



iA Financial Group

Conference Call Transcript

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Speakers: **Caroline Drouin**

Head of Investor Relations

Denis Ricard

President and CEO

Éric Jobin

Chief Financial Officer and Chief Actuary

Sean O'Brien

Chief Growth Officer of U.S. Operations

Louis-Philippe Pouliot

Group Benefits and Retirement Solutions

Stephan Bourbonnais

Wealth Management

Operator:

Welcome to the iA Financial Group Second Quarter 2025 Earnings Results Conference Call.

As a reminder, all participants are in listen-only mode, and the conference is being recorded. After the presentation there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the call, you may signal an Operator by pressing star, then zero.

I would now like to turn the conference over to Caroline Drouin, Head of Investor Relations. Please go ahead.

Caroline Drouin:

Good morning, everyone. Bonjour à tous. Welcome to our second quarter 2025 conference call.

All of our Q2 documents, including press release, slides for this conference call, supplementary information package and quarterly MD&A are posted in the Investor Relations section of our website at ia.ca. This conference call is open to the financial community, the media and the public. I remind you that the question period is reserved for financial analysts.

A recording of this call will be available for one week starting this evening and the archived webcast will be available for 90 days, and a transcript will be available on our website in the next week.

Now I draw your attention to the forward-looking statements information on Slide 2 as well as the non-IFRS and additional financial measures, information on Slide 3. Also please note that a detailed discussion of the Company's risks is provided in our 2024 MD&A available on SEDAR and on our website with an update in our Q2 2025 MD&A, which was released yesterday.

I will now turn the call over to Denis Ricard, President and CEO.

Denis Ricard:

Good morning, everyone, and thank you for being with us on the call today.

As usual, I will start by introducing everyone attending on behalf of iA. Joining me are Éric Jobin, Chief Financial Officer and Chief Actuary, Alain Bergeron, Chief Investment Officer, Stephan Bourbonnais, responsible for our Wealth Management operations, Renee Laflamme, in charge of Individual Insurance Savings and Retirement, Pierre Miron, Chief Growth Officer of our Canadian operations and responsible for Dealer Services Canada and iA Auto and Home, Sean O'Brien, Chief Growth Officer of our U.S. operations, and Louis-Philippe Pouliot, in charge of our Group Benefits and Retirement Solutions.

There's a lot to be excited about, both in terms of our financial performance this quarter and the execution of our growth strategy. As you saw, we just announced our intention to acquire RF Capital, an exciting and valuable addition to our wealth management platform. It's only been a week since the announcement. While we are not providing new details today, we are more than happy to give you an early read on how it's been received. Stephan has been meeting with advisers across the country. During the question period, you can share a bit of the tone and energy he is observing on the ground, if you have questions, obviously.

Let's begin with Slide 8 for a summary of our second quarter results. We will not use the word exceptional but this quarter makes a strong case for it. This is one of those quarters where the profitability numbers really do all the talking. We delivered a very strong quarter with core EPS reaching \$3.49, up 27% year-over-year. Our core ROE reached 17% on a trailing 12-month basis, already at our 2027 target. These results reflect the quality of our earnings, significant insurance experience gains and the consistency of our performance across all business segments.

Sales momentum remains strong across all business segments with premiums and deposits up 4% year-over-year and assets under management and administration up 16%. This growth highlights the strength of our distribution networks, the relevance of our product offerings and the trust we continue to build with our clients.

Our capital position is robust, with a solvency ratio of 138% at the end of Q2, supported by strong organic capital generation and prudent risk management. Our book value per share has risen to \$76.02, up 9% year-over-year. Excluding the impact of the NCIB, the increase over the last 12 months is 11%.

Let's now turn to Slide 9 for Insurance Canada. We saw a good growth across all business units. Individual insurance sales increased by 5% year-over-year, reaching \$103 million. This growth highlights the strength of our distribution networks, the effectiveness of our digital tools and diversity of our product offering. We maintained our leading position in the number of policies issued in Canada.

In Group Insurance, premiums and deposits rose by 7%, fueled by premium adjustments over the past year. In Dealer Services, sales reached \$225 million this quarter, marking a 16% increase over the same period last year. The strong performance was driven by sustained momentum in P&C sales and the contribution of Global Warranty.

Lastly, iA Auto and Home delivered strong results with sales up 10% year-over-year to reach \$206 million. This growth was supported by an increased number of policies and agile repricing.

Moving to Slide 10, where we highlight our Wealth Management results. iA continues to lead the Canadian market in segment fund sales, both in gross and net sales. Gross sales were up 8% year-over-year, approaching \$1.4 billion while net sales reached \$670 million. These results reflect the strength of our distribution networks and the competitiveness of our product lineup.

Mutual fund gross sales declined slightly but net outflows and other individual savings products were down 21%, reflecting investor preference for higher return asset classes. Finally, in Group Savings and Retirement, total assets under management rose by 18% year-over-year, while total sales were down 4%, driven by the growth in accumulation product sales.

Let's look at Slide 11, where we continue to see strong momentum in our U.S. operations. Individual insurance sales increased by 59% year-over-year, reaching U.S. \$78 million, equivalent to CAD 108 million. In Canadian dollars, this marks the first time our Individual Insurance sales in the U.S. have surpassed those in Canada. This impressive performance is driven by organic growth in our core markets and the successful integration of Vericity, which continues to meet our expectations. The added scale and digital capabilities from the acquisition are already making a significant contribution to our results and reinforcing our long-term growth ambitions.

In Dealer Services, sales increased by 6%, supported by our strong product offering and the effectiveness of our distribution channels. The strong performance across both U.S. business units highlights the value of our diversified business model and demonstrate our ability to scale effectively in the U.S. market.

Finally, turning to Slide 12, which clearly illustrates how our core financial metrics are tracking well toward our targets. Core EPS growth for the first six months of 2025 is 23% year-over-year. This impressive result exceeds our midterm annual growth target of 10%+. Core ROE stands at 17%, which is already in line with the 2027 target. Éric will discuss this achievement in a moment. So far, in 2025, we've generated \$325 million in organic capital, keeping us well on track to meet our 2025 target of over \$650 million.

Lastly, our dividend payout ratio is well within our target range of 25% to 35%, and a 10% dividend increase announced yesterday is expected to support this ratio in the coming quarters.

Having reviewed our financial targets, I would like to conclude by highlighting a key strategic initiative currently underway to support these goals. Please turn to Slide 13 as we discuss the recent announcement of our acquisition of RF Capital. We remain focused on strategic capital deployment and our capital allocation priorities remain unchanged, investing in organic growth, pursuing disciplined acquisition and returning capital through share buybacks and dividends.

Our active share buyback program, the dividend increase we announced yesterday and the acquisition of RF Capital announced last week, all aligned with our commitment to delivering long-term value to our shareholders. Our intent to acquire RF Capital marks an exciting milestone for iA. This strategic move significantly accelerates our growth in the high net worth segment and strengthens our national presence in wealth management.

With over \$40 billion in assets under administration, RF Capital is one of the largest independent wealth management firms in the country. Its entrepreneurial culture and adviser-centric model align perfectly with iA. The transaction valued at \$597 million and fully funded with cash on hand is expected to be neutral to core earnings in year one and accretive to core EPS by at least \$0.15 in year two.

We are also excited about the potential for meaningful synergies while maintaining RF Capital's operational independence and strong brand. This acquisition clearly demonstrates our disciplined growth strategy in action and represents a major step forward in creating long-term value for our shareholders.

Heading into the second half of the year, we do so with solid momentum and a focused strategy to deliver on our commitments. I have consistently emphasized that the iA way is the cornerstone of our performance. Once again, the results speak for themselves. It's a winning formula, and I will continue to highlight its importance in the future.

With that, I will now hand it over to Éric who will comment on the second quarter profitability and capital strength. Following Éric's comment, we will take questions. Éric.

Éric Jobin:

Thank you, Denis, and good morning, everyone. I'm pleased to walk you through a quarter that reflects disciplined execution, strong segment performance and continued momentum toward our strategic goals.

Let's begin with Slide 15, which provides an overview of our profitability and financial strength for the second quarter. We concluded the first half of 2025 on a very high note with core EPS of \$3.49, representing an increase of 27% year-over-year and a reported EPS of \$3.43 for the second quarter. This performance notably highlights the solid contribution from all three operating segments driven by significant experience gains, higher expected insurance earnings and sustained growth in noninsurance activities.

As Denis pointed out, while we would not label this quarter as exceptional, it was a period where everything aligned perfectly. This resulted in strong profitability growth and a core ROE of 17% for the last 12 months. We are pleased to highlight that our ROE is running ahead of schedule against our ROE target of 17%-plus in 2027. Thanks to our strong year-to-date performance driven by important experience gain and favourable macroeconomic tailwinds.

Building on this momentum, we anticipate that our core ROE will remain at its current level of approximately 17% in the coming quarters, assuming macroeconomic factors stay where they are now. While we remain prudent given macro and ongoing trade uncertainties, our trajectory toward our 2027 ROE target of 17%-plus remains firmly on track, and we remain committed to reaching this goal. Our robust capital position is supported by our ongoing ability to generate organic capital and provide us with the flexibility to pursue both organic growth and strategic acquisitions.

Over the last 12 months, our book value per share has increased by 9% and excluding the impact of our active share buyback, this increase would have been 11%. Additionally, we announced a 10% increase in the dividend for common shareholders, underscoring our confidence in our sustainable earnings power. Together, these speak to the disciplined execution of our capital strategy and our commitment to creating shareholder value. Building on this strong profitability, let's now look at how each segment contributed.

Turning to Slide 16 for an overview of the Q2 total earnings performance by segment. Net income and core earnings rose sharply year-over-year by 56% and 22%, respectively. This growth was broad-based with all three operating segments and the investment result contributed to both reported and core performances.

Now moving to Slide 17 to take a closer look at how each segment performed in the second quarter. In Insurance Canada, core earnings for the quarter reached \$133 million, marking a solid 25% year-over-year increase. This growth was primarily driven by important core insurance experience gains, including favourable morbidity in employee plans, favourable mortality in individual insurance and lower claims at iA Home and Auto. The segment also benefited from higher expected earnings from iA Home and Auto, along with the increase in the combined risk adjustment release and CSM recognized for service provider.

Moreover, core noninsurance activities contributed positively to this growth, supported by the good performance of dealer services. Lower core other expenses were also recorded. Finally, the impact from new insurance business and employee plan was more pronounced this quarter, reflecting a higher volume of confirmed sales.

Let's now move from Insurance Canada to Wealth Management. On Slide 18, you can see that in the Wealth Management segment, second quarter core earnings rose to \$113 million, up 15% year-over-year. This growth was primarily driven by an increase in the CSM recognized for services provided, largely due to strong net segregated fund sales and positive financial market performance over the past 12 months.

Core non-insurance activities also saw a slight uptick, thanks to the good performance from Group Savings and Retirement and iA Clarington, where higher net revenue on assets was recorded.

Turning to our U.S. operations on Slide 19. Core earnings totaled \$36 million in Q2, representing a significant 64% increase year-over-year. This performance was mainly driven by a pre-tax \$28 million increase in core insurance service results fueled by contribution from Vericity and Prosperity blocks of business, as well as core insurance experience gains from favourable mortality experience in individual insurance. Core non-insurance activities increased by \$1 million year-over-year, driven by higher earnings from dealer services resulting from the disciplined management action we've been putting in place.

As we continue to integrate Vericity and focus on realizing synergies, it is important to note that during Q2, the combined impact of Vericity and Prosperity acquisition was slightly positive on core earnings, aligning with our expectations at the time of acquisition. Additionally, as part of the adjustments to net income for the quarter, an adjustment was made to Vericity's deferred tax assets related to tax losses incurred prior to the acquisition by iA, resulting in a favourable impact of \$30 million on net income.

Now turning to Slide 20 for the results of the Investment segment. Core earnings for the quarter were \$102 million, up 12% year-over-year. Before accounting for taxes, financing charges on debentures and dividends, the core net investment results were \$127 million, up from \$108 million a year ago. The strong performance was supported by several factors, including the favourable impact of interest rate variation in recent quarters. In addition, credit experience was positive in Q2 with higher impacts from upgrades and downgrades in the fixed income portfolio and positive credit experience in the iA Auto Finance car loan portfolio.

Moving to Slide 21, the Corporate segment core other expenses totaled \$79 million pretax. Maintaining our focus on operational efficiency, this amount includes \$68 million pretax in core other expenses, in line with our quarterly expectation of \$68 million, plus or minus \$5 million. It also includes a higher provision of \$11 million pretax for the variable compensation related to the Company's strong performance since the beginning of 2025.

I would like to say a few words regarding the management action related to our pension plan, which has accumulated a significant surplus over the years. We have decided to use a portion of this surplus to recognize current retirees and employees. For retirees, a special one-time increase in retirement benefits resulted in a \$14 million charge to Q2 net income. For employees, a temporary reduction in pension contributions will be in effect from Q3 2025 through Q2 2026 with an expected impact of approximately \$4 million on net income over each of the next four quarters. This initiative stems from the surplus position of our pension plan and underscores our appreciation of our employees and retirees to the Company's growth and success.

Please go to Slide 22 now to review our solvency ratio and capital available for deployment as of June 30. As of June 30, 2025, our solvency ratio stands at 138%, well above the regulatory minimum ratio of 90%. The 6-percentage point increase during the second quarter was mainly driven by the impact of strong organic capital generation and the issuance of preferred shares. This increase was partially offset by strategic capital deployment activities, including share buybacks and IT investments. As a reminder, on a pro-forma basis, taking into account the proposed acquisition of RF Capital announced on July 28, the solvency ratio was estimated at 132%.

Our consistent ability to generate strong and ongoing organic capital is evident with quarterly record of \$200 million in additional capital in the second quarter, keeping us on track to reach our target of \$650 million plus in 2025. As of June 30, the capital available for deployment was assessed at \$1.5 billion, positively impacted by organic capital generation. As a reminder, on a pro-forma basis and taking into account the proposed acquisition of RF Capital, the capital available for deployment is estimated at \$900 million.

Our second quarter results clearly highlight the momentum of our operations. We delivered strong profitability while continuing to generate and deploy capital effectively. This financial discipline gives us the flexibility to support and drive our growth ambitions. As we progress through the remainder of 2025, we remain confident in our strategy, execution capabilities and ability to deliver sustainable long-term value.

This concludes my remarks. Operator, we are now ready to take questions.

Operator:

Thank you. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you're using a speakerphone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. One moment, please, while callers join the queue.

The first question is from Doug Young from Desjardins Capital Markets. Please go ahead.

Doug Young:

Hi, good morning. I guess the question is for Éric or maybe Sean, is there any way you can quantify the year-over-year improvement in core earnings at the U.S. Dealer Services business versus the U.S. Life Insurance business. It seems like the gradual improvement in U.S. dealership profitability is flowing through as you signaled you had expected. But I just find it sometimes hard to quantify between what goes through the core, non-insurance activities and what goes through on the insurance activities for that business. I don't know if you can give a little bit more color there.

Denis Ricard:

Yes, it's Denis here first. We are very pleased with the increase in the U.S. business profitability this quarter. We don't disclose the specifics of each of these businesses separately. But I'm going to ask maybe Sean to give some colour about all the initiatives that we did that are paying off right now because there are things you control and other things you don't control. For the things that we do control, we've made several initiatives that improved the profitability. Keep in mind that both the U.S. Life and the U.S. Dealer has improved. Sean?

Sean O'Brien:

Yes. Thanks, Denis. Yes, I'm thinking about it as the gradual improvement is really being driven by four key initiatives we've taken. The first one is repricing. I've spoken to that before. I can say that now we have actually repriced all onerous products in the warranty business without any exception. That's going to help to restore some of the margins and I think discipline that we're looking for in that business.

The other side is the expense management. Again, we've spoken about as well but I'd say at this point, we've reduced our total expenses by about 5% in that business. That's meaningful. That's not taking effect despite inflation that's happening in all businesses. Quite happy with that. That's just getting the business to the point where it needs to be.

The business mix is proving out well as well. It's just a good reminder, especially with some of the pressure on the new car business right now with some tariff worries. Fifty percent of our business is in the used car market, 50 of the new. It does create a nice balance as there is some volatility in one segment to the other.

The other side is the differentiation in that business is proving out well. We talked about DAC, Dealer Wizard, these are alternate channels, had some nice profit delivery and sales action in those areas.

On the Vericity side, like Éric said, we're delivering our anticipated synergies, the business is going well, and it's on track with where we expect to be. Really happy with the innovation and some of the energy that team is bringing to our overall U.S. Life initiatives.

Doug Young:

Okay. I'm not going to get the split, I get that. But I figured I'd ask. The second is that in Canada, the Canada Individual Insurance, can you break down \$31 million insurance experience between group morbidity, individual mortality and lower home and auto. Is it a third each or is there one that accounted or more? Just hoping to get a little bit more color on that \$31 million.

Éric Jobin:

Yes, Doug, it's Éric. We're not going to split it. But the reality is that all operations have performed very well in the quarter. I mentioned in my speaking notes, some particular alignment going all in the same direction. We have mortality positive experience gain. We had morbidity on the group side. We had iA Home and Auto favourable weather conditions. It goes on like this. The \$31 million is composed of, I would say, small to medium-sized experience gains arising from all those operating segments.

Doug Young:

Thank you. Okay. Maybe if we can go back to the RF acquisition and I don't think you're going to give this to me but maybe you can give some color, maybe more around like the integration plans and plans to retain advisers. I'll give you where I'm going at this. I know you don't want to give the cost of adviser retention. But can you give some context and relative to the announced purchase price is it 10%, 20%, 30%? What's the cost going to be to retain the advisers? I ask that just because I find it hard to get a sense of the price paid without getting the sense of what the cost is going to be to retain the adviser network? Given what we've seen historically, in some cases, this cost can be quite significant. I figure I'd throw it out there and to see what I can get.

Denis Ricard:

Thank you, Doug. It's Denis here, obviously. There has to be some steps before we get into that point where we know exactly what the cost would be. But at this point, I think it will be quite important, at least that you hear from Stephan, the tone coming from the discussion is having with the various advisers. Maybe, Stephan, you can give some color at this point.

Stephan Bourbonnais:

Yes, certainly. Since the announcement, we've been—as you mentioned, the adviser retention is a key success factor. We've been since the announcement trying to be as visible as possible meeting with the executive team, meeting with all the employees and the advisers across the country. I'm actually right in the middle of a road trip right now. What we want to do is we want to bring it to more of a tailored approach in the way we want to do things.

We've been listening to advisers, making sure we understand what matters to them and making sure we have a chance to share with them the vision that we have and how we see this partnership strengthening together and how we could do very well. I think what advisers are seeing is it's two proud Canadian histories coming together with one shared future, and it brings nearly 300 years of combined experience. They're excited about it.

They feel the fit in terms of culture and we are known as being great integrators and operators. They know we're going to respect their business model, like we're bringing this as a distinct offering to what we currently do. Everything that's been done right now is to assure a seamless transition for both them and their clients. No repapering, no change in the brand, no change in the location. It's all about continuity. I think that's been well received so far. What we're seeing is great feedback from the team. The advisers are engaged. I'd like to say that the knowledge is in the room, and they're asking good questions. I think they're now starting to see the real potential of what we could do together, and they're definitely leaning in. Looking forward to keep meeting our new advisers across the country in the next few weeks.

Doug Young:

Appreciate the color. Thank you.

Operator:

The next question is from Tom MacKinnon from BMO Capital. Please go ahead.

Tom MacKinnon:

Yes, thanks. Good morning. Just a question on the strain in Canada, maybe a little bit higher than anticipated. You talked about higher confirmed sales. If I look at employee benefit plan sales, they were down significantly year-over-year. I think you used the term confirmed sales. How do we measure these confirmed sales? Does that mean sales haven't been booked yet? Just some color there, please.

Louis-Philippe Pouliot:

Yes. This is Louis-Philippe speaking. Thanks for the question. I think we've talked a few times about confirmed versus implemented. The sales you are seeing in the disclosure are implemented sales and the strain reflects sales that we have confirmed. We are not disclosing the confirmed sales but what I can say is we have tremendous momentum and many other sales, we were able to confirm will be implemented in the remainder of the year or leading in 2026.

Tom MacKinnon:

Okay. Thanks for that. Just a follow-up, with respect to the Dealer Services income you get in the core noninsurance activities, can you remind us of any seasonality associated with that business and especially just helpful given you've got global warranty in Canada and your U.S. Dealer Services is now back in more of a steady state form. Thanks.

Éric Jobin:

Yes. Well, Tom, I will say that, yes, there is a little bit of seasonality, and it's connected with the fact that auto sales have—and guarantees have some seasonality. Q4 is usually a low quarter Q1. Then you have Q2 with spring coming, people tend to go and buy more cars. The product that we sell with total are following that trend of that pattern of auto sales during the year.

Tom MacKinnon:

Okay. Thanks for that.

Operator:

The next question is from Gabriel Dechaine from National Bank Financial. Please go ahead.

Gabriel Dechaine:

A quick one here, just to confirm sales thing in group. The strain came through this quarter, so you don't see a bump coming up in the next couple. There's no lag kind of thing?

Louis-Philippe Pouliot:

I would say that it's actually difficult to predict the timing. Just a reminder that it's a bit of a lumpy type of business. There is seasonality to how their business is growing. Typically, first quarter and third quarter a bit higher. But then in any given year, you could see fluctuation, and that's normal. I'd like to look at it from maybe a bit of a longer-term perspective. If you look at year-to-date sales, already you'd have two quarters in, and you'd have more of a better picture, and it's actually a 40% increase versus last year. Hard to say whether it's just a lag but just a bit lumpy is my view on it.

Gabriel Dechaine:

Got it. I got a CSM question and an ROE question. Your CSM, the amount recognized in the quarter, it was up 18% year-over-year. If I look at the—I'm pretty sure people look at it this way for modeling anyway. How much that number represents of the beginning balance sheet balance to get a ratio for how that trends over time. But what I've noticed is that the ratio of what you're recognizing each quarter relative to the actual balance has been increasing steadily for the past couple of years. Is that, I don't know, is it multi-factors behind that? You're selling more short-dated products with CSM, your interest rates are having an impact? Like what's the story there?

Éric Jobin:

Yes, are you looking at wealth, Gabriel, when you look at this or...

Gabriel Dechaine:

I'm looking at the total, whatever that goes into that. Yes.

Éric Jobin:

Okay. Because you have to have two things in mind. First, the growth of the CSM amortization is following our great growth story on the insurance products. That's one item that contributes to this increase. The second one is mostly due to seg funds and market experience. With the new CSM approach following IFRS implementation, when there is positive market experience, we have to stick to the initial amortization schedule. We take the gain from market. We increase the CSM and then we amortize more over the remaining period. That's what is playing out here, and that increases the ratio that you look at.

Gabriel Dechaine:

Got it. My last question here on ROE, Denis, might not like the word exceptional. I don't think it's a bad word but you had nearly 19% ROE this quarter annualized. If I strip out some of the experience gains, you're still at around 17%. At or on par with your target in 2027, you said that you're probably going to be at around that level over the next few quarters as long as macro backdrop cooperates. What's providing that confidence? The target was only provided a few months ago, and we're already there. What's the big picture story here that so much positive can develop and so short of a time. I know equity market has been good now but got to be more than just that.

Denis Ricard:

Yes, Gabriel, when we said the 17%-plus, it was at the investor event. There were some, obviously, there are still some geopolitical disruption is the word I'm going to use here. We tend to be prudent in the way we set our guidance. The reality is that our business model is quite resilient. We are ahead of our game right now. I look more at the plus than the 17%, to be honest with you, at this point. It's too early to change our guidance but we are very pleased that looking forward, we think it's going to be the plus as opposed to the minimum of the 17%.

Gabriel Dechaine:

Got it. All right. Well, I'll leave it at that.

Éric Jobin:

Yes. I'll just add one comment regarding your question to what Denis said. With respect to the fact that you were looking for what has been driving us ramping up, the macroeconomic has been a tailwind since the investor event. The AUA, AUM, everything has increased. Right now, it's still a tailwind. That's the main driver since the investor event.

Gabriel Dechaine:

All right. Have a good one and enjoy the rest of your summer.

Denis Ricard:

Thank you.

Operator:

The next question is from Mario Mendonca from TD Securities. Please go ahead.

Mario Mendonca:

A couple of quick questions. First, on the experience gains. Is it still appropriate to assume that experience gains will trend around zero going forward, or maybe over the long term, is that an appropriate assumption?

Éric Jobin:

Yes, I'll take. Mario, it's Éric. I'd say a couple of things on this because our iA's DNA has always been to be prudent at managing liabilities. If you look historically at experience gain, I looked at it very recently, over the last 10 years, two-thirds of the times we had positive experience gain where we had one-third of the times we had loss. Our prudent way of managing liabilities is putting positive bias on average over time. That's one clue.

For the remaining of the year, when we look at—because every year, we rethink liability assumption when we do the reserve assumption change. It tends to reset the clock on this. But for the remaining of 2025, we're quite confident that our quarterly annualized ROE will stay around 17% for the remaining of the year. As I said, assuming macroeconomic holds when we look at everything altogether, that's where I would guide you to look at for in terms of profitability.

Mario Mendonca:

The way I'm interpreting that answer is that until you have your assumption review, experience gains could remain positive in the next, say, two quarters. Then in 2026, you reset and maybe we get closer to zero. Am I interpreting your answer correctly?

Éric Jobin:

Yes, absolutely, Mario. If you look just in Q1 this year, after year-end assumption review, we just had \$1 million of experience gain. We reset that clock annually.

Mario Mendonca:

Okay. I think I understand. Then the second question is on buyback activity. I'm looking at the last three quarters, the average buybacks, kind of modest, works out to an average of 0.5 million shares a quarter. The previous three quarters, maybe four quarters. If you look at the average, it was closer to 2 million. Quite a meaningful drop in the pace of buyback activities in the last three quarters relative to the last couple of years. Could you talk about why that's played out, why the buyback activity has slowed so much and what your intentions are?

Denis Ricard:

It's Denis here. Yes. When we started the buyback at that time, the price of the stock was ridiculously low, it was a factor for us to buy back more shares at that time. Not that I'm saying that they are well, I would say, valued right now. They are still undervalued. That's why the CEO would always tell you anyway. But the point is that there has been, I would say, a discussion internally about what should be the right level. Looking at the opportunity that we had in terms of acquisition. Our first objective is to grow by organic growth, acquisition, and then at the end, the buyback.

In our 2030 plan that we presented to the Board, there is a certain level of buyback that we implemented and that we believe that we're going to continue. We will adjust the level of buyback whether or not we do acquire organization over the years. I think the one thing that you have to keep in mind is that we don't intend to pile up capital. We want to deploy it. If we're not in a position to acquire organization and deploy capital by acquisition, we will increase the buyback.

Mario Mendonca:

Okay. Thank you.

Operator:

The next question is from Lemar Persaud from Cormark. Please go ahead.

Lemar Persaud:

Yes, thanks. Maybe for Denis or Éric to start off here. Just a question on ROE continuing on Gabe's line of questioning. I appreciate your answer to focus on the plus. But under—what would be helpful is to understand under what circumstances would you actually present to the Board or say that we need to bump up this target a bit higher? Because it sounds like 17% is unlocked, and you have that target at the 2027, it's plausible that you're going to exceed it by a fair margin, at least that's from where I'm sitting. Maybe talk about like the process in bumping up this target higher. I appreciate that you just introduced it a couple of months back. Any thoughts would be helpful.

Denis Ricard:

No, that's a great question. It's very early in the process. We've bumped it up significantly at the beginning of this year. Our business model is really proving very positive in terms of results. We are at the point where we might all say that we are quite comfortable with the 17%. I guess I can say that we are comfortable with the plus as we have mentioned. But there are so many parameters that can change. We talk about the geopolitical environment, the economic environment, and we don't talk much about competitive environment and because I believe there is much more discipline in the market right now. But you never know. There might be changes going forward in the future. We never know about that.

Again, I feel quite comfortable right now because I would say that compared to 15 years ago, there's much more discipline in the market. To me, it's prudent at this point not to go the next step. It might come in a year. We'll see. But at this point, we have to stay prudent. I would rather under-promise and over-deliver.

Lemar Persaud:

Appreciate it. Then just maybe moving on to U.S. Individual Insurance sales. I think it's been constant or flat over the prior three quarters. Then like a step function up, I think it was \$68 million to \$78 million constant dollars. Is there anything special in that \$78 million this quarter? Are we hitting a new growth trajectory for Individual Insurance?

Denis Ricard:

You're talking in the U.S., right? In the U.S. okay.

Lemar Persaud:

Yes.

Denis Ricard:

Maybe, Sean, you want to comment on the sales, which have been quite fantastic as far as I'm concerned.

Sean O'Brien:

Yes. American Amicable had a fantastic quarter and is really delivering a strong relationship with the IMO, is a well-established model, they just really improving out their model quite well. Then on the Vericity side as well, they're on plan and doing well. I'd say the star is AMM in the last quarter, American Amicable that is.

Denis Ricard:

Yes. I would say, keep in mind that over the last 15 years, since we acquired American Amicable; the CAGR in terms of sales growth has been around 15%, 16% a year. This is amazing. Now we have Vericity that is increasing even more our U.S. sales. I don't see any decrease or I don't see any stabilization of our sales growth in the U.S. at this point.

Lemar Persaud:

It's possible we could build off that U.S. \$78 million this quarter in Individual Insurance. Is that what I'm kind of hearing?

Denis Ricard:

Sorry, I missed your question.

Lemar Persaud:

Then we're going to expect some growth off that \$78 million in Q2 in Individual Insurance sales in the U.S.? That's a good starting point for additional growth.

Denis Ricard:

Absolutely. Correct.

Lemar Persaud:

Then one question on Vericity. I'm assuming this write-up in the Vericity deferred tax asset was driven by the move towards profitability for that business. Wondering if I have this right and if there's more to go in terms of these deferred tax asset as the profitability of Vericity continues to improve. If you could quantify the potential write-up in that deferred tax asset would be helpful.

Éric Jobin:

Yes, sure, Lemar. It's Éric. On this one, just a bit of context. When we acquired Vericity, you have to remember that this entity was running at loss. They could not put any value on those past net operating losses and their balance sheet. We did not pay anything for it. That being said, of course, when we made the acquisition, we had a business case. We had management actions. We had things to improve profitability.

In the integration phase of the last year, we had to get comfortable with the fact that eventually, what we would do in terms of management action would put these potential net operating loss recoverable. That's what we did from a U.S. tax perspective. We recognize most of it at this point. The remaining part, they have an expiry date and they are less probable to recover but we did put the value of those deferred tax assets that we thought we can recover with our ongoing plan.

Denis Ricard:

I would like to add on this. This is quite interesting because when we acquire organization, obviously, we do initiatives to improve. This is a very, very interesting one because that change, it made it possible for this acquisition to generate an ROE over the current ROE guidance, even though we acquired it in the past. I'm very pleased to this positive development.

Operator:

Once again, if you have a question, please press star, then one.

The next question is from Darko Mihelic from RBC Capital Markets. Please go ahead.

Darko Mihelic:

Hi, thank you. Good morning. I think my main question is so deep in the weeds, and maybe I'll take it offline, Éric, if that's possible. I'd love a follow-up call on just the mechanic.

But my other question is maybe for you, Denis. In your answer on the question of capital deployment. As I sit back and I see the results of this quarter, and you can see the trend and the help that your company gets from strong markets, you're going to be adding RF Capital, you want to deploy more capital. The question is the business mix and the dependency on equity markets really performing well. I'm not worried about immediate sensitivities, which we can see. It's just that a sustained prolonged strong market really helps what happens in the reverse case. Does that change perhaps how you might deploy capital after RF closes?

Denis Ricard:

Absolutely not. Darko, when I look at all of our businesses, I have a long-term view, and in all the businesses that we are in, right now, we believe that we can generate an ROE that is above our 17% target. We're not at the point where we would say there is, let's say, overconcentration in one sector versus the other. We look at the opportunities that exist in the business that we're in. We said in the past, for example, that the U.S., there were more opportunities. But guess what, we just announced one in Canada. We have to look at the opportunities that present themselves, and we don't feel that there is an over concentration in one sector versus the other.

Darko Mihelic:

Okay. That's fair. With respect to the RF acquisition and its closing. Presumably, the idea would be that you'd really want to grow and add to that business as you move forward. Is there—maybe you can talk to opportunities to further grow that business inorganically? Do you think that they exist?

Denis Ricard:

There are less and less of those opportunities but there are still some. We are on the lookout to increase our distribution. If there is one that is available, we will be there.

Darko Mihelic:

Great. Thank you.

Operator:

This concludes the question-and-answer session. I would like to turn the conference back over to Denis Ricard for any closing remarks.

Denis Ricard:

Well, thank you all. As you've seen, we are quite excited about the iA model. The organization is generating a very significant amount of excess capital from their operations. We already had the 17%. We are now focusing on the plus, as you've heard today. The top line is great. We feel very confident going forward. Thank you for being present to this call today, and see you at—have a great end of the summer. Thank you.

Operator:

This brings to a close today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.