

Quebec City, February 11, 2021

## iA Financial Group Reports Fourth Quarter and 2020 Results Enhanced capital position and very strong sales growth

### FOURTH QUARTER HIGHLIGHTS – iA Financial Corporation

- Solvency ratio of 130% at December 31, 2020, up five percentage points
- Reported and core EPS of \$1.60 for the fourth quarter
- Expected profit on in-force up 11% YoY and excellent results at iA Auto and Home
- Continued strong sales growth, particularly in Individual Insurance (+40% YoY)
- Net fund inflows of \$792 million, including over \$245 million in mutual funds
- Slightly positive impact of year-end actuarial assumption review and risk management initiatives, including additional provisions for the pandemic
- Reinstatement of market guidance for 2021 with updated core earnings definition

The results presented below are for iA Financial Corporation Inc. (“iA Financial Corporation” or the “Company”), the holding company that owns 100% of the common shares of Industrial Alliance Insurance and Financial Services Inc. (“iA Insurance”). The results for iA Insurance are presented in a separate section on page 6 of this document.

For the fourth quarter ended December 31, 2020, iA Financial Corporation (TSX: IAG) reports net income attributed to common shareholders of \$171.9 million, diluted earnings per common share (EPS) of \$1.60 and return on common shareholders’ equity (ROE)<sup>1</sup> for the trailing twelve months of 10.6%. Core EPS was \$1.60 and core ROE for the trailing twelve months was 11.9%. An analysis of our 2020 results is provided in the Management’s Discussion and Analysis filed on SEDAR today.

“Our solid 2020 results can be attributed to our robust strategy, our resilient business model and the tremendous commitment of our employees and distributors,” commented Denis Ricard, President and CEO of iA Financial Group. “With our increased financial strength, our strong sales momentum and the additional protections we’ve put in place to deal with the potential impacts of the pandemic, we’re well positioned to continue our growth in 2021. At the same time, we’ll continue to be attentive to the wellbeing of our clients, employees and distributors, and to support communities, as we’ve done consistently since the start of the pandemic.”

“In spite of the pandemic and its numerous impacts, iA Financial Group recorded good profitability in 2020,” added Jacques Potvin, Executive Vice-President, CFO and Chief Actuary. “We strengthened our reserves and put specific additional protections in place for the pandemic without impacting profit. In addition, our organic capital generation combined with additional risk management initiatives enabled us to increase our solvency ratio by five percentage points to 130%.”

“Today, on the strength of these solid foundations, we’re announcing our guidance for 2021. We’re also taking the opportunity to update our definition of core earnings to better reflect our company’s recurrent operational performance. Under this revised definition, we expect to generate core EPS of \$7.60 to \$8.20 and core ROE of 12.5% to 14.0% in 2021, in part through organic growth, which continues to be a key profitability driver.”

Earnings Highlights	Fourth quarter			Year-to-date at December 31		
	2020	2019	Variation	2020	2019	Variation
Net income attributed to shareholders (in millions)	\$177.6	\$176.5	1%	\$633.5	\$709.5	(11%)
Less: dividends on preferred shares issued by a subsidiary (in millions)	\$5.7	\$5.3	8%	\$22.3	\$22.1	1%
Net income attributed to common shareholders (in millions)	\$171.9	\$171.2	—	\$611.2	\$687.4	(11%)
Weighted average number of common shares (in millions, diluted)	107.3	107.4	—	107.2	107.4	—
Earnings per common share (diluted)	\$1.60	\$1.59	1%	\$5.70	\$6.40	(11%)
Core earnings per common share (diluted) <sup>1,2</sup>	\$1.60	\$1.62	(1%)	\$6.41	\$6.26	2%

Other Financial Highlights	December 31, 2020	September 30, 2020	December 31, 2019
Return on common shareholders’ equity <sup>1</sup>	10.6%	10.9%	12.9%
Core return on common shareholders’ equity <sup>1</sup>	11.9%	12.3%	12.6%
Solvency ratio	130%	125%	133%
Book value per share	\$55.52	\$54.50	\$51.99
Assets under management and administration (in billions)	\$197.5	\$185.8	\$189.5

This news release presents non-IFRS measures. See “Non-IFRS Financial Information” at the end of this news release for further information.

<sup>1</sup> ROE, core ROE and core EPS are non-IFRS measures. See “Reported EPS and Core EPS Reconciliation” and “Non-IFRS Financial Information” in this news release.

<sup>2</sup> In Q4 2019, an adjustment was made to the Q3 2019 core EPS following a modification relating to the impact of macroeconomic changes.

The results of iA Financial Corporation for the fourth quarter of 2020 are presented on a consolidated basis with those of its subsidiaries, including iA Insurance. Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period in the previous year.

**Profitability** – For the fourth quarter ended December 31, 2020, iA Financial Corporation reports diluted earnings per common share (EPS) of \$1.60, compared to \$1.59 in the same quarter of 2019 (+1%). Core EPS of \$1.60 is slightly down by 1% from \$1.62 a year earlier. The reconciliation of reported EPS and core EPS is presented on page 4 of this document.

The following items presented in the “Sources of Earnings” section of the Company’s Financial Information Package explain the differences between management’s expectations and reported earnings for the three-month period ended December 31, 2020. This information contains non-IFRS measures. All figures are after tax unless otherwise indicated.

Expected profit on in-force of \$213.2 million pre-tax compares with \$192.8 million pre-tax in the fourth quarter of 2019 (+11%). This increase is partly explained by the increase in expected profit on in-force in US Operations stemming from the contribution of the IAS acquisition, among other things.

**Annual actuarial assumption review and risk management initiatives** – As announced last quarter, in addition to the annual actuarial assumption review, additional risk management initiatives were put in place that included the signing of new reinsurance agreements and additional protections in the reserves to counter the potential impacts of the pandemic. Together these initiatives generated a gain totalling \$0.04 EPS due to:

- The impact of the usual annual actuarial assumption review, which was slightly positive, totalling \$0.06 EPS or \$6.8 million.
- A gain of \$0.87 EPS (\$0.80 EPS for Individual Insurance and \$0.07 EPS for US Operations), or \$92.7 million, related to the new reinsurance agreements that took effect on October 1. These agreements were concluded in a competitive reinsurance environment that was therefore favourable for the Company.
- A charge of \$0.89 EPS, or \$95.6 million, for additional protections in the actuarial reserves due to the temporary uncertainty created by the current pandemic. The goal of these protections is to reduce experience losses that could result from the direct and indirect impacts of the pandemic in 2021 and subsequent years. The relevance and level of these protections will be re-evaluated at the end of 2021.

**Experience gains (losses) versus expected profit** – For the fourth quarter of 2020, the Company reports a total net experience loss of \$0.18 EPS (\$17.5 million) versus management expectations.

This loss is explained in part by the following items:

- **Employee provision:** A provision equivalent to \$0.08 EPS that was taken to cover the addition of new temporary measures to support employee wellbeing as a direct result of the pandemic, in particular the one-time allocation of additional paid days off to be taken before December 31, 2021. This provision is not considered core.
- **Sales commissions and bonuses:** Higher-than-expected commissions, bonuses and expenses due to much higher-than-expected sales. This global loss of \$0.08 EPS is considered core.

These items are distributed over the four Canadian business lines and also have an impact on new business strain.

The following paragraphs provide a detailed analysis of other gains and losses for each line of business.

*Individual Insurance* reported an experience gain of \$0.10 EPS (\$11.2 million). In addition to the employee provision (-\$0.02 EPS) mentioned above, this result is explained by the positive market impact on assets backing individual insurance reserves (+\$0.02 EPS) and on universal life insurance policies (+\$0.07 EPS). Furthermore, commission income for the PPI subsidiary was higher than expected (+\$0.02 EPS) and morbidity and other items were also favourable (+\$0.02 EPS). Lastly, mortality was slightly unfavourable due to the pandemic (-\$0.01 EPS).

*Individual Wealth Management* reported unfavourable experience for the quarter (loss of \$11.2 million or \$0.11 EPS). In addition to the employee provision (-\$0.01 EPS) and sales commissions and bonuses (-\$0.05 EPS) mentioned above, distribution affiliate income was lower than expected partly due to the low interest rate environment (-\$0.03 EPS) and direct expenses were higher than expected (-\$0.02 EPS). Macroeconomic changes had no material impact on the business line’s results for the quarter.

*Group Insurance* recorded a loss of \$0.05 EPS (\$5.4 million) for the quarter. In addition to the employee provision (-\$0.03 EPS) mentioned above, a gain was generated in Employee Plans (+\$0.01 EPS) due to favourable long-term disability experience. In Dealer Services (-\$0.01 EPS), unfavourable experience mainly in creditor insurance was partly offset by favourable car loan credit experience. In Special Markets (-\$0.02 EPS), results were below expectations due to higher-than-expected claims and lower-than-expected business growth, mainly in travel insurance.

*Group Savings and Retirement* reported an experience loss of \$3.2 million (-\$0.03 EPS) for the quarter. In addition to the employee provision (-\$0.01 EPS) mentioned above, this result is explained by lower average management expense ratios (MERs) and higher direct expenses (-\$0.02 EPS).

*US Operations* reported experience below expectations for the quarter (loss of \$0.09 EPS or \$8.9 million). This is partly explained by unfavourable mortality in Individual Insurance (-\$0.04 EPS), most of which can be attributed to confirmed cases of COVID-19. In Dealer Services, expenses related to the IAS acquisition were higher than expected due to accelerated integration (-\$0.02 EPS) and income was slightly lower than expected (-\$0.03 EPS) due in part to timing in realizing synergies and a temporary difference related to certain expenses incurred in the third quarter.

***Strain in Individual Insurance and US Operations*** – Strain on new business for the two business lines amounted to \$5.6 million pre-tax, or 5% of sales for the quarter. This is less favourable than expected and represents a loss of \$0.05 EPS due to:

- The employee provision (-\$0.01 EPS) and sales commissions and bonuses (-\$0.03 EPS) mentioned above.
- The recognition of the first quarter drop in interest rates and other unfavourable items, partly offset by the favourable impact of increased premiums in Individual Insurance (-\$0.01 EPS).

***Income on capital*** – Income on capital amounted to \$21.2 million pre-tax, representing a gain of \$0.01 EPS versus expectations. This is explained in part by experience at iAAH, which was once again much more favourable than expected (+ \$0.11 EPS) due mainly to lower claims, particularly in auto insurance. Other variations versus expected income on capital are as follows:

- The writedown of assets in the form of software led to a loss (-\$0.04 EPS).
- A provision for default was recorded for a corporate bond in the aerospace sector, which was related to the pandemic (-\$0.04 EPS).
- There was a decrease in investment income on capital, mainly due to the decrease in interest rates (-\$0.04 EPS).
- The February debenture issuance had a positive impact on income (+\$0.02 EPS), offset by higher financing expenses due to the same issuance (-\$0.02 EPS).
- The amortization of intangible assets related to the IAS acquisition was lower than expected (+\$0.02 EPS).

***Income taxes*** – The effective tax rate for the quarter was 15.9%. This lower-than-expected tax expense essentially stems from an income tax adjustment for prior years (2014 to 2019), corresponding to a gain of \$0.08 EPS attributed to US Operations.

The following table reconciles reported EPS and core EPS for the fourth quarter. See “Non-IFRS Financial Information” for an explanation of the adjustments.

<b>Reported EPS and Core EPS Reconciliation</b>						
<b>(On a diluted basis)</b>	<b>Fourth quarter</b>			<b>Year-to-date at December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>Variation</b>	<b>2020</b>	<b>2019</b>	<b>Variation</b>
<b>Reported EPS</b>	\$1.60	\$1.59	1%	\$5.70	\$6.40	(11%)
<b>Adjusted for:</b>						
Specific items:						
Changes in assumptions and management actions	(\$0.04)	(\$0.02)		(\$0.04)	(\$0.02)	
Provision for non-recurrent pandemic support to employees	\$0.08	—		\$0.08	—	
Unusual income tax gains and losses	(\$0.08)	(\$0.08)		(\$0.08)	(\$0.12)	
Sale of residential mortgage portfolio	—	—		(\$0.06)	—	
Software and other writedowns	\$0.04	\$0.07		\$0.15	\$0.07	
Litigation provision increase	—	\$0.14		—	\$0.14	
PAR account adjustment	—	\$0.02		—	\$0.02	
Sale of iA Investment Counsel	—	—		(\$0.08)	—	
Acquisition and integration costs	\$0.05	—		\$0.13	—	
PPI purchase price and goodwill adjustments	—	—		\$0.22	\$0.08	
Market-related gains and losses	(\$0.09)	(\$0.13)		\$0.49	(\$0.38)	
Experience gains and losses in excess of \$0.04 EPS						
Policyholder experience	\$0.09	\$0.03		\$0.18	\$0.06	
Strain on sales	—	—		\$0.01	—	
Income on capital (excluding iAAH)	\$0.02	—		\$0.03	—	
iA Auto and Home experience	(\$0.07)	—		(\$0.24)	(\$0.01)	
Usual income tax gains and losses	—	—		(\$0.08)	\$0.02	
<b>Core EPS</b>	\$1.60	\$1.62	(1%)	\$6.41	\$6.26	2%

**Business growth** – The Company recorded very strong business growth in the fourth quarter of 2020.

Premiums and deposits exceeded \$3.9 billion in the fourth quarter, an increase of 28% year over year, mainly due to the contribution of Group Savings and Retirement, Individual Wealth Management and US Operations.

Assets under management and administration totalled \$197.5 billion at the end of the fourth quarter, up 4% from a year earlier. Growth over the past year was slowed in the second quarter by the sale of iA Investment Counsel. During the fourth quarter, assets under management and administration were up 6% thanks to net inflows and market growth.

In *Individual Insurance*, strong momentum continued in the fourth quarter with total sales of \$71.7 million, a substantial year-over-year increase of 40%. Growth for the year was also strong at 19%. These excellent results stem in part from sales of the new participating whole life product launched in June, the performance of our digital tools facilitating remote sales by advisors and the strength and diversity of our distribution networks.

In *Individual Wealth Management*, guaranteed product sales for the quarter were up significantly from last year at \$247.3 million (+40%). Gross segregated fund sales totalled \$883.1 million (+39%), and net sales more than doubled at \$547.2 million compared to \$243.6 million a year earlier. The Company remains first in the industry for net segregated fund sales. Gross mutual fund sales were up significantly year over year at \$759.7 million (+34%), while net sales, in addition to remaining positive, reached their highest level since the first quarter of 2013 with net inflows of \$245.2 million.

The *Group Insurance* business line is made up of three divisions. In the Employee Plans division, sales totalled \$30.1 million, representing very strong year-over-year growth (+385%) due to the implementation of several new groups during the quarter. In the Dealer Services division, total sales of \$248.9 million were up 3% from 2019. By product, P&C sales were \$67.4 million (+21%), creditor insurance sales were \$65.3 million (-13%) and car loan originations totalled \$116.2 million (+6%). Lastly, sales in the Special Markets division were \$44.4 million, compared to \$76.3 million a year earlier. This decrease is largely explained by significantly lower sales of travel insurance due to the pandemic.

In *Group Savings and Retirement*, total fourth quarter sales amounted to \$879.0 million, significantly up from \$593.2 million a year earlier (+48%). This strong result was supported by the signing of several new groups with sizable assets during the quarter.

In *US Operations*, Individual Insurance fourth quarter sales totalled US\$31.2 million (+6%), concluding the year with significant annual growth (+28%). Dealer Services sales more than doubled at US\$245.8 million, compared to US\$107.6 million in the fourth quarter of 2019. This strong result was generated through organic growth and the contribution of the IAS acquisition.

At *iA Auto and Home*, strong business growth continued with direct written premiums in the fourth quarter up 13% year over year at \$86.3 million.

**Financial position** – At December 31, 2020, the solvency ratio was 130%, compared with 125% at September 30, 2020 and 133% a year earlier. This is above the Company's target range of 110% to 116%. The increase of five percentage points during the quarter essentially stems from the additional risk management initiatives mentioned above and from organic capital generation. The debt ratio at December 31, 2020 was 24.8%, compared to 25.1% at September 30, 2020.

At the end of 2020, the Autorité des marchés financiers du Québec published a revised Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline effective January 1, 2021. As a result, the total solvency ratio remains unchanged, iA Financial Corporation's core ratio will gradually decrease by a few percentage points over a period of five quarters and there is an immediate downward impact on the potential capital for deployment. Nonetheless, the Company's ratios remain above regulatory requirements and these changes have no impact on the Company's ability to generate earnings. Refer to the news release dated December 17, 2020 on [ia.ca](http://ia.ca) for more details.

**Book value** – The book value per common share was \$55.52 at December 31, 2020, up 2% from the previous quarter and 7% over twelve months.

**Dividend** – In accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic, the Board of Directors has approved a quarterly dividend of \$0.4850 per share, the same as that announced the previous quarter, on the outstanding common shares of iA Financial Corporation. This dividend is payable on March 15, 2021 to the shareholders of record at February 26, 2021.

**Normal Course Issuer Bid** – The Company did not redeem or cancel any of its outstanding common shares in the fourth quarter of 2020, as redemptions are currently on hold in accordance with regulators' instructions. For this same reason, the Normal Course Issuer Bid expiring on November 11, 2020 was not renewed.

**Dividend Reinvestment and Share Purchase Plan** – Registered shareholders wishing to enrol in iA Financial Corporation's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on March 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on February 19, 2021. Enrolment information is provided on iA Financial Group's website at [ia.ca](http://ia.ca) under *About iA*, in the *Investor Relations/Dividends* section. Common shares issued under iA Financial Corporation's DRIP will be purchased on the secondary market and no discount will be applicable.

**Litigation** – iA Insurance is involved in litigation with a third party, Ituna Investment LP, 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.

**Update of core earnings definition** – Core earnings is a non-IFRS measure used to better understand the capacity of the Company to generate sustainable earnings by removing items that create volatility or are not representative of the Company’s operating performance. In order to better reflect the capacity of the Company to generate sustainable earnings, as of 2021, the Company has made the following three changes to its definition:

- All experience gains and losses will be considered core, meaning that experience gains and losses in excess of \$0.04 EPS will no longer be adjusted.
- The amortization of intangible assets recorded for acquisitions will now be adjusted, as this charge is not generally considered representative of the Company’s capacity to generate profits.
- The difference between asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate will also now be adjusted, as the application of the discount rate prescribed by accounting standards does not take into account the performance of the pension plan asset portfolio and therefore is not representative of the Company’s capacity to generate profits.

The updated definition of core earnings can be found under “Non-IFRS Financial Information.”

#### **Market guidance for 2021 for iA Financial Corporation**

- Core earnings per common share: target range of \$7.60 to \$8.20 (raised from 2020, based on new core earnings definition)
- Core return on common shareholders’ equity (ROE): target range of 12.5% to 14.0% (raised from 2020, based on new core earnings definition)
- Solvency ratio: target range of 110% to 116% (unchanged from 2020)
- Organic capital generation: target range of \$275 million to \$325 million (raised from 2020)
- Dividend payout ratio: range of 25% to 35% with the target being the midpoint (unchanged from 2020)
- Effective tax rate: target range of 20% to 22% (unchanged from 2020)
- Strain on new business: annual target of 2% of sales with quarterly range of -5% to 10% (improved from 2020)

The market guidance provided above is a forecast. Please refer to the “Forward-looking Statements” section at the end of this news release for more information.

#### **FOURTH QUARTER HIGHLIGHTS – iA Insurance**

**Profitability** – In the fourth quarter of 2020, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$182.4 million, compared to \$174.8 million a year earlier. This increase is mainly explained by favourable macroeconomic changes, a lower effective tax rate due to a correction for prior years, and good results at iAAH.

**Financial position** – The solvency ratio was 122% at December 31, 2020, compared with 124% at the end of the previous quarter and 126% a year earlier. This is above the minimum required by regulatory authorities as well as iA Insurance’s target range of 110% to 116%.

**Dividend** – iA Insurance declared a dividend of \$510.0 million in the fourth quarter of 2020. The dividends payable following this declaration were paid in full during the fourth quarter. For the first quarter of 2021, the Board of Directors of iA Insurance approved the declaration of a dividend of \$250.0 million to its sole common shareholder, iA Financial Corporation.

<b>iA Insurance</b>						
<b>Earnings Highlights</b>	<b>Fourth quarter</b>			<b>Year-to-date at December 31</b>		
(In millions of dollars)	<b>2020</b>	<b>2019</b>	<b>Variation</b>	<b>2020</b>	<b>2019</b>	<b>Variation</b>
Net income attributed to shareholders	187.7	180.1	4%	660.4	712.8	(7%)
Less: dividends on preferred shares	5.3	5.3	—	22.3	22.1	1%
Net income attributed to common shareholders	182.4	174.8	4%	638.1	690.7	(8%)
<b>Other Financial Highlights</b>						
(In millions of dollars, unless otherwise indicated)	<b>December 31, 2020</b>		<b>September 30, 2020</b>		<b>December 31, 2019</b>	
Total capital	5,887.5		6,197.5		6,410.9	
Solvency ratio	122%		124%		126%	

## GENERAL INFORMATION

### Non-IFRS Financial Information

iA Financial Corporation and iA Insurance (collectively “iA Financial Group”) report their financial results and statements in accordance with International Financial Reporting Standards (IFRS). iA Financial Group 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 companies’ 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. iA Financial Group believes that these non-IFRS financial measures provide additional information to better understand iA Financial Group’s financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full-year results of iA Financial Group’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. iA Financial Group 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 iA Financial Corporation include, but are not limited to: return on common shareholders’ equity (ROE), core earnings per common share (core EPS), core return on common shareholders’ equity (core ROE), sales, net sales, assets under management (AUM), assets under administration (AUA), premium equivalents, deposits, sources of earnings measures (expected profit on in-force, experience gains and losses, strain on sales, changes in assumptions, management actions and income on capital), capital, solvency ratio, interest rate and equity market sensitivities, loan originations, finance receivables and average credit loss rate on car loans.

The analysis of profitability according to the sources of earnings presents sources of income in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in co-operation with the Canadian Institute of Actuaries. This analysis is intended to be a supplement to the disclosure required by IFRS and to facilitate the understanding of iA Financial Corporation’s financial position by both existing and prospective stakeholders to better form a view as to the quality, potential volatility and sustainability of earnings. It provides an analysis of the difference between actual income and the income that would have been reported had all assumptions at the start of the reporting period materialized during the reporting period. It sets out the following measures: expected profit on in-force business (representing the portion of the consolidated net income on business in force at the start of the reporting period that was expected to be realized based on the achievement of best-estimate assumptions); experience gains and losses (representing gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period); new business strain (representing the point-of-sale impact on net income of writing new business during the period); changes in assumptions, management actions and income on capital (representing the net income earned on iA Financial Corporation’s surplus funds).

Core earnings (loss) and financial measures based on core earnings (loss), including core EPS and core ROE, are non-IFRS financial measures used to better understand the capacity of the Company to generate sustainable earnings. Core earnings (loss) remove from reported earnings (loss) the impacts of the following items that create volatility in the Company’s results under IFRS, or that are not representative of its underlying operating performance:

Core earnings definition prior to 2021:

- a) specific items, including but not limited to year-end assumption changes and unusual income tax gains and losses;
- b) gains and losses from macroeconomic variations related to universal life policies, the level of assets backing long-term liabilities, investment funds (MERS) and the dynamic hedging program for segregated fund guarantees;
- c) gains and losses in excess of \$0.04 per share, on a quarterly basis, for strain on Individual Insurance sales, for policyholder experience by business segment (Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and iA Auto and Home Insurance), for usual income tax gains and losses and for investment income on capital.

Core earnings definition as of 2021:

- a) market-related impacts that differ from management’s best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERS), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;

- b) assumption changes and management actions;
- c) gains and losses on acquisition or disposition of a business, including acquisition, integration and restructuring costs;
- d) amortization of acquisition-related finite life intangible assets;
- e) non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate;
- f) specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

Non-IFRS financial measures published by iA Insurance 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 iA Financial Group'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 iA Financial Group'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 news release may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", "guidance", and "forecast" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this news release, 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 Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. 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 Financial Group, including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Financial Group; insurance risks such as 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.

*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 Financial Group's filings with the Canadian Securities Administrators, which are available for review at [sedar.com](https://www.sedar.com).



The forward-looking statements in this news release reflect iA Financial Group's expectations as of the date of this document. iA Financial Group does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

#### **Documents Related to the Financial Results**

For a detailed discussion of iA Financial Corporation's and iA Insurance's fourth quarter results, investors are invited to consult the Management's Discussion and Analysis for the quarter ended December 31, 2020, the related financial statements and accompanying notes and the Financial Information Package for each company, all of which are available on the iA Financial Group website at [ia.ca](http://ia.ca) under *About iA*, in the *Investor Relations/Financial Reports* section and on SEDAR at [sedar.com](http://sedar.com).

#### **Conference Call**

Management will hold a conference call to present iA Financial Group's fourth quarter results on Thursday, February 11, 2021 at 2:00 p.m. (ET). The dial-in number is 416-981-9010 or 1-800-945-0427 (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 Thursday, February 11, 2021. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21972707. 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).

#### **Conference for Investors and Analysts**

iA Financial Group will hold an online conference for investors and analysts on Wednesday, March 10, 2021 at 9:00 a.m. (ET). Details will be available on our website approximately one week before the event.

#### **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).

#### **Investor Relations**

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

## Consolidated Income Statements

	Quarters ended December 31		Twelve months ended December 31	
(In millions of dollars, unless otherwise indicated)	2020	2019	2020	2019
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	3,371	2,626	12,132	9,757
Premiums ceded	(291)	(209)	(936)	(813)
Net premiums	3,080	2,417	11,196	8,944
<b>Investment income</b>				
Interest and other investment income	332	363	1,439	1,364
Change in fair value of investments	642	(664)	3,229	3,278
	974	(301)	4,668	4,642
Other revenues	464	428	1,775	1,679
	4,518	2,544	17,639	15,265
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,570	1,583	5,871	5,939
Ceded benefits and claims on contracts	(173)	(150)	(581)	(547)
Net transfer to segregated funds	1,038	235	2,872	917
Increase (decrease) in insurance contract liabilities	1,494	(283)	5,760	4,773
Increase (decrease) in investment contract liabilities	9	(1)	34	27
Decrease (increase) in reinsurance assets	(625)	68	(737)	(44)
	3,313	1,452	13,219	11,065
Commissions	484	434	1,788	1,654
General expenses	465	411	1,668	1,472
Premium and other taxes	35	33	129	128
Financing charges	18	17	73	59
	4,315	2,347	16,877	14,378
<b>Income before income taxes</b>	203	197	762	887
Income taxes	31	32	130	188
<b>Net income</b>	172	165	632	699
Net income attributed to participating policyholders	(5)	(11)	(1)	(10)
<b>Net income attributed to shareholders</b>	177	176	633	709
Dividends attributed to preferred shares issued by a subsidiary	5	5	22	22
<b>Net income attributed to common shareholders</b>	172	171	611	687
<b>Earnings per common share (in dollars)</b>				
Basic	1.61	1.60	5.71	6.43
Diluted	1.60	1.59	5.70	6.40
<b>Weighted average number of shares outstanding (in millions of units)</b>				
Basic	107	107	107	107
Diluted	107	107	107	107
<b>Dividends per common share (in dollars)</b>	—	—	1.94	1.77

## Consolidated Statements of Financial Position

(in millions of dollars)	As at December 31	
	2020	2019
<b>Assets</b>		
<b>Investments</b>		
Cash and short-term investments	1,949	1,108
Bonds	32,099	27,508
Stocks	3,286	3,024
Mortgages and other loans	2,801	3,870
Derivative financial instruments	1,652	1,003
Policy loans	881	900
Other invested assets	563	429
Investment properties	1,916	2,077
	<b>45,147</b>	<b>39,919</b>
Other assets	3,261	2,193
Reinsurance assets	1,981	1,030
Fixed assets	390	394
Deferred income tax assets	38	28
Intangible assets	1,621	1,110
Goodwill	1,224	606
General fund assets	53,662	45,280
Segregated funds net assets	32,804	27,868
<b>Total assets</b>	<b>86,466</b>	<b>73,148</b>
<b>Liabilities</b>		
Insurance contract liabilities	36,527	30,665
Investment contract liabilities	575	630
Derivative financial instruments	569	455
Other liabilities	7,647	6,063
Deferred income tax liabilities	382	287
Debentures	1,449	1,050
General fund liabilities	47,149	39,150
Liabilities related to segregated funds net assets	32,804	27,868
<b>Total liabilities</b>	<b>79,953</b>	<b>67,018</b>
<b>Equity</b>		
Share capital and contributed surplus	1,694	1,684
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	4,253	3,879
Participating policyholders' accounts	41	42
	<b>6,513</b>	<b>6,130</b>
<b>Total liabilities and equity</b>	<b>86,466</b>	<b>73,148</b>

## Segmented Income Statements

The following tables present a summary of income by sector of activities:

(in millions of dollars)	Quarter ended December 31, 2020						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	422	1,131	399	863	176	89	3,080
Investment income	854	(74)	45	87	30	32	974
Other revenues	34	385	18	27	48	(48)	464
	<b>1,310</b>	<b>1,442</b>	<b>462</b>	<b>977</b>	<b>254</b>	<b>73</b>	<b>4,518</b>
<b>Operating expenses</b>							
Gross benefits and claims on contracts	208	511	283	398	161	9	1,570
Ceded benefits and claims on contracts	(73)	—	(15)	(6)	(106)	27	(173)
Net transfer to segregated funds	—	550	—	488	—	—	1,038
Increase (decrease) in insurance contract liabilities	1,402	(27)	13	51	68	(13)	1,494
Increase (decrease) in investment contract liabilities	—	—	9	—	—	—	9
Decrease (increase) in reinsurance assets	(588)	—	(5)	—	(45)	13	(625)
Commissions, general and other expenses	259	359	158	33	168	7	984
Financing charges	1	—	9	—	—	8	18
	<b>1,209</b>	<b>1,393</b>	<b>452</b>	<b>964</b>	<b>246</b>	<b>51</b>	<b>4,315</b>
Income before income taxes and allocation of other activities	101	49	10	13	8	22	203
Allocation of other activities	19	4	(1)	2	(2)	(22)	—
Income before income taxes	120	53	9	15	6	—	203
Income taxes	24	16	—	4	(13)	—	31
<b>Net income attributed to shareholders</b>	<b>101</b>	<b>37</b>	<b>9</b>	<b>11</b>	<b>19</b>	<b>—</b>	<b>177</b>

## Quarter ended December 21, 2019

(in millions of dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	410	810	410	574	131	82	2,417
Investment income	(276)	(81)	20	7	(10)	39	(301)
Other revenues	29	376	13	24	47	(61)	428
	163	1,105	443	605	168	60	2,544
<b>Operating expenses</b>							
Gross benefits and claims on contracts	207	497	279	453	117	30	1,583
Ceded benefits and claims on contracts	(74)	—	(16)	(7)	(72)	19	(150)
Net transfer to segregated funds	—	245	—	(10)	—	—	235
Increase (decrease) in insurance contract liabilities	(339)	(35)	4	133	(19)	(27)	(283)
Increase (decrease) in investment contract liabilities	—	—	(1)	—	—	—	(1)
Decrease (increase) in reinsurance assets	49	—	(3)	(6)	2	26	68
Commissions, general and other expenses	242	341	161	30	122	(18)	878
Financing charges	5	1	8	—	—	3	17
	90	1,049	432	593	150	33	2,347
Income before income taxes and allocation of other activities	73	56	11	12	18	27	197
Allocation of other activities	19	1	1	1	5	(27)	—
Income before income taxes	92	57	12	13	23	—	197
Income taxes	6	14	3	4	5	—	32
<b>Net income attributed to shareholders</b>	97	43	9	9	18	—	176

## Segmented Income Statements (continued)

The following tables present a summary of income by sector of activities:

(in millions of dollars)	Twelve months ended December 31, 2020							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Revenues</b>								
Net premiums	1,625	3,916	1,603	3,018	694	340	11,196	
Investment income	3,592	149	194	387	192	154	4,668	
Other revenues	118	1,501	72	105	176	(197)	1,775	
	5,335	5,566	1,869	3,510	1,062	297	17,639	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	813	1,887	1,146	1,397	589	39	5,871	
Ceded benefits and claims on contracts	(251)	—	(63)	(26)	(351)	110	(581)	
Net transfer to segregated funds	—	1,779	—	1,093	—	—	2,872	
Increase (decrease) in insurance contract liabilities	4,168	392	62	889	265	(16)	5,760	
Increase (decrease) in investment contract liabilities	—	—	34	—	—	—	34	
Decrease (increase) in reinsurance assets	(664)	—	2	3	(94)	16	(737)	
Commissions, general and other expenses	928	1,355	579	115	597	11	3,585	
Financing charges	12	2	33	—	1	25	73	
	5,006	5,415	1,793	3,471	1,007	185	16,877	
Income before income taxes and allocation of other activities	329	151	76	39	55	112	762	
Allocation of other activities	88	15	1	5	3	(112)	—	
Income before income taxes	417	166	77	44	58	—	762	
Income taxes	67	42	15	9	(3)	—	130	
<b>Net income</b>	350	124	62	35	61	—	632	
Net income attributed to participating policyholders	(1)	—	—	—	—	—	(1)	
<b>Net income attributed to shareholders</b>	351	124	62	35	61	—	633	

## Twelve months ended December 21, 2019

(in millions of dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	1,587	2,911	1,638	2,001	493	314	8,944
Investment income	3,767	57	172	332	162	152	4,642
Other revenues	120	1,463	55	97	103	(159)	1,679
	5,474	4,431	1,865	2,430	758	307	15,265
<b>Operating expenses</b>							
Gross benefits and claims on contracts	831	2,018	1,134	1,379	468	109	5,939
Ceded benefits and claims on contracts	(255)	—	(59)	(28)	(288)	83	(547)
Net transfer to segregated funds	—	674	—	243	—	—	917
Increase (decrease) in insurance contract liabilities	3,658	197	44	690	224	(40)	4,773
Increase (decrease) in investment contract liabilities	—	—	27	—	—	—	27
Decrease (increase) in reinsurance assets	9	—	(3)	(2)	(87)	39	(44)
Commissions, general and other expenses	860	1,307	611	107	384	(15)	3,254
Financing charges	21	2	26	—	1	9	59
	5,124	4,198	1,780	2,389	702	185	14,378
Income before income taxes and allocation of other activities	350	233	85	41	56	122	887
Allocation of other activities	92	3	6	3	18	(122)	—
Income before income taxes	442	236	91	44	74	—	887
Income taxes	75	61	24	12	16	—	188
<b>Net income</b>	367	175	67	32	58	—	699
Net income attributed to participating policyholders	(10)	—	—	—	—	—	(10)
<b>Net income attributed to shareholders</b>	377	175	67	32	58	—	709

## Segmented Assets and Liabilities

The following tables present a summary of the segmented assets and liabilities by sector of activities:

(in millions of dollars)	As at December 31, 2020							Total
	Individual		Group				Other	
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations			
<b>Assets</b>								
Invested assets	25,922	2,145	1,969	4,949	1,347	8,815	45,147	
Segregated funds net assets	—	19,240	—	13,564	—	—	32,804	
Reinsurance assets	(36)	—	222	130	1,805	(140)	1,981	
Other	109	1,096	—	—	74	5,255	6,534	
<b>Total assets</b>	<b>25,995</b>	<b>22,481</b>	<b>2,191</b>	<b>18,643</b>	<b>3,226</b>	<b>13,930</b>	<b>86,466</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	—	13,564	—	—	32,804	
Other	441	47	3	8	—	9,548	10,047	
<b>Total liabilities</b>	<b>26,102</b>	<b>21,533</b>	<b>2,275</b>	<b>18,602</b>	<b>2,003</b>	<b>9,438</b>	<b>79,953</b>	

(in millions of dollars)	As at December 31, 2019							Total
	Individual		Group				Other	
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations			
<b>Assets</b>								
Invested assets	23,113	1,880	1,881	3,998	1,058	7,989	39,919	
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868	
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030	
Other	121	866	—	—	38	3,306	4,331	
<b>Total assets</b>	<b>22,532</b>	<b>19,138</b>	<b>2,114</b>	<b>15,606</b>	<b>2,587</b>	<b>11,171</b>	<b>73,148</b>	
<b>Liabilities</b>								
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	—	7,466	7,855	
<b>Total liabilities</b>	<b>21,812</b>	<b>18,268</b>	<b>2,204</b>	<b>15,623</b>	<b>1,744</b>	<b>7,367</b>	<b>67,018</b>	