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Industrial Alliance Insurance and Financial Services Inc.

Management's Discussion and Analysis for the Third Quarter of 2020

November 4, 2020



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 4, 2020. iA Financial Corporation Inc. ("iA Financial Corporation") became the parent company of iA Insurance on January 1, 2019, as a result of a plan of arrangement (the "arrangement"). 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, 2020 and 2019. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2019. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

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HIGHLIGHTS¹

Profitability – In the third quarter of 2020, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$222.0 million, compared to \$183.4 million a year earlier. This increase is mainly explained by the positive impacts of macroeconomic changes, the gain on the sale of the residential mortgage portfolio (mentioned below) and the increase in net premiums.

Business growth – Premiums and deposits exceeded \$3.8 billion for the quarter, significantly up from third quarter 2019 (+39%). In Canada, third quarter sales were particularly good for Group Savings and Retirement (+164%), Employee Plans (+102%), Individual Insurance (+14%), segregated funds (+26%) and iAAH (+14%). Gross mutual fund sales were up 17% year over year at \$544.7 million, and net sales were positive once again with inflows of \$47.6 million. Segregated funds recorded strong net inflows totalling \$375.9 million. In the U.S., Individual Insurance sales were up year over year (+30%), and Dealer Services sales were also up (+27%), helped by the recovery of car sales following the reopening of dealerships that had closed during the second quarter. Finally, total assets under management and administration were up 3% during the quarter, amounting to \$183.3 billion at September 30, 2020.

Participating life insurance product – On June 8, 2020, iA Financial Group's Individual Insurance sector rounded out its product lineup by launching iA PAR, a flexible new participating life insurance product. After one full quarter on the market, sales are in line with management objectives, mainly due to the excellent response to the product by all of the Company's distribution networks. On another note, premiums were increased for various individual insurance products during the quarter, mainly to reflect the drop in interest rates since the beginning of the year.

Financial position – The solvency ratio was 124% at September 30, 2020, compared with 121% at the end of the previous quarter and 126% a year earlier. This is above the minimum required by regulatory authorities as well as the Company's target range of 110% to 116%.

Dividend – iA Insurance did not declare any dividend in the third quarter of 2020. For the fourth quarter of 2020, the Board of Directors of iA Insurance approved a dividend of \$510.0 million to its sole common shareholder, iA Financial Corporation.

Sale of residential mortgage portfolio – On September 1, 2020, the Company assigned to a third party, by way of a sales agreement, its residential mortgage portfolio held through iA Insurance as well as its rights and obligations toward the Canada Mortgage and Housing Corporation (CMHC) regarding residential mortgages included under the mortgage-backed securities program issued under the *National Housing Act*. This sale reflects management's decision to exit the residential mortgage market. The Company transferred the risks and rewards related to this portfolio and, consequently, derecognized the residential mortgages. Under this transaction, the Company received monetary consideration and recognized government bonds under its assets.

Reinsurance agreements – Since the beginning of fourth quarter 2020, the Company has taken advantage of a favourable reinsurance environment to begin signing new reinsurance agreements (in Canada and the United States) that will have an impact on its fourth quarter financial results. The full impact of these agreements will be assessed during the fourth quarter and disclosed with the Company's financial results as at December 31, 2020. At this time, the Company plans to use the gains from these agreements to take on additional protections against uncertainties arising from the current pandemic. The overall impact on fourth quarter 2020 results is expected to be positive or neutral.

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 11, 2021, with the fourth quarter 2020 earnings release. Aside from the additional pandemic-related protections mentioned above, the Company believes the impact of the annual actuarial assumption review on fourth quarter 2020 results will be immaterial.

Executive Committee – On July 30, 2020, Éric Jobin was appointed Executive Vice-President, Group Benefits and Retirement Solutions. Mr. Jobin, who was already managing this business line on an interim basis, also becomes a member of the Company's Executive Committee and continues to report to Michael L. Stickney. This growth-oriented organization change will enable the Company to better position itself in the Canadian group products market and to meet future challenges in this sector.

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

Litigation – iA Insurance is involved in litigation with a third party, Ituna Investment LP (Ituna), which was seeking to use insurance contracts for purposes not originally intended. The application was heard by the Court of Queen's Bench for Saskatchewan, which issued a decision in favour of iA Insurance on March 15, 2019. Ituna appealed this decision, and the appeal was heard by the Saskatchewan Court of Appeal in mid January 2020. iA Insurance has always maintained that the position taken by Ituna was legally unfounded and has responded to the appeal with the same conviction. Note that the governments of Saskatchewan and New Brunswick have both published new regulations limiting the amount of premiums an insurer may receive or accept for deposit in life insurance policy side accounts, and that these regulations are consistent with the position taken by iA Insurance.

COVID-19 pandemic and macroeconomic changes – Since March 2020, the COVID-19 pandemic has impacted both society in general and the economy. The Company nonetheless remains financially solid, as demonstrated by its above-target solvency ratio, sound debt ratio, adequate liquidity and well-positioned reserves. The Company's business continuity protocol has continued, as discussed when the first quarter results were released on May 7, 2020, 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. Given the ongoing uncertainty about how long the pandemic will last, the effectiveness of government measures to slow its spread and the impact on the economy, it is impossible to accurately predict the total bearing the pandemic will have on the Company's financial results for 2020, but it could be material.

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

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.

Consolidated Income Statements						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Revenues						
Net premiums	3,171.0	2,189.5	981.5	8,021.5	6,527.0	1,494.5
Investment income	394.0	1,109.5	(715.5)	3,691.0	4,942.8	(1,251.8)
Other revenues	422.2	416.2	6.0	1,277.8	1,251.1	26.7
Total	3,987.2	3,715.2	272.0	12,990.3	12,720.9	269.4
Less: policy benefits and expenses	3,713.2	3,474.5	238.7	12,409.5	12,031.3	378.2
Income before income taxes	274.0	240.7	33.3	580.8	689.6	(108.8)
Less: income taxes	50.0	51.9	(1.9)	104.1	156.3	(52.2)
Net income	224.0	188.8	35.2	476.7	533.3	(56.6)
Less: net income attributed to participating policyholders	(4.0)	—	(4.0)	4.0	0.6	3.4
Net income attributed to shareholders	228.0	188.8	39.2	472.7	532.7	(60.0)
Less: preferred share dividends	6.0	5.4	0.6	17.0	16.8	0.2
Net income attributed to common shareholder	222.0	183.4	38.6	455.7	515.9	(60.2)

Revenues

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

Revenues by Line of Business							
(In millions of dollars)	Third quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	412.0	933.1	411.0	1,167.5	156.0	91.4	3,171.0
<i>Variation vs. 2019</i>	<i>14.5</i>	<i>194.7</i>	<i>(7.1)</i>	<i>739.0</i>	<i>28.5</i>	<i>11.9</i>	<i>981.5</i>
Investment income	257.0	(32.0)	42.1	71.0	14.0	41.9	394.0
<i>Variation vs. 2019</i>	<i>(604.4)</i>	<i>(79.0)</i>	<i>4.3</i>	<i>7.3</i>	<i>(51.5)</i>	<i>7.8</i>	<i>(715.5)</i>
Other revenues	27.2	370.0	14.5	26.0	36.5	(52.0)	422.2
<i>Variation vs. 2019</i>	<i>(2.6)</i>	<i>2.2</i>	<i>1.0</i>	<i>1.8</i>	<i>17.7</i>	<i>(14.1)</i>	<i>6.0</i>
Total	696.2	1,271.1	467.6	1,264.5	206.5	81.3	3,987.2
<i>Variation vs. 2019</i>	<i>(592.5)</i>	<i>117.9</i>	<i>(1.8)</i>	<i>748.1</i>	<i>(5.3)</i>	<i>5.6</i>	<i>272.0</i>

Net premiums – The \$981.5 million increase over the third quarter of 2019 is mainly explained by:

- Increased Group Savings and Retirement premiums due to the signing of large contracts.
- Increased segregated fund premiums and sales in guaranteed investment certificates (GICs) and high interest savings accounts in Individual Wealth Management.
- Growth in net premiums in US Operations and Individual Insurance.

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 \$715.5 million decrease in investment income compared to third quarter 2019 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates and issuer spreads.

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 \$6.0 million year over year in the third quarter.

Policy Benefits and Expenses

Policy benefits and expenses increased by \$238.7 million in the third quarter compared to the same period last year. This increase is explained by:

- An increase in net transfers to segregated funds in the Individual Wealth Management and Group Savings and Retirement sectors.
- An increase in net benefits reflecting the normal course of business. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- An increase in commissions, mainly due to net premium growth in US Operations.

The increase in policy benefits and expenses was mitigated by:

- A decrease in insurance contract liabilities. 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.

Income Taxes

For the third quarter of 2020, the Company recorded an income tax expense of \$50.0 million, compared to \$51.9 million in 2019. 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 \$222.0 million for the third quarter of 2020, compared to \$183.4 million for the same period last year. The increase is mainly explained by the items mentioned above.

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)	2020			2019				2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	3,987.2	6,676.7	2,326.4	2,541.4	3,715.2	4,078.5	4,927.2	2,587.4	1,980.2
Net income attributed to common shareholders	222.0	193.1	40.6	174.8	183.4	181.2	151.3	149.5	164.9
Earnings per common share									
Basic	\$2.04	\$1.78	\$0.37	\$1.61	\$1.69	\$1.67	\$1.39	\$1.37	\$1.50
Diluted	N/A	\$1.36	\$1.50						

Related Party Transactions

The Company has a financing agreement with iA Financial Corporation in the amount of \$80 million, to be used only to finance iA Financial Corporation's Normal Course Issuer Bid program.

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 addition, the various client support measures implemented in the business lines given the current COVID-19 pandemic were assessed in terms of impact on the Company's liquidity. 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 iA Financial Group's Management's Discussion and Analysis for 2019.

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, 2019 and in Note 2 "Impacts of COVID-19 Pandemic" of the unaudited interim condensed consolidated financial statements.

More information on new accounting standards used and changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Book value of investments	44,231.5	43,111.0	39,496.9	39,351.1
Allocation of investments by asset class				
Bonds	72.5%	69.4%	68.8%	69.6%
Stocks	7.1%	6.8%	7.7%	7.4%
Mortgages and other loans	5.9%	8.7%	9.8%	9.8%
Investment properties	4.5%	4.6%	5.3%	4.5%
Policy loans	2.0%	2.2%	2.3%	2.3%
Cash and short-term investments	3.8%	3.3%	2.5%	2.3%
Other	4.2%	5.0%	3.6%	4.1%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to \$44.2 billion at September 30, 2020, up from June 30, 2020 mainly due to favourable equity markets, which continued to grow following their strong recovery in the second quarter. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans is explained by the second quarter sale of the residential mortgage portfolio, which is therefore no longer part of the investment portfolio. Under this transaction, the Company received monetary consideration and recognized bonds under its assets, explaining the increase in this asset class during the quarter.

Quality of Investments				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Gross impaired investments	45.4	44.5	21.4	24.0
Provisions for impaired investments	8.0	8.1	10.5	11.1
Net impaired investments	37.4	36.4	10.9	12.9
Net impaired investments as a % of total investments	0.08%	0.08%	0.03%	0.03%
Bonds – Proportion rated BB or lower	0.77%	0.83%	0.87%	0.83%

The indicators in the above table confirm the quality of the investment portfolio. The change in impaired investments over twelve months is the result of provisions taken on certain assets in the second quarter. In addition, given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure.

Derivative Financial Instruments				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Total notional amount (\$B)	31.0	31.7	28.9	26.6
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,411.4	1,711.3	1,003.4	1,208.0
Negative fair value	774.7	858.0	431.1	387.7

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

In accordance with the terms of the arrangement, 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.

Capital				
(In millions of dollars)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019²
Equity				
Common shares	1,655.5	1,655.5	1,655.5	1,655.5
Preferred shares	525.0	525.0	525.0	525.0
Contributed surplus	—	—	—	—
Retained earnings	3,176.0	2,968.0	3,460.1	3,536.5
Accumulated other comprehensive income	142.5	105.5	76.4	89.5
Subtotal	5,499.0	5,254.0	5,717.0	5,806.5
Debentures	652.5	652.5	652.0	651.5
Participating policyholders' accounts	46.0	50.0	41.9	52.6
Total	6,197.5	5,956.5	6,410.9	6,510.6

The Company's capital totalled \$6.2 billion at September 30, 2020, compared with \$6.0 billion at June 30, 2020 and \$6.5 billion at September 30, 2019. The increase during the third quarter is mainly explained by the increase in retained earnings and, to a lesser extent, the increase in accumulated other comprehensive income.

Solvency³				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Available capital, surplus allowance and eligible deposits	9,214.9	8,816.5	8,766.6	8,613.8
Base solvency buffer	7,442.2	7,258.1	6,971.9	6,858.3
Solvency ratio	124%	121%	126%	126%

iA Insurance ended the third quarter of 2020 with a solvency ratio of 124%, compared to 121% at the the end of the previous quarter and 126% a year earlier. The increase of three percentage points versus June 30, 2020 is the result of greater organic capital generation as no dividend was declared for payment to the Company's sole common shareholder. The current ratio remains above the minimum required by regulatory authorities as well as the Company's target range of 110% to 116%.

² In Q4 2019, an adjustment has been made retroactively to January 1, 2018 transferring \$7 from retained earnings to the participating policyholders' accounts.

³ This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

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. iA Insurance did not declare any dividend in the third quarter of 2020. For the fourth quarter of 2020, the Board of Directors of iA Insurance approved a dividend of \$510.0 million to its sole common shareholder, 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, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series G	\$0.2360625	December 31, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series I	\$0.3000	December 31, 2020	November 27, 2020	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, 2020, 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" or "goal" 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 including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

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 2019, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2019, the "Risk Update" section of the Management's Discussion and Analysis for the period ended March 31, 2020, and elsewhere in iA Insurance's filings with Canadian Securities Administrators, which are available for review at 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 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, 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 4, 2020 at 2:00 p.m. (ET). The dial-in number is 416-981-9031 or 1-800-753-6150 (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 4, 2020. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21970071. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at 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 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).

CONSOLIDATED INCOME STATEMENTS

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues				
Premiums				
Gross premiums	3,387	2,404	8,638	7,131
Premiums ceded	(216)	(215)	(617)	(604)
Net premiums	3,171	2,189	8,021	6,527
Investment income				
Interest and other investment income	359	347	1,108	1,001
Change in fair value of investments	35	763	2,583	3,942
	394	1,110	3,691	4,943
Other revenues	422	416	1,278	1,251
	3,987	3,715	12,990	12,721
Policy benefits and expenses				
Gross benefits and claims on contracts	1,439	1,420	4,267	4,356
Ceded benefits and claims on contracts	(129)	(155)	(400)	(397)
Net transfer to segregated funds	622	262	1,834	682
Increase (decrease) in insurance contract liabilities	950	1,156	4,266	5,056
Increase (decrease) in investment contract liabilities	3	7	25	28
Decrease (increase) in reinsurance assets	(18)	(32)	(112)	(112)
	2,867	2,658	9,880	9,613
Commissions	449	425	1,283	1,220
General expenses	351	347	1,113	1,061
Premium and other taxes	34	31	94	95
Financing charges	12	13	39	42
	3,713	3,474	12,409	12,031
Income before income taxes	274	241	581	690
Income taxes	50	52	104	156
Net income	224	189	477	534
Net income attributed to participating policyholders	(4)	—	4	1
Net income attributed to shareholders	228	189	473	533
Dividends attributed to preferred shares	6	5	17	17
Net income attributed to common shareholder	222	184	456	516
Basic earnings per common share (in dollars)	2.04	1.69	4.20	4.75

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of dollars)	As at September 30 2020 (unaudited) \$	As at December 31 2019 \$
Assets		
Investments		
Cash and short-term investments	1,694	1,005
Bonds	32,035	27,189
Stocks	3,121	3,024
Mortgages and other loans	2,632	3,870
Derivative financial instruments	1,411	1,003
Policy loans	901	900
Other invested assets	448	429
Investment properties	1,989	2,077
	44,231	39,497
Other assets	2,970	2,147
Reinsurance assets	1,240	1,030
Fixed assets	374	394
Deferred income tax assets	28	24
Intangible assets	759	805
Goodwill	555	606
General fund assets	50,157	44,503
Segregated funds net assets	30,131	27,868
Total assets	80,288	72,371
Liabilities		
Insurance contract liabilities	35,109	30,665
Investment contract liabilities	565	630
Derivative financial instruments	775	431
Other liabilities	7,271	6,079
Deferred income tax liabilities	240	287
Debentures	652	652
General fund liabilities	44,612	38,744
Liabilities related to segregated funds net assets	30,131	27,868
Total liabilities	74,743	66,612
Equity		
Share capital and contributed surplus	2,180	2,180
Retained earnings and accumulated other comprehensive income	3,319	3,537
Participating policyholders' accounts	46	42
	5,545	5,759
Total liabilities and equity	80,288	72,371

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

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 uses judgment 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 uses assumptions, judgments 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 INFORMATION (continued)**Segmented Income Statements**

(in millions of Canadian dollars)

Quarter ended September 30, 2020

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
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
Operating expenses							
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
Net income	117	76	15	4	12	—	224
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)
Net income attributed to shareholders	121	76	15	4	12	—	228

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

	Quarter ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	398	738	418	428	127	80	2,189
Investment income	861	47	38	64	66	34	1,110
Other revenues	30	368	13	24	19	(38)	416
	1,289	1,153	469	516	212	76	3,715
Operating expenses							
Gross benefits and claims on contracts	206	487	271	306	153	(3)	1,420
Ceded benefits and claims on contracts	(73)	—	(14)	(8)	(105)	45	(155)
Net transfer to segregated funds	—	172	—	90	—	—	262
Increase (decrease) in insurance contract liabilities	855	105	27	92	81	(4)	1,156
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7
Decrease (increase) in reinsurance assets	(11)	—	(1)	1	(25)	4	(32)
Commissions, general and other expenses	216	320	152	25	97	(7)	803
Financing charges	5	—	6	—	1	1	13
	1,198	1,084	448	506	202	36	3,474
Income before income taxes and allocation of other activities	91	69	21	10	10	40	241
Allocation of other activities	29	3	3	—	5	(40)	—
Income before income taxes	120	72	24	10	15	—	241
Income taxes	21	20	6	2	3	—	52
Net income attributed to shareholders	99	52	18	8	12	—	189

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

	Nine months ended September 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
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
Operating expenses							
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
Net income	268	91	52	24	42	—	477
Net income attributed to participating policyholders	4	—	—	—	—	—	4
Net income attributed to shareholders	264	91	52	24	42	—	473

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

	Nine months ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Revenues							
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527
Investment income	4,043	138	152	325	172	113	4,943
Other revenues	91	1,087	42	73	56	(98)	1,251
	5,311	3,326	1,422	1,825	590	247	12,721
Operating expenses							
Gross benefits and claims on contracts	624	1,521	855	926	351	79	4,356
Ceded benefits and claims on contracts	(181)	—	(43)	(21)	(216)	64	(397)
Net transfer to segregated funds	—	429	—	253	—	—	682
Increase (decrease) in insurance contract liabilities	3,997	232	40	557	243	(13)	5,056
Increase (decrease) in investment contract liabilities	—	—	28	—	—	—	28
Decrease (increase) in reinsurance assets	(40)	—	—	4	(89)	13	(112)
Commissions, general and other expenses	618	966	450	77	262	3	2,376
Financing charges	16	1	18	—	1	6	42
	5,034	3,149	1,348	1,796	552	152	12,031
Income before income taxes and allocation of other activities	277	177	74	29	38	95	690
Allocation of other activities	73	2	5	2	13	(95)	—
Income before income taxes	350	179	79	31	51	—	690
Income taxes	69	47	21	8	11	—	156
Net income	281	132	58	23	40	—	534
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	280	132	58	23	40	—	533

Segmented Premiums

(in millions of Canadian dollars)

	Quarter ended September 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Gross premiums							
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
Premiums ceded							
Invested in general fund	(102)	—	(31)	(6)	(134)	57	(216)
Net premiums	412	933	411	1,168	156	91	3,171

SEGMENTED INFORMATION (continued)**Segmented Premiums (continued)**

(in millions of Canadian dollars)

	Quarter ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Gross premiums							
Invested in general fund	499	162	453	111	293	(15)	1,503
Invested in segregated funds	—	576	—	325	—	—	901
	499	738	453	436	293	(15)	2,404
Premiums ceded							
Invested in general fund	(101)	—	(35)	(8)	(166)	95	(215)
Net premiums	398	738	418	428	127	80	2,189

(in millions of Canadian dollars)

	Nine months ended September 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Gross premiums							
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
Premiums ceded							
Invested in general fund	(291)	—	(88)	(20)	(383)	165	(617)
Net premiums	1,203	2,785	1,183	2,155	444	251	8,021

(in millions of Canadian dollars)

	Nine months ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$		
Gross premiums							
Invested in general fund	1,468	369	1,334	470	699	81	4,421
Invested in segregated funds	—	1,732	—	978	—	—	2,710
	1,468	2,101	1,334	1,448	699	81	7,131
Premiums ceded							
Invested in general fund	(291)	—	(106)	(21)	(337)	151	(604)
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527

SEGMENTED INFORMATION (continued)**Segmented Assets and Liabilities**

(in millions of Canadian dollars)

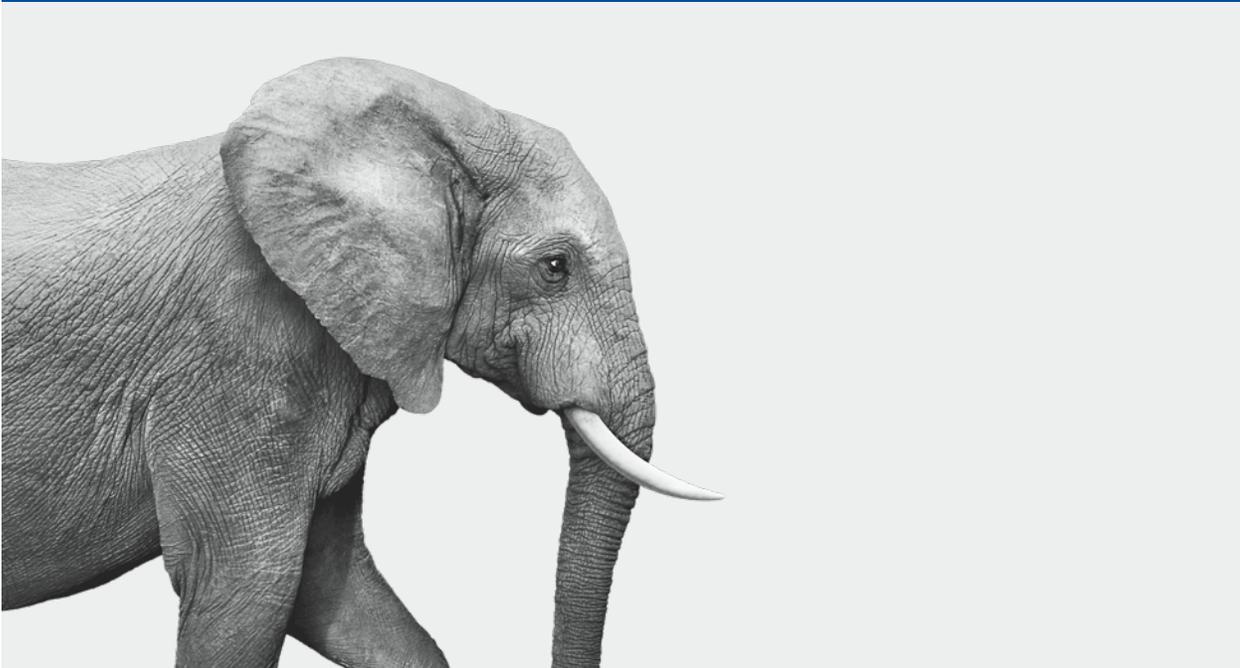
	Individual		As at September 30, 2020					Total
	Insurance	Wealth Management	Group					
			Insurance	Savings and Retirement	US Operations	Other		
	\$	\$	\$	\$	\$	\$	\$	
Assets								
Invested assets	25,880	2,426	1,977	4,834	1,247	7,867	44,231	
Segregated funds net assets	—	17,738	—	12,393	—	—	30,131	
Reinsurance assets	(626)	—	224	129	1,654	(141)	1,240	
Other	113	1,166	—	—	45	3,362	4,686	
Total assets	25,367	21,330	2,201	17,356	2,946	11,088	80,288	
Liabilities								
Insurance contract liabilities and investment contract liabilities	24,241	2,274	2,265	4,978	2,015	(99)	35,674	
Liabilities related to segregated funds net assets	—	17,738	—	12,393	—	—	30,131	
Other	624	53	7	14	—	8,240	8,938	
Total liabilities	24,865	20,065	2,272	17,385	2,015	8,141	74,743	

(in millions of Canadian dollars)

	Individual		As at December 31, 2019					Total
	Insurance	Wealth Management	Group					
			Insurance	Savings and Retirement	US Operations	Other		
	\$	\$	\$	\$	\$	\$	\$	
Assets								
Invested assets	23,113	1,880	1,881	3,998	1,058	7,567	39,497	
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868	
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030	
Other	121	866	—	—	38	2,951	3,976	
Total assets	22,532	19,138	2,114	15,606	2,587	10,394	72,371	
Liabilities								
Insurance contract liabilities and investment contract liabilities	21,470	1,839	2,199	4,142	1,744	(99)	31,295	
Liabilities related to segregated funds net assets	—	16,392	—	11,476	—	—	27,868	
Other	342	37	5	5	—	7,060	7,449	
Total liabilities	21,812	18,268	2,204	15,623	1,744	6,961	66,612	

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