In fact, it comes from my past leadership way at managing a business sector. You know? You have to manage the growth and the growth of the business and the growth of expenses. So it came from that past. And the reality is that it's a very simple KPI that can be deployed anywhere in the organization, in any sector, and it's been deployed throughout the organization over the last two years. And guess what? We have been successful in achieving a 5% positive operating leverage in 2024. It was above our internal goal or internal target. So excellent result in 2024, improving from 2022, and we aim to keep that improvement in the years to come in our plan.

Operation efficient also and disciplined on capital management. We have a very strong capital ratio. We have a lot of financial flexibility. We have $1.4B of capital available for deployment. And if you look at the strong organic capital generation, it has increased significantly over the last eight years, collecting the benefit our of our disciplined approach at risk management and, improving financial results. As a result, today, we shoot for $650 million for 2025.

So now let me sum up. I have shown a proven discipline that we have achieved our past promises of financial targets. And now I will move on to where why I'm confident about delivering the new financial targets.

Let's start with EPS growth momentum. The foundation of our new 10% plus, EPS growth is based on organic growth. We have very strong foundation in many lines of business where we can grow and scale. So that's the basis for 10%. Six percent is coming from that.

Four percent is coming from improvement in different areas, including the US. I'm going to come back to this in a couple of minutes. Improvement in the US, maintain improvement on operational efficiency, additional NCIB, and so on. And the plus is coming from additional capital deployment activities. This EPS comes in with sound capital management.

When we look at our products, they are low guarantees type product for most of the lines of business that comes in with very low capital requirements, very high profitability, and we keep building on the organic capital generation. If we look and move to the ROE now, if we look at where we were in 2024, you see at the bottom 15.9%. That's the number we disclosed last week as a result of the 2024 performance, 15.9%. If we carve out the excess capital that is, you know, yielding a lower rate, we're already at 17%. If we carve out this excess capital. And if you look at the break between Canada and the US, you see that our Canadian operations are yielding about 18%, and the US, as expected, is at 8% for now. We're not happy with this 8%, but we're working on it. Behind that, there's a life part that is performing well. Joe will talk about it. And then we have the issues that we will fix and that my colleagues will talk about in a few minutes on the US Dealer side.

So when I look at this slide, I see two great potential. First, when I see the 8%, I see a potential for improvement. The important is that we know and determine how to improve it. And the second thing, if you look on the right of the chart, you see new business profitability. So the organic growth I was speaking about is in excess of that 17% target.

On the ROE expansion now, where does it come from? It comes from all lines of business with fundamental operations in Canada delivering most of it, about 75%, and the US division delivering 25% of that improvement in the target ROE. On that, you will see in the middle of the graph that we assume only $300 million deployment of organic capital generation per year. It's less than 50% of our organic capital generation.

Now if you sum up, you know, we have $1.4 billion at the start. We say we invest $300 million per year, so it means that there's, uninvested capital organic capital generation. If you sum up what's remaining, it means that in three years from now, we have $2.5 billion of capital deployable. And that capital deployable has the potential to deliver more than 17%. A billion dollars being deployed increases the ROE by one percent. So in a nutshell, we have reasonable financial targets. We have a vision. We have a plan. We will execute the plan. We are not hallucinating. So on this, you know, you heard Denis talk about the iA way. You heard me talk about the financial targets.

Let's hear now about how it's going to play out in Canada, and I will invite team Canada to come over the stage with the first speaker being Pierre.