iA Financial Corporation Inc.

2022 Management's Discussion and Analysis

for the year ended December 31, 2022

February 14, 2023

2022 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

iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is a stock company constituted on February 20, 2018 under the *Business Corporations Act* (Quebec). At the time of its constitution, it was a wholly-owned subsidiary of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") and had no business operations. On January 1, 2019, the plan of arrangement previously approved by the shareholders of iA Insurance and endorsed by the court was completed and put into place. Consequently, on January 1, 2019, a certificate of arrangement was issued by the Quebec Enterprise Registrar, and iA Financial Corporation became the parent company of the iA group, holding all common shares of iA Insurance. Until December 31, 2018, iA Insurance was the parent company of the iA group. Upon completion of the arrangement, iA Insurance's issued and outstanding preferred shares and debentures remained issued by iA Insurance and were 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. The comparative figures prior to 2019 presented in this Management's Discussion and Analysis are therefore the same as those of iA Insurance.

iA Financial Corporation is not regulated under the *Insurers Act* (Quebec). However, iA Financial Corporation will maintain the ability to supply capital, if it considers it necessary, to iA Insurance so that the latter meets the capital adequacy requirements of the *Insurers Act* (Quebec). Pursuant to an undertaking, iA Financial Corporation will disclose its capital position on a quarterly basis. A copy of the undertaking (to which the Autorité des marchés financiers is an intervening party) was filed under the SEDAR profiles of iA Financial Corporation and iA Insurance at sedar.com.

iA Financial Corporation is governed by 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"). 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, 2022, 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 14, 2023.

Non-IFRS and Additional Financial Measures

iA Financial Corporation and iA Insurance 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 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.

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 Corporation:

– *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.

† 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.

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 Corporation 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.
- Core earnings:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:
    a. market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
    b. assumption changes and management actions;
    c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
    d. amortization of acquisition-related finite life intangible assets;
    e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
    f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.

    Note: This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition. The changes to the definition of core earnings at the beginning of 2021 are consistent with the ongoing evolution of the business and help to better reflect and assess the underlying operating business performance, while maintaining consistency with the general concept of the metric and continuity with the previous definition.
  - *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core earnings per common share (core EPS):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Obtained by dividing the core earnings by the diluted weighted average number of common shares.
  - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core return on common shareholders' equity (core ROE):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: There is no directly comparable IFRS financial measure that is 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.

- Components of the sources of earnings (SOE), on a reported and core basis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* Presents sources of earnings in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in cooperation with the Canadian Institute of Actuaries using the following components:
    a. Operating profit, which is the sum of the following components of the sources of earnings analysis: expected profit on in-force, experience gains and losses, impact of new business and changes in assumptions and management actions.
    b. Expected profit on in-force, which represents the portion of the consolidated net income on business in force at the start of the reporting period that was expected to be realized based on the achievement of best-estimate assumptions.
    c. Experience gains or losses, which represent the difference between reported income and the income that would have been reported if all assumptions made at the start of the period had materialized.
    d. Impact of new business, or strain, which represents the point-of-sale impact on net income of writing new business during the period. The expected profit realized in the years after a policy is issued should cover the strain incurred at the time of issue.
    e. Changes in assumptions and management actions, which is the impact on pre-tax net income resulting from changes in actuarial methods and assumptions or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its provisions given the existing economic and financial environment as well as the Company's own experience in terms of mortality, morbidity, lapse rates, unit costs and other factors. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
    f. Income on capital, which represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate that income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item.
    g. Income taxes, which represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. Income taxes are considered to be an expense for the purpose of calculating the operating profit.
  - *Purpose:* Provides additional indicators for evaluating the Company's financial performance and an additional tool to help investors better understand the source of shareholder value creation.
  - *Reconciliation:* There is no directly comparable IFRS financial measure for components of the SOE that is disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Loan originations:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: New car loans disbursed during a period.
  - *Purpose*: Used to assess the Company's ability to generate new business in the car loan business unit.
  - *Reconciliation*: It is a component of the "Operating activities affecting cash: Purchases of investments" IFRS measure disclosed in the Company's financial statements.
- Car loan measure – Finance receivables:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Includes car loans, accrued interest, and fees.
  - *Purpose*: Used to assess the Company's total receivable amounts in the car loan business unit.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Average credit loss rate on car loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Represents the total credit losses divided by the average finance receivables over the same period.
  - *Purpose*: Used to assess the Company's average credit performance in the car loan business unit.
  - *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.
- 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.

† 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.

- Potential capital deployment:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Amount of capital the Company can deploy for a transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's targets, assuming the transaction parameters to be the worst-case scenario.
  - *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 2021 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.
- 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 administration.
  - *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.

† 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.

- Individual Wealth Management mutual funds 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 or services where the Company is primarily an administrator but could become an insurer if a specific event were to happen. These amounts are not accounted for in "Net premiums".
    - *Purpose*: Premiums, 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, Group Insurance Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales and General 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. The net premiums presented in the Consolidated Financial Statements include fund entries on both in-force contracts and new business written during the period and are reduced by premiums ceded to reinsurers.
        b. Individual Wealth Management gross mutual fund sales are defined as deposits and include primary market sales of ETFs.
        c. Individual Wealth Management net mutual fund sales correspond to net fund entries and are defined as Individual Wealth Management gross mutual fund sales less withdrawals and transfers.
        d. Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (Administrative Services Only).
        e. US Operations Individual Insurance sales are defined as first-year annualized premiums.
        f. Group Insurance Special Markets sales are defined as fund entries on both in-force contracts and new business written during the period.
        g. Group Insurance Dealer Services P&C sales are defined as direct written premiums (before reinsurance).
        h. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
        i. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
        j. General Insurance sales are defined as direct written premiums.
    - *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.
- Group Insurance Dealer Services creditor insurance sales:
    - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
    - *Definition*: Premiums before reinsurance and cancellations.
    - *Purpose*: Used to assess the Company's ability to generate new business and serve as an additional tool to help investors better assess the Company's growth potential in the Dealer Services division of the Group Insurance sector.
    - *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.

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 and operational 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; data and cyber risks; risks related to human resources; hedging strategy risks; liquidity of iA Financial Group, including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the current 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 accounting policies and best estimate actuarial and economic assumptions used by the Company such as mortality, morbidity, longevity and policyholder behaviour; different business growth rates per business unit; 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.
- Potential impacts of the COVID-19 pandemic – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. The overall impact of the COVID-19 pandemic is still uncertain and depends on many factors, such as the progression of the virus, the emergence of new variants, the duration of the pandemic, potential treatments and therapies, the availability of vaccines, the effectiveness of government measures to slow the virus’s spread and the impact of those measures on the economy. As a result, we cannot accurately predict the total bearing the pandemic will have, but the impact on iA Financial Group’s business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Group remains financially solid. In addition, iA Financial Group’s business continuity protocol has continued, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely.
- Potential impact of geopolitical conflicts – Since February 2022, Russia’s military invasion of Ukraine and the related sanctions and economic fallout have had several impacts on global financial markets, exacerbating the volatility already present since the beginning of 2022. The outlook for financial markets over the short and medium term remains highly uncertain and vulnerable, in part due to continued geopolitical tensions. The Company continues to monitor potential impacts of the conflict. These impacts 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 this Management’s Discussion and Analysis for 2022, the “Management of Risks Associated with Financial Instruments” note to the audited consolidated financial statements for the year ended December 31, 2022, and elsewhere in iA Financial Group’s filings with the Canadian Securities Administrators, which are available for review at sedar.com.
- 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 iA Financial Corporation’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 sedar.com, as well as in the Annual Information Form for iA Financial Corporation and for iA Insurance, 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 soundness and strength of the Company's business model have once again been demonstrated by the good results recorded in 2022. Net income attributed to common shareholders amounted to $817 million, earnings per common share (EPS) was $7.65 and return on common shareholders' equity (ROE)† was 12.3% in 2022. In addition, both core EPS† of $8.85 and core ROE† of 14.2% for 2022 were within market guidance provided at the beginning of the year.

Business growth continued to be strong in most business units, bringing the Company closer to its growth ambition: to be a North American financial institution operating in sectors deemed strategically important where it is a leader in its target markets, such as the mass/mid markets for individual insurance. The Company's diversified business mix yielded synergies and complementarities which have contributed to successful sales results in several sectors. 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.

At the end of 2022, the adequacy of the Company's actuarial provisions was confirmed as the adjustment of actuarial assumptions had a near-neutral net impact on its net income.

The Company maintained a strong solvency ratio† above its target throughout the year. Organic capital generation† was also very strong, exceeding the top of the guidance range. The investment portfolio remained of the highest quality and credit ratings were reaffirmed by Standard & Poor's, DBRS Morningstar and A.M. Best.

The book value per share was $63.06 at the end of 2022, 2% higher than a year earlier. The growth of this metric in 2022 was tempered by unrealized losses in other comprehensive income. Without this factor, book value growth would have been over 9% in 2022.

The dividend paid per common share in 2022 was 25% higher than in 2021, and 3.1 million shares were redeemed and cancelled through the share buyback program.

Profitability

Net income attributed to common shareholders amounted to $817 million in 2022, which compares with $830 million in 2021. Earnings per common share of $7.65 was close to the 2021 result, and core EPS† of $8.85 was up 6% in comparison with $8.31 a year earlier. Return on common shareholders' equity (ROE)† was 12.3% in 2022 and core ROE was 14.2%. Both core EPS† and core ROE† for 2022 were within market guidance provided at the beginning of the year. Refer to the "Profitability" section of this Management's Discussion and Analysis for more information on the Company's profitability in 2022.

Business Growth

Assets under management and administration† ended the year at $200.4 billion, compared to $221.2 billion at the previous year end. Premiums and deposits† totalled more than $15.2 billion, compared to $16.6 billion in 2021. Sales results were strong in most business units. Refer to the sections that follow for more information on business growth by line of business.

Profitability

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Net income attributed to common shareholders	817	830	(2%)
Earnings per common share (EPS) (diluted) (in dollars)	7.65	7.70	(1%)
Core EPS (diluted) (in dollars)†	8.85	8.31	6%
Return on common shareholders' equity (ROE)†	12.3%	13.2%	
Core ROE†	14.2%	14.2%	

Assets Under Management and Administration

(In millions of dollars, unless otherwise indicated)	As at December 31 2022	2021	Variation
Assets under management†	102,706	111,476	(8%)
Assets under administration†	97,717	109,687	(11%)
Total	**200,423**	**221,163**	**(9%)**

Premiums and Deposits†,[1]

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Individual Insurance	1,882	1,758	7%
Individual Wealth Management	6,833	8,775	(22%)
Group Insurance	2,137	1,883	13%
Group Savings and Retirement	2,800	2,773	1%
US Operations	1,169	1,039	13%
General Insurance	418	395	6%
Total	**15,239**	**16,623**	**(8%)**

Sales by Line of Business[2]

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Individual Insurance			
Minimum premiums†	352	263	34%
Excess premiums†	35	23	52%
Total	387	286	35%
Individual Wealth Management			
General fund	1,203	891	35%
Segregated funds	3,908	4,818	(19%)
Mutual funds†	1,722	3,066	(44%)
Total	6,833	8,775	(22%)
Group Insurance			
Employee Plans†	46	135	(66%)
Dealer Services†,[3]	1,250	1,109	13%
Special Markets†	322	215	50%
Total	1,618	1,459	11%
Group Savings and Retirement†	2,827	2,798	1%
US Operations			
Individual Insurance ($US)†	143	135	6%
Dealer Services ($US)†	1,011	1,068	(5%)
iA Auto and Home†	457	432	6%

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 Refer to the sections on the Company's different business lines for a definition of sales.
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.

Financial Strength

At December 31, 2022, the Company had over $8.6 billion in total capital†, with a solvency ratio† of 126% compared to 134% a year earlier. This decrease is mainly due to the impact of unfavourable macroeconomic variations, the NCIB share redemption, as well as management actions and portfolio adjustments in view of the transition to the new accounting standards IFRS 9 and 17. These factors more than offset the strong contribution of organic capital generation† net of digital initiatives, the impacts of a reinsurance agreement signed in 2022 and the net positive impact of the February debenture redemption and issuance. Note that most of the negative impacts of the portfolio adjustments in preparation for the transition to the new accounting regime will be reversed under IFRS 9 and 17. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2022 and is expected to increase by more than 20 percentage points[4] at IFRS 9 and 17 transition. As mentioned above, organic capital generation was strong throughout the year, with the Company generating approximately $550 million in additional capital in 2022, exceeding the $450 million to $525 million target range for the year. The very good organic capital generation is expected to continue into 2023.[5]

The coverage ratio†, which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, finished the year at 13.2x compared to 16.1x a year earlier. The decrease is mainly due to lower pre-tax earnings, and to higher financing expenses as a result of 2022 capital management. The debt ratio† including debentures and preferred shares was 23.4% at December 31, 2022, up from 22.7% at the previous year-end. The increase is explained by the net value between the redemption of $250 million of subordinated debentures and the issuance of $300 million of unsecured subordinated debentures (the Company's inaugural sustainability bonds) in February 2022. In terms of capital management, the Company also issued a Limited Recourse Capital Note in June, with a connected issuance of preferred shares, and redeemed its Series G preferred shares. Lastly, on November 9, 2022, the Company announced the early termination of its Normal Course Issuer Bid (NCIB), in effect since December 6, 2021, and the establishment of a new NCIB. A total of 3,109,402 common shares were redeemed and cancelled in 2022.

For detailed comments on financial strength, refer to the "Financial Position" section of this Management's Discussion and Analysis.

Dividends

In July 2022, the Company increased its quarterly dividend per common share from $0.6250 to $0.6750, representing an 8% increase. As a result, the dividend paid in 2022 totalled $2.6000 per common share, compared to $2.0800 per common share in 2021, an increase of 25%. The dividend payout ratio† was 29% for the year, which is within the target range of the guidance given at the beginning of 2022. As announced at the end of 2021, the Company's dividend payout ratio target range is now based on core earnings.† Prior to this announcement, the target was based on reported earnings. Lastly, the Board of Directors approved a quarterly dividend of $0.6750 per share payable in the first quarter of 2023, the same as in the fourth quarter of 2022, on the outstanding common shares of iA Financial Corporation.

Quality of Investments

The Company's investment portfolio continued to be of excellent quality in 2022. As presented in the table below, the proportion of net impaired investments increased in 2022 while remaining relatively low at 0.05% of total investments. In addition, bonds rated BB and lower accounted for just 1.01% of the bond portfolio. Also, the occupancy rate of the real estate portfolio decreased to 88.3% and continues to compare favourably with commercial rental properties in large Canadian cities. For detailed comments on investments, refer to the "Investments" section of this Management's Discussion and Analysis.

Financial Strength

(As as December 31)	2022	2021
Solvency ratio†	126%	134%
Debt ratio†	23.4%	22.7%
Coverage ratio†	**13.2x**	**16.1x**

Dividend

	2022	2021
Dividend to common shareholders	**$2.6000**	$2.0800

Investment Quality Indices

(As at December 31)	2022	2021
Net impaired investments ($M)	22	17
Net impaired investments as a % of total investments	0.05%	0.04%
Bonds – Proportion rated BB and lower	1.01%	0.94%
Mortgages – Delinquency rate	—	—
Investment properties – Occupancy rate	88.3%	91.5%

Sensitivity Analysis†

The analysis of the Company's sensitivity to macroeconomic changes under IFRS 4 was updated at the end of 2022. The main results of the analysis are shown in the table below and explained under "Market Risk" in the "Risk Management" section of this Management's Discussion and Analysis. The analysis of the Company's sensitivities under IFRS 9 and IFRS 17 will be disclosed at a later date.

Sensitivity Analysis†

(In millions of dollars, unless otherwise indicated)	As at December 31 2022	2021
Drop in the S&P/TSX index requiring a strengthening of the provisions for future policy benefits for stocks matched to long-term liabilities[6]	(1%)	(35%)
Drop in the S&P/TSX[5] index that would decrease the solvency ratio to 110%	(67%)	—
Impact on net income of a sudden 10% drop in the stock markets (impact for a full year)	(39)	(44)
Impact on net income of a 10 basis point increase in the initial reinvestment rate (IRR)	(42)	(25)
Impact on net income of a 10 basis point decrease in the initial reinvestment rate (IRR)	42	25
Impact on net income of a 10 basis point increase in the ultimate reinvestment rate (URR)	43	68
Impact on net income of a 10 basis point decrease in the ultimate reinvestment rate (URR)	(43)	(68)
Impact on net income of a 10 basis point increase in the **combined metric of URR + IRR**	1	43
Impact on net income of a 10 basis point decrease in the **combined metric of URR + IRR**	(1)	(43)

4 The finalization of the the Consolidated Statements of Financial Position at the January 1, 2022 transition date is in progress.
5 Please refer to the "Forward-Looking Statements" section of this document.
6 Decrease compared to the actual index values at December 31 of the indicated years.

† 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.

Acquisitions and Dispositions

The last acquisition of note occurred in November 2021, when the Company acquired the majority of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd and Surexdirect.com (Ontario) Ltd. As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors. In 2022, key efforts were made to integrate this acquisition.

For more information on the acquisitions and dispositions completed in 2021, refer to Note 4 of the Company's 2022 consolidated financial statements entitled *Acquisition and Disposal of Businesses*.

Sustainable Development

Summary of 2022 Results

iA Financial Group actively integrates environmental, social and governance factors into its organization. In 2022, the Company focused on further integrating ESG factors and implementing a number of new sustainable finance initiatives. In particular, iA issued its first-ever sustainable bond. The Company also published a Climate Change Position Statement and its inaugural Task Force on Climate-Related Financial Disclosures (TCFD) report, all while enhancing its process for reporting and quantifying Tier 3 greenhouse gas (GHG) emissions. Specifically, the Company initiated an analysis of its investment portfolio's carbon footprint, the results of which will be published later in 2023.

In addition, iA Financial Group pursued the deployment of its comprehensive internal equity, diversity and inclusion program and formally committed to attaining Progressive Aboriginal Relations (PAR) certification from the Canadian Council for Aboriginal Business. The Company also pursued the implementation of its Work From Anywhere program that offers a flexible, choice-based approach for its employees. iA is committed to the health and safety of its employees and makes considerable efforts to ensure their well-being. The Company is proud to have been awarded first place in the Mental Health and Wellness – Large Companies category of the Prix Distinction 2022–2023 awards.

Furthermore, iA Financial Group develops and offers several responsible products and services for its clients. For example, Group Insurance offers a program specific to mental health issues, as well as cognitive-behavioural therapy available directly online.

Lastly, the organization remained committed to its efforts to support its stakeholders. A total of CAN$8.5 million was donated to various charitable organizations in Canada and the United States.

Changes to Accounting Policies in 2022 and Future Changes in Accounting

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2022, which had no impact on the Company's financial statements as at December 31, 2022. For more information on these amendments and new standards, refer to Note 3 of the consolidated financial statements, entitled "Changes in Accounting Policies."

The Company is finalizing its analysis of the impact of the application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments,* which took effect on January 1, 2023. The Company expects that the initial application of IFRS 17 in conjunction with the application of IFRS 9 will have a limited impact on its equity at transition on January 1, 2022. More specifically, it expects an increase of $10 in the shareholders' equity.

† 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.

Outlook and 2023 Guidance, Including Transition to IFRS 9 and 17

iA Financial Group held a virtual Investor Event in March 2021, where management discussed the Company's strategy and outlook for the coming years. Remaining focused on the execution of this strategy and outlook, the Company recorded solid results in 2021 and 2022, once again demonstrating the soundness and strength of its business model. The balance sheet remains robust and the Company has the resources it needs to adjust to macroeconomic fluctuations. iA Financial Group is therefore well positioned to grow its earnings, maintain its financial strength and create value for its shareholders in 2023.

The new IFRS 17 and IFRS 9 accounting standards came into effect on January 1, 2023, with a retroactive transition date of January 1, 2022. The Company's management began making decisions and taking actions based on the new standards even before their application, while continuing to manage with a long-term vision to protect the strength and quality of its balance sheet.

The impact of the IFRS 9 and IFRS 17 transition at January 1, 2022 on the Company's book value[9] is near-neutral, with an increase of $10 million.[7] Also at IFRS 9 and IFRS 17 transition at January 1, 2022, the level of the contractual service margin (CSM) is $5.5 billion,[7] and the solvency ratio is more than 20 percentage points higher than under IFRS 4.[7] This will have a very favourable impact on the level of capital available for deployment.

In addition, based on estimates from the information available as at December 31, 2022, here is some additional information regarding the impacts[8] of the new accounting standards and the regime change on 2022 results. This information is provided on a preliminary basis and further indicates a favourable transition for the Company:

- Book value: near-neutral impact at December 31, 2022;[9]
- Solvency ratio: increase of more than 20 percentage points at December 31, 2022;
- 2022 Core ROE: favourable impact;
- 2022 Core EPS level: favourable impact;
- Core EPS growth: Maintaining medium-term target of 10%+ annual growth on average. Note that in 2023, the favourable impacts of the new accounting standards for the Company and the current context of favourable impacts from higher interest rates, which are partially offset by continued investments in digital transformation, support an additional one-time mid-single-digit growth in 2023 core EPS over 2022 IFRS 4 core EPS; and
- Organic capital generation: favourable impact.

2023 market guidance for iA Financial Corporation with the Company's sensitivities under IFRS 9 and IFRS 17 will be disclosed at the Investor Session on March 28, 2023.

Here is some additional information for 2023:

- Under IFRS 17 and IFRS 9, core earnings will continue to be an important indicator of the Company's ability to generate earnings, eliminating the short-term volatility that may result from the de-linking between assets and liabilities under the new accounting regime. Estimated non-core items[†] in 2023 would include: charges or proceeds related to acquisition or disposition of a business of about $0.05 EPS, amortization of intangible assets of about $0.63 EPS and non-core pension expense of about $0.09 EPS;
- The effective tax rate is expected to be around 22% in 2023; and
- The dividend payout ratio[†] target range for 2023 is 25% to 35% of core earnings.

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" section of this document.

7 The finalization of the the Consolidated Statements of Financial Position at the January 1, 2022 transition date is in progress.
8 Estimated combined impact of IFRS 9 and IFRS 17, vs. the IFRS 4 result at December 31, 2022, according to information available as at December 31, 2022. These items are non-IFRS measures.†
9 Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

† 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 by business segment

CANADA
LINES OF BUSINESS

INDIVIDUAL INSURANCE

INDIVIDUAL WEALTH MANAGEMENT

GROUP INSURANCE

Divisions
- Employee Plans
- Dealer Services
- Special Markets

GROUP SAVINGS AND RETIREMENT

UNITED STATES
LINES OF BUSINESS

U.S. OPERATIONS

Divisions
- Individual Insurance
- Dealer Services

QUEBEC
SUBSIDIARY

iA AUTO AND HOME

Individual Insurance

The Individual Insurance line of business offers a wide range of insurance products through its extensive distribution networks.

The Company wants to stand out in the Canadian market in terms of client and distributor experience. To do so, the sector mainly focuses on enhancing its digital tools and product offering, and simplifying and accelerating the underwriting and new business process. Many initiatives were undertaken in 2022 to give clients and distributors greater flexibility and more options, including the standard premium adjustments for selected products and the addition of a new rate band for term life insurance to maintain profitability, competitiveness and the Company's market-leading position in Canada.

Today, as a result of sound digital initiatives to continuously enhance its online sales tool, iA Financial Group is a leader in instant point-of-sale approval thanks to EVO, one of the best distance-selling platforms in Canada. iA Financial Group also continued to improve its non face-to-face processes, which facilitate and improve interactions between clients and distributors.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales			
Minimum premiums[†,1]	352	263	34%
Excess premiums[†,1]	35	23	52%
Total	**387**	**286**	**35%**
Net premiums	1,882	1,758	7%

Total sales amounted to $387 million in 2022, a significant increase of 35% compared to 2021. This solid sales growth is largely due to the continued good performance of all distribution networks, and to the increase in average premium per policy sold. Our comprehensive and competitive range of products and the excellent performance of our digital tools remained strong growth drivers for this line of business. Additionally, the success of the iA PAR insurance product improves the Company's business mix by providing better diversification and a lower level of macroeconomic risk.

Net premiums were up 7% in 2022 at $1,882 million. Note that premiums are a key long-term profitability driver for the sector.

In terms of the Company's performance in the industry, according to the Canadian data published by LIMRA for the first nine months of the year:

- iA Financial Group is the company that insures the most Canadians, with a market share of nearly 28% in policies sold. It now ranks third for premium sales, with a market share of 16% (life, critical illness and disability combined);
- iA Financial Group ranks first for critical illness insurance sales, with a market share of 30%;
- iA Financial Group ranks second for disability insurance product sales, with a market share of 15%.

In addition, the Company's Career network performed very well in 2022, with total new premium growth over 2021 of 27% and 36% for life insurance and critical illness products, respectively.

1 Minimum premiums are the portion of the premium used to cover the insurance risks under an individual insurance contract and are an important way to measure the sector's performance. Excess premiums include all deposits to accumulation funds available under universal life policies, as well as contributions to the additional deposit option for the participating life insurance product.

† 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.

Outlook[2] and Business Focus

– Capitalizing on the strength and diversity of all our distribution networks
– Building and optimizing the distributor and client digital experience

As an industry leader, recognized as such in the fall 2022 Environics Research Advisor Perception Study, the sector will be focused on seizing all opportunities to cement this coveted position in 2023. Providing the best experience for distributors and clients will continue to be central to the sector's evolution. To this end, the sector will continue to capitalize on the strength and diversity of all distribution networks to meet the needs of Canadians. This will be achieved by remaining proactive in offering the most comprehensive range of high-performance products in the Canadian market. As a leader in online tools, the sector will continue to distinguish itself through intuitive digital solutions while supporting advisors as they strive to improve the efficiency of their operations and the quality of service offered to their clients. The sector will also continue to actively promote its Large Case Solutions program, which offers customized, simple, high-performance solutions to help advisors meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership.

Products and Services

- Life insurance (universal, participating, permanent and term)
- Critical illness insurance
- Short and long-term disability insurance
- Mortgage insurance
- Accidental death and dismemberment (AD&D) insurance
- Creditor insurance (life and disability)
- Travel insurance

Manufacturers and Subsidiaries

- iA Insurance
- PPI Management
- Michel Rhéaume et associés

Distribution Affiliates and Networks

- Career Network (iA) (2,255 advisors)
- Managing General Agents Network (14,110 representatives)
- National Accounts Network (400 representatives)
- PPI Management (4,900 representatives)
- Michel Rhéaume et associés

[2] 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.

Individual Wealth Management

In the Individual Wealth Management line of business, the Company offers a broad range of retail savings and retirement products. iA Financial Group is the Canadian leader in the development and distribution of segregated funds. IA Clarington Investments, a Company subsidiary, is a large investment management firm in Canada that offers a full line of mutual funds. Our product lineup includes 22 Socially Responsible Investment (SRI) funds.

Clients can invest in the sector's products through registered retirement savings plans (RRSPs), registered education savings plans (RESPs), tax-free savings accounts (TFSAs), registered retirement income funds (RRIFs) and non-registered plans.

The sector also has two distribution dealers comprising a Canada-wide network of independent advisors working in mutual fund and securities brokerage: iA Private Wealth and Investia Financial Services.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Gross sales			
General fund	1,203	891	35%
Segregated funds	3,908	4,818	(19%)
Mutual funds†	1,722	3,066	(44%)
Total	**6,833**	**8,775**	**(22%)**
Net sales			
Segregated funds	1,915	3,307	(1,392)
Mutual funds†	(615)	1,153	(1,768)
Total	**1,300**	**4,460**	**(3,160)**

For 2022, total gross sales amounted to $6.8 billion compared to $8.8 billion in 2021. The growth of this sector was unfavourably impacted by the challenging market conditions across all asset classes, negative investor sentiment, and a decrease in the level of individuals' savings, primarily driven by high levels of inflation.

In this kind of volatile market, clients tend to turn to cash equivalent products. As a result, guaranteed product (general fund) gross sales of $1.2 billion were up 35% from 2021. An important success factor is the Company's offer to clients with combined investments (segregated funds, guaranteed interest funds and high-interest savings account) under one contract.

Gross segregated fund sales amounted to $3.9 billion compared to $4.8 billion in 2021. Despite challenging market conditions, net segregated fund sales were positive, totalling $1.9 billion. The Company continued to maintain its leading position in the industry, ranking first in Canada for gross and net segregated fund sales, and third in terms of assets.[1]

Gross mutual fund sales† totalled $1.7 billion compared to $3.1 billion the previous year, and net sales resulted in $0.6 billion outflows† mainly due to the negative impact of challenging macro environment conditions.

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Funds under management			
General fund	2,583	2,103	23%
Segregated funds	23,451	24,722	(5%)
Mutual funds	11,611	13,955	(17%)
Subtotal	37,645	40,780	(8%)
Funds under administration[2]	97,643	108,331	(10%)
Total	**135,288**	**149,111**	(9%)

Total assets amounted to $135.3 billion at December 31, 2022 compared to $149.1 billion the previous year, down mainly due to unfavourable financial market conditions. Growth in assets under management, which is reliant on gross sales, in-force business persistency and return on assets, is the key long-term profitability driver for the sector.

[1] Source: Investor Economics, January 2023.
[2] Includes assets related to affiliated dealers.

† 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.

Outlook[3] and Business Focus

In 2023, the sector will continue to digitally transform and improve its operational processes to provide the best experience for distribution partners and clients, putting them at the centre of the sector's priorities. This digital transformation combined with the desire to offer competitive products to mass and middle market clients and future retirees will support the business growth objectives. In addition, these commitments will attract new distribution partners and increase the retention of assets under management, which is an important factor in the sector's profitability. The sector will continue to actively promote its Large Case Solutions program which offers customized, simple, high-performance solutions that enable advisors to meet the specific needs of affluent clients, professionals and business owners. Rigorous management of the product offering and high service standards for clients and distributors will be key to iA Financial Group's continuing leadership. For the sector's investment dealers, digital transformation combined with an expansion of managed investment products and solutions will further advance the advisor and client experience, strengthening iA as a leader among independent investment dealers in Canada.

The Company's fund sales are expected to recover and increase in 2023, provided that macroeconomic conditions are more favourable than in 2022, given the well-diversified, competitive lineup of products. Accelerated growth of assets under management[†] will be pursued through the expansion of high-quality products.

Products and Services

- Segregated funds
- Mutual funds
- Securities
- Life and fixed-term annuities
- Registered savings and disbursement plans (RRSPs, RESPs, TFSAs and RRIFs)
- Investment advice
- Private wealth management

Manufacturers and Subsidiaries

- iA Insurance
- iA Clarington
- iA Private Wealth
- Investia Financial Services
- iA Trust
- iA Investment Management

Distribution Affiliates and Networks

- Career Network (iA) (2,255 advisors)
- Managing General Agents Network (14,110 representatives)
- National Accounts Network (400 representatives)
- PPI Management (4,900 representatives)
- Distribution affiliates (iA Private Wealth and Investia) (2,150 advisors)

3 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.

Group Insurance: Employee Plans

The Employee Plans division offers a broad range of group benefits products for companies and organizations. The division has over 700 employees, has signed agreements with more than 1,100 groups, and serves over 535,000 plan members.

To help manage plans more effectively and promote physical, mental and financial wellness, the division offers a number of services and tools for plan administrators, plan members and benefits advisors. For example, it offers a comprehensive health and wellness program (Well-Balanced), which includes telemedicine services and an employee assistance program, as well as extensive disability and drug (PharmAssist) management programs. All of these services and tools, accessible through My Client Space and iA Mobile, give clients access to a continually evolving omnichannel experience.

In a context where mental health is at the forefront of public interest, the division enhanced its offering to plan members by adding a stress management and wellness program and internet-based cognitive behavioural therapy. With respect to the drug program, the division expanded the transition to biosimilar drugs in several provinces, including Quebec.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales[1]	46	135	(66%)
Premiums	1,263	1,147	10%
Premium equivalents[†,2]	96	91	5%
Investment contracts[†,3]	88	64	38%
Total	**1,447**	**1,302**	**11%**

Total premiums, premium equivalents[†] and investment contract[†] deposits reached over $1.4 billion in 2022, an increase of 11% over 2021.

Premium growth was mainly driven by strong new business sold in recent years and an excellent retention rate, while sales were lower than the high level achieved in the past two years.

By region, the majority of sales came from Quebec in 2022, as they did in 2021.

Outlook[4] and Business Focus

In 2023 and the years to come, the division will continue to strengthen its customer experience by investing in technology for a strong front-end digital solution, which is essential to addressing plan members' and administrators' diverse needs and expectations. With respect to the drug program, the division will continue expanding the transition to biosimilar drugs throughout remaining provinces and territories.

With a focus on profitable growth, the division will remain committed to maximizing efficiency gains by taking advantage of greater synergy with the Company's other business units.

Products and Services

- Life and health, accidental death and dismemberment (AD&D), dental care, short and long-term disability, critical illness and home care insurance
- Voluntary benefits (life, AD&D and critical illness)
- Disability and drug management programs
- Health and wellness program

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Aggregators
- Group benefits brokers
- Actuarial consulting firms

1 The net premiums presented in the consolidated financial statements are net of reinsurance and include fund entries on both in-force contracts and new business written during the period.
2 Premium equivalents are income from administrative services only (ASO) contracts.
3 Premiums from Hold Harmless Agreements.
4 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.

Group Insurance: Dealer Services

Dealer Services distributes creditor insurance products (life, disability, loss of employment and critical illness), car loan financing, and property and casualty (P&C) products. P&C products include extended warranties, replacement insurance, guaranteed asset protection and a full range of ancillary products.

The division has more than 700 employees, insures nearly 600,000 individuals and over one million vehicles, and has more than 52,000 car loans outstanding. Its products are offered through a Canada-wide direct distribution network of close to 7,000 automobile and other motor vehicle dealers, original equipment manufacturers and preferred partnerships. This distribution network benefits from one of the broadest suite of product offerings in the Canadian market.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales†			
Creditor[1]	223	244	(9%)
P&C	392	331	18%
Car loans	635	534	19%
Total	**1,250**	**1,109**	**13%**

Dealer Services sales totalled $1.3 billion in 2022, up 13% from the previous year. The division continues to expand its presence across Canada by signing deals with original equipment manufacturers and dealer groups, and developing new products and partnerships.

Creditor Insurance

Creditor insurance sales totalling $223 million in 2022 compares to $244 million in 2021. This variation can be explained by changing consumer behaviour and the regulatory environment.

P&C Products

P&C sales were up 18% from 2021 to reach $392 million despite a decrease in Canadian light vehicle sales,[2] which were down by 9.1% compared to 2021. Consumers' affinity for P&C products and significant growth for two main partners were the major drivers of sales growth.

Car Loans

Car loan originations amounted to $635 million, up 19% from 2021. This growth was attributed to program enhancements and an increase in car prices.

Outlook[3] and Business Focus

In 2023, Dealer Services will be launching national programs for new distribution partners. The division will continue to work on improving the dealer experience through digital platforms and enhancing the client experience by adapting products and distribution practices. Although the automotive market continues to face headwinds such as supply chain challenges, the focus is on maintaining the growth strategy of partnering with original equipment manufacturers, expanding the dealer network and pursuing internal business opportunities within iA Financial Group.

Products and Services

- Creditor insurance
- P&C products
- Car loans

Manufacturers and Subsidiaries

- iA Insurance
- SAL Marketing
- National Warranties MRWV Limited
- Industrial Alliance Pacific General Insurance Corporation
- WGI Service Plan Division
- WGI Manufacturing Inc.
- Lubrico Warranty
- iA Auto Finance
- iA Advantages Damage Insurance

Distribution Affiliates and Networks

- Direct distribution through automobile and other motor vehicle dealers (7,000 dealers)
- Original equipment manufacturers (OEMs)
- Preferred partnerships

1 Includes all creditor insurance business sold by the Company.
2 Source: DesRosiers Automotive Consultants Inc., December 2022 year-to-date information.
3 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.

Group Insurance: Special Markets

Special Markets specializes in niche insurance markets that are underserved by traditional group insurance carriers. The division primarily offers accidental death & dismemberment (AD&D), critical illness (CI), term life and specialized insurance products to employers, professional associations and affinity groups. The division also offers travel medical and health insurance through various distribution partners.

Special Markets has contracts with over 5,000 groups and associations. Through these contracts, the division insures millions of Canadians, predominantly through AD&D and travel medical coverage.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Sales (gross premiums)[†,1]	322	215	50%
Net sales[2]	292	193	51%

In 2022, Special Markets had exceptional growth in sales,[†] increasing by 50% to an all-time high of $322 million. This growth was mainly driven by travel blocks of business, reflecting a strong rebound in travel activity as the pandemic subsided and COVID restrictions were lifted. The division also reached new premium highs for AD&D and CI products.

Net sales, defined as gross premiums net of reinsurance, experienced a similar increase of 51% in 2022.

Efforts to maintain a competitive edge in the special risks market continued throughout 2022. The division entered into new product opportunities with existing partners, enhanced critical illness product features, and digitalized broker statements for a better partner experience.

Outlook[3] and Business Focus

Looking ahead to 2023, the focus will be on maintaining profitable business growth through new product offerings, expanding the distribution networks and pursuing large block opportunities.

With a focus on increasing operating efficiency, the division will continue to improve digital capabilities, which will improve client, employee and distribution partner experience.

Products and Services

- Accidental death & dismemberment (AD&D), critical illness and life insurance
- Travel medical
- Health insurance and other specialized products

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Distribution partners
- Specialized insurance brokers
- Third-party administrators

1 Sales (gross premiums) are before reinsurance.
2 Net sales in Special Markets are equivalent to net premiums (IFRS measure). Net premiums for this division are included in the net premiums for the Group Insurance sector, along with those of the other two divisions, Employee Plans and Dealer Services.
3 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.

Group Savings and Retirement

The Group Savings and Retirement sector offers a wide range of products and services adapted to the needs of companies, organizations and their employees, focusing on long-term financial well-being. The products offered can be broken down into two categories: accumulation products (savings products, such as defined contribution or defined benefit plans, and institutional money management services) and disbursement products (essentially insured annuities).

Products are marketed Canada-wide through group benefits and retirement aggregators, brokers and actuarial consulting firms.

The sector has approximately 300 employees, has signed agreements with more than 13,600 groups and serves over 465,000 plan members and 67,800 annuitants.

In accordance with the sector's commitment to its clients' environmental, ethical, and social values, three sustainable investment funds were added to its fund offering in 2022.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Premiums (sales)[†,1]			
Accumulation Products			
Recurring premiums	1,492	1,401	6%
Transfers	534	766	(30%)
Premium equivalents	—	27	(100%)
Subtotal	2,026	2,194	(8%)
Insured Annuities	801	604	33%
Total	**2,827**	**2,798**	**1%**
New plan sales[2]	**1,395**	**1,436**	**(3%)**

Recurring premiums for accumulation products[†] provide sustainable business growth and are a key part of the sector's strategy. They correspond to regular plan member contributions collected from in-force group clients. In 2022, recurring premiums were up 6% over the previous year. New plan sales exceeded $1 billion for the fourth consecutive year.

In the insured annuities[†] segment, 2022 ended with a record $801 million in sales, a strong increase of 33% compared to 2021.

Accumulation Products – Net Fund Entries[3]

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Entries	2,061	2,195	(6%)
Disbursements	1,445	2,183	(34%)
Net entries	**616**	**12**	**5,033%**

Funds Under Management

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Accumulation Products	14,500	15,505	(6%)
Insured Annuities	5,129	5,098	1%
Total	**19,629**	**20,603**	**(5%)**

Funds under management exceeded $19.6 billion at year end, compared to $20.6 billion a year earlier. Growth in assets under management was hampered by the prevailing market volatility experienced throughout 2022.

1 The net premiums presented in the consolidated financial statements are after reinsurance and exclude premium equivalents.
2 New plan sales are measured by the sum of first-year annualized premiums (which correspond to the total of the initial asset transfer and recurring first-year annualized premiums) plus insured annuities. The prior year figures have been revised due to the new definition of sales.
3 The change in assets under management is important because it determines the management fees recorded in the consolidated financial statements under *Other revenues.*

† 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.

Outlook[4] and Business Focus

In 2023 and the years to come, the sector will continue to strengthen its customer experience by investing in technology for a strong front-end digital solution, which is essential to addressing plan members' and administrators' diverse needs and expectations.

With a focus on profitable growth, the sector will remain committed to maximizing efficiency gains by taking advantage of greater synergy with the Company's other business units.

Products and Services

- Capital accumulation products (including DC plans, RRSPs and TFSAs)
- Disbursement products (insured annuities, RRIFs and LIFs)
- Financial wellness program
- Financial education

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Aggregators
- Group benefits and retirement brokers
- Actuarial consulting firms

[4] 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.

US Operations: Individual Insurance

iA Financial Group's U.S. individual insurance operations are carried out through iA American Life Insurance Company and four other downline subsidiaries located in Waco, Texas.

The iA American group of companies markets their life insurance products through independent marketing organizations, or IMOs, and collectively these organizations have over 25,700 independent agents under contract with the group.

These companies operate primarily in the simplified issue marketplace, with final expense life insurance and mortgage/family protection term life representing over 85% of new business sales. They also offer universal life and other specialty life products in the government and worksite markets. They have the ability to customize products for larger marketing organizations and this flexibility has played a key role in their success.

Digital enhancements to improve and simplify the sales process from both the agent and client perspectives have been an important component in the companies' ability to compete. Point-of-sale underwriting capabilities greatly simplify and expedite the sales process and this technology is used for the majority of their sales today.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2022	2021	Variation
Sales†	143	135	6%
Premiums	421	400	5%

U.S. life insurance sales† ended the year at US$143 million, a 6% increase over the previous year. The increase in sales resulted primarily from growth in the middle/family market that was driven by strong performance from leading IMOs operating in that sector. Sales in 2022 were also positively influenced by a substantial increase in the number of new IMOs and agents contracted.

The number of policies issued in 2022 was slightly higher than in 2021 and on average the policies issued were larger in premium size. This resulted in positive premium growth as total premiums grew to US$421 million in 2022, representing a 5% increase over 2021.

The U.S. sales mix by product has been relatively consistent in 2022. The proportion of whole life insurance sales decreased slightly from 73% in 2021 to 72% in 2022, while the proportion of term insurance sales written in the middle/family market increased.

The sales mix by market has shifted only slightly as well based on the growth in term insurance sales. Final expense sales as a percentage of total sales decreased from 65% in 2021 to 63% in 2022, while sales in the middle/family market grew from 23% to 25% of total sales over that same period. Several IMOs that focus on term insurance had strong growth in 2022.

Outlook[1] and Business Focus

– Continuing to increase distribution with a strong focus on growth in the middle/family market

– Enhancing the agent and client experience through digital point-of-sale capabilities and immediate underwriting decisions

– Expanding the product portfolio to support growth in the middle/family market

Products and Services

- Life (universal, permanent and term)
- Critical illness
- Short-term disability
- Accidental death
- Annuities
- Group life

Manufacturers and Subsidiaries

- iA American Life Insurance Company
- American-Amicable Life Insurance Company of Texas
- Occidental Life Insurance Company of North Carolina
- Pioneer American Insurance Company
- Pioneer Security Life Insurance Company

Distribution Affiliates and Networks

- Independent marketing organizations (25,790 agents)

[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.

US Operations: Dealer Services

The US Dealer Services subsidiaries, known as iA American Warranty Group, distribute casualty products that include extended warranties and a full line of ancillary products providing coverage for a wide range of risks associated with vehicle ownership, as well as additional products such as training, income development, and marketing services to help dealerships improve their bottom line. The company benefits from vertical integration of insurance, administration and reinsurance services and is one of only a handful of full service providers in the United States. Products are sold through a network of general agents, automobile dealers, finance companies and third party administrators.

The division employs approximately 700 people and administers products for more than 7,000 dealerships throughout the U.S. Products are often customized for larger producers and this flexibility has played a key role in the success of iA American Warranty Group.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2022	2021	Variation
Sales†	1,011	1,068	(5%)

Sales production totalled US$1,011 million in 2022 compared to US$1,068 million in 2021. While this represents a 5% year-over-year decrease, U.S. retail auto sales declined by roughly 10% over the same period.[1]

Sales by Market

	2022	2021
	%	%
Affiliate producers	72	72
Non-affiliate producers	28	28
Total	100	100

Affiliate producers generated 72% of sales in 2022, the same as in 2021.

Outlook[2] and Business Focus

Sales in the US Dealer Services division are influenced by U.S. retail auto sales. In 2022, retail auto sales were challenged by persistent supply chain issues and historically low levels of new car inventory. In 2023, low inventories and higher financing costs for clients may continue to impact vehicle sales.

In 2023, the US Dealer Services division will continue to focus on its goal of delivering the best customer experience in the industry. It will do so by providing a comprehensive solution to its distribution partners; offering training, consulting and marketing services; ensuring seamless contract management and expanding its distribution channels. In addition, as electric vehicles become a larger segment of U.S. sales, the Company will be well positioned to deliver on a suite of F&I products for both internal combustion engine vehicles and electric vehicles.

Products and Services

- Extended warranties
- Guaranteed asset protection
- Ancillary vehicle protection
- Training services
- Marketing services

Manufacturers and Subsidiaries

- Dealers Assurance Company
- Dealers Alliance Company
- iA American Warranty Corp.
- iA American Warranty, L.P. (formerly IAS)
- First Automotive Service Corporation
- Dealer Wizard, LLC

Distribution Affiliates and Networks

- General agents
- Direct sales (auto dealers and finance companies)
- Third party administrators
- Direct to consumer

1 US Bureau of Economic Analysis and Cox Automotive – Raw numbers of vehicles sold in the US at retail only (fleet and private party sales excluded); numbers are not seasonally adjusted.
2 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.

Auto and Home Insurance

iA Auto and Home Insurance (iAAH) is a Company subsidiary that markets auto and home insurance products in the province of Quebec.

One advantage that sets iAAH apart is the referral of clients by the Company's distribution networks, providing a business development opportunity that is unique in the industry. A significant portion of its clients are referred by Career Network advisors and the Dealer Services division. iAAH also operates through a subsidiary, Prysm General Insurance, that creates strategic partnerships allowing preferred distributors to offer the subsidiary's products.

Business Growth

(In millions of dollars, unless otherwise indicated)	2022	2021	Variation
Direct written premiums†	457	432	6%

Direct written premiums totalled $457 million in 2022, up 6% from the previous year. iAAH's strong competitive positioning and superior customer satisfaction enabled it to generate good premium growth in a challenging environment, while vehicle inventory shortages and a softening real estate market dampened sales opportunities. The five-year compound annual growth rate for iAAH's business volume is 8%.

Combined Ratio

(%)	2022	2021	2020	2019	2018
Combined ratio	94.9	78.0	78.7	93.1	95.8

The combined ratio, which represents the sum of the claims ratio and the expense ratio, is 94.9% for 2022. The increase relative to the last two years is primarily due to higher claim severity driven by inflation, a higher frequency of vehicle theft and the post-COVID return to normal. Measures taken in the areas of pricing, underwriting and claims settlement have mitigated these effects. On average, the combined ratio has remained below 95% for the last five years.

Outlook[1] and Business Focus

The main focus will be to generate growth, primarily organic, driven by various customer experience (CX) initiatives and existing networks.

In the coming years, iAAH will focus on accelerated digital transformation, which is a key factor for future growth. The aim is to improve the client, employee and partner experience by reshaping interactions and integrating automation and data analytics into key business processes. The Company's diverse business mix and the centralization of CX initiatives is expected to lead to great synergy opportunities.

Products and Services
- Auto and home insurance

Manufacturers and Subsidiaries
- iA Auto and Home Insurance
- Prysm General Insurance
- Surex

Distribution Affiliates and Networks
- Direct sales from advertising
- Preferred partner distribution
- Referrals from iA networks

Surex

Surex is an online general insurance broker. By combining online self-serve capabilities with experienced advisors, Surex is a leading player in digital property and casualty (P&C) insurance distribution in Canada. With about 200 employees, Surex has served over 51,000 clients to date, processing over 70,000 policies annually for an annual premium volume of over $146 million. In 2022, in addition to delivering 12% growth in premium volume, Surex successfully improved its diversification of lead sources by investing in its "direct to clients" strategy. It also launched a referral program for Dealer Services clients in Alberta and onboarded a new insurer to improve its offering. In 2023 and beyond, while continuing to improve its business model to grow efficiently, Surex and iA will focus on projects with high synergy potential such as the implementation of cross-selling opportunities, thus improving both client experience and growth, while supporting iA's advisor networks.

[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.

Profitability

Highlights

The Company ended the year with net income attributed to common shareholders of $817 million, compared to $830 million in 2021. Diluted earnings per common share (EPS) was $7.65 in 2022, compared to $7.70 a year earlier, and return on common shareholders' equity (ROE) was 12.3% for the year, compared to 13.2% in 2021. On a core basis, core EPS of $8.85 in 2022 was 6% higher than in 2021 and core ROE of 14.2% was at the same level as a year earlier. Both core EPS and core ROE for 2022 were within market guidance provided at the beginning of the year.

Profitability

(In millions of dollars, unless otherwise indicated)	2022	2021	2020	2019	2018
Income attributed to shareholders	842	852	633	709	634
Less: preferred share dividends	25	22	22	22	21
Net income attributed to common shareholders	**817**	**830**	**611**	**687**	**613**
Earnings per common share (EPS)					
Basic	$7.68	$7.73	$5.71	$6.43	$5.62
Diluted	$7.65	$7.70	$5.70	$6.40	$5.59
Diluted, core†	$8.85	$8.31	$7.12	$6.55	N/A
Return on common shareholders' equity (ROE)†	12.3%	13.2%	10.6%	12.9%	12.5%
Core ROE†	14.2%	14.2%	13.3 %	13.1%	N/A

Analysis According to Sources of Earnings

The profitability analysis according to sources of earnings below discusses the main items that had an impact on the financial results for the year in comparison with management's expectations. The measures presented in this analysis are not IFRS measures. They supplement the information presented in the "Analysis According to the Financial Statements" section below and provide additional indicators for evaluating financial performance.

Expected profit on in-force† – Expected profit on in-force (EPIF) reflects the best estimates determined by management when the 2022 budget was prepared at the end of 2021. However, expected profit for the savings sectors is updated quarterly to reflect changes in the financial markets and net fund entries. Expected profit on in-force amounted to $982 million in 2022, a year-over-year increase of 6%, or $55 million before tax. The increase is mainly explained by organic growth from three sectors: Individual Insurance, Group Insurance and US Operations. Expected profit growth was slowed during the year, mainly due to the quarterly updates mentioned above, as a result of unfavourable market variations.

Experience gains (losses) compared to expected profit† – Experience gains or losses represent the difference between the expected profit on in-force and the realized profit. Gains or losses occur when actual results differ from those derived from the assumptions used to calculate expected profit.

The Company ended the year with experience losses of $85 million before tax, compared to gains of $69 million in 2021. This result is mainly attributable to the negative impact of financial market variations in both individual lines of business. It is worth noting that both group lines of business reported experience gains in 2022.

The paragraphs that follow provide details on the 2022 results for each line of business.

- *Individual Insurance* – An experience loss of $42 million before tax was recorded in 2022, compared to a gain of $59 million in 2021. Losses in 2022 were mainly driven by the negative impact of financial market variations on Universal Life insurance policies and on the level of assets backing individual insurance reserves. This more than offset the positive impact of policyholder behaviour and experience in 2022, mainly mortality, morbidity and lapse.
- *Individual Wealth Management* – A negative variance of $34 million before tax was recorded in 2022, compared to a positive variance of $9 million in 2021. In 2022, results from most business units in this sector were lower than expected as a result of unfavourable market conditions and, to a lesser extent, higher expenses.

† 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.

- *Group Insurance* – An experience gain of $6 million before tax was recorded in 2022, compared to a gain of $10 million in 2021. The gain in 2022 stems from the Dealer Services division, mostly due to favourable experience for both claims and car loan credit. Results in the Special Markets division were close to expectations and results in the Employee Plans division were below expectations mainly as a result of higher expenses.
- *Group Savings and Retirement* – A favourable variance of $7 million before tax was recorded in 2022, compared to an unfavourable variance of $12 million in 2021. The 2022 result is mainly due to favourable longevity experience.
- *US Operations* – An experience loss of $22 million before tax was recorded in 2022 compared to the expected profit (EPIF), for which a 17% year-over-year increase was expected, and compared to a gain of $3 million the year before. In the Individual Insurance division, results in 2022 were higher than expected due to favourable mortality and lapse experience. In the Dealer Services division, results were below expectations primarily due to lower than expected sales as a result of continued low car inventories and higher financing costs for clients.

Impact of new business (strain)† – Strain is a charge incurred by an insurance company mainly resulting from the expense of issuing new policies. Certain products have features that make them more strain-intensive than others, such as products with long-term guarantees. If experience remains in line with expectations in the years after a policy is issued, profits realized will cover the strain incurred at the time of issue. In the Individual Insurance sector and the Individual Insurance division of the US Operations sector, the impact of new business was a gain of $47 million before tax in 2022, compared to a strain of $15 million the previous year. The 2022 gain expressed as a percentage of sales (measured in terms of first-year annualized premiums) was 8% in 2022 versus a strain of 3% a year earlier. Strain was therefore very favourable in 2022 and better than the guidance given to the market at the beginning of 2022 due to a portion of the 2022 interest rate increase being factored into the strain calculation, and to a lesser extent, the favourable impact of sales.

Assumption changes and management actions† – At the end of each quarter, the Company ensures the adequacy of its provisions given the existing economic environment. It also updates its valuation assumptions at the end of each year to take into account the most recent developments in the economic and financial environment as well as its own experience and that of the industry in terms of mortality, morbidity, lapse rates, unit costs and other factors.

In 2022, management actions and changes in the actuarial assumptions used to calculate net insurance contract liabilities (for non-participating business) had a slightly negative net impact on operating profit of $2 million before tax at year-end, and can be broken down as follows:

- For mortality, morbidity and policyholder behaviour, the reserves were strengthened, primarily due to the annual update of experience studies, the application of a new mortality table from the Canadian Institute of Actuaries (CIA), and a downward adjustment in the level of excess premiums projected in UL policies.
- For economic assumptions, reserves were released, primarily due to the annual update of return assumptions, the release of the impact of interest rate increases on financial guarantee provisions and the release of some macroeconomic protections in the context of the IFRS 9/17 transition.
- For expenses and other items, the reserves were strengthened, mainly due to the annual update of expense studies.

In addition, in the context of its ongoing risk management initiatives, the Company signed a reinsurance treaty in its US Operations' Individual Insurance division. This agreement took effect on July 1, 2022 and generated a gain of $53 million before tax during the third quarter.

For more details, refer to Note 14 to the financial statements, entitled "Insurance Contract Liabilities and Investment Contract Liabilities."

Income on capital† – Income on capital represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate this income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item. Income on capital amounted to $22 million before tax in 2022, compared to $125 million the previous year. The lower result in 2022 is mainly the result of the adjustment of software, premises and furnishings book values and the impact of the accounting interpretation of the IASB'S decision relating to cloud computing arrangements, both of which occurred in the third quarter. Furthermore, unfavourable experience and higher expenses as the digital transformation accelerates put pressure on iAAH results.

Income taxes† – Income taxes represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. They are considered to be an expense for the purpose of calculating the operating profit. Income taxes amounted to $175 million in 2022, for an effective tax rate of 17.2%.

† 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.

Core Earnings

Financial measures based on core earnings are non-IFRS measures used to better understand the capacity of the Company to generate sustainable earnings.

Core earnings remove from reported earnings the impacts of items that create volatility in the Company's results under IFRS, or that, in management's view, are not representative of its operating performance. The table below presents the six adjustments applied to reported earnings per share (EPS) in the calculation of core EPS.

These adjustments include market-related impacts, changes in actuarial assumptions, impacts from acquisitions, and non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate.

Core EPS of $8.85 in 2022 was 6% higher than in 2021.

Reported EPS and Core EPS Reconciliation Based on 2021 Definition of Core Earnings

	2022	2021
Earnings per common share (EPS, diluted)	**$7.65**	$7.70
Adjustments:		
Market-related impacts that differ from management's best estimate assumptions	$0.51	($0.21)
Assumption changes and management actions	($0.36)	($0.02)
Gains or losses on acquisition or disposition of a business, including acquisition, integration and restructuring costs	$0.16	$0.10
Amortization of acquisition-related finite life intangible assets	$0.59	$0.52
Non-core pension expense	$0.20	$0.22
Other specified unusual gains and losses	$0.09	—
Core EPS†	**$8.85**	$8.31

Reconciliation of Certain Non-IFRS Measures with IFRS Measures

The following table reconciles the operating profit and income taxes indicated in the above table with IFRS measures.

Reconciliation of Sources of Earnings with IFRS Measures

(In millions of dollars)	2022	2021
Components of earnings before taxes:		
Operating profit (according to sources of earnings)	995	983
Income on capital (according to sources of earnings)	22	125
Income attributable to participating contracts and other items	(61)	10
Earnings before taxes according to the financial statements	**956**	**1,118**
Income taxes:		
On operating profit and on income on capital	(175)	(256)
Amount for participating contracts and other items	19	(3)
Income taxes according to financial statements	**(156)**	**(259)**
Net income according to financial statements	**800**	**859**

† 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.

Annual Results

The following table presents the Company's financial results according to the financial statements for the years ended December 31, 2022, 2021 and 2020.

Consolidated Income Statement

(In millions of dollars)	2022	2021	2020
Revenues			
Net premiums	13,109	13,164	11,196
Investment income	(6,600)	206	4,668
Other revenues	2,086	2,116	1,775
Total	**8,595**	**15,486**	**17,639**
Policy benefits and expenses			
Net policy benefits	6,991	6,991	5,290
Net transfers to segregated funds	2,369	3,278	2,872
Increase (decrease) in insurance contract liabilities	(6,219)	(45)	5,760
Increase (decrease) in investment contract liabilities	(44)	(1)	34
Decrease (increase) in reinsurance assets	(123)	(76)	(737)
Commissions	2,352	2,180	1,788
General expenses	2,062	1,823	1,668
Premium and other taxes	154	141	129
Financing charges	97	77	73
Total	**7,639**	**14,368**	**16,877**
Income before income taxes	956	1,118	762
Less: income taxes	156	259	130
Net income	800	859	632
Less: net income attributed to participating policyholders	(42)	7	(1)
Net income attributed to shareholders	842	852	633
Less: preferred share dividends	25	22	22
Net income attributed to common shareholders	**817**	**830**	**611**

Net Income Attributed to Common Shareholders

The 2% decrease in net income attributed to common shareholders between 2022 and 2021 is explained by the items mentioned below.

Revenues

Revenues, whose three components are presented in the above table, totalled nearly $8.6 billion in 2022, a decrease of 44% compared to 2021. This decrease is mainly due to a decrease in investment income of nearly $6.8 billion, which is mainly attributable to the change in the fair value of investments stemming from variations in interest rates, exchange rates and stock markets. Generally speaking, variations in the fair value of investments are largely neutralized by corresponding variations in insurance contract liabilities, making their impact on net income fairly minimal. Net premium variation is almost neutral (0.4%) compared to 2021. The decline relative to 2022 in the Individual Wealth Management sector stemmed mainly from individual savings products such as segregated funds, reflecting a challenging macroeconomic environment. The decrease in net premiums was mitigated by business growth in the Individual Insurance, Group Insurance and US Operations segments.

The following table provides more details regarding the composition of revenues by sector.

Revenues by Sector

	Year ended December 31, 2022						
(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	1,882	5,111	1,953	2,800	945	418	13,109
Variation vs. 2021	*124*	*(598)*	*225*	*54*	*117*	*23*	*(55)*
Investment income	(6,007)	(52)	25	(401)	(363)	198	(6,600)
Variation vs. 2021	*(6,063)*	*97*	*(89)*	*(430)*	*(347)*	*26*	*(6,806)*
Other revenues	121	1,746	92	116	364	(353)	2,086
Variation vs. 2021	*(21)*	*(34)*	*15*	*(2)*	*13*	*(1)*	*(30)*
Total	(4,004)	6,805	2,070	2,515	946	263	8,595
Variation vs. 2021	*(5,960)*	*(535)*	*151*	*(378)*	*(217)*	*48*	*(6,891)*

† 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.

Policy Benefits and Expenses

Policy benefits and expenses were down $6.7 billion in 2022 compared to 2021. The main items contributing to this decrease are:

- A change in net transfers to segregated funds compared to the previous year ($909 million).
- A $6.2 billion variation for insurance contract liabilities compared to 2021, essentially due to the increase in interest rates in 2022 compared to a decrease the previous year. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.

The decrease in policy benefits and expenses was partly offset by the following:

- An increase in commissions compared to the previous year ($172 million), which primarily stems from growth of the in-force block of business. Commissions correspond to the compensation of financial advisors and distribution channel partners for new sales and certain in-force contracts.
- An increase in general expenses, mainly due to business growth and digital initiatives ($239 million).

Income Taxes

The consolidated financial statements indicate an income tax expense of $156 million in 2022, compared to $259 million in 2021. These amounts represent the Company's tax expense net of all adjustments for prior years. The decrease in 2022 is mainly due to lower income before income taxes and adjustments for prior years.

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 2022. Generally speaking, the terminology used in this section is the same terminology used in the financial statements.

Net Premiums

Net premiums amounted to nearly $3.5 billion in the fourth quarter, a year-over-year increase of 4%. This variation is mainly explained by significant net premium growth in the Group Savings and Retirement segment, partly offset by a decrease in the Individual Wealth Management segment.

Stock market variations, the level of premiums invested in segregated funds and the signing of new agreements with large groups in both group lines of business are some of the factors that contribute to the fluctuation of premiums from one quarter to another.

Net premiums include the amounts invested by insureds in the Company's segregated funds, but exclude those invested by clients in mutual funds.

Investment Income

In the fourth quarter of 2022, investment income was down by $1,715 million compared to the same quarter in 2021. This was primarily due to variations in the fair value of bond investments and derivative financial instruments supporting the insurance contract liabilities, mainly caused by movements in interest rates.

Investment income fluctuates in large part based on the fair value of investments, which is influenced by changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate, and realized profits and losses on the disposition of available-for-sale assets.

From an accounting standpoint, the majority of stocks and bonds are classified as *Designated at fair value through profit or loss* and are used as underlying assets for the provisions for future policy benefits. The variation in the fair value of these assets is therefore reflected in the increase (decrease) in insurance contract liabilities.

Other Revenues

Other revenues represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues for the fourth quarter of 2022 were down $47 million, or 8%, year over year. This variation came mainly from the Individual Wealth Management segment.

† 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 Shareholders

(In millions of dollars)	Individual Insurance 2022	Individual Insurance 2021	Individual Wealth Management 2022	Individual Wealth Management 2021	Group Insurance 2022	Group Insurance 2021	Group Savings and Retirement 2022	Group Savings and Retirement 2021	US Operations 2022	US Operations 2021	Total 2022	Total 2021
Sources of earnings:†												
Expected profit on in-force	409	384	269	284	129	98	25	33	150	128	982	927
Experience gains (losses)	(42)	59	(34)	9	6	10	7	(12)	(22)	3	(85)	69
Gain (strain) on sales	37	(9)	—	—	—	—	(1)	—	11	(6)	47	(15)
Changes in assumptions	(115)	31	4	1	8	(3)	85	(31)	69	4	51	2
Operating profit	289	465	239	294	143	105	116	(10)	208	129	995	983
Income on capital	70	108	(15)	22	(18)	5	6	10	(21)	(20)	22	125
Income taxes	(38)	(119)	(38)	(86)	(30)	(31)	(33)	—	(36)	(20)	(175)	(256)
Net income attributed to shareholders	321	454	186	230	95	79	89	—	151	89	842	852
Less: preferred share dividends	17	16	4	3	2	2	2	1	—	—	25	22
Net income attributed to common shareholders	**304**	**438**	**182**	**227**	**93**	**77**	**87**	**(1)**	**151**	**89**	**817**	**830**

Quarterly Results

(In millions of dollars, unless otherwise indicated)	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Revenues								
Net premiums	3,492	2,871	3,132	3,614	3,353	3,332	3,104	3,375
Investment income	352	463	(3,418)	(3,997)	2,067	(41)	1,730	(3,550)
Other revenues	510	514	527	535	557	543	510	506
Total	**4,354**	**3,848**	**241**	**152**	**5,977**	**3,834**	**5,344**	**331**
Income before income taxes	256	262	245	193	292	289	304	233
Income taxes	45	48	27	36	68	63	69	59
Net income	211	214	218	157	224	226	235	174
Less: net income attributed to participating policyholders	(29)	(4)	(9)	—	10	3	(1)	(5)
Net income attributed to shareholders	240	218	227	157	214	223	236	179
Less: preferred share dividends	11	3	5	6	5	6	5	6
Net income attributed to common shareholders	**229**	**215**	**222**	**151**	**209**	**217**	**231**	**173**
Earnings per common share								
Basic	$2.18	$2.03	$2.07	$1.40	$1.95	$2.01	$2.16	$1.61
Diluted	$2.17	$2.03	$2.06	$1.40	$1.94	$2.01	$2.15	$1.61
Net transfers to segregated funds	392	191	547	1,239	1,004	1,018	845	411
Increase (decrease) in insurance contract liabilities	897	497	(3,344)	(4,269)	1,890	96	1,789	(3,820)
Increase (decrease) in investment contract liabilities	4	3	(24)	(27)	5	1	7	(14)
Total general fund assets	50,091	49,945	48,868	51,835	55,082	54,226	53,160	52,238
Segregated funds net assets	37,334	35,469	35,625	38,874	39,577	36,886	35,837	33,437

† 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 Financial Corporation's capital structure can be divided into three categories: equity, debentures, and participating policyholders' accounts. At December 31, 2022, the Company's capital† was more than $8.6 billion, compared to nearly $8.7 billion a year earlier, with equity and participating policyholders' accounts representing 83% of total capital.

The variation in 2022 is mainly due to the decrease in accumulated other comprehensive income (AOCI) resulting from rising interest rates, and, to a lesser extent, the decrease in common shares as a result of share buybacks. These decreases were partly offset by an increase in retained earnings resulting from profits realized during the year, net of dividends paid to common shareholders.

Capital Structure†

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Equity					
Common shares	1,675	1,706	1,674	1,666	1,656
Preferred shares[1]	525	525	525	525	525
Retained earnings[2,3]	5,331	4,963	4,170	3,823	3,440
Contributed surplus	17	17	20	18	23
AOCI[4]	(414)	(14)	83	56	23
Subtotal	7,134	7,197	6,472	6,088	5,667
Debentures[1]	1,500	1,450	1,449	1,050	901
Participating policyholders' accounts[4]	6	48	41	42	52
Total	**8,640**	**8,695**	**7,962**	**7,180**	**6,620**

Financial Leverage† and Coverage Ratio†

The debt ratio† measured as debentures over the capital structure was 17.4% at December 31, 2022. With preferred shares added to the debentures, the ratio was 23.4%. The increase in these ratios is mainly explained by the net value between the redemption of $250 million of subordinated debentures and the issuance of $300 million of unsecured subordinated debentures (the Company's inaugural sustainability bonds) in February 2022.

At December 31, 2022, the coverage ratio† was 13.2x, compared to 16.1x at December 31, 2021. The decrease is mainly due to lower pre-tax earnings and to higher financing expenses as a result of 2022 capital management. The coverage ratio is measured as the Company's earnings for the last twelve months before interest and income tax expenses divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Debt ratios†					
Debentures/capital structure	17.4%	16.7%	18.2%	14.6%	13.6%
Debentures and preferred shares/capital structure	23.4%	22.7%	24.8%	21.9%	21.5%
Coverage ratio (number of times)†,5	13.2x	16.1x	11.7x	16.6x	14.6x

1 Items considered as long-term debt and included in the debt ratio calculation.
2 In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by $58 million.
3 In the fourth quarter of 2019, an adjustment retroactive to January 1, 2018 was made transferring $7 million from retained earnings to participating policyholders' accounts.
4 AOCI: Accumulated other comprehensive income.
5 Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred share dividends and preferred share redemption premiums (if applicable).

† 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.

Solvency

When iA Financial Corporation was created as a holding company, it committed to following the Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline issued by the Autorité des marchés financiers (AMF). The Company had a solvency ratio† of 126% at December 31, 2022, compared to 134% at December 31, 2021. This decrease is mainly due to the impact of unfavourable macroeconomic variations, the NCIB share redemption, as well as management actions and portfolio adjustments in view of the transition to the new accounting standards IFRS 9 and 17. These factors more than offset the strong contribution of organic capital generation† net of digital initiatives, the impacts of a reinsurance agreement signed in 2022 and the net positive impact of the February debenture redemption and issuance. Note that most of the negative impacts of the portfolio adjustments in preparation for the transition to the new accounting regime will be reversed under IFRS 9 and 17. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2022.

As mentioned above, organic capital generation† was very strong throughout the year with the Company generating approximately $550 million in additional capital in 2022, exceeding the $450 million to $525 million target range for the year. The very good organic capital generation is expected to continue into 2023, and the Company intends to maintain a solvency ratio within or above the target range for iA Financial Corporation.[6]

	As at December 31	
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**
Available capital	4,781	4,982
Surplus allowance and eligible deposits	4,621	5,261
Base solvency buffer	7,481	7,640
Solvency ratio†	**126%**	**134%**

Equity and Financing

Redemption and Issue of Financial Instruments

In February 2022, iA Insurance redeemed its subordinated debentures issued in February 2015 with a principal amount of $250 million and bearing interest of 2.64%.

In February 2022, iA Financial Corporation issued $300 million in 3.187% fixed/ floating subordinated debentures.

In June 2022, iA Financial Corporation issued $250 million in 6.611% fixed/ floating Limited Recourse Capital Notes. In connection with the issuance of the notes, iA Financial Corporation issued 250,000 non-cumulative 5-year rate reset Class A Preferred Shares – Series A.

In June 2022, iA Insurance redeemed its non-cumulative 5-year rate reset Class A Preferred Shares – Series G issued in June 2012 for a total redemption price of $250 million.

Debentures

The Company had four series of debentures, one of which was issued by iA Insurance, on its balance sheet at December 31, 2022, with a total book value of $1,494 million. These four series, which are detailed in the table later in this section, were classified as financial liabilities at amortized cost. The debentures represent direct unsecured obligations of the Company that are subordinate to those of the Company's policyholders and other creditors. In 2022, the financing expense, made up of interest and the amortization of issuance costs, amounted to $45.7 million compared to $41.6 million in 2021.

Limited Recourse Capital Notes

The Company had one Limited Recourse Capital Note on its balance sheet at December 31, 2022, with a total book value of $250 million. This note, which is detailed in the table later in this section, was classified as other equity instruments at cost. The note represents a direct unsecured limited recourse obligation of the Company. As such, recourse of the noteholder is limited to that holder's proportionate share of the Limited Recourse Trust's assets, which consist of non-cumulative 5-year rate reset Class A Preferred Shares – Series A. In 2022, the distributions and transaction costs amounted to $9.6 million and were recognized directly to retained earnings.

Outstanding Common Shares

The Company has only one class of common shares and all common shares contain a single voting right. In addition, no shareholder may acquire, directly or indirectly, 10% or more of the voting shares of iA Financial Corporation, and iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance. iA Financial Corporation's common shares are traded on the Toronto Stock Exchange under the ticker symbol IAG. (See the "Notice" at the beginning of this Management's Discussion and Analysis for more information about the legal constitution of iA Financial Group.)

[6] 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.

The number of issued and outstanding common shares at December 31, 2022 was 104,772,775, a decrease of 2,784,802 compared to December 31, 2021. This decrease is mainly due to the redemption and cancellation of common shares under the Normal Course Issuer Bid (NCIB) program, which was marginally offset by the exercise of stock options under the stock option plan for executives.

Common Shares

	As at December 31				
(In millions)	**2022**	**2021**	**2020**	**2019**	**2018**
Number of common shares outstanding	105	108	107	107	109

Stock Price and Market Capitalization

iA Financial Group became a stock company in February 2000. The Company's stock began trading on the Toronto Stock Exchange on February 3, 2000, at a price of $7.875, taking into account the two-for-one split of the Company's common shares, which took place on May 16, 2005. The Company's stock closed the year at $79.27, with a market capitalization of slightly over $8.3 billion, an increase of 10% in 2022.

Stock Price and Market Capitalization

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**	**2020**	**2019**	**2018**
Stock price	$79.27	$72.38	$55.18	$71.33	$43.57
Market capitalization	8,305	7,785	5,908	7,630	4,731

Book Value per Common Share[7]

The book value per common share was $63.06 at the end of 2022, up nearly 2% during the year. This increase stems mainly from the contribution of retained earnings net of dividends paid in 2022. The growth of this metric in 2022 was tempered by unrealized losses in other comprehensive income. Without this factor, book value growth would have been over 9% in 2022.

Book Value per Common Share

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Book value per common share[7]	$63.06	$62.01	$55.52	$51.99	$47.34

Preferred Shares

In 2022, the iA Insurance subsidiary paid $18 million in dividends to preferred shareholders with Class A Shares, Series B, G and I. iA Insurance's capital currently includes two series of Class A Preferred Shares, Series B and I, as shown in the full-page table later in this section.

Dividends

In July 2022, the Company increased its quarterly dividend per common share by 8%, from $0.6250 to $0.6750. As a result, the dividend for 2022 totalled $2.6000 per common share, compared to $2.0800 per common share in 2021, an increase of 25%. In total, the Company paid out $277 million in dividends to common shareholders in 2022. The dividend payout ratio[†] for the year was 29% of the net income attributed to common shareholders, which is within the 25% to 35% target range given as guidance at the beginning of 2022.

Dividends

	2022	**2021**	**2020**	**2019**	**2018**
Dividends paid per common share	$2.60	$2.08	$1.94	$1.77	$1.59
Dividend payout ratio[†]	29%	27%	34%	27%	28%

Declaration of Fourth Quarter Dividends

Following are the amounts and dates of payment and closing of registers for common shares and the various categories of preferred shares.

The Board of Directors has approved a quarterly dividend of $0.6750 per share, the same as that announced the previous quarter, on the outstanding common shares of iA Financial Corporation. This dividend is payable on March 15, 2023 to the shareholders of record as at February 24, 2023.

[7] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

[†] 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 the fourth quarter of 2022, iA Insurance paid a dividend of $150 million to its sole common shareholder, iA Financial Corporation. For the first quarter of 2023, the Board of Directors of iA Insurance determined that there will be no dividend to its sole common shareholder, iA Financial Corporation. As a result, no dividend should be paid by iA Insurance to iA Financial Corporation during the first quarter of 2023.

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, 2023, to the preferred shareholders of record as at February 24, 2023.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.3000 per non-cumulative Class A Preferred Share – Series I. The dividend is payable in cash on March 31, 2023, to the preferred shareholders of record as at February 24, 2023.

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.

Stock Option Plan

In accordance with the Stock Option Plan adopted by the Board of Directors in 2001, the Human Resources and Compensation Committee granted 195,000 new share purchase options in 2022. These new options, which will expire in 2032, were granted at a weighted average exercise price of $83.87 in February 2022 and of $63.55 in May 2022. The issue, net of the options exercised and cancelled during the year, brings the number of share purchase options outstanding to 1,539,133 or 1.47% of the number of issued and outstanding shares at December 31, 2022.

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

The Dividend Reinvestment and Share Purchase Plan for Common Shareholders allows participants to have their dividends automatically reinvested in iA Financial Corporation common shares and to make cash purchases of additional iA Financial Corporation common shares. Shares issued under the plan are currently acquired on the secondary market.

Normal Course Issuer Bid

On November 9, 2022, the Company announced the early termination of its Normal Course Issuer Bid (NCIB), in effect since December 6, 2021, and the establishment of a new NCIB. The terminated NCIB expired at the close of markets on November 11, 2022 and the new NCIB began on November 14, 2022. Through this new NCIB, the Company can redeem, in the normal course of its activities, from November 14, 2022 to November 13, 2023, up to 5,265,045 common shares representing 5% of the issued and outstanding common shares. A total of 3,109,402 shares were redeemed and cancelled in 2022, representing a cumulative amount of $213M.

Preferred Shares, Debentures and other Equity Instruments – iA Financial Corporation Inc.

Subordinated debentures issued on February 21, 2020 and maturing on February 21, 2030	
Principal amount:	$400 million
Book value:	$398 million
Interest:	2.400% until February 21, 2025. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate) plus 0.71%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 21, 2025, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.8 million.
Subordinated debentures issued on September 24, 2019 and maturing on September 24, 2031	
Principal amount:	$400 million
Book value:	$398 million
Interest:	3.072% until September 24, 2026. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 1.31%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 24, 2026, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $2.0 million.
Subordinated debentures issued on February 25, 2022 and maturing on February 25, 2032	
Principal amount:	$300 million
Book value:	$299 million
Interest:	3.187% until February 25, 2027. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 0.91%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 25, 2027, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs of $1.0 million.
Limited Recourse Capital Notes issued on June 1, 2022 and maturing on June 30, 2082	
Principal amount:	$250 million
Book value:	$250 million
Interest:	6.611% until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the interest rate on these notes will be reset at an interest rate per annum equal to the 5-year Government of Canada bond yield plus 4.00%.
Redemption and repayment:	Redeemable by the Company on June 30, 2027, and every 5 years thereafter from May 31 to June 30, in whole or in part, subject to prior approval by the regulatory bodies.

† 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.

Class A Preferred Shares – Series A issued on May 25, 2022 as part of the Limited Recourse Capital Notes ("Notes") issuance on June 1, 2022	
Number:	250,000
Held by:	Class A Preferred Shares – Series A held by the Limited Recourse Trustee, Computershare Trust Company of Canada, as trust assets (the "Limited Recourse Trust"). In the event of non-payment of interest on or principal of the Notes when due, the recourse of each noteholder will be limited to that holder's proportionate share of the Limited Recourse Trust's assets, which will consist of the Series A shares, except in certain limited circumstances.
Principal amount:	$250 million
Book value:	Held within the Limited Recourse Trust and therefore is eliminated on the Company's Consolidated Statements
Dividend:	Non-cumulative 5-year rate reset semi-annual dividend at an initial annual rate of $66.11 in cash per preferred share until June 30, 2027. On June 30, 2027 and on June 30 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada Yield plus 4.00%. Until revoked, the Limited Recourse Trust has waived its right to receive any and all dividends on the Class A Preferred Shares – Series A.
Voting rights:	No voting rights
Conversion:	None
Redemption and repayment:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on June 30, 2027 and every 5 years thereafter from May 31 to June 30 inclusive.

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.
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.

Class A Preferred Shares – Series I	
Number:	6,000,000
Principal amount:	$150 million
Book value:	Shares recognized at their acquisition value
Dividend:	Non-cumulative 5-year rate reset quarterly dividend at an initial annual rate of $1.20 in cash per preferred share until March 31, 2023. On March 31, 2023 and on March 31 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada bond yield plus 2.75%.
Voting rights:	No voting rights
Conversion:	Convertible at the option of the holder to Class A Preferred Shares – Series J on March 31, 2023 and on March 31 every 5 years thereafter.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on March 31, 2023 and on March 31 every 5 years thereafter.

Subordinated debentures issued on September 16, 2016 and maturing on September 15, 2028	
Principal amount:	$400 million
Book value:	$399 million
Interest:	3.30% until September 15, 2023. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR plus 2.14%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 15, 2023, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.0 million.

More information about the features of the preferred shares, debentures and other equity instruments 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*.

† 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.

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, 2022, 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, 2022, 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.

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, 2022, the Company's contractual obligations and commitments were as follows:

Contractual Obligations – Payments Due by Period

	As at December 31, 2022			
(In millions of dollars)	**Total**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Debentures	1,500	—	—	1,500
Lease liabilities	110	20	52	38
Purchasing commitments	319	98	221	—
Other long-term commitments	4,386	2,551	1,020	815
Total of contractual obligations	**6,315**	**2,669**	**1,293**	**2,353**

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

The Company 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 subsidiaries and their ability to meet their commitments to policyholders and creditors.

In 2022, the credit ratings assigned by Standard & Poor's, DBRS Morningstar and A.M. Best remained unchanged, with a stable outlook.

Credit Ratings

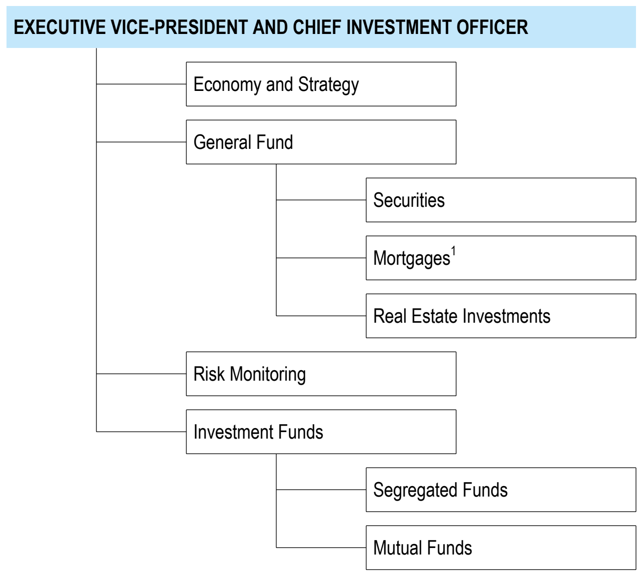
iA Financial Corporation Inc.		
Agency	**Type of evaluation**	**Rating**
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
	Limited Recourse Capital Notes	BBB+
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)
	Limited Recourse Capital Notes	BBB (high)
Industrial Alliance 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 Investment management structure is illustrated below.



Most of iA Financial Group's investment professionals look after asset allocation and securities selection for the general fund and for a number of segregated and mutual funds, in addition to overseeing all external managers.

The general fund experts manage a diverse range of investments, including bonds, stocks, mortgages, real estate investments, short-term investments and derivatives.

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, foreign currency, credit, liquidity, etc.). It is also responsible for analyzing and monitoring active risk and risks related to investment 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, Industrial Alliance Investment Management Inc. (iAIM) portfolio managers and analysts are expected to adhere to the guiding principles of the Responsible Investment Policy, in particular the incorporation of ESG considerations into the investment process. iAIM 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.

[1] The Company withdrew from the residential mortgage market in 2020. The mortgage portfolio is now made up of multi-unit residential and non-residential loans.

† 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, 2022, iA Financial Group had $200.4 billion in assets under management and administration, compared to $221.2 billion at the previous year end. Growth in asset levels throughout 2022 was tempered by challenging financial market conditions and rising interest rates.

Assets Under Management and Administration

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Assets under management†					
General fund	50,091	55,082	53,662	45,280	39,760
Segregated funds	37,334	39,577	32,804	27,868	23,781
Mutual funds	11,611	13,955	11,393	11,594	10,833
Other	3,670	2,862	3,797	15,500	14,721
Subtotal	102,706	111,476	101,656	100,242	89,095
Assets under administration†	97,717	109,687	95,830	89,246	79,678
Total	**200,423**	**221,163**	**197,486**	**189,488**	**168,772**

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*), amounted to $102.7 billion at December 31, 2022, compared to $111.5 billion at the previous year end.

Assets under administration totalled $97.7 billion at December 31, 2022, compared to $109.7 billion the previous year. 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 takes a prudent, disciplined approach to investing and aims to achieve an optimal balance between risk and return. In addition to ensuring that its investments are well diversified among issuers and operating sectors, as well as geographically, the Company closely monitors its asset/liability matching and maintains a sufficient level of liquidity at all times. For more information about liquidity risk and how it is managed, and about the asset/liability matching process and the measures used by the Company to reduce the risks associated with this process, refer to the "Risk Management" section of this Management's Discussion and Analysis.

The assets related to the Company's insurance and annuity operations are mainly invested in fixed-income securities, such as bonds, and to a lesser extent, in equity securities (stocks). The assets related to the Company's capital are invested in fixed-income securities and preferred shares.

Composition of General Fund Investments

At the end of 2022, 68% of the Company's investments were invested in bonds and 7% in mortgages and other loans, for a total of 75% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 75% and 79% over the last five years, while stocks have varied between 7% and 10%.

General Fund Investments

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Bonds	27,287	32,893	32,099	27,509	23,592
Mortgages and other loans	2,831	2,922	2,802	3,870	3,661
Stocks	4,033	3,906	3,286	3,024	3,055
Real estate	1,804	1,870	1,916	2,077	1,721
Other invested assets	4,030	4,060	5,045	3,440	2,550
Total	**39,985**	**45,651**	**45,147**	**39,919**	**34,579**

† 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 by Asset Category

	As at December 31	
	2022	**2021**
Portfolio	**$40.0B**	**$45.7B**
Bonds	68%	72%
Mortgages and other loans	7%	6%
Stocks	10%	9%
Real estate	5%	4%
Other	10%	9%

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

Overall Quality of Investments

At December 31, 2022, net impaired investments totalled $22 million, compared to $17 million a year earlier. On a $40.0 billion portfolio, this represents 0.05% of total investments (0.04% at December 31, 2021). The increase is the net result of the early prepayment of the entire principal and interest accrued on one impaired bond and the addition of a new impaired bond following a deterioration in credit quality, which stems from shifting trends related to the pandemic.

The overall quality of investments continued to be very good in 2022.

Net Impaired Investments (Excluding Insured Loans)

	As at December 31				
(In millions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Bonds	22	17	31	10	13
Mortgages and other loans	—	—	—	1	3
Total	**22**	**17**	**31**	**11**	**16**

Net impaired investments are made up of bonds and conventional mortgages that are three or more months in arrears, as well as restructured loans and other loans in default, taking into account any specific provisions for losses set up in consideration of these assets.

Net Impaired Investments as a Percentage of Total Investments

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Net impaired investments	0.05	0.04	0.07	0.03	0.05

For the investment portfolio as a whole, unrealized losses on corporate fixed-income securities classified as *available for sale* amounted to $277 million at December 31, 2022 ($36 million at December 31, 2021).

Bond Portfolio

The quality of the Company's bond portfolio is very good, totalling $27.3 billion at December 31, 2022.

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 75% of the bond portfolio at the end of 2022, compared to 80% at the end of 2021. At December 31, 2022, bonds rated BB and lower (high-yield bonds) totalled $275 million (1.0% of the bond portfolio), compared to $309 million at December 31, 2021 (0.9% of the bond portfolio).

Bonds by Credit Rating

	As at December 31	
	2022	**2021**
Portfolio	**$27.3B**	**$32.9B**
AAA	8%	5%
AA	29%	41%
A	37%	34%
BBB	24%	19%
BB and lower	1%	1%

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.

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 affected by changing credit conditions in the market. At December 31, 2022, private issue bonds totalled $5.8 billion, accounting for 21% of the bond portfolio ($5.8 billion or 18% of the portfolio at December 31, 2021).

Bond Portfolio

	As at December 31				
	2022	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)	**27,287**	**32,892**	**32,099**	**27,509**	**23,592**
Distribution by category of issuer (%)					
Governments	31	40	47	50	51
Municipalities	3	4	5	5	5
Corporates – Public issues	45	38	31	28	26
Corporates – Private issues	21	18	17	17	18
Total	100	100	100	100	100

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to $2.8 billion at December 31, 2022 compared to $2.9 billion a year earlier. At the end of 2022, 14% of the portfolio ($380 million) was securitized through the Canada Mortgage and Housing Corporation (CMHC) Canada Mortgage Bond (CMB) program.

The mortgage portfolio alone, made up of multi-unit residential and non-residential mortgages, totalled nearly $1.6 billion and was of excellent quality at December 31, 2022, with a delinquency rate of nil. The delinquency rate data includes both insured and uninsured mortgages.

Delinquency Rate as a Percentage of Mortgages

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Delinquency rate	—	—	—	0.08	0.09

As shown in the table below, insured mortgages have represented approximately three-quarters of the total mortgage portfolio in recent years (71% in 2022).

Mortgages and Other Loans Portfolio

	As at December 31				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)					
Mortgages	1,612	1,866	1,892	3,076	2,999
Other loans – Car loans	1,219	1,055	910	794	662
Total	**2,831**	**2,922**	**2,802**	**3,870**	**3,661**
Distribution of mortgages by type of loan (%)					
Insured loans	71	71	73	74	76
Conventional loans	29	29	27	26	24
Total	**100**	100	100	100	100
Mortgage delinquency rate (%)	—	—	—	0.08	0.09

At December 31, 2022, the proportion of mortgages secured by multi-unit residential properties was 84%. This number has been above 80% for several years.

† 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	
	2022	**2021**
Portfolio	**$1.6B**	**$1.9B**
Residential	—	—
Multi-unit residential	84%	84%
Non-residential	16%	16%

In addition to mortgages and other loans, the Company also manages assets for third parties. In total, the Company's portfolio of mortgages and other loans plus assets managed for third parties amounted to $6.2 billion at December 31, 2022 ($5.3 billion at December 31, 2021).

Stock Portfolio

At December 31, 2022, investments in equity securities amounted to $4.0 billion, or 10% of the Company's total investments, compared to $3.9 billion or 9% a year earlier.

Investments in equity securities, as well as the Company's preferred shares, are used to match long-term insurance contract liabilities and to cover the commitments on certain Universal Life policies. The stock portfolio matched to very long-term commitments delivered a return of 8% in 2022, while the Company's preferred shares delivered a return of -15%. Private equities occupy an increasingly large part of the portfolio. This equity category offers opportunities in terms of diversification, returns and matching of very long-term commitments.

Stock Portfolio by Type of Matching

	As at December 31	
	2022	**2021**
Portfolio	**$4.0B**	**$3.9B**
Very long-term commitments	60%	54%
Universal Life policies	28%	30%
Capital (preferred shares)	12%	15%

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 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				
	2022	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio ($M)	**4,033**	**3,906**	**3,286**	**3,024**	**3,055**
Distribution by category of stock (%)					
Common shares and investment fund units	27	30	30	27	36
Preferred shares	12	18	23	19	16
Market indices	7	5	2	10	10
Private equities	54	47	45	44	38
Total	100	100	100	100	100

Real Estate Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties decreased by $66 million in the past year to $1.8 billion at December 31, 2022. 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 4.5% of the total investment portfolio at December 31, 2022.

The occupancy rate of investment properties was 88% at December 31, 2022, compared to 92% at December 31, 2021. This decrease is mainly due to iA's "Work from Anywhere" program. In line with this program, iA vacated and consolidated some of its office space in Quebec City, Montreal and Toronto. Nevertheless, this occupancy rate continues to compare favourably with commercial rental properties in large Canadian cities. The weighted average lease term (WALT) of the real estate portfolio is 8.8 years, ensuring stable long-term revenues for 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.

Office buildings account for nearly 86% of the Company's real estate investments.

Investment Properties

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2022**	**2021**	**2020**	**2019**	**2018**
Book value of the portfolio	**1,804**	**1,870**	**1,916**	**2,077**	**1,721**
Occupancy rate	88%	92%	95%	94%	95%

Investment Properties by Category of Property

	As at December 31	
	2022	**2021**
Portfolio	**$1.8B**	**$1.9B**
Office	86%	87%
Retail	5%	6%
Industrial	4%	2%
Multi-unit residential, land and other	5%	4%

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 improve the matching of assets backing long-term life insurance liabilities 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	
(In millions of dollars)	**2022**	**2021**
Net fair value	(480)	391
Notional amount	37 950	30,587

Other Invested Assets

The *Other invested assets* category is made up of cash and cash equivalents, policy loans (most insurance contracts, except for term insurance contracts, allow policyholders to obtain a loan on the surrender value of their contracts), derivatives, short-term investments and other investments. These investments totalled $4.0 billion at December 31, 2022 ($4.1 billion at December 31, 2021).

† 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 Funds
(Segregated Funds and Mutual Funds)

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $48.9 billion at December 31, 2022 ($37.3 billion in segregated funds and $11.6 billion in mutual funds), a decrease of $4.7 billion from the previous year. This decrease is mostly explained by unfavourable financial markets which also decreased sales.

Segregated Fund and Mutual Fund Assets

	As at December 31				
(In billions of dollars)	**2022**	**2021**	**2020**	**2019**	**2018**
Segregated funds	37.3	39.6	32.8	27.9	23.8
Mutual funds	11.6	14.0	11.4	11.6	10.8

Range of Funds

iA Financial Group offers a broad and diverse range of investment funds. As at December 31, 2022, the Company 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 2022 to increase its diversity and complementarity and to respond to client demand. In the individual segregated fund segment, the Company added five funds, including four sustainable investment funds, to further diversify its offering in this market segment. On the mutual fund front, IA Clarington Investments also added three funds during the year, including two sustainable investment funds, as well as a managed risk income portfolio designed to give clients additional downside protection. Lastly, in the Group Savings and Retirement sector, the Company made some minor enhancements to its lineup with three additions and two closures.

iA Financial Group's Investment Funds

	As at December 31, 2022	
	Assets ($billion)	**Distribution of assets**
Segregated funds	37.3	76%
Mutual funds	11.6	24%
Total	**48.9**	**100%**

Investment Fund Performance

2022 was a very eventful year. After 2020 (the year of the virus) and 2021 (the year of the vaccine and economic re-openings), 2022 was the year that saw inflation spike to multi-decade highs, leading central banks to significantly raise interest rates to curtail inflationary pressures. Energy prices also rose sharply, influenced by the war between Russia and Ukraine and the resulting sanctions. In this environment, performance was challenging for both equities and fixed income assets, thus offering little relief for investors.

For equities, the S&P 500 representing the U.S. equity market fell 18.1% (in USD) for the year but a more modest -12.5% in Canadian dollar terms given the relative strength of the U.S. dollar. The tech-heavy Nasdaq 100 had an even more difficult year with a -28.1% reading for the year (in CAD). In Canada, the S&P/TSX held up better with a -5.8% result given its exposure to Energy, which strongly benefited from the rise in oil prices. Overseas, the MSCI EAFE and MSCI EM representing international equity and emerging markets, respectively, returned -8.2% and -13.9% for the year (in CAD). Globally, the MSCI World, which includes all developed countries, returned -12.2% (in CAD) in 2022. For fixed income, 2022 was also a difficult year given the strong rise in interest rates. In Canada, the FTSE Canada Universe Index, representing the investment grade fixed income market, returned -11.7% for the year.

In this context, the returns on the vast majority of our funds were difficult given public market results. 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, 2022, 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 a financial group, iA Financial Corporation 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

iA Financial Corporation 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.

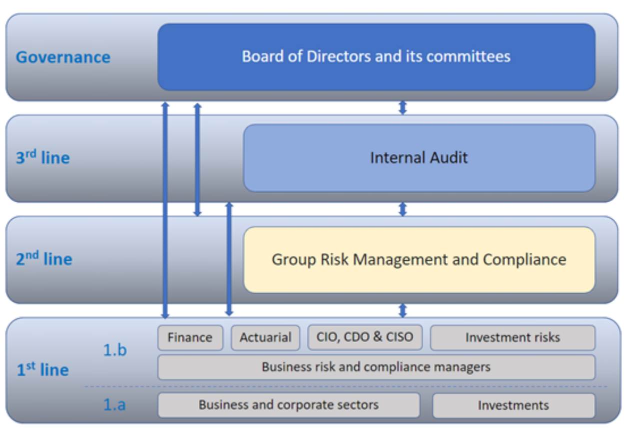
In accordance with this principle, iA Financial Corporation has implemented an integrated risk management framework that is continually applied and taken into account in developing the Company's business strategies and in all of its operations. The risk management framework enables the Company to conduct 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 and tolerance as the amount 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 an integrated risk management framework, iA Financial Corporation 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 iA Financial Corporation reach 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 comfort that all categories of risk are understood and managed in relation to the achievement of iA Financial Corporation's objectives. It helps ensure 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 in light of 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 defense governance model. This approach is premised on the implementation of coordinated risk management and control systems throughout the Company.

The first line of defense is composed of the risk owners. It includes the operating sectors, operational units, business lines and corporate sectors, with the exception of the Risk Management and Compliance function and the Internal Audit function, which belong to the second and third lines of defense, respectively. They are responsible for establishing and executing the business strategies in keeping 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 defense and for identifying, communicating and managing risks that could prevent them from achieving the objectives identified in their respective areas of responsibility.

The second line of defense refers to the Risk Management and Compliance function, headed up by the Executive Vice-President and Chief Risk Officer and by the Vice-President and Chief Compliance Officer, as well as any other person connected to the Chief Risk Officer by a functional relationship, with responsibilities for all or part of a risk management and compliance matter. The second line of defense is responsible for objectively and impartially monitoring and critically analyzing the risks arising from the activities and controls implemented by the first line of defense. It is also responsible for developing and maintaining the principles, frameworks, guidelines, standards, tools and methodologies to identify, assess, measure, manage, monitor and communicate on current and emerging risks. To this end, it coordinates, guides and supports the first line of defense in the rigorous assessment of significant risks to which the Company is exposed.

These two lines of defense 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 defense 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.

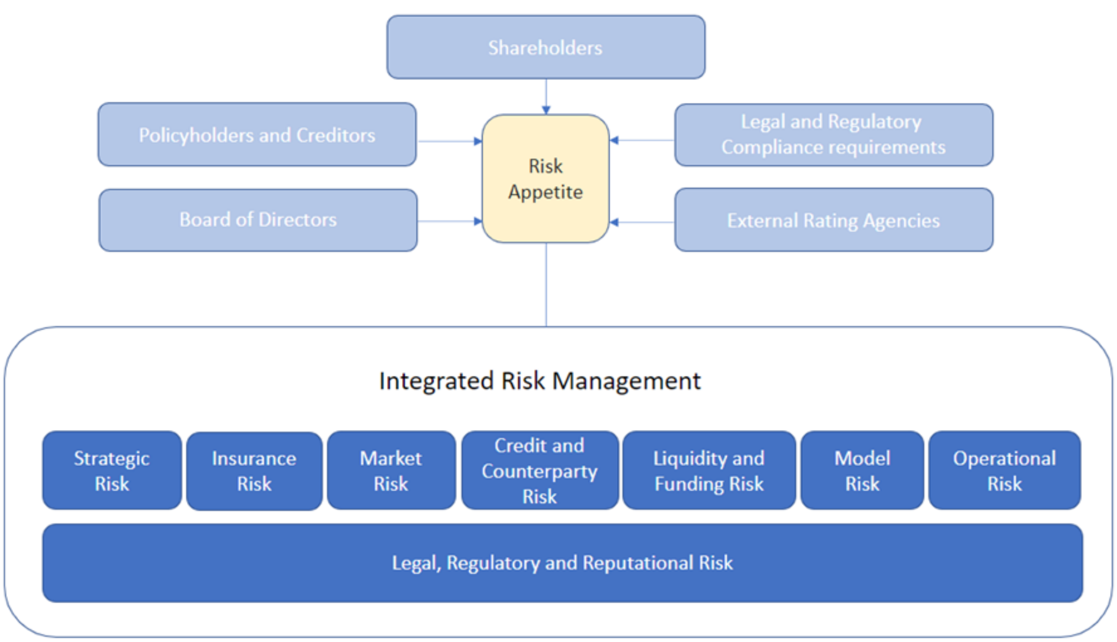
As the third line of defense, Internal Audit provides independent assurance to senior management and to the Board of Directors regarding the adequacy and effectiveness of governance, risk management and internal control processes. It recommends improvements and reports on the situation to the Board of 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 enhance its long-term value.

The integrated risk management framework applies to the Company's subsidiaries. A collaborative relationship 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.

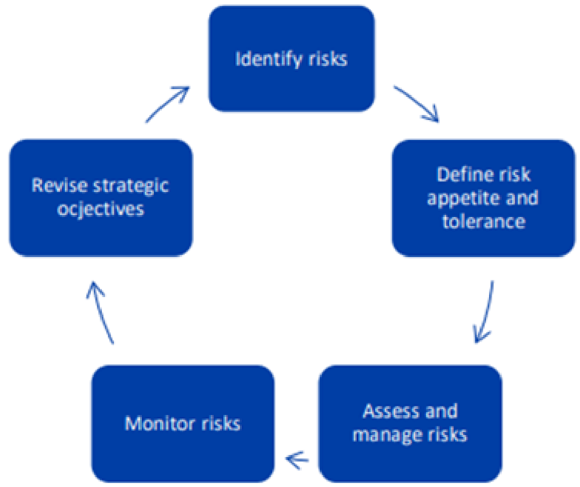
Integrated Risk Management Framework



† 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 are within iA Financial Corporation's risk appetite and tolerance. 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.

iA Financial Corporation has developed a risk taxonomy that includes the following risk categories.

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 an inappropriate or poorly executed business plan, or from the Company's inability to adapt to changes in the competitive, economic, technological, legal, or regulatory environment, among others.

Risk Associated with the Business Environment – The insurance and wealth management sectors are highly competitive. 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, a fluctuation in interest rates or a deterioration in financial market conditions that leads 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 our information systems and technology infrastructure or generally disrupt the Company's business plan.

† 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 Related to Climate Change – Climate change could have adverse impacts on insurance, market, and credit risks by increasing the frequency and cost of claims or deteriorating the quality or value of the investment portfolio. The Company has incorporated climate change risk in its risk appetite and tolerance statement and uses the climate-related risks defined by the Task Force on Climate-Related Financial Disclosures (TCFD) as the foundation of its climate change risk assessments. The Company conducted an entity-wide Climate Change Materiality Assessment. The impact and likelihood criteria used were aligned with iA Financial Corporation's integrated risk assessment methodology to ensure that climate-related risks are assessed consistently and proportionately relative to other risks. In continuity with its commitment to the United Nations-supported Principles for Responsible Investment (PRI), the Company, through its subsidiary iAIM which manages its assets, has released its Responsible Investment Policy, which includes a section on climate change and commitments to integrate climate change factors into investment decisions. 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 sectors 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 Corporate Risk Appetite Policy, 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 corporate and sector 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 2022 review of strategic and emerging risks, the following identified risks were confirmed and the strategies in place for managing them were renewed.

Talent shortage – Attracting and retaining talent and labour is a concern. The talent shortage creates pressure on labour costs and impacts the ability to deliver transformation programs while running daily operations. In this regard, the Company has put measures in place for its employees and is developing prioritization processes to release pressure. However, the gap between human resource needs and capacity remains a significant challenge that seems likely to persist over time.

Data security and cyber risks – The risk of cyber-attacks and/or external fraud has always been a high priority, but with hackers sponsored by governments and even more malicious software available, 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. Central banks have hiked interest rates to combat last year's high inflation. The war in Ukraine and tension in China are also causing instability in global markets. These events could result in significant financial volatility and test the Company's ability to anticipate and mitigate headwinds in its markets.

Insurance Risk

Insurance risk is the risk of financial loss arising from higher claims than anticipated during product pricing and design. This category is associated with the following risk factors:

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates 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.

Longevity – Risk of overestimation of the mortality rate in product pricing and design assumptions.

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

General Insurance – Risk of loss arising from higher claims than anticipated when designing and pricing general insurance products.

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 provisions for future policy benefits. The Company has put controls and processes in place at each of these stages to ensure appropriate management of these risks.

The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of the sensitivity of this profitability according to various scenarios, documentation, and the accountability of the various people involved.

† 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.

With regard to the underwriting and claims adjudication process, the Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds. They are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

With regard to calculating the provisions for future policy benefits, the Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the Canadian Institute of Actuaries (or any other relevant organization), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business. In addition, every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

The table below summarizes the impact on net income attributed to common shareholders of adverse deviations from assumptions for certain insurance risks.

Decrease in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations from the Assumptions

(In millions of dollars)	2022	2021
Insurance risk: adverse deviation of 5%		
Mortality rate[1]	147	180
Lapse rate[2]	161	205
Unit costs[3]	89	86
Morbidity rate[4]	56	59

Favourable variances from the assumptions would have the same impact, but in the opposite direction.

For more information on insurance risk management, refer to notes 13 and 14 of the Company's audited consolidated financial statements.

Market Risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of an insurance contract or a financial instrument will fluctuate due to variations in market risk factors. This category includes risk factors related to interest rates, stock markets, foreign currency and return on return-seeking assets.

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

Interest Rate 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 risk is the risk of loss associated with fluctuations in benchmark interest rates and/or rate spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates on the corresponding liabilities, or if an asset needs to be liquidated in order to match the liability cash flows and a loss in market value of the liquidated asset occurs due to rising interest rates. This risk depends on asset allocation as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees, and the policyholder options.

To mitigate this risk, the Company has developed a strict 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. Some liabilities can be immunized to a very large degree against interest rate fluctuations because they can be backed by assets offering a similar cash flow structure.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. For the purpose of these strategies, the liabilities are divided into three main categories, as presented below, based on the structure of the underlying financial commitments.

1 The adverse deviation is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products.
2 The adverse deviation is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products.
3 Adjusted to reflect the adjustability of certain products.
4 The adverse deviation is expressed 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, adjusted to reflect the adjustability of certain products.

† 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 Liabilities According to Type of Matching

	As at December 31			
	2022		2021	
	$M	%	$M	%
Immunized liabilities				
On a cash flow basis	9,345	32%	9,263	26%
Universal Life policy accounts	1,789	6%	1,933	6%
Subtotal	11,134	38%	11,196	32%
Non-immunized liabilities	17,996	62%	24,225	68%
Total	**29,130**	**100%**	**35,421**	**100%**

1› **Liabilities Immunized on a Cash Flow Basis**

This category represents 32% of the policy liabilities and primarily reflects the commitments with regard to annuity and other insurance contracts with a maturity of less than 30 years.

For liabilities immunized on a cash flow basis, the objective of the replicating strategy is to minimize the interest rate sensitivity, represented by the volatility of the deviations that can occur between the returns realized on the assets and those expected for the liabilities. The liabilities' expected returns include the interest rates credited to client contracts and the fluctuation margins set out in the actuarial valuation of the policy liabilities. To appropriately monitor matching, investments are segmented by blocks based on the cash flow structure of the liabilities, and these blocks are grouped together by line of business. A careful examination of these matching blocks is carried out once a month, and a number of techniques are used to assess the quality of the matching in order to guide the selection of investments.

To measure the sensitivity to interest rate fluctuations, the Company uses metrics recognized by immunization experts, such as duration and dispersion. The investment policies set out maximum spreads between the result of the measures applied to the assets and the corresponding result obtained for the liabilities. These results are provided to the Investment Committee on a quarterly basis.

The Company also carries out sensitivity analyses to assess the financial impact that would result from various types of fluctuations in the interest rate yield curve. These analyses are carried out using stochastic scenarios that are used to quantify the residual risks that may remain in the portfolios. Simulations based on predefined scenarios are also analyzed to measure the impact of specific fluctuations. The sensitivity analyses are also used to assess the behaviour of the future fluctuation margins projected in the actuarial valuation of the policy liabilities.

In addition, in order to minimize the reinvestment risk that can arise when the maturity of the assets does not match the maturity of the corresponding liabilities, the investment policies also require that an effort be made to ensure that the asset cash flows correspond to the liability cash flows. To this end, the policies set relative and absolute limits regarding the size of the cumulative net cash flows, both for all the matching blocks combined and for each individual block.

For this liability category, the use of a very strict immunization approach means that the impact on net income of a decrease or increase in interest rates would be negligible.

2› **Immunized Liabilities Linked to Universal Life Policy Accounts**

This category represents 6% of policy liabilities, and includes all liabilities 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 matching is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly reproduce 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.

3› **Non-Immunized Liabilities**

This category corresponds to 62% of the Company's policy liabilities and primarily encompasses individual insurance products whose cash flows have a specific structure and for which a classic immunization strategy cannot be applied. Therefore, for this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets by using the various types of leverage available to limit its exposure to reinvestment risk.

For this liability category, a widespread decrease in interest rates could have an adverse impact on annual net income to common shareholders, primarily due to the attendant increase in policy liabilities. If interest rates were to decrease, the reinvested cash flows would generate lower investment income for the total duration of the investment. A decrease in interest rates could lead to a downward adjustment of the initial reinvestment rate (IRR) assumption, and a prolonged decrease could lead to a decrease in the ultimate reinvestment rate (URR) assumption used to calculate the policy liabilities.

† 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 Company uses high-quality assets, primarily made up of long-term fixed income securities, equity securities (common and preferred shares, market indexes, market index options and investment fund units), and real estate, to optimize the risk and return of this liability category. The asset class allocation aims to achieve an optimal return at maturity, 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 investment policies, particularly with regard to diversification of the portfolio.

The Company also uses various types of leverage, including an inter segment note program that allows cash flows to be exchanged among activity sectors and various derivative financial instruments to be used to reduce the reinvestment risk (IRR).

During the period ended December 31, 2022, derivative financial instruments were used as part of the Company's strategy to optimize returns. To mitigate its risk related to interest rate fluctuations on these non-liability backing assets and its mortgage securitization activities, the Company used hedge accounting through derivative instruments with a nominal value of $288 million in 2022 ($712 million in 2021). For more information, refer to notes 7 and 8 of the Company's consolidated financial statements as at December 31, 2022.

The following tables summarize the impact of matching and interest rate risk on net income attributed to the common shareholder and on accumulated other comprehensive income.

Decrease in Net Income Attributed to Common Shareholder Resulting from Adverse Deviations

(In millions of dollars)	**2022**	**2021**
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[5]	(104)	(61)
10 basis point decrease in the ultimate reinvestment rate (URR)	43	68

Decrease in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

(In millions of dollars)	**2022**	**2021**
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[6]	(3)	(7)

Similar increases in the IRR, URR and interest rates would have the same impact as corresponding decreases, but in the opposite direction.

To test for market sensitivity, the Company uses an interest rate variance of 25 basis points for the IRR and 10 basis points for the URR because it believes these interest rate variances to be reasonable given market conditions as at December 31, 2022.

The impact of this variance in interest rates does not take into account the protection for the IRR in the actuarial reserves.

Risk of a Market Downturn – Risk of a market downturn represents the risk of loss resulting from a downturn in the stock markets. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management;[†] 2) the discounted future revenues on Universal Life policy funds; 3) the income on assets held in the general fund; and 4) benefits from guarantees on segregated funds.

To measure its market sensitivity, the Company examined the impact of a 10% market variance at the end of 2022, believing that this kind of variance was reasonable in the current market environment. However, to take into account the possibility that a market variance of more than 10% could have an impact that is not linearly proportional, the Company also measured the impact of a 25% market variance.

For these items, the Company estimates that a sudden 10% drop in the markets as at December 31, 2022 would have led to a $39 million decrease in net income and a $39 million decrease in other comprehensive income over a 12-month period. A 25% drop in the markets as at December 31, 2022 would have reduced net income by approximately $97 million, and other comprehensive income by $98 million over a 12-month period.

In order to ensure sound management of the equity, the Company's investment policies define quantitative and qualitative limits for the use of equity securities. The target asset mix in the form of equity securities is designed to maximize the Company's returns and reduce the potential risk associated with guaranteed minimum returns under long-term commitments.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the risk tolerance limits and the prudential requirements set out in the investment policies, including a minimum credit rating for the counterparty financial institution.

During the year ended December 31, 2022, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain exposure to stock markets for assets backing non-immunized liabilities while limiting potential losses. They were also used as part of the hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

If the markets were to drop more than 1% from their levels at December 31, 2022, all other things being equal, the Company would not have the leeway to absorb an additional drop in the markets without a significant impact on its provisions for future policy benefits related to individual insurance.

[5] These estimates do not take into account compensatory measures to alleviate the impact of an interest rate decrease. The Company could reconsider the investment allocation for each asset class backing the very long-term commitments.

[6] Excluding any downward adjustment of the IRR or URR.

[†] 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 the impact on the Company's income, a stock market downturn could also have an impact on the Company's solvency ratio.

Sensitivity of the Solvency Ratio to Variances in the S&P/TSX Index (CARLI)

	2022	2021
Solvency ratio as at December 31†	126%	134%
S&P/TSX index as at December 31	19,385	21,223
Level of S&P/TSX index for the solvency ratio to be at 110%	6,500	N/A
Level of S&P/TSX index for the solvency ratio to be at 100%	2,000	N/A

Segregated funds risk – Segregated funds expose the Company to significant interest rate risk, risk of a market downturn and, to a lesser extent, exchange 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 and the 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 and contract holder longevity and behaviour.

The following table provides information on the segregated fund assets under management in the Individual Wealth Management sector.

Individual Wealth Management Segregated Fund Assets Under Management

(In millions of dollars)	2022	2021
Assets under management†	23,451	24,722
Guaranteed minimum value	20,695	18,916
Value of assets underlying significant guarantees[7]	6,169	7,366
Value of assets underlying minimum guarantees[8]	17,281	17,356

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.

[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.

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 86% and 97% depending on the volatility of the financial markets. In addition, it has had an excellent effectiveness rate of 93% since it was implemented in October 2010.

Foreign Currency Risk – Foreign currency risk represents the risk that the Company will have to assume losses due to exchange rates on foreign currencies to which the Company is exposed. The Company has adopted a policy to avoid exposing itself to material currency risk. To this end, liabilities are generally matched with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure. As at December 31, 2022, the Company was not exposed to any material foreign currency risk.

The Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to a net investment in a foreign operation that has a different functional currency from the Company's functional currency. Residual foreign currency risk does not have a significant impact on the Company's consolidated financial statements. Disclosure of hedge accounting is presented in Note 8 "Derivative Financial Instruments" of the Company's consolidated financial statements.

Risk Associated with the Return on Alternative Long-Term Assets – This is the risk of loss arising from fluctuations in the value of private equity, real estate, infrastructure, timberland and farmland. Real estate investments are used to back long-term commitments for certain lines of business, like Individual Insurance, and help ensure sound diversification of the Company's investments.

To mitigate this risk, the Company's investment policies authorize prudent investments in the real estate market, private equity and infrastructure within certain clearly defined limits, both globally and by geographic region.

Credit and Counterparty Risk

Credit risk represents the risk of loss arising from a deterioration in credit quality or failure of a counterparty to meet its commitments 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 our policyholder commitments.

The Company uses derivative products 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, currencies and stock markets.

The derivative products used expose the Company to credit risk due to the presence of counterparties involved. As indicated earlier, the counterparties for derivative products 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 of the consolidated financial statements as at December 31, 2022.

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. They also impose 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 credit policy that stipulates the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The policy 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 real estate, residential 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 dependent upon any single reinsurance contract.

† 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.

Liquidity and Funding Risk

Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions to honour its financial commitments as they come due. The Company is exposed to this risk mainly through: 1) benefits payable according to the insurance contracts in force or 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 total or partial non-availability 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. Liquidity management and policy compliance are 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.

Model Risk

The Company is exposed to model risk, which is the risk of decision errors being made on the basis of model results.
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 sectors of the Company. This guide is intended to help model owners identify model risk and to standardize the approach across the Company.

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. It can be related to financial reporting, human resources, fraud, data protection, information security and technology, process execution, business relationships with clients, external events or contractual agreements with suppliers. 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.

Through its integrated and operational risk management frameworks, the Company makes all managers accountable by asking them to confirm their sector'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 line 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.

† 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.

Human Resources – The competency of human resources is an essential factor in implementing business and operational risk management strategies. Human resources risk is therefore the risk of loss resulting from a lack of qualified human resources in the short or long term or from the non-optimal contribution of human resources. 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.

Fraud – Fraud risk is defined as the pursuit of intentional unauthorized activities to obtain benefits from either the Company or assets under the Company's control, or by using or appropriating the Company's products. Benefits may take the form of cash, cash equivalents or physical assets, including the indirect benefit of extended employment or an additional bonus. 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 iA Financial Corporation.

Protection of Personal Information – The use of emerging technology entails numerous challenges for the protection of personal information. While data analytics is useful in providing better client service, the increase in available data and the risks associated with it require vigilance by all Company stakeholders. An abundance of privacy risks, ranging from the unethical use of collected data to identity theft, can arise if personal information is hacked or inadvertently disclosed. All of these risks are mitigated by applying sound governance practices throughout the life cycle of all sensitive data. Ensuring the ongoing awareness of all employees and partners also helps to maintain a high level of commitment to privacy, supported by an increased focus on device security. The Company implements policies and directives that regulate data use and governance. It strives to comply with the highest ethical and moral standards while meeting all legal requirements in this regard. It continues to develop new tools and practices to provide optimal protection for all its partners and clients.

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 standards, protection of information and data management. The management of these risks is reviewed at regular intervals in order to adapt to changing technologies, regulations and Company needs.

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, unauthorized access to sensitive data and unauthorized use of data, to theft of assets or intellectual property. These can lead to reputational damage, lawsuits and other repercussions.

To mitigate information security and cybersecurity risks, the Company has an information security authority framework in place 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 and the technology, data and information security risk management team. These measures are continuously complemented by information security awareness campaigns and training for all Company employees.

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

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.

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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 the various business units.

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 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 lines 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.

Reputational Risk – The Company is also exposed to reputational risk. This risk is defined as the overall exposure caused by the effectiveness or ineffectiveness of the Company's management of other non-financial risks. It can arise from the occurrence of one or more risks in any of the risk categories that may, rightly or wrongly, 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's reputation and produces a report on the subject once a year, while also keeping a log of complaints found on social media.

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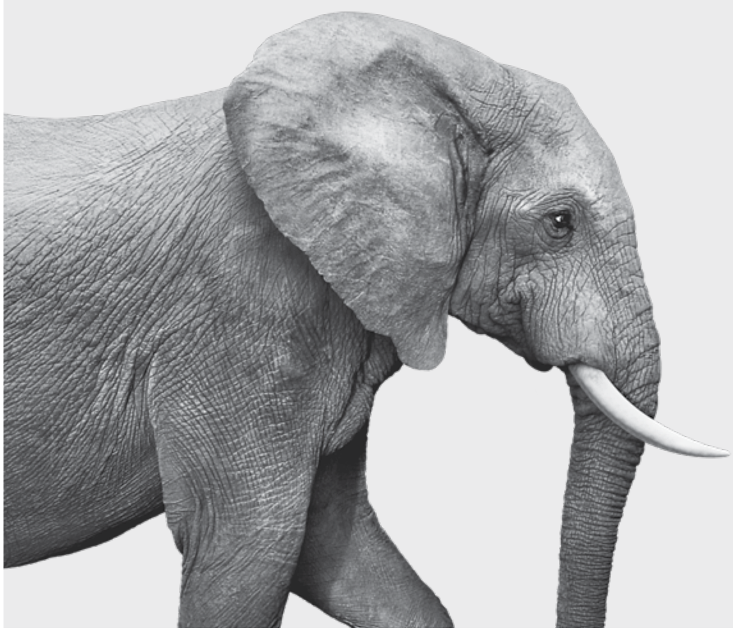

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