iA Financial Group

Conference Call Transcript

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Speakers:

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President and CEO

Éric Jobin

Chief Financial Officer and Chief Actuary

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Operator:

Welcome to the iA Financial Group Second Quarter 2026 Earnings Results Conference Call. As a reminder, all participants are in a 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 conference 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 with iA Financial Group. Please go ahead.

Caroline Drouin:

Thank you and good morning everyone. Bonjour à tous. Welcome to iA's second quarter 2026 conference call. 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.

Before we start, I draw your attention to the forward-looking statements information on Slide 2. Forward-looking statements made today are subject to risks and uncertainties that could cause actual results to differ materially. These statements are based on certain material factors and assumptions.

I also draw your attention to the non-IFRS and additional financial measures on Slide 3. Today's commentary will also include adjusted financial measures which should be considered as a supplemental IFRS measures. For further details, including those factors and assumptions, please refer to our press release and MD&A.

I will start by introducing everyone attending on behalf of iA: Denis Ricard, President and CEO; Éric Jobin, Chief Financial Officer and Chief Actuary; Alain Bergeron, Chief Investment Officer; Denis Berthiaume, Chief Growth Officer for our Canadian operations and responsible for iA Auto and Home; Stephan Bourbonnais, responsible for our wealth management operations; Renée Laflamme, responsible for individual insurance, savings and retirement; Sean O'Brien, Chief Growth Officer for our U.S. operations and responsible for Dealer Services; Louis-Philippe Pouliot, in charge of Group Benefits and Retirement Solutions.

With that, I will now turn the call over to Denis Ricard.

Denis Ricard:

Good morning and thank you for joining us today.

We delivered another strong quarter, demonstrating once again the value of our diversified business model. Our ability to generate consistent profitability is supported by multiple sources of earnings and solid growth for the overall organization. At the same time, Wealth Management continues to strengthen its contribution to our results and is becoming an increasingly important driver of growth.

Across the organization, our focus remains on discipline, execution and profitable growth. We continue to make deliberate decisions that prioritize long-term value creation, business quality and sustainable returns. These priorities are clearly reflected in our second quarter results.

Turning to Slide 8, the quarter was strong across several dimensions: earnings, ROE, business growth, capital and shareholder value. Importantly, the growth was not concentrated in one area. It reflected the strong activity in our distribution platforms, continued Wealth Management momentum and disciplined execution across the organization.

Let me highlight a few key metrics.

Core EPS was $3.68, up 5% year-over-year, and EPS was $4.28, up 25% year-over-year. Our trailing 12-months core ROE reached 17.5%, in line with our 2026 target of 17% or more. Business growth was also strong. Net premiums, premium equivalents and deposits, were $6.3 billion, up 25% year-over-year.

Assets under management and administration grew 37% over the last 12 months. This growth reflects solid organic growth from fund inflows, favourable markets and the addition of RF Capital.

Our financial position remained a clear strength. The solvency ratio stood at 137% at quarter-end and we had $1.1 billion of capital available for deployment. We also generated $180 million of organic capital during the quarter.

At the same time, we continued to return capital to shareholders. During the quarter, in addition to our regular dividend, we deployed $347 million through our share buyback program.

Finally, book value per common share reached $80.55, up 6% over the last 12 months.

Overall, these results reinforce our confidence in the trajectory of our business. We are growing, delivering strong profitability and maintaining the balance sheet strength needed to create long-term value.

Turning now to Slide 9, our Insurance Canada segment delivered a good quarter supported by the strength of our distribution platforms, the diversity of our businesses and our continued focus on profitable growth.

In Individual Insurance, sales totalled $102 million, a result comparable to last year's strong performance. We remain very pleased with the momentum across the business and the strength of our market position. We continue to benefit from our growing distribution network, the effectiveness of our digital tools and our comprehensive product offering.

We also maintain our leading position in Canada for the number of policies issued. The stability of our results reflects our disciplined approach to underwriting and business selection, which supports sustainable profitable growth over time.

In Group Insurance, premium and deposits remain close to the strong level recorded a year ago. Employee plans implemented sales reached $30 million, significantly above the $8 million recorded in the second quarter of 2025. In Special Markets, sales were affected by lower volumes of international student medical insurance following federal government measures limiting the number of international students entering Canada.

We have also taken deliberate actions to optimize the business mix and focus on opportunities that meet our return objectives. This disciplined approach strengthens the quality of future earnings, and we expect the impact of lower international student volumes on sales to remain visible in the second half of the year.

Dealer Services sales remain good at $218 million, close to the results from the same period last year, benefitting from our extensive distribution network and comprehensive suite of Dealer Services products.

Finally, at iA Auto and Home, direct written premium increased 5% over a year to $216 million. This growth was driven by higher policy volumes and the favourable impact of price adjustments implemented over the last 12 months.

Overall, our Insurance Canada businesses continue to demonstrate the benefits of scale, the distribution strength, and disciplined execution while maintaining a strong focus on profitable growth.

Turning to Slide 10, Wealth Management delivered another solid quarter and continues to be an increasingly important contributor to our growth and earnings profile. Momentum remains strong across the platform with growth sales reaching $4.3 billion and combined net inflows of seg funds and mutual funds of $934 million.

We further strengthened our leadership position in the Canadian seg fund market, maintaining the number one position for both growth and net sales. Individual seg funds growth sales increased 52% year-over-year to more than $2 billions, while net sales exceeded $1 billion. This performance reflects the strength of our growing distribution networks, strong advisor engagement, and the attractiveness of our product offering.

In mutual funds, growth sales increased 46% year-over-year to $644 million while net outflows of $73 million were recorded.

Sales of other individual savings products reached $449 million, up 5% from last year.

And finally, in Group Savings and Retirement, total sales exceeded $1.1 billion, up 35% year-over-year, supported by strong momentum in accumulation products. Total assets under management increased 15% year-over-year.

As we continue to build one of Canada's leading independent wealth franchises, we remain well positioned to benefit from long-term wealth accumulation trends and sustainable growth in assets, earnings, and shareholder value.

Turning now to Slide 11, our U.S. operations remain an important growth platform and a valuable contributor to the diversification of our business and earnings profile. The quarter once again demonstrated the benefits of our diversified U.S. presence across both Individual Insurance and Dealer Services.

In Individual Insurance, sales reached a quarterly record of US$86 million, up 10% from a year ago. This strong performance was driven by continued growth in the final expense and middle market segments, supported by disciplined sales practices, key digital capabilities, and strong engagement across our distribution network.

In Dealer Services, sales totalled US$292 million, broadly in line with the same quarter last year, despite less favourable U.S. auto market conditions. The business continues to benefit from the effectiveness and diversity of its distribution channels, as well as the quality of our products and service. Our focus remains on strengthening distribution relationships and continuing to enhance business quality and long-term profitability.

Turning to Slide 12, our results continue to demonstrate solid progress toward our financial targets and reinforce our confidence in the outlook for the remainder of the year.

Core EPS increased 8% year-over-year in the first six months of 2026, reflecting continued profitable growth across the organization. Our trailing 12-month core ROE stood at 17.5% as at June 30, already meeting our 2026 target. This performance reflects disciplined execution, strong fundamentals, and our continued focus on sustainable growth and capital efficiency.

Organic capital generation remains a key strength of the organization. Year-to-date, we have generated $335 million of organic capital, keeping us well on track toward our objective of generating more than $700 million in 2026. Consistent with historical trends, capital generation is typically stronger in the second half of the year, reinforcing our confidence in achieving this objective.

Finally, our core dividend payout ratio remained within our target range at approximately 30%.

With that, I will now hand it over to Éric, who will review our second quarter profitability and capital position in more detail. Éric.

Éric Jobin:

Thank you, Denis, and good morning, everyone. I'm pleased to walk you through our second quarter results, which, once again, demonstrate the strength of our diversified business model, sustained business momentum, and robust capital position.

Let me begin with Slide 14, where I'd like to highlight three key takeaways before reviewing the segment's results.

First, we delivered strong profitability. Core earnings reached $330 million, and core ROE was 18.5% on a quarterly annualized basis and 17.5% last 12 months. Net income was $384 million, which is higher than Core earnings, supported by favourable market-related impacts during the quarter.

Second, our earnings mix continues to evolve positively. Wealth Management delivered another strong quarter, driven by strong organic momentum, the increasing scale of our wealth platform, favourable markets, and the contribution of RF capital.

Third, with a solvency ratio of 137%, and $1.1 billion of capital available for deployment, our capital position is robust and we have substantial capacity to invest for growth.

Let's now take a look at the second quarter core earnings results by segments, by turning to Slide 15 with Insurance Canada.

This sector delivered another strong quarter with core earnings of $128 million, demonstrating the stability and profitability of the business. Experience remained favourable, contributing $19 million pre-tax to earnings through favourable mortality and morbidity experience. While this was below the exceptionally strong experience gain of $31 million recorded a year ago, it reflects continued solid risk management across the portfolio. Core earnings also benefitted from combined risk adjustment release and CSM recognized for service provided, particularly in Individual Insurance and Employee Plans, as well as lower core income taxes during the quarter. These positive factors were partially offset by lower earnings from core non-insurance activities, primarily year-over-year in Dealer Services.

Let's now turn to Wealth Management on Slide 16.

Wealth Management delivered another strong quarter with core earnings increasing 37% year-over-year to $155 million. This performance was driven by higher combined risk adjustment release and CSM recognized for services provided, benefitting from strong segregated fund inflows and favourable financial markets. In addition, Insurance experienced gains of $2 million were recorded during the quarter.

Core non-insurance activities also contributed meaningfully to earnings growth, supported by higher net revenue on assets, advisor recruitment, and the strong contribution from RF Capital Group of $13 million, which continues to perform well and better than expected at time of acquisition. These positive drivers were partially offset by higher expenses incurred to support business growth and expansion.

Overall, Wealth Management continues to enhance the quality and diversity of our earning base while delivering attractive profitability and strong earnings growth.

Turning to Slide 17 for U.S. operations, second quarter core earnings in our U.S. operations were $24 million compared to $36 million a year ago. In Individual Insurance, the strong earnings growth achieved over recent years continues to be reflected by high levels of risk adjustment release and CSM recognized for services provided. This quarter, however, growth was moderated by experience loss of $8 million, mainly due to unfavourable mortality at Fidelity Life arising from a small number of large claims which we view as statistical fluctuation. Before these experience losses, which are expected to be non-recurring, the combined contribution from Fidelity Life and eFinancial was neutral to core earnings. As a result, we continue to expect the acquisition to be accretive to core earnings in the second half of 2026.

In Dealer Services, core earnings continued to reflect a sales mix weighted toward insurance product. While the pace of earnings improvement has been slower than originally anticipated, we continue to implement a series of management actions designed to improve long-term profitability and overall business quality. As these initiatives are implemented, some earnings variability may occur.

We remain confident that the actions we are taking position the business to deliver stronger, more profitable, and sustainable growth over time.

Now turning to Slide 18 for the results of the investment segment, core earnings for the quarter were $79 million compared to $102 million a year ago and to $93 million in the first quarter. The year-over-year decrease was mainly driven by higher financing charge on debentures, semi-annual dividends on pref shares, and higher core income taxes.

Core earnings were driven by a core net investment result of $129 million, which is $2 million higher than for the same period last year. This result consists of expected investment earnings of $119 million and favourable credit experience of $10 million, which is attributable to both the fixed income and car loan portfolios. Quarter-over-quarter expected investment earnings benefitted from the positive contributions of iA Auto Finance and the capital issued in May. These benefits were offset by a reduction in invested assets mainly due to the share buyback program.

Core earnings adjustment generated a positive impact of $104 million during the quarter driven by favourable macroeconomic variation in the non-fixed income assets, particularly the strong performance of public equities.

Moving to Slide 19 for the results of the Corporate segment, we continue to demonstrate disciplined expense management during the quarter with core corporate expenses totalling $74 million before taxes compared to $79 million a year ago. This result included core other expenses of $65 million before taxes, which is at the low end of the quarterly target range of $70 million plus or minus $5 million, as well as $9 million of higher-than-expected provision for variable compensation, reflecting both the Company's strong operating performance and share price appreciation during the quarter.

While maintaining a strong focus on expense management and operational efficiency, we continue to invest in strategic priorities, including AI, digital capabilities and future growth initiatives. As a result, we expect core other expenses in the third and fourth quarters to trend toward the midpoint of our target range.

Lastly, the consolidated core effective tax rate was 21.2% in the second quarter, benefitting from favourable non-recurring items. We continue to expect the core effective tax rate for the third quarter and fourth quarter to be positioned toward the upper end of our target range of 21% to 23%.

Please turn to Slide 20 to review our robust capital position and financial strength.

As at June 30, 2026, our solvency ratio stood at 137% and our capital available for deployment was $1.1 billion. The solvency ratio increased by 3 percentage points during the quarter, driven by the favourable impact of the capital issuance completed in May, solid organic capital generation, and positive macroeconomic impacts. These favourable items were partly offset by the $347 million deployed through the share buyback program, investment in organic growth initiatives, and dividend payments to common shareholders.

Overall, our capital position is robust, and our deployment capacity provides flexibility to invest in growth opportunities, pursue capital allocation priorities, and continue creating value for shareholders.

To conclude, in Insurance Canada, favourable insurance experience once again demonstrates the strength of our risk management culture and underwriting discipline. In Wealth Management, we are proud of the success we have achieved and of the sustainable strength of our segregated fund products.

In the U.S., we continue to take deliberate management actions to enhance the profitability of Dealer Services. While these actions may affect short-term results, they support long-term profitable growth.

Our Q2 results highlight the strength of our diversified business model and we are entering the second half of 2026 from a position of strength.

Finally, core ROE is well anchored over 17%.

With that, I will turn the call back to Denis.

Denis Ricard:

Thank you, Éric.

Please turn to Slide 22.

As we look back on the second quarter, we are pleased with the strong execution across the organization. While Wealth Management continues to increase its contributions to earnings and growth, the strength of our company remains rooted in our unique diversified business model and the multiple drivers of growth across the organization. The breadth of our platform enables us to generate consistent profitability and create value through a variety of business and market environments. The 25% increase in premiums and deposits, together with the 37% growth in assets over the past year, reflects the strength of our distribution capabilities, our ability to attract and support high-quality advisors, and the disciplined execution of our growth strategy.

We continue to see strong momentum in Wealth Management, supported by elevated activity across our distribution platforms, strong net inflows, and growing assets.

At the same time, we remain focused across all of our businesses on generating profitable growth and making deliberate decisions that strengthen the quality and sustainability of future earnings.

Returning value to shareholders remains a key priority. During the quarter we continued to do so through both dividends and share repurchases under our NCIB programs.

And with a solvency ratio of 137% and $1.1 billion of capital available for deployment, we remain well positioned to support future growth opportunities while maintaining our disciplined approach to capital allocation.

As we move into the second half of the year, we remain focused on executing our strategy, supporting our distribution networks, delivering profitable growth, and creating long-term value for shareholders.

Thank you. Operator, we're 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. We will pause for a moment as callers join the queue.

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

Doug Young:

Hi. Good morning. Just wanted to maybe dig a little bit deeper onto the U.S. extended vehicle warranty business. It looks like in the U.S. the PAA line was down, the non-insurance core earnings was down quarter over quarter, and I think – correct me if I'm wrong – there was reference to the loss of dealers on the admin side. I don't know if that was dealers moving to the insurance side. Just trying to get a little bit more into the depth of what you're seeing there and what your expectations are from that business over the coming year.

Denis Ricard:

It's Denis here. I'll start and then Éric will follow up on this.

Maybe a high-level comment on that business and that you've seen in terms of the sales, sales are soft in the quarter. There are things that we do control and things that we do not. There's been some headwind on the car sales that you'll hear from us for sure. But to me as a CEO, what is important is from what we control. There are initiatives that we have been doing for some time already that are obviously taking a bit of time to have some impact. But we are doing the right thing. That is I think what is the important message that you have to keep in mind, that we believe that we're going to get the improvement in our profitability over time and the sales growth as well. But it's not linear. I mean, it's not something that is linear and it's just going one way. So sometimes you've got some pause.

But Éric, do you want to comment more on this?

Éric Jobin:

Yes, I just want to add, Doug, to your question with respect to the PAA earnings being slightly down quarter over quarter. Keep in mind that this is a business on the insurance side that has a bit of seasonality. Remember that I talk about this very often, that some of our businesses have seasonality patterns. And for Dealer Services in the U.S., the insurance business has a higher frequency of claims in the second and third quarter. So it's a little bit like iA Home and Auto in Insurance Canada that tend to have lower expected earnings in the first quarter. For Dealer Services, in the U.S. it's second and third quarter.

Doug Young:

Yes. Okay. Can you maybe just flesh out why are the dealers choosing to go with the insurance versus the admin side? Is there a structural reason? When you look into it, what do you get back from the dealers why they're choosing to go in that direction?

Denis Ricard:

I will ask Sean just to talk a bit more about our strategy there and the push that we made on the DAC side last year and the success we've got so far and then the initiatives that we're doing on the other side.

Sean O'Brien:

Yes, thanks, Denis. Just to jump back, our three main actions that we've taken with that business, we started focusing on profitable growth is we've actively repriced all of our products. Good news is now all the sales have an ROE above our expectation. The industry has been fairly price disciplined in the U.S., which is helpful, when in Canada. Then we focused on operations.

The last part has been the sales structure. Last year we started with Dealers Assurance Co. (DAC). We saw it as a quick opportunity. Dealers Assurance Co. (DAC) is really where we're driving these insurance sales and you can see those numbers coming forward. So really, it's a separate channel where we're selling that business.

Then on the first half of this year, we've restructured the sales team and now we have the sales leaders in place focused on the agent and dealer channel. There's a nice pipeline building and I'm confident we'll definitely see some nice growth ahead later this year and into next.

But as we said, the business is not perfectly linear. The gradual recovery is underway. There is some natural attrition as dealers come and go and usually it's related to acquisitions. A dealer gets bought by another group and they have another provider. And sometimes you lose a store; it's not the most common reason you see it, but that's not the primary driver. Really, it's just what you're seeing is the focus on DAC that started last year and you'll start to see the dealer and agent channel building in the quarters ahead.

Doug Young:

Okay. I appreciate that.

Then, Éric, let me go to Slide 20. Maybe I'm just slow this morning, but can you help me think through your solvency ratio is up sequentially, but the capital available for deployment is down. I can see the different kind of points in there and it looks like financing activities is included. Can you just help me think through why that would be? Then what is the binding constraint that helps you define what is available for deployment?

Éric Jobin:

That's a very good question, Doug. Because you know that the regulatory regime has many, many constraints in it. One is the solvency ratio. There are other ones and one has to do with the core ratio as well. This is where right now that iA is constrained. It’s when we calculate the amount of capital available for deployment, we're constrained by the core ratio. The biggest driver of the core ratio constraint is negative reserves.

So right now with the growth that we're experiencing in insurance Canada and the segregated funds, this is what is creating a bit of a challenge in the short term because the gains coming from those sales cannot be fully reflected in capital available for deployment. But it will flow out in the future. But in the short term, this is the constraint that we're binded by.

Denis Ricard:

And for the first part of the question, the capital for deployment already incorporates the potential financing. So when we do go out in the market and we raise capital, it does not change the capital for deployment.

Éric Jobin:

Absolutely. The way to look at capital available for deployment, the way we talk about it is to talk about the current excess capital that we have in the books and potential remaining financial flexibility.

What Denis is mentioning, for example, in the first quarter, we said that capital available for deployment was $1.2 billion, so it was a combination of both elements. As you know, we issued the sub debt in the second quarter and it did not change the number. So really, you know what drove the decrease of about $100 million quarter over quarter is the share buyback program, so the financial flexibility was already in there.

Doug Young:

This is perfect. I appreciate the colour. Thank you.

Operator:

Next question is from Tom MacKinnon from BMO. Please go ahead.

Tom MacKinnon:

Yes, thanks very much. Good morning. Question just with respect to Canadian individual insurance sales. Twenty twenty-five was up nicely, 6% over 2024. But you're starting off 2026 here down in the first quarter year over year, down in the second quarter year over year in terms of new sales. I think in the first quarter, you might have been up a bit in number of policies issued but it looks like now you're down year over year in terms of number of policies issued. What's happening here? What can you do to improve this trend going forward? Thanks.

Denis Ricard:

Thank you, Tom. It's Denis here. Thank you for the question. Renée will answer that question, but first, I just want to make a high level comment.

When you look at the overall growth in the organization for the quarter, we're very pleased. Like I said before, 25% growth in terms of net premiums and the AUM grew by 37%, so we're very, very pleased. Obviously, the Wealth Management business has done a fantastic growth trajectory.

But then when you look at some other sectors like Individual Insurance and Special Markets, you see some kind of pause in terms of growth, but it's really a reflection of some of the initiatives that we made because we want to stay disciplined in underwriting, pricing, risk management and everything. Renée will go into more details, but you have to keep in mind that sometimes there are pockets of industries that we don't want to play in and it may have some impact.

Renée Laflamme:

Thank you, Denis. Thank you, Tom, for your question.

First of all, when you look at the number of policies sold, keep in mind that we're the leader in number of policies sold in Canada with 25% of the market share. Thus, it may happen that we have a softer quarter, but again, we see the activity and we're confident in our ability to continue to grow the number of policies sold.

Looking at it from a dollar perspective sale, we did this quarter $102 million, similar or very slightly lower than the same quarter last year. We're looking at the market with increased vigilance, especially relative to certain sales concepts in the high, mid, large case range, and we're staying disciplined and making sure that we are not taking undue risk. So that would cover.

And I think, Éric, if you want to reinforce on some of our risk management.

Éric Jobin:

Yes, I just wanted to take this opportunity to reinforce Renée's message and make a connection with what we mentioned at the investor event, our risk management practices and control.

What Renée is mentioning is that we don't want to take undue risk in the books and face lapse issues with aggressive sales concepts in 8 to 10 years from now. So we're careful with that and making sure that the business we bring in the books is creating value for the Company, as well as for the client and the advisor, not only for the latest.

Tom MacKinnon:

Is there any product set that you're taking the increased vigilance in? Is it par, non-par, term? I don't know if you can elaborate on that.

Renée Laflamme:

Well, as you know, 50% or more of the products sold in the industry is the par product, so obviously the increased vigilance is mostly on the par product, those products that accumulate value early on. So those are the ones.

Tom MacKinnon:

Thanks.

Operator:

The next question is from Gabriel Deschaine from National Bank of Canada. Please go ahead.

Gabriel Dechaine:

Good morning. Quick one on the experience gains in the non-prime auto. What were those? Did you release allowances or were impairments just below expectation? Can you delve into that a little bit?

Éric Jobin:

Remember, Gabriel, that a couple of years ago we strengthened the underwriting on our credit portfolio for auto loans and it's just collecting the benefits of that strengthening that happened a little while ago. The experience has just been better than expected in this case. Nothing special to mention about any allowance release or anything. It's just experience-based.

Gabriel Dechaine:

No, I understand the repositioning you did a couple of years ago. Just from an accounting standpoint, it could come from a variety of non-insurance accounting, rather. I just want to get a sense. Did you have an assumption for a certain amount of impairments and it was a lower number than that? Is that essentially it?

Éric Jobin:

Yes, that's exactly what I refer to when I say it's a positive experience gain.

Gabriel Dechaine:

Got it. Okay. And then, sorry. Somebody else?

Éric Jobin:

No, I just wanted to add that it's actual minus expected.

Gabriel Dechaine:

Yes, yes. Okay. Now, a bigger picture question for Denis. I'm starting—well, I'm not starting. I'm getting this more frequently I should say from investors about all the companies I cover. Stocks are at all-time highs nearly every day. Valuations are getting—are unusually high compared to any historical record. If I tie that into your M&A appetite, which you've been very transparent over the course of the time I've covered the company, you're an acquisitive company. You got in your slides 30-plus since 2015. How does the stock valuation influence your willingness to do maybe a more transformational transaction than the ones you've done in the past? What sort of conditions would you need for Industrial Alliance to issue equity to finance a transaction, let's say?

Denis Ricard:

First of all, the higher the price, as we all know, the cheaper it would be to buy an organization. If we need to raise capital, that would be an obvious one.

With that said, we have plenty of capital right now. $1.1 billion. We're generating 700 a year. And our buyback strategy obviously depends on various criteria. One of it is any potential acquisition that we would do in the near future, that would be one of the elements that we would take into consideration.

I would add to this, being an $18 billions-plus market cap company we might target something that is bigger than what we have done in the past. We've done, the biggest one would be like a billion dollars some years ago, so we might go a bit higher than that. But, I mean it has to be really strategic for us to go with a huge acquisition that would be transformational for the organization.

We don't bet the farm. It's not part of our DNA. It is possible that at some point we might go bigger, but it would have to be a really, really good fit for the organization.

Gabriel Dechaine:

Got it. I guess this is a question I can ask any other companies I cover, but I'll start with you. Thank you.

Enjoy the rest of the week.

Éric Jobin:

Thank you.

Operator:

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

Mario Mendonca:

Good morning. I want to focus on two businesses, one that's functioning at a very high level, your wealth business, and one that isn't. First, let's focus on the U.S. business, the business that I think Denis you'd agree is currently functioning below its long-term earnings potential. Firstly, you'd agree with that notion that this is significantly below what you expected from this business at this time. Is that true?

Denis Ricard:

That's a closed question. The closed answer is yes.

Mario Mendonca:

So the way I'm going with the question then is this. There are things you need to do to fix the business and you've talked about that in response to Doug's question. But what would be interesting to know is the timing. So, when you think about your budgeting process—and I suspect Industrial is like any other company that has an ongoing iterative budgeting process—does the U.S. business grow in 2027 and 2028 in that process?

Denis Ricard:

From where we are right now, I see the U.S. business as a tailwind. So the answer is yes.

Mario Mendonca:

You do have some growth built in in the budgeting process in 2027/2028?

Denis Ricard:

Yes. Let me go further in this. I'll try to be as short as possible.

First of all, the U.S. Life business is really, really happy about it. The American Amicable—I mean obviously forget about the lapse for the last quarter, which was a blip in the graph. Very, very pleased, already above our target and it's grown for 16% CAGR for the last 16 years. Really, really pleased.

Vericity, according to the plan right now, is going to be accretive at the end of the year and it's growing further along the way. So for those two businesses, the answer is yes. There is in our budget process some incremental growth in that business.

Now, the U.S. dealer business, the last one, it's been a disappointing business since we bought the organization. I don't want to go through all the history of that. But the team that we have right now, I'm quite confident, and I look at the pipeline that is there, I'm quite confident that it's going to gradually improve. It will take time. It's not going to happen in a few quarters. But when I look at the growth over, let's say, 2027/2028, it's going to be a tailwind as far as I'm concerned.

Mario Mendonca:

Let's flip over to a business that's at the opposite end of the spectrum, the wealth business. I can appreciate that, and I think anybody can make a convincing argument that the growth in earnings in the wealth segment, this pace of growth is extraordinary, and you'd expect the pace of growth to slow. I think I can make that argument myself convincingly. But what I'm struggling with right now is this new level of earnings in the wealth business, is there any reason why it would have to sort of check back? Was there anything in the quarter that would cause the results to be unusually strong and sort of return to a more normal level as early as next quarter? Or would you argue that it's structurally a higher, more profitable business at this point?

Denis Ricard:

It's a new high as far as I'm concerned, and I see no reason, obviously, the market recently, it has collaborated significantly, but if you look at the net flows from the organization, the consistency of the net flows over the years, I see no reason why it would stop at this point.

Éric wants to add. We're debating here who should answer that question. So, Éric, you want to add something? Go ahead.

Éric Jobin:

I just want to add, because I know that at the end of this call, Mario, you all need to update your numbers. And there's one flavour I wanted to provide on this question that I expected today, to be honest. When you look at the excellent results we had in the Wealth Management segment, it's important to note that the macroeconomic was a tailwind, that's for sure. And the organic or structural, as you mentioned, also contributed. And it's about 50/50. I just wanted to provide this additional information to you so that looking forward, you can adjust for that. Because, of course, the market has been great, and we love it, and I'd like it to be the same in the third and fourth quarter, but we know it's not going to be always like in the second quarter.

I just wanted to provide you some colour on how to manage this looking ahead.

Mario Mendonca:

All right. I think we could all use a little bit of clarity on that as we go forward, because it's hard to interpret. I think my impression is that this is the new, structurally higher level, but perhaps you're cautioning me otherwise. Is that right, Éric?

Denis Ricard:

I would say it's a higher. Well, when I said it's a new high in terms of AUM and AUA, that's what I'm seeing. I think Éric referred to the increase. The 37%, half of it is what you call structural or organic-related.

Éric Jobin:

It’s structural or organic-related, and half of it is macroeconomic. So, if I connect with Denis, Denis said that it's a new high. Everything else being equal and stock market not going down and keep increasing at a normal pace, you would expect a lower increase looking into Q4 and Q3.

Mario Mendonca:

That's very clear now. Thank you.

Operator:

The next question is from Paul Holden from CIBC. Please go ahead.

Paul Holden:

Thank you. Good morning. I want to start with a bigger picture question that's related to interest rates.

Now, iA obviously has brought down its interest rate sensitivity over time and intentionally, but putting aside the sensitivities that you give us, I still want to think that higher rates, particularly at the long end of the curve, are beneficial for your business, whether that's through sales, the pricing of new sales and the margins associated with that, or just the earnings on surplus. Maybe you can walk us through what the implications are for your business. Do I have it right that you're still positively impacted by higher rates, and how so?

Éric Jobin:

Yes, it's a quite important question, Paul, because the level of interest rate is important. You're absolutely right. We kept seeing that long-term interest rate being higher is positive for us if everything else stays the same.

Keep in mind that the inverted yield curve a couple of years ago created some headwinds. So, the level of long-term interest rate is important, but the shape of the yield curve is important as well. So, to maintain this, we need a positive yield curve, meaning short-term rates being lower than long-term rates.

Paul Holden:

So, assuming under the current shape of the curve, I think, is a positive. So, again, maybe you can walk us through how we should expect that to show in iA's results over time? Because I don't think it's an overnight impact, but again, maybe whether it's through sales, the margins on those new sales, earnings on surplus? How will we know it is positive?

Éric Jobin:

Yes, in fact, you're right. New sales, assuming that prices are not adjusted, and there's no reason to believe the contrary at this point, the market is being very disciplined. So, there's no pressure on pricing. So, of course, if long-term rates are higher than our pricing, it's beneficial to us. So, that's the most important element.

As for the other things, keep in mind that we do our best to hedge our asset and liabilities. We talked a couple of times about our total portfolio management approach to manage the interest rate risk. We do our best to minimize it, but we still have a small positive variance. If you look at our core earnings sensitivities to long-term interest rate, it's still positive. So, it means that by reinvesting and lengthening the duration of our portfolio over time, we still win with the overall portfolio management as well.

Paul Holden:

Let me move on. In terms of the U.S. business, you've seen negative insurance experience in each of the last three quarters, and I think from unrelated factors so you could say it's all different. I guess my question is twofold. Given a recent experience, is there anything you see in the results or maybe in terms of setting actuarial assumptions a little bit more challenging in the U.S. versus Canada? You have a very long history of being very good at getting the assumptions right in Canada. Is there anything in the U.S. that you think is different, and in any way does that impact the way you think about further capital allocation into the U.S.?

Éric Jobin:

The short answer is absolutely not, Paul. I don't see any issue. The loss that we experienced in Q2 is completely unrelated with what happened in Q1. Remember, in Q1, it was a lapse issue connected with more green agents than normal. This quarter, it's mortality-related. First quarter was in American Amicable. Second quarter, it's mortality-related at Fidelity Life. It's just a couple of higher claims that took place, and those are accidents and things like that, so it's really not something that worries me with the assumptions at this point, with respect to that, So, there's nothing.

You know, on the lapse issue in Q1 we took actions to fix it. So when I look at my crystal ball for the remaining of the year, I don't see anything that preoccupies me at this point.

Denis Ricard:

And just to add, Éric, on the mortality side, we look at it holistically. So, overall, we have a gain. So, if there was to be something on the reserve—let's say that we didn't feel good about mortality for the U.S., overall it would be positive.

Éric Jobin:

Denis, you're absolutely right. Across the organization in the second quarter, mortality overall was positive. I keep saying that we like mortality risk. That's something we're really good at managing. We like the underwriting. We like the risk management. So, we retain some risk with respect to mortality and we like it and it's been positive. It's been a positive profitability driver for as long as I can remember at iA. So, overall, even across the organization, there's no worry about this risk.

Paul Holden:

Okay. Then, Denis, obviously, given that answer, then it doesn't impact appetite to deploy more capital into the U.S.?

Denis Ricard:

No, it has absolutely no impact.

Paul Holden:

Okay. Okay. That's good. That's it for me. Thank you.

Operator:

As a reminder, to ask a question, please press star, one.

The next question is from Mike Rizvanovic from Scotiabank. Please go ahead.

Mike Rizvanovic:

Good morning. I just wanted to follow up on the wealth commentary and just thinking about it from the terms of if the market does go into a declining environment, if assets under management are declining. I'm just wondering, I know that you've got a structurally higher profitability level, but what's the torque to the downside or how sensitive is it to the downside if AUM is to come down when you think about the composition of your fee-based revenue?

Éric Jobin:

Mike, you have all the sensitivities in our supplemental information package to help you figure out the scenario you want to consider or look at. It's all in there.

Mike Rizvanovic:

Okay. Fair enough. Then, maybe for Denis, just on the buyback strategy, how does your book value impact play into your buybacks? You obviously have got a very aggressive buyback right now based on your NCIB. I know you care about book value growth. You've been very clear that the long-term outperformance on book value growth has been a big positive for IAG over time. How do you look at it now with respect to current valuation levels?

Denis Ricard:

Thank you for the question, Mike.

In terms of the buyback, there are many criteria that make us decide whether we go bigger or not. The price is obviously one. Everything else being the same, the higher the price, the lower the amount of buyback we're going to do. But like I said, there are many other factors: our capital position, the alternative uses of capital, market conditions. And we don't have an objective or a goal of buying back a certain amount. At the end of the day, we also said that we don't want to pile up capital. But again, there are many, many factors that justify whether or not we go big or not on the buyback side.

Mike Rizvanovic:

Okay. That's helpful. Thanks for the colour.

Operator:

This concludes the question-and-answer session. I'd like to turn the conference back over to Caroline Drouin for any closing remarks.

Caroline Drouin:

Thank you everyone for joining us today. Our Q2 earnings release and slides for today's conference call are posted in the Investor Relations sections of our website, and a recording of this call will be available for one week starting this evening. The archived webcast will be available for 90 days and a transcript will be available on our website in the next week.

Note that our 2026 third quarter results are scheduled to be released after market close on Monday, November 9, 2026.

Thank you again, and that concludes our call.

Operator:

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