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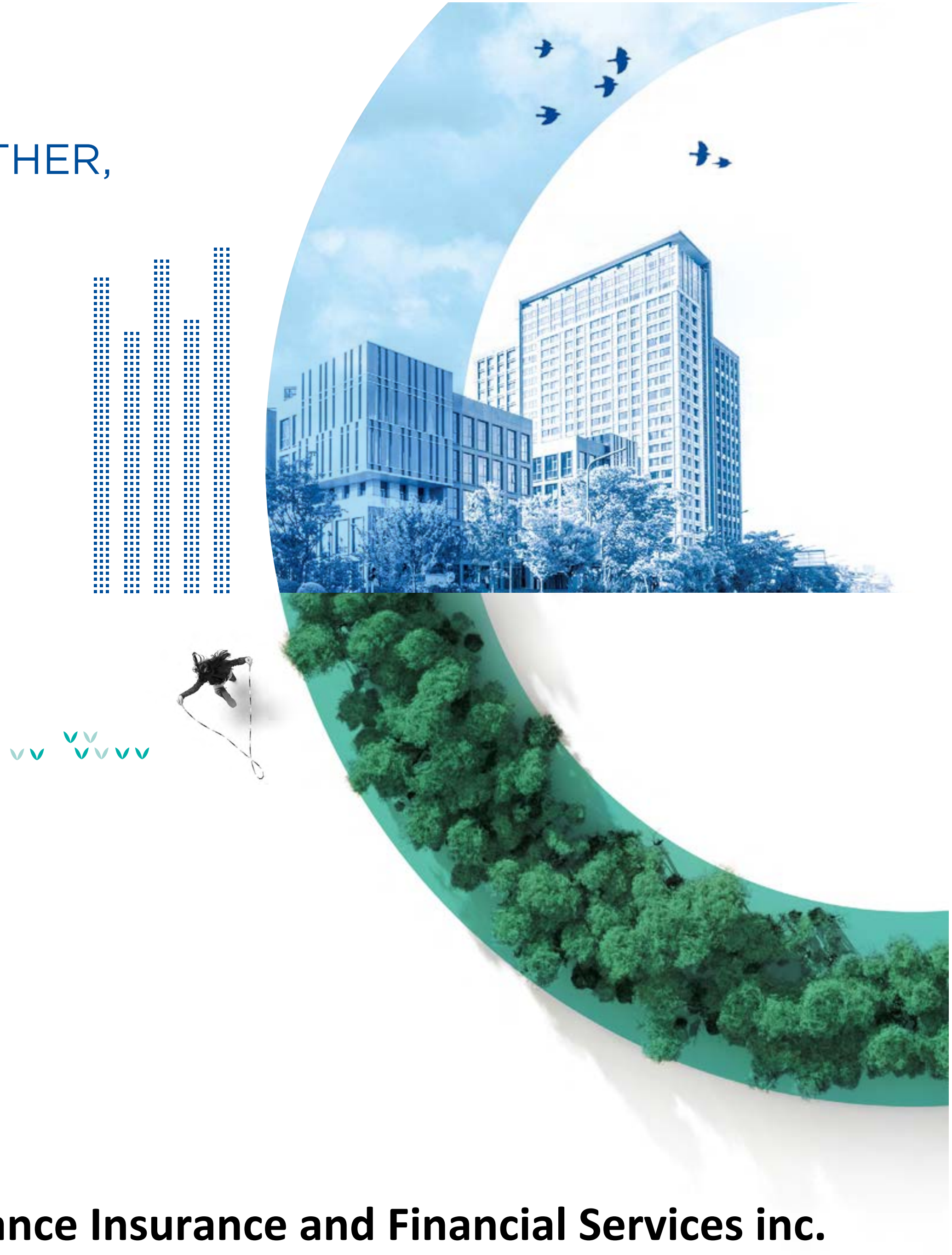


Industrial Alliance Insurance and Financial Services inc.

2023 Management's Discussion and Analysis

for the year ended December 31, 2023

February 20, 2024

iA Financial Group

2023 Management's Discussion and Analysis

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

Notice

Legal Constitution and General Information

Industrial Alliance Insurance and Financial Services Inc. (“iA Insurance” or the “Company”) is a stock insurance company listed on the Toronto Stock Exchange. It is governed by the *Insurers Act* (Quebec), the *Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the “1999 Private Bill”), as amended by the *Act to amend the Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the “2018 Private Bill,” collectively with the 1999 Private Bill, the “Private Bill”) and by the *Business Corporations Act* (Quebec). iA Insurance and its subsidiaries are authorized by the appropriate regulatory authorities to operate in all provinces and territories of Canada, and most of the United States. iA Insurance is also an issuer subject to the various securities laws in effect in the provinces of Canada.

On January 1, 2019, iA Insurance became a subsidiary all of whose common shares are held by iA Financial Corporation Inc. (“iA Financial Corporation”), a holding company that comprises all the group’s activities. Under the terms of a plan of arrangement (the “arrangement”), all the common shares of iA Insurance outstanding at January 1, 2019 have been exchanged for newly issued common shares of iA Financial Corporation, the new holding company, on a one-for-one basis. Issued and outstanding Class A Preferred Shares, Series B remain issued by iA Insurance and have been guaranteed by iA Financial Corporation in accordance with the terms of the arrangement. iA Financial Corporation is a “successor issuer” of iA Insurance as defined in securities regulations with respect to the common shares previously issued by iA Insurance. Following the arrangement, iA Insurance remains a “reporting issuer” as defined in securities regulations.

In February 2000, iA Insurance became a public company governed under the 1999 Private Bill. The 1999 Private Bill was enacted by the Quebec National Assembly on November 26, 1999, and its amendment, the 2018 Private Bill, was enacted on June 15, 2018. The Private Bill prohibits any person and his/her affiliates from acquiring, either directly or indirectly, voting shares of iA Financial Corporation if the acquisition results in the person and his/her affiliates holding 10% or more of the voting rights related to the shares. The Private Bill further provides that in the event that an acquisition is made in contravention of the foregoing, an individual on behalf of whom the shares are acquired cannot exercise the voting rights attached to the aggregate of his/her shares for as long as they are in contravention of this provision. In addition, under this Private Bill, iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance.

Unless otherwise indicated, all information presented in this Management’s Discussion and Analysis is established as at December 31, 2023, or for the year ended on that date.

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

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

This Management’s Discussion and Analysis is dated February 20, 2024.

Note regarding 2022 restated results – The Company’s 2022 annual results have been restated for the adoption of IFRS 17 *Insurance Contracts* and the related IFRS 9 *Financial Instruments* overlay (“the new accounting standards”). Additionally, the restated 2022 results are not fully representative of the Company’s future market risk profile and future reported and core earnings profile, as the transition of the Company’s invested asset portfolio for asset/liability management purposes under the new accounting standards was not fully completed until 2023. Accordingly, analysis based on 2022 comparative results may not be indicative of future trends and should be interpreted within this context. For additional information about risk management under the new accounting standards, refer to the “Risk Management” section of this document.

Non-IFRS and Additional Financial Measures

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

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

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

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

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

Non-IFRS measures published by iA Financial Group are:

- Return on common shareholders’ equity (ROE):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders’ equity for the period.
  - *Purpose*: Provides a general measure of the Company’s efficiency in using equity.

- Net impaired loans as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of impaired loans net of allowance for credit losses expressed as a percentage of gross loans.
  - *Purpose*: An indicator of the quality of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total allowance for credit losses (ACL) as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of ACL expressed as a percentage of gross loans.
  - *Purpose*: Provides a measure of the expected credit experience of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Dividend payout ratio:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The percentage of net income attributed to common shareholders, on a reported basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company’s reported revenues shareholders received in the form of dividends.
  - *Reconciliation*: The dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the reported earnings per common share for the period.

- Core dividend payout ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The percentage of net income attributed to common shareholders, on a core earnings basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company’s core revenues shareholders received in the form of dividends.
  - *Reconciliation*: The core dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the core earnings per common share for the period.

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

- Organic capital generation:
    - *Category under Regulation 52-112*: Supplementary financial measure.
    - *Definition*: Excess capital generated in the normal course of business, excluding the impact of the macroeconomic environment, where excess capital is the amount of capital over and above the target ratio, calculated under the CARLI guideline.
    - *Purpose*: Provides a measure of the Company's capacity to generate excess capital in the normal course of business.

- Potential capital deployment, Capital available for deployment, Deployable capital or Capital for deployment:
    - *Category under Regulation 52-112*: Supplementary financial measure.
    - *Definition*: Amount of capital the Company can deploy assuming a merger or acquisition type transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's own internal targets. The calculation of this amount considers potential capital issuances while taking into consideration the Company's own internal target level and assumes the most restrictive transaction parameters with respect to regulatory capital.
    - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.

- Total payout ratio (trailing 12 months):
    - *Category under Regulation 52-112*: Supplementary financial measure.
    - *Definition*: The sum of common dividends paid and common shares repurchased (buybacks) over the last twelve months divided by the net income available to common shareholders over the last twelve months.
    - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends over a twelve-month period.

- Sensitivity measures:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: The impact of macroeconomic variations, such as interest rate and equity market variations, on other Company metrics, such as net income or the solvency ratio.
    - *Purpose*: Used to assess the Company's risk exposure to macroeconomic variations.

- Financial leverage measure – Debentures/Capital:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: Calculated by dividing total debentures by the sum of total debentures plus shareholders' equity.
    - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Debentures + Preferred Shares issued by a subsidiary/Capital:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary by the sum of total debentures plus shareholders' equity.
    - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Coverage ratio:
    - *Category under Regulation 52-112*: Non-IFRS ratio.
    - *Definition*: Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred shares issued by a subsidiary, and dividends and redemption premiums on preferred shares issued by a subsidiary (if applicable).
    - *Purpose*: Provides a measure of the Company's ability to meet liquidity requirements for obligations when they come due.
    - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Capitalization:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: The sum of the Company's equity, participating policyholders' accounts and debentures.
    - *Purpose*: Provides an additional indicator for evaluating the Company's financial performance.
    - *Reconciliation*: This measure is the sum of several IFRS measures.

- Solvency ratio:
    - *Category under Regulation 52-112*: In accordance with the Capital Adequacy Requirements Guideline – Insurance of Persons (CARLI) revised in January 2023 by the Autorité des marchés financiers ("AMF"), this financial measure is exempt from certain requirements of Regulation 52-112.
    - *Definition*: Calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.
    - *Purpose*: Provides a measure of the Company's solvency and allows the regulatory authorities to determine if an insurance company is sufficiently capitalized in relation to the minimum set by the Company's regulator.

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

- Assets under administration (AUA):
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* All assets with respect to which the Company acts only as an intermediary between a client and an external fund manager.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Assets under management (AUM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: All assets with respect to which the Company establishes a contract with a client and makes investment decisions for amounts deposited in this contract.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under management.
  - *Reconciliation*: "General fund assets" and "Segregated funds net assets" disclosed in the Company's financial statements are IFRS measures and components of the AUM calculation. A reconciliation is presented in this document.

- Individual Wealth Management mutual fund deposits, Group Savings and Retirement deposits, US Operations Dealer Services premium equivalents and Group Insurance Employee Plans ASO, investment contracts and premium equivalents and deposits:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Deposits refer to amounts received from clients under an investment contract. Deposits are not reflected in the Company's income statements.
    b. Premium equivalents refer to amounts related to service contracts (such as Administrative Services Only (ASO) contracts) or related to services where the Company is primarily an administrator. For some business units, they also include the amount of premiums kept externally for insurance contracts where the Company will compensate the counterparty for losses that exceed a specific threshold, or failure to pay. These amounts are not accounted for in "Net premiums".
  - *Purpose*: Premium equivalents and deposits are one of many measures used to assess the Company's ability to generate income from in-force and new business.

- Individual Insurance minimum and excess premium sales, Individual Wealth Management gross and net mutual fund sales, Group Insurance Employee Plans sales, US Operations Individual Insurance sales, Group Insurance Special Markets sales, Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales, iA Auto & Home sales and Dealer Services Creditor Insurance sales:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definitions*:
    a. Individual Insurance minimum and excess premium sales are defined as first-year annualized premiums. Individual Wealth Management total sales (or gross sales) for general fund and segregated fund products correspond to the net premiums. Sales for mutual funds are defined as deposits and include primary market sales of ETFs. Individual Wealth Management net sales for segregated funds and mutual funds correspond to net entries (gross mutual fund sales less withdrawals and transfers). Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (administrative services only).
    b. US Operations Individual Insurance sales are defined as first-year annualized premiums.
    c. Group Insurance Special Markets sales are defined as premiums before reinsurance.
    d. Dealer Services P&C sales are defined as direct written premiums (before reinsurance and cancellations).
    e. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
    f. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
    g. iA Auto & Home sales are defined as direct written premiums.
    h. Dealer Services Creditor Insurance sales are defined as premiums before insurance and cancellations.
  - *Purpose*: Used to assess the Company's ability to generate new business and serve as additional tools to help investors better assess the Company's growth potential.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

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

- Net premiums:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*:
    a. Individual Insurance net premiums, Group Insurance Employee Plans net premiums and US Operations Individual Insurance net premiums are defined as premiums reduced by premiums ceded to reinsurers and include both fund entries on new business written during the period and on in-force contracts.
    b. Dealer Services P&C net premiums, US Operations Dealer Services net premiums and iA Auto & Home net premiums are defined as direct written premiums less amounts ceded to a reinsurer.
    c. Group Insurance Special Markets net premiums and Dealer Services Creditor Insurance net premiums refer to gross premiums less amounts ceded to a reinsurer.
    d. Group Savings and Retirement net premiums refer to net premium after reinsurance and exclude premium equivalents.
  - *Purpose*: Premiums are one of many measures used to assess the Company's ability to generate income from in-force and new business.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

Forward-Looking Statements

This document may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", "guidance", "outlook" and "forecast", or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change.

Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. In addition, certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.

- Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic, operational and regulatory risks, such as: general business and economic conditions; level of inflation; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; actions by regulatory authorities that may affect the business or operations of iA Financial Group or its business partners; risks associated with the regional or global political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group's ability to satisfy stakeholder expectations on environmental, social and governance issues; information technology, data and information security risks, including cyber risks; fraud risk; risks related to human resources; hedging strategy risks; iA Financial Group liquidity risk, including the availability of financing to meet financial commitments at expected maturity dates; risk of incorrect design, implementation or use of a model; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; and the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the COVID-19 pandemic) and acts of terrorism.

- Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document or found in the "Risk Management" section of the Company's Management's Discussion and Analysis for 2023 that could influence the Company's performance or results.

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

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern, including interest rate hikes by central banks to fight inflation. The war in Ukraine, the Hamas-Israel conflict and tension in China are also causing instability in global markets. These events, among others, could lead to reduced consumer and investor confidence, significant financial volatility and more limited growth opportunities, as well as testing the Company's ability to anticipate and mitigate headwinds in its markets and could negatively affect the Company's financial outlook, results and operations.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2023, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2023 and elsewhere in iA Financial Group's filings with the Canadian Securities Administrators, which are available for review at sedarplus.ca.

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

Documents Related to the Financial Results

All documents related to 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 be found on the SEDAR+ website at sedarplus.ca, as well as in the Company's Annual Information Form, which can be found on the iA Financial Group website or the SEDAR+ website.

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

Highlights

The Company recorded good performance in 2023 with net income attributed to the common shareholder of $847 million, owing to the dynamism of its business units. This performance follows an effective and smooth transition to the IFRS 17 and IFRS 9 accounting standards.

Business growth continued to be strong in almost all business units as evidenced by the increase in assets under management and administration,† the increase in premiums and deposits† and solid sales† results.

The Company maintained a strong solvency ratio† throughout the year and was active in terms of capital deployment, with considerable investments in organic growth and digital transformation and the acquisition of Vericity, a U.S. life insurance carrier and digital agency. At the end of 2023, the adequacy of the Company's actuarial provisions was confirmed with the year-end assumption review process. Also, the investment portfolio remained of the highest quality.

Profitability

Net income attributed to the common shareholder amounted to $847 million in 2023, which compares to the restated result of $471 million in 2022.[1] Refer to the "Profitability" section of this Management's Discussion and Analysis for more information on the Company's profitability in 2023.

Profitability

(In millions of dollars, unless otherwise indicated)	2023	2022[1]	Variation
Net income attributed to common shareholder	847	471	80%

Business Growth

Assets under management and administration† ended the year at $215.8 billion, compared to $194.3 billion at the previous year end. Premiums and deposits† totalled $16.5 billion compared to $15.2 billion in 2022. Overall business growth was solid in 2023, with strong sales results recorded in almost all business units, reflecting the strength of our diversified business model. This sound performance was also due in part to the scope and diversity of the Company's distribution networks, the range and relevance of its products, and the effectiveness of the digital tools available to representatives, clients and employees. Refer to the "Business Growth" section of this Management's Discussion and Analysis for more information on the Company's business growth in 2023.

Financial Strength

At December 31, 2023, the Company had nearly $6.2 billion in total capital,† with a solvency ratio† of 139% compared to 118% a year earlier. This increase is mainly due to better recognition of the Company's financial strength under IFRS 17 and IFRS 9 and the strong contribution of organic capital generation.† These favourable items were partially offset by the $400 million debenture and the $150 million preferred share redemption, the dividend payments to iA Financial Corporation, iA Insurance's sole common shareholder, and the unfavourable impact of macroeconomic variations. The Company's solvency ratio remained well above the operating target of 120% throughout 2023. For detailed comments on financial strength, including dividends and debt instruments, refer to the "Financial Position" section of this Management's Discussion and Analysis.

Quality of Investment Portfolio

The overall quality of the investment portfolio continued to be excellent in 2023, reflecting its composition of high-quality assets with diversified exposures and prudent positioning. As presented in the table below, bonds rated BB and lower accounted for just 0.5% of the bond portfolio. In addition, the 86.7% occupancy rate of the investment properties portfolio continues to compare favourably with commercial rental properties in large Canadian cities. Also, 68.2% of the mortgage portfolio is insured. For detailed comments on investments, refer to the "Investments" section of this Management's Discussion and Analysis.

Investment Portfolio Quality

	As at December 31	
	2023	2022
Bonds – Proportion rated BB and lower	0.5 %	0.9 %
Mortgages – Proportion of insured loans	68.2%	69.7%
Investment properties – Occupancy rate	86.7%	88.3%
Car loans – Net impaired loans as a percentage of gross loans	0.4%	0.4%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.2%	4.9%

Acquisitions and Dispositions

On October 3, 2023, the Company entered into an agreement to acquire the American company Vericity, Inc. and its subsidiaries. Vericity comprises two entities servicing the middle-market life insurance space, with synergies in between and combining artificial intelligence and rich data analytics to deliver innovative proprietary technology: Fidelity Life, an insurance carrier, and eFinancial, a direct-to-consumer digital agency. The closing of the transaction is expected in the first half of 2024.

No notable dispositions occurred in 2023.

For more information on the acquisitions announced in 2023, refer to Note 29 of the Company's 2023 consolidated financial statements entitled *Guarantees, Commitments and Contingencies*.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

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

Changes to Accounting Policies in 2023 and Future Changes in Accounting Policies

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2023. The Company has applied the new IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* standards. The initial and simultaneous application of these standards had a limited impact on the Company's equity at transition on January 1, 2022, resulting in an increase of $11 million in the shareholders' equity.

For their part, the amendments had no significant impact on the Company's financial statements as at December 31, 2023. For more information on these new standards and amendments, as well as on future changes in accounting policies, refer to Note 3 "Changes in Accounting Policies" and Note 4 "Impact of IFRS 17 and IFRS 9 Adoption" of the consolidated financial statements.

Outlook

With the strength and soundness of its business model combined with solid results achieved in recent years, the Company remains firmly committed to the execution of its business plan and strategy while maintaining a vision of long-term growth. With a robust and flexible balance sheet, the Company is well positioned to continue to grow its business and earnings, maintain its financial strength and create value for its shareholders in the coming years while adjusting to potential macroeconomic fluctuations.

Reflecting the Company's long-term vision and aligned with its approach to sustainable growth, earnings growth in the coming years is expected to come, among other things, from:

- Organic growth, including initiatives to fully leverage the Company's strong and diversified business mix and distribution networks
- Management actions and profitability improvement initiatives
- Acquisitions
- Continuing technology improvements

Transition to IFRS 17 and IFRS 9 accounting standards

The Company transitioned to IFRS 17 and IFRS 9 accounting standards on January 1, 2023, with a retroactive transition date of January 1, 2022.

To ensure an effective transition, the Company incorporated guiding principles into the decision-making process, prioritizing capital, a long-term view, strong risk management, transparency, and economically sound practices.

Importantly, iA Financial Group's successful business model, ambition and strategy, which have proved successful in the past, are firmly intact following the transition. The book value and EPS levels were intact as well at the date of transition. Also, as the Company remains focused on capital and committed to a long-term vision, the new standard better reflects the financial strength of the Company, demonstrating a robust capital position and a resilient balance sheet.

Through the transition to IFRS 17 and IFRS 9, earnings sensitivity to macroeconomic variations is increased due to the different treatment of assets and liabilities under the new accounting standards. Nevertheless, the Company envisions continued solid growth, bolstering shareholder value, through capital deployment and ROE expansion going forward.

Finally, the new accounting standards facilitate the Company's investment portfolio global management through the Total Portfolio Management approach, delivering an optimized investment strategy and favourable impacts on earnings and capital. Overall, iA Financial Group's successful transition to IFRS 17 and IFRS 9 marks an important milestone and underscores the continued dedication to responsible financial practices while positioning the Company for continued growth and success.

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

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

Business Growth

Overall business growth was solid in 2023, reflecting the strength of our diversified business model.

Assets Under Management and Administration†

Assets under management and administration amounted to nearly $215.8 billion at December 31, 2023, recording an increase of 11% over the end of 2022 ($194.3 billion).

Premiums and Deposits†

Total premiums and deposits totalled more than $16.5 billion in 2023, an increase of 8% over 2022.

Sales†

Insurance, Canada

- Individual Insurance sales† totalled $369 million in 2023, a solid result that compares to a particularly strong year of $387 million in 2022. Compared to 2021, this year's result is up 29%.
- Group Insurance sales† totalled $50 million for 2023 in the Employee Plans business unit, compared to $46 million a year earlier, and Special Markets sales of $367 million increased by 14% over 2022.
- Dealer Services sales were up 8% over 2022, totalling $563 million in 2023.
- iA Auto and Home (general insurance) sales totalled $519 million in 2023, up 14% from a year earlier.

Wealth Management

- Total sales amounted to $7.8 billion compared to $6.8 billion a year earlier.
- Sales of insured annuities and other savings products were up 124% to reach $2.7 billion in 2023, while segregated fund and mutual fund sales† were $3.6 billion and $1.5 billion, respectively, in 2023.
- Group Savings and Retirement posted sales† of nearly $2.6 billion in 2023 compared to a strong $2.8 billion in 2022.

US Operations

- Sales† in the Individual Insurance division totalled US$172 million, up 20% from 2022.
- Sales† in the Dealer Services division were US$784 million in 2023 compared to US$792 million a year earlier.

Assets Under Management and Administration†	As at December 31		
(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Assets under management	107,408	96,603	11%
Assets under administration	108,349	97,717	11%
Total	**215,757**	**194,320**	**11%**
Premiums and Deposits†,[1]			
(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
Individual Insurance	1,985	1,882	5%
Group Insurance	1,882	1,739	8%
Dealer Services	584	482	21%
iA Auto and Home (iAAH)[2]	465	403	15%
Individual Wealth Management	7,812	6,833	14%
Group Savings and Retirement	2,565	2,800	(8%)
US Operations	1,229	1,103	11%
Total	**16,522**	**15,242**	**8%**

[1] Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.
[2] Includes iAAH and some minor consolidation adjustments.

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

Sales by Line of Business[†]

(In millions of dollars, unless otherwise indicated)	2023	2022	Variation
INSURANCE, CANADA			
Individual Insurance			
Minimum premiums	328	352	(7%)
Excess premiums	41	35	17%
Total	369	387	(5%)
Group Insurance			
Employee Plans	50	46	9%
Special Markets	367	322	14%
Total	417	368	13%
Dealer Services[3]	563	522	8%
iA Auto and Home	519	457	14%
WEALTH MANAGEMENT			
Individual Wealth Management			
Insured annuities and other savings products	2,700	1,203	124%
Segregated funds	3,581	3,908	(8%)
Mutual funds	1,531	1,722	(11%)
Total	7,812	6,833	14%
Group Savings and Retirement[†]	2,590	2,827	(8%)
US OPERATIONS			
Individual Insurance ($US)	172	143	20%
Dealer Services ($US)	784	792	(1%)

[3] Includes creditor insurance, P&C products and car loan originations.

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

Profitability

Highlights

The Company ended the year with net income attributed to the common shareholder of $847 million in 2023, which compares to the restated result of $471 million in 2022.[1]

Industrial Alliance Insurance and Financial Services Inc. became a subsidiary of iA Financial Corporation Inc. on January 1, 2019 pursuant to a plan of arrangement. Under this plan of arrangement, iA Financial Corporation is the successor issuer of iA Insurance. See the "Notice" at the beginning of this Management's Discussion and Analysis for more information about the legal constitution of the Company.

Assumption Changes, Risk Management Initiatives and Management Actions

At the end of each quarter, the Company updates its liabilities to reflect the current economic environment and ensures their adequacy, which could lead to some change in its methodologies and assumptions. In addition, at the end of each year, the Company carries out a thorough review of most of its methodologies and assumptions to take into account the Company's own experience, and industry experience when applicable, in terms of mortality, morbidity, lapse rates, expenses and other factors.

Under the IFRS 17 accounting standard, the result of the assumption changes and management actions impacts, directly or indirectly, the contractual service margin (CSM) and risk adjustment (RA) in addition to the net income and solvency ratio. In some specific situations, a change in RA will trigger an opposite change in the CSM, therefore having no impact on immediate and future earnings. Changes in assumptions and methodologies will have an impact on net income or CSM based on three main factors: 1) the type of change (financial or non-financial), 2) the presence of a CSM for the contracts targeted by the change, and 3) the type of measurement model for the contracts targeted by the change. The most common situations are the following:

– Impacts of non-financial changes in methodologies and assumptions flow directly through the CSM when attributable to insurance contracts that have a CSM and directly to net income if they do not have a CSM. For insurance contracts measured under the general measurement model (GMM), the impacts on CSM are measured at locked-in discount rates. For insurance contracts measured under the variable fee approach (VFA), the impacts on CSM are measured at current discount rates.
– Impacts of financial changes in methodologies and assumptions flow directly through net income for insurance contracts measured under the GMM. For contracts measured under the VFA, this impact, measured at current discount rates, flows directly through the CSM when attributable to insurance contracts that have a CSM and directly to net income if they do not have a CSM.

Changes to the Company's methodologies and assumptions in 2023, including the year-end annual review, resulted in a positive total impact of $49 million pre-tax. This is broken down into a slightly positive pre-tax impact on income of $4 million and a positive impact of $45 million pre-tax on future profit from the combined impacts on the CSM and the RA.

The result of the process was positive for the mortality and morbidity, policyholder behaviour and financial assumptions, while the impact of management actions, expenses and model refinements was unfavourable. For mortality, morbidity, policyholder behaviour and expenses, the changes in assumptions result mainly from the annual update of experience and expense studies.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

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

Analysis According to the Financial Statements

Annual Results

The following tables present the Company's financial results according to the financial statements for the years ended December 31, 2023, 2022 and 2021.

Consolidated Income Statement

	IFRS 17 and IFRS 9	
(In millions of dollars)	**2023**	2022[2]
Insurance service result		
Insurance revenue	5,410	4,872
Insurance service expenses	(4,586)	(3,890)
Net expenses from reinsurance contracts	40	(220)
Total	**864**	**762**
Net investment result		
Investment income	1,921	1,821
Interest and other investment income	1,989	(9,999)
Change in fair value of investments	**3,910**	**(8,178)**
Finance income (expenses) from insurance contracts	(3,273)	8,444
Finance income (expenses) from reinsurance contracts	137	(127)
Increase (decrease) in investment contract liabilities	(151)	(36)
	623	**103**
Investment income (expenses) from segregated funds net assets	4,697	(3,897)
Finance income (expenses) related to segregated funds liabilities	(4,697)	3,897
	—	**—**
	623	**103**
Other revenues	1,350	1,321
Other operating expenses	(1,740)	(1,633)
Other financing charges	(14)	(18)
Income before income taxes	**1,083**	**537**
Income taxes	(228)	(48)
Net income	**855**	**489**
Dividends attributed to preferred shares issued by a subsidiary	(8)	(18)
Net income attributed to common shareholder	**847**	**471**
Earnings per common share (EPS) – Basic	**$7.46**	**$4.23**

[2] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

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

(In millions of dollars)	IFRS 4 and IAS 39 2022	2021
Revenues		
Net premiums	12,852	12,952
Investment income	(6,624)	188
Other revenues	1,956	2,010
Total	**8,184**	**15,150**
Policy benefits and expenses		
Net policy benefits	6,922	6,945
Net transfers to segregated funds	2,369	3,278
Increase (decrease) in insurance contract liabilities	(6,219)	(45)
Increase (decrease) in investment contract liabilities	(44)	(1)
Decrease (increase) in reinsurance assets	(123)	(76)
Commissions	2,249	2,134
General expenses	1,805	1,616
Premium and other taxes	154	141
Financing charges	59	53
Total	**7,172**	**14,045**
Income before income taxes	1,012	1,105
Less: income taxes	167	255
Net income	**845**	**850**
Less: net income attributed to participating policyholders	(42)	7
Net income attributed to shareholders	**887**	**843**
Less: preferred share dividends	18	22
Net income attributed to common shareholder	**869**	**821**
Earnings per common share (EPS) – Basic	**$7.80**	**$7.56**

Revenues

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

Revenues by Business Segment

(In millions of dollars)	Year ended December 31, 2023											
	Insurance revenue			Net investment income			Other revenues			Total		
	2023	2022[3]	Variation	**2023**	2022[3]	Variation	**2023**	2022[3]	Variation	**2023**	2022[3]	Variation
Insurance, Canada	3,507	3,134	373	—	—	—	158	147	11	3,665	3,281	384
Wealth Management	939	814	125	121	56	65	1,202	1,190	12	2,262	2,060	202
US Operations	964	924	40	—	—	—	46	41	5	1,010	965	45
Investment	—	—	—	3,798	(8,234)	12,032	29	32	(3)	3,827	(8,202)	12,029
Corporate and consolidation adjustments	—	—	—	(9)	—	(9)	(85)	(89)	4	(94)	(89)	(5)
Total	5,410	4,872	538	3,910	(8,178)	12,088	1,350	1,321	29	10,670	(1,985)	12,655

Revenues increased by $12,655 million for December 31, 2023 compared to the same period in 2022,[3] mainly due to the increase in net investment income. The $12,088 million increase in net investment income for December 31, 2023 compared to 2022[3] is largely due to an increase of $1,312 million in 2023 vs. a decrease of $7,489 million in 2022[3] in fair value of bonds, an increase in fair value of derivative financial instruments and, to a lesser extent, a favourable variation in stocks, all of which support the insurance contract liabilities. The increase is mainly attributable to a decrease in interest rates in 2023 vs. an increase in 2022.[3]

Income Taxes

The consolidated financial statements indicate an income tax expense of $228 million in 2023, compared to $48 million in 2022. These amounts represent the Company's tax expense net of all adjustments for prior years. The increase in 2023 is mainly due to higher income before taxes, adjustments for prior years and lower non-taxable income.

3 Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

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

Net Income Attributed To Common Shareholder

Net income attributed to the sole common shareholder, iA Financial Corporation, totalled $847 million for 2023 compared to $471 million for the same period last year. The variation is primarily explained by the factors mentioned below:

- Market-related impacts
- Business growth over the last 12 months, which had a favourable impact on insurance results

The $847 million for 2023 is generated mainly by the insurance service result of $864 million resulting from insurance revenue and net expenses from reinsurance contracts and by a positive $623 million from the net investment result due to investment revenue and favourable variations in interest rates and equity markets, which were mostly offset by insurance service expenses.

Quarterly Results

Below is a summary of the Company's quarterly results, taken from the financial statements for the last eight quarters. The analysis in this section focuses primarily on the Company's results for the fourth quarter of 2023. Generally speaking, the terminology used in this section is the same terminology used in the financial statements.

Quarterly results

	2023				2022[4]			
(In millions of dollars)	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3	Q2	Q1
Revenues								
Insurance revenue	1,458	1,374	1,295	1,283	1,296	1,211	1,197	1,168
Net investment income	4,381	(2,581)	631	1,479	267	179	(3,957)	(4,667)
Other revenues	343	340	338	329	324	318	334	345
Total	6,182	(867)	2,264	3,091	1,887	1,708	(2,426)	(3,154)
Income before income taxes	357	94	275	357	243	40	217	37
Income taxes	(83)	(18)	(46)	(81)	(38)	6	(20)	4
Net income	274	76	229	276	205	46	197	41
Dividends attributed to preferred shares issued by a subsidiary	(2)	(1)	(2)	(3)	(4)	(3)	(5)	(6)
Net income attributed to common shareholder	**272**	**75**	**227**	**273**	**201**	**43**	**192**	**35**
Earnings per common share								
Basic	2.40	0.66	2.00	2.40	1.77	0.38	1.76	0.32
Finance income (expenses) from insurance contracts	(4,146)	2,602	(490)	(1,239)	57	(256)	4,026	4,617
Increase (decrease) in investment contract liabilities	(43)	(41)	(38)	(29)	(19)	(19)	—	2
Total general funds assets	48,882	44,966	46,585	46,048	43,988	44,550	43,900	47,346
Segregated funds net assets	41,837	39,122	40,016	39,343	37,334	35,469	35,625	38,873

Revenues

Revenues increased by $4,295 million for the fourth quarter of 2023 compared to the same period in 2022,[4] mainly due to the increase in net investment income. The $4,114 million increase in net investment income for the fourth quarter of 2023 compared to the fourth quarter of 2022[4] is largely due to an increase of $2,871 million in the fourth quarter of 2023 vs. a decrease of $126 million for the same period in 2022[4] in fair value of bonds and an increase in fair value of derivative financial instruments supporting the insurance contract liabilities. The increase is mainly attributable to a decrease in interest rates in 2023 vs. an increase in 2022.[4]

[4] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the Note regarding 2022 restated results on page 2).

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

Financial Position

Capitalization and Solvency

Capitalization

iA Insurance's capital structure can be divided into equity and debentures. At December 31, 2023, the Company's capital† reached nearly $6.2 billion, compared to nearly $6.4 billion a year earlier, with equity representing almost all of total capital.

The variation in 2023 is mainly due to the redemption of the $400 million debenture and the redemption of $150 million of preferred shares. These items were partly offset by an increase in retained earnings and accumulated other comprehensive income resulting from profits realized during the year.

Capital Structure†

	As at December 31	
(In millions of dollars)	**2023**	**2022**
Equity		
Share capital and contributed surplus	1,755	1,755
Preferred shares	125	275
Retained earnings and accumulated other comprehensive income	4,306	3,920
Total shareholders' equity	6,186	5,950
Debentures	4	404
Total capital structure	**6,190**	**6,354**

Solvency

The Company's solvency ratio† under the Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline issued by the Autorité des marchés financiers (AMF) was 139% at December 31, 2023, compared to 118% at December 31, 2022. The 21 percentage point increase is mainly explained by better recognition of the Company's financial strength under IFRS 17 and IFRS 9 and the positive contribution of organic capital generation.† These favourable items were partially offset by the two capital redemptions mentioned above; the dividends paid to iA Financial Corporation, iA Insurance's sole common shareholder; and the unfavourable macroeconomic variations, including value adjustments to investment properties. The Company intends to continue to maintain its solvency ratio above its target.[1]

	As at December 31	
(In millions of dollars, unless otherwise indicated)	**2023**	**2022**
Available capital and surplus allowance	10,245	8,864
Base solvency buffer	7,371	7,514
Solvency ratio†	**139%**	**118%**

Equity and Financing

Redemption of Financial Instruments

In March 2023, iA Insurance redeemed its non-cumulative 5-year rate reset Class A Preferred Shares – Series I issued in February 2018 for a total redemption price of $150 million.

In September 2023, iA Insurance redeemed its subordinated debentures issued in September 2016 with a principal amount of $400M and bearing interest of 3.30%.

Debentures

The Company had no series of debentures on its balance sheet at December 31, 2023. As mentioned above, the Company redeemed its subordinated debentures in September. As a result, in 2023, the financing expense, made up of interest and the amortization of issuance costs, amounted to $10 million, compared to $15 million in 2022.

Common Shares

The Company has only one class of common shares, which are 100% owned by iA Financial Corporation. The Company's common shares must be 100% owned by iA Financial Corporation, directly or indirectly, at all times.

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

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

Preferred Shares

In 2023, the Company paid $8 million in dividends to preferred shareholders with Class A Shares – Series B and I. All issued and outstanding Class A Shares – Series I were redeemed on March 31, 2023, as mentioned above. Therefore, iA Insurance's capital currently includes only one class of preferred shares, the Class A Preferred Shares – Series B, as shown in the full-page table later in this section.

Declaration of Fourth Quarter Dividends

In the fourth quarter of 2023, iA Insurance paid a dividend of $200 million in favour of its sole common shareholder, iA Financial Corporation. Late in the fourth quarter of 2023, the Board of Directors of iA Insurance also approved an additional dividend of $125 million to be paid to iA Financial Corporation. Of this amount, $109 million was paid in the fourth quarter of 2023 and the remaining balance will be settled over the course of 2024. Accordingly, iA Insurance paid a total of $309 million in dividends to iA Financial Corporation in the fourth quarter of 2023.

In the first quarter of 2024, iA Insurance approved the declaration of a dividend of $150 million to be paid to its sole common shareholder, iA Financial Corporation.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.2875 per non-cumulative Class A Preferred Share – Series B. The dividend is payable in cash on March 31, 2024, to the preferred shareholders of record as at February 23, 2024.

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

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

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

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

Controls and Procedures

Disclosure Controls and Procedures

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

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the controls and procedures for disclosing the Company's information. Following an evaluation carried out by these senior officers as at December 31, 2023, the Company's disclosure controls and procedures were deemed to be effective.

Internal Control Over Financial Reporting

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

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the Company's internal control over financial reporting as defined in Multilateral Instrument 52-109 (*Certification of Disclosure in Issuers' Annual and Interim Filings*). As at December 31, 2023, they evaluated the effectiveness of the internal control over financial reporting using the framework and criteria established in the *Internal Control – Integrated Framework* report published by the Committee of Sponsoring Organizations of the Treadway Commission. Following this evaluation, they concluded that the internal control over financial reporting was effective. During the year, no changes had, or are reasonably likely to have had, a material impact on internal control over financial reporting.

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

Significant Accounting and Actuarial Policies

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

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

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

Other Items

Related Party Transactions

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

Guarantees, Commitments and Contingencies

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

As at December 31, 2023, the Company's contractual obligations and commitments were as follows:

Contractual Obligations – Payments Due by Period

	As at December 31, 2023			
(In millions of dollars)	**Total**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Debentures	4	—	—	4
Lease liabilities	98	17	45	36
Purchasing commitments	415	123	292	—
Other long-term commitments	116,061	7,470	1,656	106,935
Total of contractual obligations	**116,578**	**7,610**	**1,993**	**106,975**

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

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

Credit Ratings

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

In 2023, the credit ratings assigned by Standard & Poor's, DBRS Morningstar and A.M. Best remained unchanged, with a stable outlook.

Credit Ratings

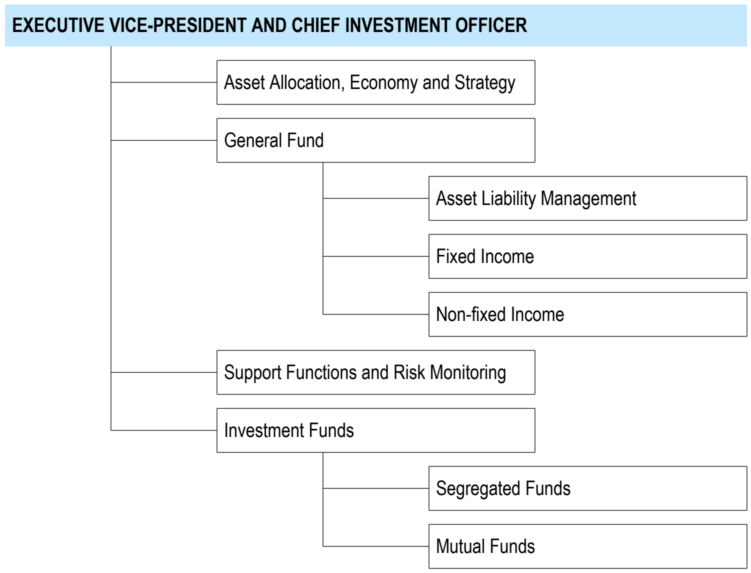
iA Financial Corporation Inc.		
Agency	**Type of evaluation**	**Rating**
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
	Limited Recourse Capital Notes	BBB+
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)
	Limited Recourse Capital Notes	BBB (high)
Industrial Alliance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

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

Investments

Description of Sector

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



At iA Financial Group, investment professionals have a diverse range of responsibilities, working with the general fund and for a number of segregated and mutual funds, in addition to overseeing all external managers.

The asset allocation team is responsible for balancing risk, return, liability matching and regulatory capital requirements while considering market trends and economic indicators to optimize the general fund portfolio.

The general fund experts manage a diverse range of investments, including fixed income, non-fixed income and derivatives. Fixed income investments include, among other things, corporate bonds, governments, municipalities, mortgages and short-term investments. Non-fixed income investments include, among other things, infrastructure, private equity and real estate.The general fund experts also utilize derivatives to manage risk.

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

Sustainable Investment Approach

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

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

Also, the general fund is pursuing decarbonization efforts with greenhouse gas (GHG) reduction targets for its public corporate bond portfolio and investment property holdings. As a major property owner, the Company measures its environmental performance based on stringent industry standards.

For more information about the Company's new GHG reduction targets, please refer to the December 14, 2023 news release.

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

Assets Under Management and Administration†

At December 31, 2023, the Company reached nearly $215.8 billion in assets under management and administration, an increase of 11% during the year.

Assets Under Management and Administration

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
(In millions of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Assets under management†					
General fund	48,882	43,988	51,707	50,653	44,503
Segregated funds	41,837	37,334	39,577	32,816	27,868
Mutual funds	12,204	11,611	13,955	11,393	11,594
Other	4,485	3,670	2,862	3,797	15,500
Subtotal	107,408	96,603	108,101	98,659	99,465
Assets under administration†	108,349	97,717	109,687	95,830	89,246
Total	**215,757**	**194,320**	**217,788**	**194,489**	**188,711**

Assets under management, which are made up of amounts in the general fund, segregated funds and mutual funds, as well as certain assets managed for third parties (classified as *Other*), increased 11% compared to the previous year, amounting to $107.4 billion at December 31, 2023.

Assets under administration of more than $108.3 billion at December 31, 2023 increased 11% over the last twelve months. Assets under administration essentially include third-party assets that are administered through the mutual fund brokerage company (Investia Financial Services), the securities brokerage company (iA Private Wealth) and the trust company (iA Trust).

General Fund

General Fund Investments

The Company primarily uses two key investment strategies for its general fund: the Total Portfolio Management (TPM) strategy and the Universal Life Policy Accounts strategy.

For the TPM strategy, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. The strategy takes into account the constraints imposed by the investment policies as well as the Risk Appetite and Tolerance Statement, which include interest rate risk, credit spread risk, equity risk and credit risk limits. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

Until the transition to IFRS 17 and IFRS 9, the Company was proactive in reviewing one of its investment strategies, the aforementioned TPM strategy, which was completed in 2023. In this context, the Company aligned its investment strategy for the vast majority of the Company's general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts.

Under the TPM strategy, the Company uses high-quality assets, primarily made up of long-term fixed income securities (such as bonds) and non-fixed income assets (such as stocks), to optimize the risk and return of this liability category. Derivative financial instruments can also be utilized to improve the portfolio's asset/liability positioning or its risk-adjusted return. The asset allocation aims to achieve an optimal return, taking into account capital requirements, expectations regarding the interest rate structure and the long-term capital market assumption for non-fixed income assets.

The Universal Life Policy Accounts strategy, which remains unchanged, relates to the pass-through and participating products and to the Company's general fund insurance contract liabilities (assets) linked to Universal Life policy accounts.

For more information about these two investment strategies, refer to the "Risk Management" section of this document.

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

Composition of General Fund Investments

The total value of the investment portfolio was nearly $41.5 billion at the end of 2023, an increase of 11% over the last twelve months. At the end of 2023, 71% of the Company's investments were invested in bonds and 9% in loans (including mortgages), for a total of 80% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 78% and 79% over the last five years, while stocks have varied between 7% and 10%.

General Fund Investments

	As at December 31	
	IFRS 17 and IFRS 9	
(In millions of dollars)	**2023**	**2022**
Bonds[1]	29,340	25,360
Stocks	3,892	3,908
Loans (including mortgages)	3,660	3,704
Investment properties	1,611	1,804
Cash and short-term investments	1,016	1,221
Other	1,937	1,495
Total	**41,456**	**37,492**

Investments by Asset Category

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Portfolio	**$41.5B**	**$37.5B**
Bonds[1]	71%	68%
Stocks	9%	10%
Loans (including mortgages)	9%	10%
Investment properties	4%	5%
Cash and short-term investments	3%	3%
Other	5%	4%
Total	100%	100%

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

Bond Portfolio

The Company's bond portfolio is of high quality, totalling $29.3 billion at December 31, 2023.

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

The proportion of bonds rated A or higher made up 73% of the bond portfolio at the end of 2023, compared to 75% at the end of 2022. At December 31, 2023, bonds rated BB and lower (high-yield bonds) totalled $158 million (0.5% of the bond portfolio), compared to $235 million at December 31, 2022 (0.9% of the bond portfolio).

Bonds by Credit Rating

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Portfolio[1]	**$29.3B**	**$25.4B**
AAA	6%	6%
AA	29%	30%
A	38%	38%
BBB	26%	24%
BB and lower	1%	1%
	100%	100%

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

1 Adjustments for Q4/2022 to Q3/2023 bond portfolio figures and other liabilities have been implemented in Q4/2023.

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

In addition to investing in bonds issued through public placements (government bonds and bonds of public corporations), the Company also invests in bonds issued through private placements. These bonds offer investment opportunities that are generally not available on the public market, and offer performance and risk features that are suitable for the operations of a life insurance company. They also provide greater access to information from issuers. However, bonds issued through private placements do not have the same level of liquidity and could be impacted by changing credit conditions in the market. At December 31, 2023, private issue bonds totalled $5.7 billion, accounting for 19% of the bond portfolio ($5.3 billion or 21% of the portfolio at December 31, 2022).

Bond Portfolio

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	**2022**	**2021**	**2020**	**2019**
Book value of the portfolio ($M)[2]	**29,340**	**25,358**	**32,254**	**31,762**	**27,189**
Distribution by category of issuer (%)					
Governments	30	30	41	48	49
Municipalities	3	3	4	5	5
Corporates – Public issues	48	47	37	31	29
Corporates – Private issues	19	21	18	17	18
Total	100	100	100	100	100

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

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to nearly $3.7 billion at December 31, 2023, relatively stable compared to the end of the previous year.

The mortgage portfolio alone, made up of multi-residential and non-residential mortgages, totalled more than $1.4 billion and remained of excellent quality at December 31, 2023, with insured mortgages representing 68% of the total mortgage portfolio, as shown in the table below.

At December 31, 2023, the proportion of multi-residential mortgage properties was 83% and has been above 80% for several years.

At the end of 2023, 17% of the mortgage portfolio ($245 million) was securitized through the Canada Mortgage and Housing Corporation (CMHC) Canada Mortgage Bond (CMB) program.

The other loans portfolio, which includes car loans and personal loans, totalled more than $2.2 billion at the end of 2023 compared with $2.1 billion at the end of 2022. The indicators in the table below confirm the quality of the car loans portfolio, with total allowance for credit losses (ACL) as a percentage of gross sales at 5.21%, remaining below pre-pandemic levels.

Mortgages and Other Loans Portfolio

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Book value of loans portfolio ($M)		
Mortgages	1,426	1,592
Car loans and other loans	2,234	2,112
Total	**3,660**	**3,704**
Distribution of mortgages by type of loan (%)		
Insured loans	68	70
Conventional loans	32	30
Total	**100**	**100**
Quality measure		
Car loans – Net impaired loans as a percentage of gross loans	0.41%	0.35%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.21%	4.93%

[2] Adjustments for Q4/2022 to Q3/2023 bond portfolio figures and other liabilities have been implemented in Q4/2023.

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

Mortgages by Type of Property

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Portfolio	**$1.4B**	**$1.6B**
Multi-residential	83%	84%
Non-residential – Industrial	7%	6%
Non-residential – Retail	4%	3%
Non-residential – Office	6%	8%
Non-residential – Other	—	—
Total	100%	100%

In addition to mortgages and other loans, the Company also manages mortgages for third parties. In total, the Company's portfolio of mortgages and other loans plus mortgages managed for third parties amounted to $7.0 billion at December 31, 2023 ($6.2 billion at December 31, 2022).

Stock Portfolio

At December 31, 2023, investments in equity securities amounted to $3.9 billion, or 9% of the Company's total investments. This amount is similar to a year earlier, which represented 10% of the Company's total investments.

Investments in equity securities, as well as the Company's preferred shares, are used in both the Total Portfolio Management (TPM) and Universal Life Policy Accounts strategies described in the above General Fund Investments section. The stock portfolio used in the Total Portfolio Management strategy delivered a return of 10% in 2023. Private equities continued to occupy a large part of the stock portfolio in 2023, as this category offers opportunities in terms of diversification, returns and matching of very long-term commitments.

Stock Portfolio by Type of Strategy

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Portfolio	**$3.9B**	**$3.9B**
Universal Life Policy Accounts	42%	39%
Total Portfolio Management	58%	61%

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

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

Stock Portfolio

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
	2023	2022	2021	2020	2019
Book value of the portfolio ($M)	**3,892**	**3,908**	**3,769**	**3,168**	**3,024**
Distribution by category of stock (%)					
Common shares and investment fund units	31	28	31	28	27
Preferred shares	9	9	15	23	19
Market indices	8	7	5	2	10
Private equities	53	55	49	47	44
Total	100	100	100	100	100

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

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

Investment Properties Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties decreased by $193 million in 2023 to $1.6 billion at December 31, 2023. Changes in the book value are normally due to the net amount of acquisitions and dispositions, the change in the fair value of investment properties that were reappraised during the year and any capital expenses on the properties. Real estate investments represented 4% of the total investment portfolio at December 31, 2023.

The occupancy rate of investment properties was 87% at December 31, 2023, compared to 88% at December 31, 2022. This occupancy rate continues to compare favourably with office properties in large Canadian cities. The weighted average lease term (WALT) of the investment properties portfolio is 9.2 years, ensuring stable long-term revenues for the Company.

Office buildings account for 85% of the Company's investment properties.The rest of the portfolio is invested in other types of property such as retail, industrial, land, multi-residential and others.

Investment Properties

	As at December 31				
	IFRS 17 and IFRS 9		IFRS 4		
(In millions of dollars, unless otherwise indicated)	2023	2022	2021	2020	2019
Book value of the portfolio	**1,611**	**1,804**	**1,870**	**1,916**	**2,077**
Occupancy rate	87%	88%	91%	95%	94%

Investment Properties by Category of Property

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	2022
Portfolio	**$1.6B**	**$1.8B**
Office	85%	86%
Retail	6%	6%
Industrial	4%	4%
Multi-residential, land and other	5%	5%

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

Derivative Financial Instruments

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

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

The Company also uses derivatives in the implementation of strategies to mitigate interest rate risk arising from asset liability mismatch and to hedge the risk associated with the Universal Life policy funds.

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

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

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

Derivative Financial Instruments – Fair Value and Exposure

	As at December 31	
	IFRS 17 and IFRS 9	
(In millions of dollars)	2023	2022
Net fair value	987	(477)
Notional amount	42,925	37,635

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

Other Invested Assets

The *Other invested assets* category is made up of cash and cash equivalents, derivatives, short-term investments and other investments. These investments totalled $3.0 billion at December 31, 2023 ($2.7 billion at December 31, 2022).

Quality of Investment Portfolio

The overall quality of the investment portfolio remained very good in 2023, reflecting its composition of high-quality assets with diversified exposures and prudent positioning. The indicators in the table below summarize several quality measures that confirm the overall quality of the investments.

	As at December 31	
	IFRS 17 and IFRS 9	
	2023	**2022**
Bonds – Proportion rated BB or lower	0.5%	0.9%
Mortgages – Proportion of insured loans	68.2%	69.7%
Investment properties – Occupancy rate	86.7%	88.3%
Car loans – Net impaired loans as a percentage of gross loans	0.4%	0.4%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	5.2%	4.9%

Investment Funds: Segregated Funds and Mutual Funds

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $54.0 billion at December 31, 2023 ($41.8 billion in segregated funds and $12.2 billion in mutual funds), an increase of $5.1 billion from the previous year. This increase is mostly explained by favourable financial markets as well as positive net sales in some market segments.

Segregated Fund and Mutual Fund Assets

	As at December 31				
(In billions of dollars)	**2023**	**2022**	**2021**	**2020**	**2019**
Segregated funds	41.8	37.3	39.6	32.8	27.9
Mutual funds	12.2	11.6	14.0	11.4	11.6

Range of Funds

iA Financial Group offers a broad and diverse range of investment funds. As at December 31, 2023, it offered its clients more than 250 funds, with approximately half of the assets in these funds being managed by internal investment teams.

The Company continued to adjust its segregated fund offering in 2023 to increase its diversity and complementarity and to respond to client demand. In the individual segregated fund segment, the Company added one fund through the launch of a Global Dividend fund. IA Clarington Investments added five funds during the year. These included three ETFs as part of its Active ETF series lineup, as well as two mutual funds (one global equity fund and two fixed income products). Lastly, in the Group Savings and Retirement sector, the Company made enhancements to its lineup with four additions and one closure. The additions include funds in the Canadian Equity, Global Equity, Target Date and Private Debt categories

iA Financial Group's Investment Funds

	As at December 31, 2023	
	Assets ($billion)	**Distribution of assets**
Segregated funds	41.8	77%
Mutual funds	12.2	23%
Total	**54.0**	**100%**

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

Investment Fund Performance

The global economy turned out to be more robust than expected in 2023, with the U.S. GDP expanding at a remarkable rate, fuelled by consumer spending. Notably, the U.S. labour market remained a strong point with sustained hiring and more workers joining the labour force, causing the unemployment rate to rise. The Canadian economy echoed some of the trends observed in the U.S. economy, with inflation cooling and unemployment rates rising, as job creation could not accommodate the historically elevated immigration rate. However, unlike the thriving U.S. economic growth, Canada's economic growth remained relatively flat. Global inflation levels continued to fall, with energy prices dropping and the cumulative impact of monetary policy tightening at work. While growth in China's economy remained somewhat subdued due to its property sector, both the U.S. and Europe witnessed impressive market performances.

A rally during the last quarter of the year allowed most equity markets to close 2023 with strong results. The S&P 500 (representing the U.S. equity market) progressed by 26.3% (in USD) for the year and 23.3% in Canadian dollar terms given the relative strength of the U.S. dollar. The tech-heavy Nasdaq 100 had even more impressive results with a 50.2% gain for the year (in CAD). In Canada, the S&P/TSX advanced by 11.8% during the period and was held back by energy and materials. Overseas, the MSCI EAFE and MSCI EM (emerging markets) international equity indices returned 15.2% and 7.7%, respectively, for the year (in CAD). Globally, the MSCI World, which includes all developed countries, returned 20.9% (in CAD) in 2023. As for fixed income, 2023 allowed for a turnaround as interest rates started to decline in the last few months of the year as inflationary pressures subsided and market participants started to price in central bank cuts in 2024. In this environment, the FTSE Canada Universe Bond Index, representing the investment-grade fixed income market, returned 6.7% for the year.

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

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

Risk Management

The "Risk Management" section of the Management's Discussion and Analysis contains certain information required under IFRS 7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the audited consolidated financial statements for the period ended December 31, 2023, given that the standard permits cross-references between the Notes to the Financial Statements and the Management's Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally aligned with what is found in the financial statements.

As an insurance company, Industrial Alliance Insurance and Financial Services must take and manage a variety of risks arising from its business activities, in order to create long-term value and ensure its sustainability.

Risk Management Principles and Responsibilities

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

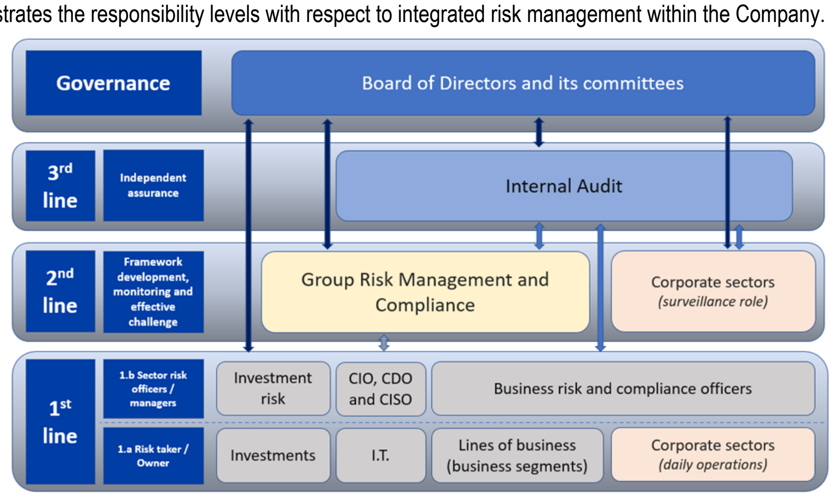
In accordance with this principle, Industrial Alliance Insurance and Financial Services has implemented an integrated risk management framework that is continually applied and taken into account in developing the Company's business strategies and in all of its operations. The risk management framework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

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

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

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

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



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

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

The first line of defence is the risk owners. It includes the corporate sectors (including Information Technology), the Investments sector and the business segments. They are responsible for establishing and executing the business strategies to comply with the Company's defined risk appetite and tolerance, and ensuring a long-term balance between risk and return. They are also responsible for applying the principles, frameworks, policies, guidelines, standards, tools and methodologies developed by the second line of defence and for identifying, communicating and managing risks that could prevent them from achieving the objectives identified in their respective areas of responsibility. They must ensure that proper controls are in place and functional, and that they are integrated into their sector's systems and processes. The first line of defence is separated into line 1.a, the actual risk takers and control owners, and line 1.b, the people with risk management and internal control responsibilities in their sectors.

The second line of defence refers to the Group Risk Management and Compliance sector, headed up by the Executive Vice-President and Chief Risk Officer. The compliance function is headed up by the Vice-President and Chief Compliance Officer and reports to the Chief Risk Officer. It also includes the corporate sectors in their role of surveillance, quality assurance and compliance. The second line of defence is responsible for objectively and impartially monitoring and critically analyzing the risks arising from the activities and controls implemented by the first line of defence. It is also responsible for developing and maintaining the principles, policies, frameworks, guidelines, standards, tools, and methodologies to identify, assess, aggregate, manage, track, monitor and report on current and emerging risks. To this end, it guides and supports the first line of defence in the rigorous assessment of significant risks to which the Company is exposed.

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

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

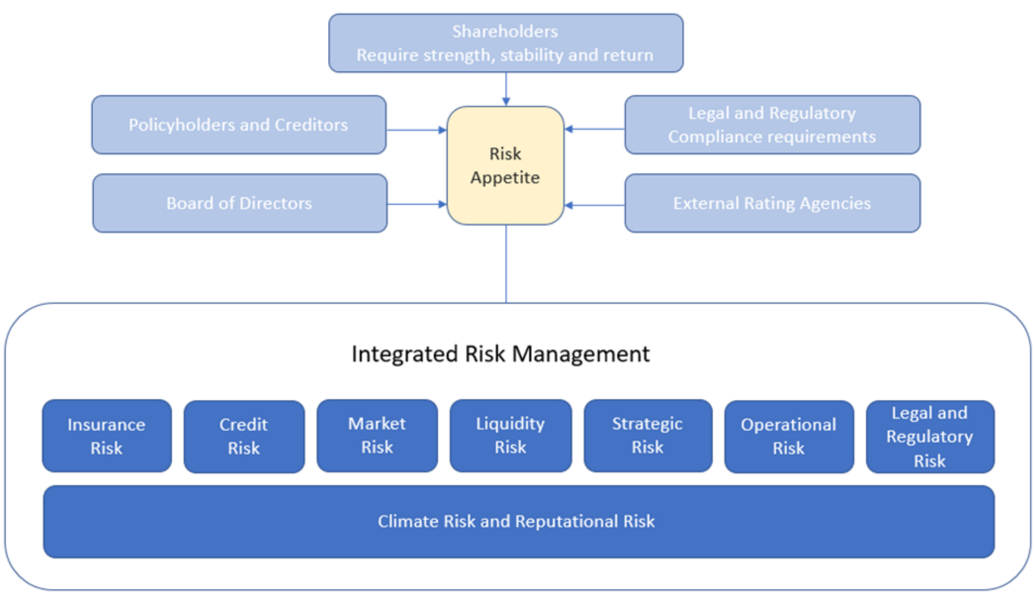
As the third line of defence, Internal Audit provides independent assurance to senior management and to the Board of Directors regarding the adequacy and effectiveness of governance, risk management and internal control processes. It recommends improvements to the process and reports on the situation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

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

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

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

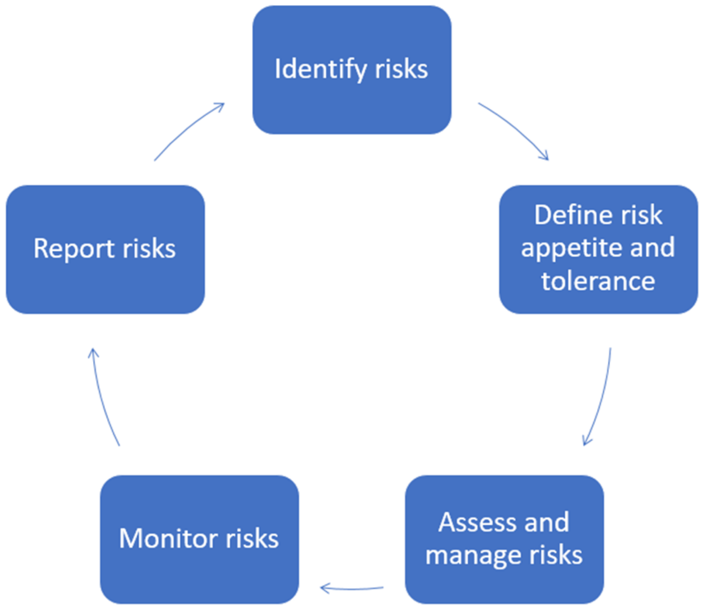
Integrated Risk Management Framework



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

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

Risk management is a process designed to ensure that risks are properly managed and that they comply with Industrial Alliance Insurance and Financial Services' Risk Appetite and Tolerance Statement. The process is composed of five steps performed in an iterative and continuous manner. These steps are illustrated in the diagram below.



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

Industrial Alliance Insurance and Financial Services has developed a risk taxonomy that includes the following risk categories.

Insurance Risk

Insurance risk is the risk of financial loss due to unexpected changes in pricing or reserving assumptions. This category is driven by the following risk factors:

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

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

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

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

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Insurance risk can occur at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the net insurance contract liabilities (assets). The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

Every year, the Company's appointed actuary values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

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

Sensitivity Analysis – The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following sensitivity analysis shows the immediate impact on net income and equity, as well as on the contractual service margin, of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

Immediate Sensitivity of Significant Assumptions Used For the Valuation of Insurance Contract Liabilities (Assets) Gross and Net of Reinsurance[1]

	As at December 31,2023			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	—	5	(525)	(580)
Mortality				
Impact of 2% deterioration for insurance products[3]	(35)	(45)	(270)	(65)
Impact of 2% deterioration for annuity products[4]	5	—	(45)	(40)
Morbidity				
Impact of 5% deterioration[5]	(35)	(35)	(90)	(55)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

	As at December 31,2022			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	30	30	(535)	(570)
Mortality				
Impact of 2% deterioration for insurance products[3]	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products[4]	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration[5]	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

For more information on the management of insurance risk, notably on controls and processes to manage insurance risk, refer to Note 13 “Management of Insurance Risk” of the Company’s December 31, 2023 Audited Consolidated Financial Statements.

Market Risk

The Company is exposed to market risk, which is the risk of financial loss due to unexpected changes in the level or volatility of market prices of assets and liabilities. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

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

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

1 These sensitivities are rounded to the nearest 5 million dollars and represent immediate impacts of a change in assumptions. They are also adjusted to reflect the adjustability of products, when applicable.
2 Assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.
3 Assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets).
4 Assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).
5 Assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active.
6 Assuming 105% of expected expenses for servicing and maintaining in-force policies.

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

To mitigate these risks, the Company has developed a liability replicating process that considers the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the replicating process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. This replication process then allows the Company to determine and select investment strategies to meet its overall risk-adjusted return objectives within its various risk appetite and tolerance limits.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. Two of the Company's key strategies are described below.

1› Total Portfolio Management (TPM) Strategy

This strategy relates to the vast majority of the Company's general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts. It mainly covers liabilities of all maturity types and liability cash flow structures. For this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. Among other things, liability replicating portfolio techniques are used and combined with key rate and credit spread duration replicating limits to mitigate overall risk exposures. The Company has established interest rate risk and credit spread risk limits in its Risk Appetite and Tolerance Statement. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

The Company uses high-quality assets, primarily made up of long-term fixed income securities (government, corporate and private debt) and non-fixed income assets (private equity, investment property, infrastructure, common and preferred shares, market indices, market index options and investment fund units), to optimize the risk and return of this liability category. Derivative financial instruments can also be utilized to improve the portfolio's asset/liability positioning or its risk-adjusted return. The asset allocation aims to achieve an optimal return, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the Risk Appetite and Tolerance Statement and investment policies.

2› Universal Life Policy Accounts Strategy

This strategy relates to the pass-through and participating products and to the Company's general fund insurance contract liabilities (assets) linked to Universal Life policy accounts. The returns on these liabilities are determined on the basis of a market or portfolio index. For these liabilities, the replicating process is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly replicate the returns credited to the underlying accounts.

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

Ultimate Discount Rate Risk – The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk – Equity risk represents the risk of changes in the value of investments and other assets due to fluctuations in stock market parameters. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of Universal Life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

In order to ensure sound management of the market exposure, the Company's Risk Appetite and Tolerance Statement and investment policies define quantitative and qualitative limits for the use of non-fixed income assets (public equity, private equity, investment properties and infrastructure). The target asset mix in the form of non-fixed income assets is designed to maximize the Company's risk-adjusted returns.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the Risk Appetite and Tolerance Statement limits and investment policy limits, including a minimum credit rating for the counterparty financial institution.

During the year ended December 31, 2023, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain an exposure to stock markets while limiting potential financial losses. They were also used as part of the dynamic hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

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

Segregated Funds Risk – Segregated funds expose the Company to significant interest rate and credit spread risk, equity risk and, to a lesser extent, to exchange rate risk.

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

The following table provides information on risk exposure from segregated fund assets under management in the Individual Wealth Management business unit. The risk exposure from segregated fund assets under management in the Group Savings and Retirement business unit do not have a significant impact on the Company's financial statements.

Individual Wealth Management Segregated Fund Assets Under Management

(In millions of dollars)	2023	2022
Assets under management	26,651	23,452
Guaranteed minimum value	21,518	20,695
Value of assets underlying significant guarantees[7]	6,041	6,172
Value of assets underlying minimum guarantees[8]	20,610	17,279

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

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

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

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

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

The variations in the economic worth of the liabilities are largely offset by variations in assets held under the hedging program. In the last eight quarters, the quarterly effectiveness of our dynamic hedging program has fluctuated between 88.4% and 96.8% depending on the volatility of the financial markets. In addition, it has had an excellent effectiveness rate of 92.9% since it was implemented in October 2010.

Exchange Rate Risk – Exchange rate risk represents the risk of changes in the value of investments and other assets due to unexpected changes in the level or volatility of currency exchange rates. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) its investments and other assets held or exposed to, denominated in foreign currency; 2) revenues and expenses denominated in foreign currency; and 3) insurance contract liabilities denominated in foreign currency.

The Company has adopted a policy to avoid exposing itself to material exchange rate risk. To this end, liabilities are generally replicated with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure.

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

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

To protect itself against exchange rate risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to net investment in foreign operations that has a different functional currency from the Company's functional currency. Disclosure on hedge accounting is presented in Note 8 "Derivative Financial Instruments" of the Company's audited consolidated financial statements. Residual exchange rate risk does not have a significant impact on the Company's financial statements and can be assessed in the Consolidated Comprehensive Income Statements.

Market Risk Immediate Sensitivities

Caution Regarding Immediate Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Sensitivities include the impact of rebalancing equity and interest rate hedges as expected with the Company's dynamic hedging program used for guarantees on segregated funds. They exclude any subsequent actions on the Company's investment portfolio.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one change occurs: change in business mix, change in actuarial and investment assumptions, change in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Immediate sensitivities refer to the instantaneous effects on asset and liability values, ignoring any effects on future revenues and expenses. They should be used with caution to estimate financial impacts from market variations for a quarter. Immediate sensitivities assume an immediate market variation followed by a normally expected market evolution for the rest of the quarter. In other words, immediate sensitivities could be roughly interpreted as the difference between an actual market variation for a quarter versus the expectation for that quarter. For example, for public equity markets where growth is normally expected, flat market values for a quarter would be equivalent to an immediate decline in market values.

Interest Rate and Credit Spread Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in risk-free interest rates as well as corporate bond and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis.

Immediate Impact of an Immediate Parallel Shift of Interest Rates

	As at December 31, 2023		As at December 31, 2022[9]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[10]	—	—	25	(50)
Equity[10,11]	(50)	25	25	(50)
Contractual service margin[10,12]	(25)	25	(25)	25

Immediate Impact of an Immediate Parallel Shift of Corporate Bond Credit Spreads

	As at December 31, 2023		As at December 31, 2022[9]	
(In millions of dollars, unless otherwise indicated)	50 basis point decrease	50 basis point increase	50 basis point decrease	50 basis point increase
Net income[10]	—	—	—	—
Equity[10,11]	(75)	50	—	(25)
Contractual service margin[10,12]	—	—	—	—

9 Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
10 These sensitivities are rounded to the nearest 25 million dollars.
11 The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
12 The impact on contractual service margin is before tax.

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

Immediate Impact of an Immediate Parallel Shift of Provincial Government Bond Credit Spreads

(In millions of dollars, unless otherwise indicated)	As at December 31, 2023 50 basis point decrease	As at December 31, 2023 50 basis point increase	As at December 31, 2022[13] 50 basis point decrease	As at December 31, 2022[13] 50 basis point increase
Net income[14]	(25)	25	(25)	—
Equity[14,15]	—	—	(25)	—
Contractual service margin[14,16]	(100)	75	(100)	75

Ultimate Discount Rate Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged.

Immediate Impact of an Immediate Change in Ultimate Discount Rate Assumption Used For the Valuation of Insurance Contract Liabilities (Assets)

(In millions of dollars, unless otherwise indicated)	As at December 31, 2023 10 basis point decrease	As at December 31, 2023 10 basis point increase	As at December 31, 2022[13] 10 basis point decrease	As at December 31, 2022[13] 10 basis point increase
Net income[17]	(50)	50	(50)	60
Equity[17]	(50)	50	(50)	60
Contractual service margin[16,17]	—	—	—	—

Public Equity Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis.

Immediate Impact of an Immediate Change in Public Equity Market Values[18]

	As at December 31, 2023			
(In millions of dollars, unless otherwise indicated)	25% decrease	10% decrease	10% increase	25% increase
Net income[14]	(150)	(75)	100	200
Equity[14,15]	(225)	(100)	125	275
Contractual service margin[14,16]	(500)	(200)	175	450

	As at December 31, 2022[13]			
(In millions of dollars, unless otherwise indicated)	25% decrease	10% decrease	10% increase	25% increase
Net income[14]	(75)	(25)	25	75
Equity[14,15]	(75)	(25)	25	75
Contractual service margin[14,16]	(425)	(175)	200	500

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the year, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Private non-fixed income assets include private equity, investment property and infrastructure.

[13] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
[14] These sensitivities are rounded to the nearest 25 million dollars.
[15] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[16] The impact on contractual service margin is before tax.
[17] These sensitivities are rounded to the nearest 10 million dollars.
[18] Preferred shares are excluded from the scope of these sensitivities' analysis.

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

Immediate Impact of an Immediate Change in Private Non-Fixed Income Assets' Market Values (Private Equity, Investment Property and Infrastructure)

	As at December 31, 2023		As at December 31, 2022[19]	
(In millions of dollars, unless otherwise indicated)	10% decrease	10% increase	10% decrease	10% increase
Net income[20]	(275)	275	(300)	300
Equity[20,21]	(300)	300	(300)	300
Contractual service margin[20,22]	—	—	—	—

Market Risk Core Earnings Sensitivities

Caution Regarding Core Earnings Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Also, they exclude any subsequent actions on the Company's investment portfolio.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one change occurs: change in business mix, change in actuarial and investment assumptions, change in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Market Risk Core Earnings Sensitivities – An analysis of the Company's sensitivity to an immediate change in various factors is presented below. Each sensitivity assumes that all other assumptions and factors remain unchanged.

Impacts estimated below are mainly attributable to the following revenues and expenses that are directly impacted by the level of market indicators:

- expected return on non-fixed income asset investments;
- CSM recognition in earnings for segregated fund products;
- net revenues on assets under management (mutual funds) and on assets under administration (wealth management distribution affiliates); and
- expected return on fixed income assets and on expected liability finance expense.

Impacts of Future Quarter Core Earnings as at December 31, 2023

Risk factors	Description of shock	Impact on future core earnings (In millions of dollars, after tax)
Public equity[23]	Immediate +5% change in market values	4
	Immediate -5% change in market values	(5)
Private non-fixed income assets (private equity, investment property and infrastructure)	Immediate +5% change in market values	3
	Immediate -5% change in market values	(3)
Interest rates	Immediate parallel shift of +10 bps on all rates	2
	Immediate parallel shift of -10 bps on all rates	(2)
Credit and swap spreads[24]	Immediate parallel shift of +10 bps on all rates	2
	Immediate parallel shift of -10 bps on all rates	(2)

These impacts represent impacts on core earnings for the next quarter. Impacts on the level of core earnings will be similar for future quarters if future equity market returns are as expected and if interest rates are stable. Moreover, core earnings for the current quarter would also be impacted by market movements during the current quarter, but only for these two effects: effect on CSM recognition in earnings for segregated fund products and effect on net revenues on assets under management (mutual funds) and on assets under administration (wealth distribution affiliates).

[19] Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
[20] These sensitivities are rounded to the nearest 25 million dollars.
[21] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[22] The impact on contractual service margin is before tax.
[23] Preferred shares are excluded from the scope of this sensitivity analysis.
[24] Credit spreads include corporate bond credit spreads and provincial government bond credit spreads.

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

These core earnings sensitivities should be used with caution to estimate impacts of market movements as they do not reflect diversification between these risk factors, potential future management actions and investment portfolio re-optimization.

Credit Risk

Credit risk represents the risk of financial loss due to a borrower's or a counterparty's failure to repay its obligation when due. This risk originates mainly from credit granted in the form of loans and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share the Company's policyholder commitments.

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

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

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. More information about concentration risk is presented in Note 7 "Management of Financial Risks Associated with Financial Instruments and Insurance Contracts" of the audited consolidated financial statements as at December 31, 2023.

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

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

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

Liquidity Risk

Liquidity risk represents the risk of not being able to release its investments and other assets in a timely manner to meet its financial obligations, including collateral requirements, as they come due. The Company is exposed to this risk mainly through: 1) benefits payable under the insurance contracts in force or through its wealth management activities; 2) cash outflows needed for the acquisition or during the holding period of its investments; 3) the amounts of collateral to be paid to its counterparties in respect of its derivatives contracts; and 4) other corporate needs related to the Company's capital structure or its strategic and business objectives. The non-availability (total or partial) of liquidity sources is also a component of this risk.

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

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

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

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

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

Strategic Risk

Strategic risk is the risk that internal or external decisions or events prevent the Company from achieving its business plan and its strategic initiatives including merger, acquisition, and divestiture decisions, and thus hinder the achievement of its strategic objectives. Strategic risk can therefore arise from the inability to fulfill mandate and achieve strategic objectives, or from failure in the execution of strategic initiatives.

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

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

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

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

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

Risk Related to Climate Change – Climate-related risks could have adverse impacts on all risk categories of the taxonomy by increasing the frequency and cost of claims, causing property damage or critical business interruption, creating exposure to litigation or legal dispute, or deteriorating the quality or value of the investment portfolio. The Company has incorporated climate risks in its Risk Appetite and Tolerance Statement and has updated its entity-wide Climate Change Materiality Assessment. It has also formalized its climate-related risk management framework in its climate risk management corporate policy, which provides for a better alignment of the impact and likelihood criteria with Industrial Alliance Insurance and Financial Services' integrated risk assessment methodology to ensure that climate-related risks are assessed consistently and proportionately relative to other risks. In addition to being signatory of the United Nations-supported Principles for Responsible Investment (PRI), the Company, through its subsidiary iA Investment Management Inc., has updated its Sustainable Investment Policy, which includes a section on climate change and commitments to integrate climate change into the investment process. More information on the climate-related risk management and governance framework is available in the Sustainability Report and the TCFD Report.

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

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

During the 2023 review of strategic and emerging risks, the following identified risks were confirmed and the strategies in place for managing them were renewed.

Data Security and Cyber Risks – The risk of cyberattacks and/or external fraud has always been a high priority, but with hackers sponsored by governments and the fast evolution and availability of artificial intelligence enabling more sophisticated and effective cyberattacks, the Company must continuously reinforce its policies and controls as well as conduct regular testing on its information and technology systems. The Company pays particular attention to the risk of data theft and other cyber risks by continuously strengthening its cybersecurity risk management framework (see the description of this mechanism in the "Operational Risk" section).

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern, including interest rate hikes by central banks to fight inflation. The war in Ukraine, the Hamas-Israel conflict and tension in China are also causing instability in global markets. These events, among others, could lead to reduced consumer and investor confidence, significant financial volatility and more limited growth opportunities, as well as testing the Company's ability to anticipate and mitigate headwinds in its markets.

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

Operational efficiency in a context of fast-paced technological innovation – The speed of disruptive innovations in the market, enabled by fast-moving emerging technologies, may outpace our ability to adapt and compete appropriately. Difficulties in effectively integrating acquisitions, growing revenues, and realizing anticipated synergies, particularly in highly competitive, regulated and mature markets, may also impact operating costs and/or affect the ability to execute a focused, well-thought-out and integrated corporate strategy and prioritize initiatives that bring the most value to the organization. The Company invests significantly in technological upgrades, particularly regarding the protection and management of its data and personal information. Operational efficiency, ensuring that revenues grow faster than expenses, also guides the Company's strategic orientations.

Operational Risk

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

This risk is present in all the Company's activities and is organized around the following risk categories: financial reporting, human resources, physical security, fraud, technology, data and information security, processing, third parties, business continuity and model. The impact of one of these risks occurring can take the form of financial losses from regulatory fines and penalties, legal costs, missed financial gains, or additional expenses, for example, as well as commercial relationship or reputational damage, diversion of resources or additional regulatory scrutiny.

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

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

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

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

Human Resources – Human resources are an essential component in the realization of the Company's strategic plan and the implementation of business and operational risk management strategies. Human resources risk is the risk of loss resulting from a shortage of competent, motivated, and engaged resources (due to capacity, employment practices and the working environment, respectively), in the short to medium term, to carry out the operational activities needed to support the organization's growth. In this regard, the Company follows best practices and has a code of business conduct in addition to well-defined policies and procedures with respect to compensation, recruitment, training, employment equity, diversity and occupational health and safety. These policies are continually kept up to date in order to attract and retain the best candidates at every level of the Company. The Company shows its concern for its employees' quality of life by offering programs that promote a healthy lifestyle and adopting various measures designed to improve the work environment.

Physical Security – Physical security risk is the risk of failure in the protection and physical security of goods and people (employees, customers, or others) when they are in or around the Company's premises or during the Company's activities. iA Financial Group has several measures in place in corporate buildings to reduce exposure to this risk, such as video surveillance, motion detection, alarms, and electronic access control systems, as well as sensors to detect fire, water, humidity, and heat.

Fraud – Fraud risk is the risk of dishonest conduct resulting in the Company suffering financial loss, disposing of property, or providing a service as a result of deception, deceit, breach of trust or similar fraudulent means. Benefits may be in the form of cash, cash equivalents, or physical assets. To mitigate this risk, the Company has implemented a corporate policy promoting a culture of integrity. The Company also has a monitoring program as well as a segregation of duties process that aims to prevent and detect fraud situations within the Company.

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

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

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

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

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

Processing – Processing risk is the risk of error, omission, or failure when processing a transaction. This risk is linked to the day-to-day processing of transactions and is mitigated by various measures such as employee training on their activities, peer validation and quality control. In addition, the implementation of key performance indicators enables the Company to monitor compliance with processing deadlines.

Third-Party – Third-party risk is the risk of third parties failing to provide goods, business activities or services and therefore exposing the Company to multiple negative outcomes. The third-party risk scenarios may include insolvency, operational disruption of the third party, geopolitical tensions, breaches or loss of data or corruption. A framework will formalize and standardize the different ways the risk is currently being managed at the Company by the sectors with the help of key internal stakeholders.

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

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

Model – The Company is exposed to model risk, which is the risk of inappropriate design, implementation and/or use of a model. While the use of data and models generates value for the Company and offers significant opportunities for the future based on business and artificial intelligence, it also introduces the risk that a loss might occur or inappropriate decisions might be made due to modelling deficiencies or limitations, improper implementation or utilization, inaccurate or inappropriate data, or incorrect assumptions. To reduce this risk, a model design guide is available to the different segments of the Company. This guide is intended to help model owners identify model risk and to standardize the approach across the Company.

Legal, Regulatory and Reputational Risk

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

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

The Company has adopted a Regulatory Risk Management Policy that is used as the basis for a regulatory risk management program. The Chief Compliance Officer is responsible for coordinating the program within the Company and ensuring that it is implemented and enforced in all business segments. Specific policies have also been adopted to address specific regulatory risks such as anti-money laundering or privacy in order to provide tailored governance and monitoring.

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

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

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Reputational Risk – The Company is also exposed to reputation risk. This risk is defined as the risk that events, decisions by a regulatory authority or public perception will have a negative impact on the public's perception of the Company and potentially lead to fewer clients, lost revenues or considerable litigation costs.

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

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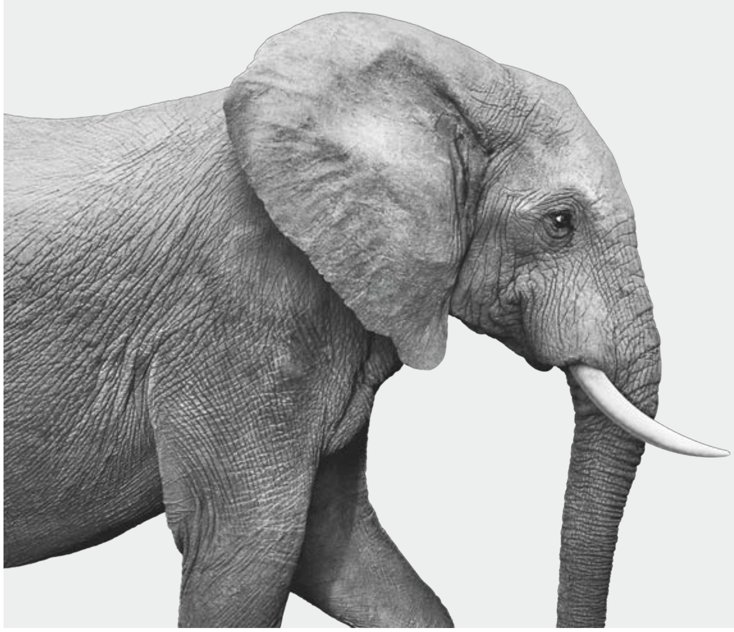

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