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iA Financial Corporation Inc.

Management's Discussion and Analysis for the Third Quarter of 2020

November 4, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated November 4, 2020. iA Financial Corporation became the parent company of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") as of January 1, 2019, as a result of a plan of arrangement. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020 and 2019. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2019. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

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HIGHLIGHTS¹

Profitability						
	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Net income attributed to common shareholders (in millions)	\$217.5	\$183.7	18%	\$439.3	\$516.2	(15%)
Weighted average number of common shares (diluted) (in millions)	107.1	106.9	—	107.2	107.3	—
Earnings per common share (EPS) (diluted)	\$2.03	\$1.72	18%	\$4.10	\$4.81	(15%)
Core earnings per common share (EPS) (diluted) ²	\$1.83	\$1.75	5%	\$4.81	\$4.64	4%
	September 30, 2020	June 30, 2020		December 31, 2019	September 30, 2019	
Return on common shareholders' equity (ROE) ³	10.9%	10.5%		12.9%	12.7%	
Core return on common shareholders' equity (ROE) ³	12.3%	12.4%		12.6%	12.4%	

The Company ended the third quarter of 2020 with net income to common shareholders of \$217.5 million, up 18% compared to \$183.7 million in 2019, and diluted earnings per common share (EPS) of \$2.03, also up 18% from \$1.72 in 2019. These results include those related to the IAS acquisition in the United States as of May 22, 2020. Without the IAS results for the period from May 22 to June 30, 2020, diluted EPS for the quarter would have been \$2.02.

Return on common shareholders' equity (ROE) was 10.9% at September 30, 2020 versus 12.7% at September 30, 2019. ROE is calculated on a trailing-twelve-month basis. The decrease in this ratio is explained by the first quarter 2020 result, which was heavily impacted by the effects of the pandemic.

Diluted core EPS of \$1.83 for the third quarter compares with \$1.75 for the same period in 2019. Core ROE of 12.3% at September 30, 2020 compares with 12.4% a year earlier.

Business growth – Premiums and deposits totalled nearly \$3.9 billion for the quarter, up from third quarter 2019 (+43%). In Canada, third quarter sales were particularly good for Individual Insurance (+14%), segregated funds (+26%), Employee Plans (+102%) and iAAH (+14%). Gross mutual fund sales showed good growth at \$544.7 million (+17%), and net sales were positive once again with inflows of \$47.6 million. Segregated funds recorded strong net inflows totalling \$375.9 million. For Group Savings and Retirement, third quarter sales were particularly good (+164%). In the U.S., Individual Insurance sales were up year over year (+30%), and Dealer Services sales (including IAS sales for the period from May 22 to September 30, 2020) posted significant growth (+112%). Finally, total assets under management and administration were up 3% during the quarter, amounting to \$185.8 billion at September 30, 2020.

Participating life insurance product – On June 8, 2020, iA Financial Group's Individual Insurance sector rounded out its product lineup by launching iA PAR, a flexible new participating life insurance product. After one full quarter on the market, sales are in line with management objectives, mainly due to the excellent response to the product by all of the Company's distribution networks. On another note, premiums were increased for various individual insurance products during the quarter, mainly to reflect the drop in interest rates since the beginning of the year.

Financial position – The solvency ratio was 125% at September 30, 2020, compared with 124% at the end of the previous quarter and 134% a year earlier. The Company's target range is 110% to 116%. The increase in the third quarter essentially stems from organic capital generation. The Company's debt ratio at September 30, 2020 was 25.1%.

Book value – The book value per common share was \$54.50 at September 30, 2020, up 2% from the last quarter and 7% over twelve months.

Dividend – In accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic, the Board of Directors approved a quarterly dividend of \$0.4850 per common share payable in the fourth quarter of 2020.

¹ This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.

² In Q4 2019, an adjustment was made to core EPS for Q3 2019 following a change to the definition of EPS relating to the impact of macroeconomic changes.

³ Trailing twelve months.

Sale of residential mortgage portfolio – On September 1, 2020, the Company assigned to a third party, by way of a sales agreement, its residential mortgage portfolio held through iA Insurance as well as its rights and obligations toward the Canada Mortgage and Housing Corporation (CMHC) regarding residential mortgages included under the mortgage-backed securities program issued under the *National Housing Act*. This sale reflects management's decision to exit the residential mortgage market.

The Company transferred the risks and rewards related to this portfolio and, consequently, derecognized the residential mortgages. Under this transaction, the Company received monetary consideration and recognized government bonds under its assets.

Executive Committee – On July 30, 2020, Éric Jobin was appointed Executive Vice-President, Group Benefits and Retirement Solutions. Mr. Jobin, who was already managing this business line on an interim basis, also becomes a member of the Company's Executive Committee and continues to report to Michael L. Stickney. This growth-oriented organization change will enable the Company to better position itself in the Canadian group products market and to meet future challenges in this sector.

Normal Course Issuer Bid – The Company did not redeem or cancel any outstanding common shares in the third quarter of 2020, as redemptions are currently on hold in accordance with regulators' instructions.

Reinsurance agreements – Since the beginning of fourth quarter 2020, the Company has taken advantage of a favourable reinsurance environment to begin signing new reinsurance agreements (in Canada and the United States) that will have an impact on its fourth quarter financial results. The full impact of these agreements will be assessed during the fourth quarter and disclosed with the Company's financial results as at December 31, 2020. At this time, the Company plans to use the gains from these agreements to take on additional protections against uncertainties arising from the current pandemic. The overall impact on fourth quarter 2020 results is expected to be positive or neutral.

Annual actuarial assumption review – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 11, 2021, with the fourth quarter 2020 earnings release. Aside from the additional pandemic-related protections mentioned above, the Company believes the impact of the annual actuarial assumption review on fourth quarter 2020 results will be immaterial.

Litigation – iA Insurance is involved in litigation with a third party, Ituna Investment LP (Ituna), which was seeking to use insurance contracts for purposes not originally intended. The application was heard by the Court of Queen's Bench for Saskatchewan, which issued a decision in favour of iA Insurance on March 15, 2019. Ituna appealed this decision, and the appeal was heard by the Saskatchewan Court of Appeal in mid January 2020. iA Insurance has always maintained that the position taken by Ituna was legally unfounded and has responded to the appeal with the same conviction. Note that the governments of Saskatchewan and New Brunswick have both published new regulations limiting the amount of premiums an insurer may receive or accept for deposit in life insurance policy side accounts, and that these regulations are consistent with the position taken by iA Insurance.

Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period in the previous year.

BUSINESS GROWTH

Business growth is measured by growth in sales, premiums and assets under management and administration. Sales measure the Company's ability to generate new business and are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include both fund entries from new business written and from in-force contracts. Assets under management and administration measure the Company's ability to generate fees, particularly for investment funds and funds under administration. An additional analysis of revenues by line of business is presented in the "Analysis According to the Financial Statements" section of this Management's Discussion and Analysis.

Net Premiums, Premium Equivalents and Deposits^{4,5}						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Individual Insurance	412.0	397.5	14.5	1,203.0	1,176.6	26.4
Individual Wealth Management	1,477.8	1,203.6	274.2	4,527.6	3,598.6	929.0
Group Insurance	450.0	454.6	(4.6)	1,304.6	1,339.1	(34.5)
Group Savings and Retirement	1,173.5	439.5	734.0	2,183.7	1,460.3	723.4
US Operations	310.9	160.6	150.3	677.4	475.3	202.1
General Insurance ⁶	91.4	79.5	11.9	251.4	231.9	19.5
Total	3,915.6	2,735.3	1,180.3	10,147.7	8,281.8	1,865.9

Premiums and deposits exceeded \$3.9 billion in the third quarter, an increase of 43% year over year, mainly due to the contribution of Group Savings and Retirement and, to a lesser extent, Individual Wealth Management. For the year to date, premiums and deposits surpassed \$10.1 billion for an increase of 23% year over year. Like for the quarter, this increase is mainly due to the performance of the two savings business lines.

Assets Under Management and Administration⁷				
(In millions of dollars)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Assets under management				
General fund	52,705.8	51,499.5	45,279.6	45,458.8
Segregated funds	30,119.0	28,504.8	27,867.9	26,976.4
Mutual funds	10,518.0	10,048.7	11,594.2	11,360.2
Other	3,731.7	5,287.3	15,500.1	15,666.6
Subtotal	97,074.5	95,340.3	100,241.8	99,462.0
Assets under administration	88,745.4	85,682.6	89,245.8	87,592.0
Total	185,819.9	181,022.9	189,487.6	187,054.0

Assets under management and administration were up 3% during the third quarter, supported by net fund entries and market growth. They finished the quarter at \$185.8 billion compared to \$187.1 billion in the same quarter last year. This decrease is mainly due to the drop in the Canadian stock market, but also to the second quarter sale of iA Investment Counsel Inc.

⁴ Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance, Group Savings and Retirement and US Operations sectors and mutual fund deposits.

⁵ This table presents non-IFRS measures.

⁶ Includes IAAH and some minor consolidation adjustments.

⁷ This table presents non-IFRS measures.

Sales Growth by Line of Business⁸						
(In millions of dollars, unless otherwise indicated)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Individual Insurance						
Minimum premiums	51.6	45.8	13%	138.4	127.9	8%
Excess premiums	1.8	1.2	50%	13.1	8.3	58%
Total	53.4	47.0	14%	151.5	136.2	11%
Individual Wealth Management						
Gross sales						
General fund	208.2	162.0	29%	588.8	369.1	60%
Segregated funds	724.9	576.4	26%	2,196.5	1,732.1	27%
Mutual funds	544.7	465.2	17%	1,742.3	1,497.4	16%
Total	1,477.8	1,203.6	23%	4,527.6	3,598.6	26%
Net sales (after redemptions and transfers)						
Segregated funds	375.9	167.8	208.1	1,216.7	419.2	797.5
Mutual funds	47.6	(127.9)	175.5	(1.7)	(353.2)	351.5
Group Insurance						
Employee Plans	26.1	12.9	102%	106.1	42.9	147%
Dealer Services						
Creditor Insurance	90.1	97.6	(8%)	195.4	253.7	(23%)
P&C Insurance	87.0	70.6	23%	203.1	197.5	3%
Car loan originations	132.0	131.5	0%	324.2	328.1	(1%)
Special Markets Solutions	40.3	62.9	(36%)	161.0	197.6	(19%)
Group Savings and Retirement	1,180.0	446.5	164%	2,203.9	1,480.4	49%
US Operations (\$US)						
Individual Insurance	33.7	25.9	30%	96.0	69.8	38%
Dealer Services – P&C Insurance ^{9,10}	249.1	117.4	112%	473.2	341.6	39%
General Insurance						
iAAH (auto and home insurance)	109.8	96.2	14%	308.7	274.8	12%

Individual Insurance in Canada – Third quarter sales totalled \$53.4 million, continuing their momentum with a year-over-year increase of 14% for the quarter and 11% for the year to date. This positive result stems in part from sales of the new participating whole life product launched in June.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up significantly from last year at \$208.2 million (+29%). Gross segregated fund sales were up 26% year over year at \$724.9 million, and net sales of \$375.9 million more than doubled compared to third quarter 2019. In gross segregated fund sales, the Company maintained its solid position in the industry, closely following first place during the third quarter. In addition, the Company remains first in the industry for net segregated fund sales.

Gross mutual fund sales were up 17% year over year at \$544.7 million, and net sales of \$47.6 million were positive for the second quarter in a row.

Group Insurance – Employee Plans – The momentum from the beginning of the year continued in the third quarter with sales totalling \$26.1 million, significantly up from \$12.9 million in the same quarter last year. This result stems in part from the large number of new groups that were implemented during the quarter. Note that sales in this division vary considerably from one quarter to another based on the size and number of contracts sold.

⁸ Sales are not an IFRS measure.

⁹ Property and casualty insurance.

¹⁰ IAS Parent Holdings, Inc. sales have been added to these figures. The Q3 amount includes all sales from May 22 to September 30, 2020. The amount of sales for Q2 2020 (May 22 to June 30, 2020) is US\$27.1M.

Group Insurance – Dealer Services – Total sales of \$309.1 million in the third quarter were up 3% year over year. By product, P&C sales (including extended warranties and replacement insurance) were up 23% from the previous year at \$87.0 million, while creditor insurance sales of \$90.1 million compared with \$97.6 million a year ago. Car loan originations of \$132.0 million mimicked their strong performance from the same period last year.

Group Insurance – Special Markets Solutions – Third quarter sales totalled \$40.3 million, compared to \$62.9 million a year earlier. This decrease is largely explained by significantly lower sales of travel insurance due to the pandemic.

Group Savings and Retirement – Total third quarter sales amounted to \$1,180.0 million, significantly up from \$446.5 million a year earlier. This increase came from both accumulation product and insured annuity sales, supported by the signing of several groups with sizable assets as well as a major insured annuity contract. Note that sales in this business line can vary considerably based on the size and number of contracts sold.

US Operations – Year over year, Individual Insurance sales grew by 30% in the third quarter to US\$33.7 million. Dealer Services sales (including IAS sales for the period from May 22 to September 30, 2020) more than doubled at US\$249.1 million. Along with the addition of IAS's sales, this growth is essentially explained by the recovery of car sales following the reopening of dealerships that had closed during the second quarter. On the other hand, vehicle inventories in the United States reached their lowest levels in seven years, which may have tempered growth in the third quarter.

General Insurance (iAAH) – Direct written premiums grew by 14% year over year to \$109.8 million.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

Results According to Sources of Earnings ¹¹						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Operating profit						
Expected profit on in-force	224.6	206.9	17.7	587.7	575.8	11.9
Experience gains (losses)	26.3	5.0	21.3	(74.0)	36.8	(110.8)
Gain (strain) on sales	(1.7)	(2.3)	0.6	(21.8)	(9.7)	(12.1)
Changes in assumptions and management actions ¹²	—	(8.5)	8.5	(24.0)	(8.5)	(15.5)
Subtotal	249.2	201.1	48.1	467.9	594.4	(126.5)
Income on capital	19.3	40.1	(20.8)	84.4	95.1	(10.7)
Income taxes	(45.5)	(52.1)	6.6	(96.4)	(156.5)	60.1
Net income attributed to shareholders	223.0	189.1	33.9	455.9	533.0	(77.1)
Less: dividends on preferred shares issued by a subsidiary	5.5	5.4	0.1	16.6	16.8	(0.2)
Net income attributed to common shareholders	217.5	183.7	33.8	439.3	516.2	(76.9)

The analysis of profitability according to the sources of earnings presents the key variations between reported net income and the Company's expectation for the three-month period ended September 30, 2020. This data complements information presented in the "Analysis According to the Financial Statements" section and provides additional information to better understand the Company's financial results. This analysis contains non-IFRS measures, which are explained in the "Non-IFRS Financial Information" section at the end of this document.

Expected profit on in-force – The expected profit on in-force represents the portion of income expected to come from policies in force at the beginning of the period based on management's best-estimate assumptions when the 2020 budget was prepared. Expected profit for the wealth lines is updated quarterly to reflect changes in the stock markets and net fund entries.

¹¹ This table contains measures that have no IFRS equivalents. See "Non-IFRS Financial Information" at the end of this document for more information.

¹² Q1 2020: PPI goodwill impairment.

For the third quarter of 2020, expected profit on in-force was up year over year by 9% or \$17.7 million. This increase is essentially explained by the increase in expected profit on in-force in US Operations given the contribution of the IAS acquisition. Note that expected profit on in-force for the third quarter includes that related to the IAS acquisition in the United States for the period from May 22 to September 30, 2020, which is in line with management's expectations as stated during the second quarter 2020 results disclosure.

Experience gains (losses) versus expected profit – Experience gains or losses 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. Experience gains and losses include market impact, policyholder experience and certain specific items.

In the third quarter of 2020, the Company recorded a net experience gain of \$26.3 million, or \$19.0 million after tax (+\$0.18 EPS), due to the following:

- *Individual Insurance* – Experience was positive in the third quarter with a gain of \$12.8 million after tax (+\$0.11 EPS), resulting mainly from favourable macroeconomic changes. The markets had a positive impact on universal life insurance policies (+ \$0.05 EPS) and on assets backing individual insurance reserves (+\$0.02 EPS). In addition, mortality was unfavourable (partially due to the pandemic) (-\$0.02 EPS); morbidity was favourable, particularly with respect to short- and long-term disability (mainly due to the pandemic) (+\$0.03 EPS); expenses were lower than expected (+\$0.02 EPS); commission income for the PPI subsidiary was lower than expected, consistent with the first quarter goodwill adjustment (-\$0.01 EPS); and, lastly, various other items generated a slight gain (+\$0.02 EPS).
- *Individual Wealth Management* – Experience for this business line was favourable in the third quarter (after-tax gain of \$3.5 million or +\$0.04 EPS). Gains were generated by the positive impact of macroeconomic changes on investment fund income (MERs) (+\$0.02 EPS) and on the segregated fund hedging program (+\$0.03 EPS). In contrast, commissions paid on mutual fund sales were higher than expected (-\$0.01 EPS).
- *Group Insurance* – This business line recorded an after-tax gain of \$4.0 million for the quarter (+\$0.04 EPS). Experience in Employee Plans was slightly better than expected (+\$0.01 EPS) with favourable long-term disability experience (partly due to the pandemic) being offset in part by unfavourable experience in health and dental insurance and unfavourable mortality. In Dealer Services (including car loans), expenses were lower than expected (+\$0.02 EPS), as were integration costs for the acquisitions announced on January 10, 2020 (+\$0.01 EPS). Lastly, results were in line with expectations for car loans and in Special Markets Solutions.
- *Group Savings and Retirement* – This business line reported an after-tax gain of \$2.0 million (+\$0.02 EPS) due to favourable longevity (+\$0.01 EPS) and lower expenses (+\$0.01 EPS).
- *US Operations* – Experience in this business line was below expectations for the quarter with an after-tax loss of \$3.3 million (-\$0.03 EPS). This is explained by unfavourable mortality in Individual Insurance (-\$0.05 EPS), nearly half of which can be attributed to confirmed COVID-19 cases. Dealer Services recorded favourable experience (+\$0.02 EPS) with slightly higher income and lower than expected IAS integration costs. Note that the business line's third quarter results include operating profit from the IAS acquisition for the period from May 22 to September 30, 2020, and are in line with management's expectations as stated during the second quarter results disclosure.

Strain in Individual Insurance and US Operations – Strain on new business for the two business lines amounted to \$1.5 million pre-tax, or 2% of sales for the quarter. This is close to expectations due to two offsetting items. First, as in the first and second quarters, the strain calculation takes into account the first quarter drop in interest rates (-\$0.03 EPS). Second, a positive impact was generated by increased premiums in Individual Insurance (+\$0.03 EPS).

Income on capital – Net income earned on the Company's surplus funds, which includes income from iA Auto and Home (iAAH), was \$19.3 million before tax for the third quarter, representing a gain of \$0.02 EPS versus management expectations. This is explained in part by experience at iAAH, which was once again much more favourable than expected (+\$0.11 EPS) due mainly to lower claims, particularly in auto insurance, as well as lower expenses. The iAAH result is in part related to the pandemic. Other variations versus expected income on capital are as follows:

- The sale of the residential mortgage portfolio generated a gain (+\$0.06 EPS).
- The writedown of assets, in particular the revision of the useful life of a software application, led to a loss (-\$0.11 EPS).
- The February debenture issuance had a positive impact on income (+\$0.02 EPS), offset by higher financing expenses due to the same issuance (-\$0.02 EPS).
- Various other items led to lower than expected income on capital (-\$0.04 EPS).

Income taxes – Income taxes amounted to \$45.5 million in the third quarter for an effective tax rate of 16.9%. This lower than expected tax expense represents a positive impact of \$0.12 EPS and essentially stems from the Company's status as a multinational insurer, which allows for lower taxation on investment income.

COVID-19 pandemic and macroeconomic changes – Since March 2020, the COVID-19 pandemic has impacted both society in general and the economy. The Company nonetheless remains financially solid, as demonstrated by its above-target solvency ratio, sound debt ratio, adequate liquidity and well-positioned reserves. The Company's business continuity protocol has continued, as discussed when the first quarter results were released on May 7, 2020, 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. Given the ongoing uncertainty about how long the pandemic will last, the effectiveness of government measures to slow its spread and the impact on the economy, it is impossible to accurately predict the total bearing the pandemic will have on the Company's financial results for 2020, but it could be material. Consequently, in May, the Company withdrew the 2020 financial guidance provided to the markets on February 13, 2020.

Core Earnings Per Common Share

Core earnings per common share is a non-IFRS measure that represents management's view of the Company's capacity to generate sustainable earnings. See "Non-IFRS Financial Information" at the end of this Management's Discussion and Analysis for more information and an explanation of the adjustments applied in the Company's core EPS calculation.

Diluted core EPS for the third quarter of 2020 was \$1.83, a year-over-year increase of 5%. The table below reconciles the Company's reported and core EPS on a diluted basis. Six items were adjusted in the core EPS calculation for the quarter, representing a decrease of \$0.20 versus reported EPS.

Reported EPS and Core EPS Reconciliation						
(On a diluted basis) ¹³	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Reported EPS	\$2.03	\$1.72	18%	\$4.10	\$4.81	(15%)
Adjusted for:						
Specific items:						
Unusual income tax gains and losses	—	—		—	(\$0.04)	
Sale of residential mortgage portfolio	(\$0.06)	—		(\$0.06)	—	
Software and other writedowns	\$0.11	—		\$0.11	—	
Sale of iA Investment Counsel	—	—		(\$0.08)	—	
Acquisition and integration costs	\$0.02	—		\$0.08	—	
PPI purchase price and goodwill adjustments	—	\$0.08		—	\$0.08	
PPI goodwill impairment	—	—		\$0.22	—	
Market-related gains and losses	(\$0.12)	(\$0.07)		\$0.58	(\$0.25)	
Experience gains and losses in excess of \$0.04 EPS						
Policyholder experience	—	\$0.03		\$0.09	\$0.03	
Strain on sales	—	—		\$0.01	—	
Income on capital (excluding iAAH)	—	—		\$0.01	—	
iA Auto and Home experience	(\$0.07)	(\$0.01)		(\$0.17)	(\$0.01)	
Usual income tax gains and losses	(\$0.08)	—		(\$0.08)	\$0.02	
Core EPS	\$1.83	\$1.75	5%	\$4.81	\$4.64	4%

¹³ In Q4-2019, an adjustment has been made to the Q3-2019 core EPS following a modification of the core earnings per common share definition relating to macroeconomic variation impacts.

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 17 “Segmented Information” in the Company’s unaudited interim condensed consolidated financial statements.

Consolidated Income Statements						
(In millions of dollars)	Third quarter			Year-to-date at September 30		
	2020	2019	Variation	2020	2019	Variation
Revenues						
Net premiums	3,247.6	2,189.5	1,058.1	8,116.1	6,527.0	1,589.1
Investment income	395.5	1,109.8	(714.3)	3,693.5	4,943.1	(1,249.6)
Other revenues	455.4	416.2	39.2	1,311.2	1,251.1	60.1
Total	4,098.5	3,715.5	383.0	13,120.8	12,721.2	399.6
Less: policy benefits and expenses	3,831.0	3,474.5	356.5	12,562.3	12,031.3	531.0
Income before income taxes	267.5	241.0	26.5	558.5	689.9	(131.4)
Less: income taxes	48.5	51.9	(3.4)	98.6	156.3	(57.7)
Net income	219.0	189.1	29.9	459.9	533.6	(73.7)
Less: net income attributed to participating policyholders	(4.0)	—	(4.0)	4.0	0.6	3.4
Net income attributed to shareholders	223.0	189.1	33.9	455.9	533.0	(77.1)
Less: preferred share dividends issued by a subsidiary	5.5	5.4	0.1	16.6	16.8	(0.2)
Net income attributed to common shareholders	217.5	183.7	33.8	439.3	516.2	(76.9)

Revenues

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

Revenues by Line of Business							
(In millions of dollars)	Third quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	412.0	933.1	414.5	1,167.5	229.1	91.4	3,247.6
<i>Variation vs. 2019</i>	<i>14.5</i>	<i>194.7</i>	<i>(3.6)</i>	<i>739.0</i>	<i>101.6</i>	<i>11.9</i>	<i>1,058.1</i>
Investment income	257.0	(32.0)	42.0	71.0	15.6	41.9	395.5
<i>Variation vs. 2019</i>	<i>(604.4)</i>	<i>(79.0)</i>	<i>4.2</i>	<i>7.3</i>	<i>(49.9)</i>	<i>7.5</i>	<i>(714.3)</i>
Other revenues	27.2	370.0	24.0	26.0	61.2	(53.0)	455.4
<i>Variation vs. 2019</i>	<i>(2.6)</i>	<i>2.2</i>	<i>10.5</i>	<i>1.8</i>	<i>42.4</i>	<i>(15.1)</i>	<i>39.2</i>
Total	696.2	1,271.1	480.5	1,264.5	305.9	80.3	4,098.5
<i>Variation vs. 2019</i>	<i>(592.5)</i>	<i>117.9</i>	<i>11.1</i>	<i>748.1</i>	<i>94.1</i>	<i>4.3</i>	<i>383.0</i>

Net premiums – The \$1,058.1 million increase over the third quarter of 2019 is mainly explained by:

- Increased Group Savings and Retirement premiums due to the signing of large contracts.
- Increased segregated fund premiums and sales in guaranteed investment certificates (GICs) and high interest savings accounts in Individual Wealth Management.
- Growth in net premiums in US Operations due to the IAS acquisition and from entities already within the group.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

Note that net premiums include amounts invested by insureds in segregated funds, but do not include those invested by clients in mutual funds.

Investment income – The \$714.3 million decrease in investment income compared to third quarter 2019 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates and issuer spreads.

Note that investment income mostly fluctuates based on variations in the fair value of investments due to 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 generally 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 were up \$39.2 million year over year in the third quarter, essentially from entities acquired in 2020.

Policy Benefits and Expenses

Policy benefits and expenses increased by \$356.5 million in the third quarter compared to the same period last year. This increase is explained by:

- An increase in net transfers to segregated funds in the Individual Wealth Management and Group Savings and Retirement sectors.
- An increase in net benefits reflecting the normal course of business. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- An increase in commissions, mainly due to the IAS acquisition and net premium growth in the other US Operations subsidiaries.
- An increase in general expenses, mostly related to 2020 acquisitions.

The increase in policy benefits and expenses was mitigated by:

- A decrease in insurance contract liabilities. 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.

Income Taxes

For the third quarter of 2020, the Company recorded an income tax expense of \$48.5 million, compared to \$51.9 million in 2019. These amounts represent the Company's tax expense net of adjustments for prior years, if applicable.

Net Income Attributed to Common Shareholders

Net income attributed to common shareholders totalled \$217.5 million for the third quarter of 2020, compared to \$183.7 million for the same period last year.

The following table presents a summary of iA Financial Corporation's financial results for the last nine quarters.

Selected Financial Data									
(In millions of dollars, unless otherwise indicated)	2020			2019				2018 ¹⁴	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues	4,098.5	6,684.1	2,338.2	2,543.9	3,715.5	4,078.7	4,927.0	2,587.4	1,980.2
Net income attributed to common shareholders	217.5	182.7	39.1	171.2	183.7	181.4	151.1	149.5	164.9
Earnings per common share									
Basic	\$2.03	\$1.71	\$0.37	\$1.60	\$1.73	\$1.70	\$1.41	\$1.37	\$1.50
Diluted	\$2.03	\$1.71	\$0.36	\$1.59	\$1.72	\$1.69	\$1.40	\$1.36	\$1.50

¹⁴ iA Financial Corporation became the successor issuer and the financial results of iA Insurance for the year ended December 31, 2018 constitute the financial results of iA Financial Corporation. The comparative data for 2018 presented herein is therefore the same as the data for iA Insurance.

Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the third quarter of 2020.

Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a proportion of marketable high-quality securities and strictly managing cash flows and matching.

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In addition, the various client support measures implemented in the business lines given the current COVID-19 pandemic were assessed in terms of impact on the Company's liquidity. In light of the simulations carried out, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the "Risk Management" section of the iA Financial Group 2019 Annual Report.

The Company also has certain investment commitments as well as a line of credit. Its investment commitments correspond to various contractual commitments related to commercial and residential loan offers, private placements, joint ventures and real estate which are not reflected in the financial statements and may not be fulfilled.

For more information on the Company's commitments, refer to Note 20 of the Company's unaudited interim condensed consolidated financial statements.

Accounting Policies and Main Accounting Estimates

The Company's third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group 2019 Annual Report and in Note 2 "Impacts of COVID-19 Pandemic" of the unaudited interim condensed consolidated financial statements.

More information on new accounting standards used and changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Book value of investments	44,687.0	43,308.0	39,919.2	39,856.8
Allocation of investments by asset class				
Bonds	72.2%	69.1%	68.8%	69.6%
Stocks	7.0%	6.8%	7.6%	7.3%
Mortgages and other loans	5.9%	8.7%	9.7%	9.7%
Investment properties	4.5%	4.6%	5.2%	4.5%
Policy loans	2.0%	2.2%	2.3%	2.3%
Cash and short-term investments	4.0%	3.4%	2.8%	2.5%
Other	4.4%	5.2%	3.6%	4.1%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio amounted to \$44.7 billion at September 30, 2020, up 3% from June 30, 2020 mainly due to favourable equity markets, which continued to grow following their strong recovery in the second quarter. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans is explained by the second quarter sale of the residential mortgage portfolio, which is therefore no longer part of the investment portfolio. Under this transaction, the Company received monetary consideration and recognized bonds under its assets, explaining the increase in this asset class during the quarter.

Quality of Investments				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Gross impaired investments	45.4	44.5	21.5	24.0
Provisions for impaired investments	8.0	8.1	10.5	11.1
Net impaired investments	37.4	36.4	10.9	12.9
Net impaired investments as a % of total investments	0.08%	0.08%	0.03%	0.03%
Bonds – Proportion rated BB or lower	0.77%	0.83%	0.87%	0.82%
Mortgages – Proportion of securitized and insured loans ¹⁵	24.1%	34.9%	37.8%	39.2%
– Proportion of insured loans	49.7%	38.3%	36.0%	35.8%
– Delinquency rate	0.00%	0.01%	0.08%	0.08%
Investment properties – Occupancy rate	96.0%	96.0%	94.0%	93.0%
Car loans – Average credit loss rate (non-prime) ¹⁶	4.3%	5.0%	5.4%	5.3%

The indicators in the above table confirm the quality of the investment portfolio. The change in impaired investments over twelve months is the result of provisions taken on certain assets in the second quarter. Given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure. The variations under mortgages are explained by the second quarter sale of the residential mortgage portfolio, which is therefore no longer part of the investment portfolio. The average credit loss rate on car loans was down, primarily due to client relief measures and changes in consumers' shopping and payment habits since the start of the pandemic. The credit loss provision for car loans was increased to offset this unusual temporary decrease in the average loss rate. This rate is expected to increase gradually as losses from clients affected by the pandemic emerge in late 2020 and early 2021.

Derivative Financial Instruments				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Total notional amount (\$B)	31.2	31.9	29.9	26.6
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,411.4	1,711.5	1,003.4	1,208.0
Negative fair value	778.1	858.9	454.8	387.7

The Company uses derivative financial instruments in the normal course of managing the risks associated with fluctuations in interest rates, stock markets, currencies and the fair value of invested assets. These instruments are composed of various types of contracts, including interest rate swaps, market index and exchange rate contracts, forward agreements, futures contracts, and market index and currency options.

Derivative financial instruments are used as part of the Company's hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company's risk profile.

The positive fair value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties.

¹⁵ A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.

¹⁶ Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

For more information, refer to Note 5 and Note 8 of the Company's unaudited interim condensed consolidated financial statements.

FINANCIAL POSITION

Capitalization				
(In millions of dollars)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019¹⁷
Equity				
Common shares	1,672.8	1,671.9	1,666.5	1,652.3
Preferred shares issued by a subsidiary	525.0	525.0	525.0	525.0
Contributed surplus	18.5	18.1	17.5	19.1
Retained earnings	4,034.5	3,884.1	3,823.5	3,651.5
Accumulated other comprehensive income	105.7	121.5	55.6	89.5
Subtotal	6,356.5	6,220.6	6,088.1	5,937.4
Debentures	1,448.2	1,448.1	1,049.7	1,049.5
Participating policyholders' accounts	46.0	50.0	41.9	52.6
Total	7,850.7	7,718.7	7,179.7	7,039.5

The Company's capital amounted to nearly \$7.9 billion at September 30, 2020, up \$132.0 million from June 30, 2020. This increase stems mainly from the increase in retained earnings generated by the net earnings contribution. During the quarter, there was a slight decrease in accumulated other comprehensive income, mainly caused by the impact of macroeconomic changes.

Solvency¹⁸				
(In millions of dollars, unless otherwise indicated)	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Available capital				
Tier 1	2,716.6	2,620.2	3,212.7	3,164.6
Tier 2	1,602.7	1,521.4	1,596.4	1,595.9
Surplus allowance and eligible deposits	4,993.6	4,845.6	4,461.8	4,419.9
Total	9,312.9	8,987.2	9,270.9	9,180.4
Base solvency buffer	7,469.4	7,267.9	6,980.2	6,859.7
Solvency ratio	125%	124%	133%	134%

The Company ended the third quarter of 2020 with a solvency ratio of 125%. The increase of 1 percentage point versus the ratio at June 30, 2020 essentially stems from organic capital generation. The current ratio remains above the Company's target range of 110% to 116%.

In the third quarter, the Company organically generated approximately \$70 million in additional capital.

Financial Leverage				
	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Debt ratio				
Debentures/capital	18.4%	18.8%	14.6%	14.9%
Debentures + preferred shares issued by a subsidiary/capital	25.1%	25.6%	21.9%	22.4%
Coverage ratio ¹⁹	12.0x	12.4x	16.6x	16.8x

¹⁷ In Q4 2019, an adjustment has been made retroactively to January 1, 2018 transferring \$7 from retained earnings to the participating policyholders' accounts.

¹⁸ This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

¹⁹ Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, dividends on preferred shares issued by a subsidiary and redemption premiums on preferred shares issued by a subsidiary (if applicable).

The debt ratios decreased during the third quarter due to the increase in the Company's total capital. The change in the coverage ratio during the quarter reflects a slight increase in financing costs. Its decrease from the previous year reflects both an increase in financing costs and a decrease in profit over the past twelve months, particularly due to the impact of the pandemic in the first quarter of 2020.

Book Value per Common Share and Market Capitalization				
	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
Book value per common share	\$54.50	\$53.23	\$51.99	\$50.73
Number of common shares outstanding	107,028,827	107,008,827	106,966,199	106,683,949
Value per share at close	\$46.35	\$45.46	\$71.33	\$60.29
Market capitalization	\$4,960,786,131	\$4,864,621,275	\$7,629,898,975	\$6,431,975,285

Book value per common share was \$54.50 at September 30, 2020, up 2% from June 30, 2020 and 7% over the last twelve months.

The number of common shares outstanding increased by 20,000 during the quarter. This change resulted entirely from the exercise of stock options under the stock option plan for senior managers. The Company did not redeem or cancel any outstanding common shares under its Normal Course Issuer Bid program, as redemptions are currently on hold in accordance with regulators' instructions. Under this program, the Company may redeem up to 5,335,397 common shares, representing approximately 5% of its common shares issued and outstanding as at November 1, 2019. The redemption purchases are made at market price at the time of purchase through the facilities of the Toronto Stock Exchange or an alternative Canadian trading system, in accordance with market rules and policies. The common shares redeemed are cancelled.

The Company's market capitalization was close to \$5.0 billion at September 30, 2020, up 2% during the quarter mainly due to the change in the Company's stock price, as the number of common shares increased only slightly.

DECLARATION OF DIVIDEND

The Board of Directors of iA Financial Corporation approved a quarterly dividend of \$0.4850 per share on the Company's outstanding common shares, the same as that announced the previous quarter, in accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic.

The Board of Directors of iA Insurance approved a quarterly dividend of \$0.2875 per Non-Cumulative Class A Preferred Share – Series B, \$0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and \$0.3000 per Non-Cumulative Class A Preferred Share – Series I. iA Insurance did not declare any dividend in the third quarter of 2020. For the fourth quarter of 2020, the Board of Directors of iA Insurance approved a dividend of \$510.0 million to its sole common shareholder, iA Financial Corporation.

Following are the amounts and dates of payment and closing of registers for the iA Financial Corporation common shares and iA Insurance preferred shares.

Declaration of Dividend				
	Amount	Payment date	Closing date	
Common share – iA Financial Corporation	\$0.4850	December 15, 2020	November 20, 2020	
Class A Preferred Share – Series B – iA Insurance	\$0.2875	December 31, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	\$0.2360625	December 31, 2020	November 27, 2020	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	\$0.3000	December 31, 2020	November 27, 2020	Non-cumulative dividend

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

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on December 15, 2020 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 13, 2020. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA*, in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

SENSITIVITY ANALYSIS

Sensitivity Analysis²⁰				
	September 30, 2020	June 30, 2020	December 31, 2019	September 30, 2019
S&P/TSX Closing Value	16,121 points	15,515 points	17,063 points	16,659 points
Solvency ratio	125%	124%	133%	134%
Impact of a drop in the stock markets (S&P/TSX Index)²¹				
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(21%)	(20%)	(24%)	(25%)
Index trigger threshold	12,700 points	12,500 points	13,000 points	12,500 points
Net income impact due to provision strengthening for each 1% S&P/TSX additional decrease below this level	(\$21M)	(\$20M)	N/A	N/A
Decrease in index that reduces the solvency ratio to 110%	(66%)	(61%)	(91%)	(93%)
Index trigger threshold	5,400 points	6,000 points	1,500 points	1,200 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	(\$31M)	(\$30M)	(\$31M)	(\$33M)
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates				
Drop in initial reinvestment rate (IRR)	—	\$3M	\$2M	(\$12M)
Drop in ultimate reinvestment rate (URR)	(\$68M)	(\$69M)	(\$61M)	(\$67M)

Caution related to sensitivities

The sensitivities presented above are estimates of the impact on the financial statements of sudden changes in interest rates and equity values. Actual results can differ significantly from these estimates for a variety of reasons such as the interaction between these factors, changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors and limitations of our internal models. Therefore, these sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions indicated above. Given the nature of these calculations, we cannot provide assurance that the actual impact on net income and the solvency ratio will be as outlined.

Capital sensitivities to equity market – Equity market variation represents an immediate change in public and private equity investments (excluding infrastructure investments) at quarter-end. These sensitivities include the use of the Company's stock market protection to prevent an impact on net income and the impact of rebalancing equity hedges for the Company's dynamic hedging program. They exclude any subsequent actions on the Company's investment portfolio.

NOTICE AND GENERAL INFORMATION**Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

iA Financial Corporation reports its financial results and statements in accordance with International Financial Reporting Standards (IFRS). It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's 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 financial measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company

²⁰ The sensitivity analysis is based on non-IFRS measures.

²¹ The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.

strongly encourages investors to review its financial statements and other publicly-filed reports in their entirety and not to rely on any single financial measure.

Non-IFRS financial measures published by iA Financial Corporation include, but are not limited to: return on common shareholders' equity (ROE), core earnings per common share (core EPS), core return on common shareholders' equity (core ROE), sales, net sales, assets under management (AUM), assets under administration (AUA), premium equivalents, deposits, sources of earnings measures (expected profit on in-force, experience gains and losses, strain on sales, changes in assumptions, management actions and income on capital), capital, solvency ratio, interest rate and equity market sensitivities, loan originations, finance receivables and average credit loss rate on car loans.

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

Core earnings per common share is a non-IFRS measure used to better understand the capacity of the Company to generate sustainable earnings.

Management's estimate of core earnings per common share excludes: 1) specific items, including but not limited to year-end assumption changes and unusual income tax gains and losses; 2) gains and losses from macroeconomic variations related to universal life policies, the level of assets backing long-term liabilities, investment funds (MERs) and the dynamic hedging program for segregated fund guarantees; 3) gains and losses in excess of \$0.04 per share, on a quarterly basis, for strain on Individual Insurance sales, for policyholder experience by business segment (Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and iA Auto and Home Insurance), for usual income tax gains and losses and for investment income on capital.

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include fund entries from both in-force contracts and new business written during the period. Assets under management and administration is a non-IFRS measure used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration. An analysis of revenues by sector is presented in the "Analysis According to the Financial Statements" section of the Management's Discussion and Analysis.

Forward-Looking Statements

This Management's Discussion and Analysis may contain statements relating to strategies used by iA Financial Corporation 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" or "goal" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this Management's Discussion and Analysis, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change, particularly in light of the ongoing and evolving COVID-19 pandemic, its effect on the global economy and its uncertain impact on our operations.

Although iA Financial Corporation believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations including tax laws; liquidity of iA Financial Corporation including the availability of financing to meet existing financial

commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Financial Corporation; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2019, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2019, the "Risk Update" section of the Management's Discussion and Analysis for the period ended March 31, 2020, and elsewhere in iA Financial Corporation's filings with Canadian Securities Administrators, which are available for review at sedar.com.

The forward-looking statements in this Management's Discussion and Analysis reflect the Company's expectations as of the date of this document. iA Financial Corporation 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 and iA Insurance'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 companies can also be found on the SEDAR website at sedar.com, as well as in the iA Insurance Annual Information Form, which can also be found on the iA Financial Group website or the SEDAR website.

Conference Call

Management will hold a conference call to present iA Financial Group's third quarter results on Wednesday, November 4, 2020 at 2:00 p.m. (ET). The dial-in number is 416-981-9031 or 1-800-753-6150 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 4:30 p.m. on Wednesday, November 4, 2020. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21970071. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at ia.ca.

About iA Financial Group

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

CONSOLIDATED INCOME STATEMENTS

(Unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenues				
Premiums				
Gross premiums	3,492	2,404	8,761	7,131
Premiums ceded	(244)	(215)	(645)	(604)
Net premiums	3,248	2,189	8,116	6,527
Investment income				
Interest and other investment income	356	347	1,107	1,001
Change in fair value of investments	40	763	2,587	3,942
	396	1,110	3,694	4,943
Other revenues	455	416	1,311	1,251
	4,099	3,715	13,121	12,721
Policy benefits and expenses				
Gross benefits and claims on contracts	1,468	1,420	4,301	4,356
Ceded benefits and claims on contracts	(137)	(155)	(408)	(397)
Net transfer to segregated funds	622	262	1,834	682
Increase (decrease) in insurance contract liabilities	950	1,156	4,266	5,056
Increase (decrease) in investment contract liabilities	3	7	25	28
Decrease (increase) in reinsurance assets	(18)	(32)	(112)	(112)
	2,888	2,658	9,906	9,613
Commissions	468	425	1,304	1,220
General expenses	422	347	1,203	1,061
Premium and other taxes	34	31	94	95
Financing charges	19	13	55	42
	3,831	3,474	12,562	12,031
Income before income taxes	268	241	559	690
Income taxes	49	52	99	156
Net income	219	189	460	534
Net income attributed to participating policyholders	(4)	—	4	1
Net income attributed to shareholders	223	189	456	533
Dividends attributed to preferred shares issued by a subsidiary	6	5	17	17
Net income attributed to common shareholders	217	184	439	516
Earnings per common share (in dollars)				
Basic	2.03	1.73	4.11	4.83
Diluted	2.03	1.72	4.10	4.81
Weighted average number of shares outstanding (in millions of units)				
Basic	107	106	107	107
Diluted	107	107	107	107
Dividends per common share (in dollars)	0.49	0.45	1.46	1.32

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In millions of dollars)	As at September 30 2020 (unaudited) \$	As at December 31 2019 \$
Assets		
Investments		
Cash and short-term investments	1,768	1,108
Bonds	32,279	27,508
Stocks	3,142	3,024
Mortgages and other loans	2,632	3,870
Derivative financial instruments	1,411	1,003
Policy loans	901	900
Other invested assets	565	429
Investment properties	1,989	2,077
	44,687	39,919
Other assets	3,339	2,193
Reinsurance assets	1,346	1,030
Fixed assets	392	394
Deferred income tax assets	41	28
Intangible assets	1,621	1,110
Goodwill	1,280	606
General fund assets	52,706	45,280
Segregated funds net assets	30,119	27,868
Total assets	82,825	73,148
Liabilities		
Insurance contract liabilities	35,110	30,665
Investment contract liabilities	565	630
Derivative financial instruments	778	455
Other liabilities	7,999	6,063
Deferred income tax liabilities	403	287
Debentures	1,448	1,050
General fund liabilities	46,303	39,150
Liabilities related to segregated funds net assets	30,119	27,868
Total liabilities	76,422	67,018
Equity		
Share capital and contributed surplus	1,692	1,684
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	4,140	3,879
Participating policyholders' accounts	46	42
	6,403	6,130
Total liabilities and equity	82,825	73,148

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

SEGMENTED INFORMATION

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management uses judgment in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company uses assumptions, judgments and methodologies to allocate general expenses that are not directly attributable to a business segment. The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

SEGMENTED INFORMATION (continued)**Segmented Income Statements**

(in millions of Canadian dollars)

Quarter ended September 30, 2020

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	412	933	414	1,168	230	91	3,248
Investment income	257	(32)	42	71	16	42	396
Other revenues	27	370	24	26	61	(53)	455
	696	1,271	480	1,265	307	80	4,099
Operating expenses							
Gross benefits and claims on contracts	178	480	289	341	171	9	1,468
Ceded benefits and claims on contracts	(51)	—	(17)	(7)	(94)	32	(137)
Net transfer to segregated funds	—	381	—	241	—	—	622
Increase (decrease) in insurance contract liabilities	269	15	17	652	1	(4)	950
Increase (decrease) in investment contract liabilities	—	—	3	—	—	—	3
Decrease (increase) in reinsurance assets	(37)	—	3	1	11	4	(18)
Commissions, general and other expenses	221	325	149	28	187	14	924
Financing charges	3	1	8	—	1	6	19
	583	1,202	452	1,256	277	61	3,831
Income before income taxes and allocation of other activities	113	69	28	9	30	19	268
Allocation of other activities	17	5	1	1	(5)	(19)	—
Income before income taxes	130	74	29	10	25	—	268
Income taxes	24	1	14	6	4	—	49
Net income	106	73	15	4	21	—	219
Net income attributed to participating policyholders	(4)	—	—	—	—	—	(4)
Net income attributed to shareholders	110	73	15	4	21	—	223

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

	Quarter ended September 30, 2019						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
\$	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	398	738	418	428	127	80	2,189
Investment income	861	47	38	64	66	34	1,110
Other revenues	30	368	13	24	19	(38)	416
	1,289	1,153	469	516	212	76	3,715
Operating expenses							
Gross benefits and claims on contracts	206	487	271	306	153	(3)	1,420
Ceded benefits and claims on contracts	(73)	—	(14)	(8)	(105)	45	(155)
Net transfer to segregated funds	—	172	—	90	—	—	262
Increase (decrease) in insurance contract liabilities	855	105	27	92	81	(4)	1,156
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7
Decrease (increase) in reinsurance assets	(11)	—	(1)	1	(25)	4	(32)
Commissions, general and other expenses	216	320	152	25	97	(7)	803
Financing charges	5	—	6	—	1	1	13
	1,198	1,084	448	506	202	36	3,474
Income before income taxes and allocation of other activities	91	69	21	10	10	40	241
Allocation of other activities	29	3	3	—	5	(40)	—
Income before income taxes	120	72	24	10	15	—	241
Income taxes	21	20	6	2	3	—	52
Net income attributed to shareholders	99	52	18	8	12	—	189

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

Nine months ended September 30, 2020

	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	
Revenues							
Net premiums	1,203	2,785	1,204	2,155	518	251	8,116
Investment income	2,738	223	149	300	162	122	3,694
Other revenues	84	1,116	54	78	128	(149)	1,311
	4,025	4,124	1,407	2,533	808	224	13,121
Operating expenses							
Gross benefits and claims on contracts	605	1,376	863	999	428	30	4,301
Ceded benefits and claims on contracts	(178)	—	(48)	(20)	(245)	83	(408)
Net transfer to segregated funds	—	1,229	—	605	—	—	1,834
Increase (decrease) in insurance contract liabilities	2,766	419	49	838	197	(3)	4,266
Increase (decrease) in investment contract liabilities	—	—	25	—	—	—	25
Decrease (increase) in reinsurance assets	(76)	—	7	3	(49)	3	(112)
Commissions, general and other expenses	669	996	421	82	429	4	2,601
Financing charges	11	2	24	—	1	17	55
	3,797	4,022	1,341	2,507	761	134	12,562
Income before income taxes and allocation of other activities	228	102	66	26	47	90	559
Allocation of other activities	69	11	2	3	5	(90)	—
Income before income taxes	297	113	68	29	52	—	559
Income taxes	43	26	15	5	10	—	99
Net income	254	87	53	24	42	—	460
Net income attributed to participating policyholders	4	—	—	—	—	—	4
Net income attributed to shareholders	250	87	53	24	42	—	456

SEGMENTED INFORMATION (continued)**Segmented Income Statements (continued)**

(in millions of Canadian dollars)

	Nine months ended September 30, 2019						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Revenues							
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527
Investment income	4,043	138	152	325	172	113	4,943
Other revenues	91	1,087	42	73	56	(98)	1,251
	5,311	3,326	1,422	1,825	590	247	12,721
Operating expenses							
Gross benefits and claims on contracts	624	1,521	855	926	351	79	4,356
Ceded benefits and claims on contracts	(181)	—	(43)	(21)	(216)	64	(397)
Net transfer to segregated funds	—	429	—	253	—	—	682
Increase (decrease) in insurance contract liabilities	3,997	232	40	557	243	(13)	5,056
Increase (decrease) in investment contract liabilities	—	—	28	—	—	—	28
Decrease (increase) in reinsurance assets	(40)	—	—	4	(89)	13	(112)
Commissions, general and other expenses	618	966	450	77	262	3	2,376
Financing charges	16	1	18	—	1	6	42
	5,034	3,149	1,348	1,796	552	152	12,031
Income before income taxes and allocation of other activities	277	177	74	29	38	95	690
Allocation of other activities	73	2	5	2	13	(95)	—
Income before income taxes	350	179	79	31	51	—	690
Income taxes	69	47	21	8	11	—	156
Net income	281	132	58	23	40	—	534
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	280	132	58	23	40	—	533

Segmented Premiums

(in millions of Canadian dollars)

	Quarter ended September 30, 2020						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	514	209	447	666	396	28	2,260
Invested in segregated funds	—	724	—	508	—	—	1,232
	514	933	447	1,174	396	28	3,492
Premiums ceded							
Invested in general fund	(102)	—	(33)	(6)	(166)	63	(244)
Net premiums	412	933	414	1,168	230	91	3,248

SEGMENTED INFORMATION (continued)**Segmented Premiums (continued)**

(in millions of Canadian dollars)

	Quarter ended September 30, 2019						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	499	162	453	111	293	(15)	1,503
Invested in segregated funds	—	576	—	325	—	—	901
	499	738	453	436	293	(15)	2,404
Premiums ceded							
Invested in general fund	(101)	—	(35)	(8)	(166)	95	(215)
Net premiums	398	738	418	428	127	80	2,189

(in millions of Canadian dollars)

	Nine months ended September 30, 2020						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	1,494	589	1,303	786	933	71	5,176
Invested in segregated funds	—	2,196	—	1,389	—	—	3,585
	1,494	2,785	1,303	2,175	933	71	8,761
Premiums ceded							
Invested in general fund	(291)	—	(99)	(20)	(415)	180	(645)
Net premiums	1,203	2,785	1,204	2,155	518	251	8,116

(in millions of Canadian dollars)

	Nine months ended September 30, 2019						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Gross premiums							
Invested in general fund	1,468	369	1,334	470	699	81	4,421
Invested in segregated funds	—	1,732	—	978	—	—	2,710
	1,468	2,101	1,334	1,448	699	81	7,131
Premiums ceded							
Invested in general fund	(291)	—	(106)	(21)	(337)	151	(604)
Net premiums	1,177	2,101	1,228	1,427	362	232	6,527

SEGMENTED INFORMATION (continued)**Segmented Assets and Liabilities**

(in millions of Canadian dollars)

	As at September 30, 2020						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Assets							
Invested assets	25,880	2,426	1,977	4,834	1,387	8,183	44,687
Segregated funds net assets	—	17,738	—	12,381	—	—	30,119
Reinsurance assets	(626)	—	224	129	1,775	(156)	1,346
Other	113	1,166	—	—	80	5,314	6,673
Total assets	25,367	21,330	2,201	17,344	3,242	13,341	82,825
Liabilities							
Insurance contract liabilities and investment contract liabilities	24,241	2,274	2,265	4,979	2,015	(99)	35,675
Liabilities related to segregated funds net assets	—	17,738	—	12,381	—	—	30,119
Other	624	53	7	14	—	9,930	10,628
Total liabilities	24,865	20,065	2,272	17,374	2,015	9,831	76,422

(in millions of Canadian dollars)

	As at December 31, 2019						Total
	Individual		Group				
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
	\$	\$	\$	\$	\$	\$	\$
Assets							
Invested assets	23,113	1,880	1,881	3,998	1,058	7,989	39,919
Segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Reinsurance assets	(702)	—	233	132	1,491	(124)	1,030
Other	121	866	—	—	38	3,306	4,331
Total assets	22,532	19,138	2,114	15,606	2,587	11,171	73,148
Liabilities							
Insurance contract liabilities and investment contract liabilities	21,470	1,839	2,199	4,142	1,744	(99)	31,295
Liabilities related to segregated funds net assets	—	16,392	—	11,476	—	—	27,868
Other	342	37	5	5	—	7,466	7,855
Total liabilities	21,812	18,268	2,204	15,623	1,744	7,367	67,018

Conference Call

Management held a conference call to present its results on Thursday, July 30, at 2:00 p.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company's website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section.

About iA Financial Group

iA Financial Group is one of the largest insurance and wealth management groups in Canada, with operations in the United States. Founded in 1892, it is one of Canada's largest public companies and is listed on the Toronto Stock Exchange under the ticker symbols IAG (common shares) and IAF (preferred shares).

Shareholder Information

There are three ways to reach us, depending on the type of information you want to obtain:

For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan:

Computershare Investor Services Inc.

Telephone: 514 982-7555

1 877 684-5000 (toll free)

Email: ia@computershare.com

To obtain financial information about Industrial Alliance, contact the Investor Relations Department:

Investor Relations Department

Industrial Alliance Insurance and Financial Services Inc.

Telephone: 418 684-5000, extension 105862

1 800 463-6236, extension 105862 (toll free)

Fax: 418 684-5192

Email: investors@ia.ca

Website: www.ia.ca

For questions regarding Industrial Alliance products and services, contact your agent. If you don't have an agent, contact Industrial Alliance at:

Industrial Alliance Insurance and Financial Services Inc.

1080 Grande Allée West

PO Box 1907, Station Terminus

Quebec City, QC G1K 7M3

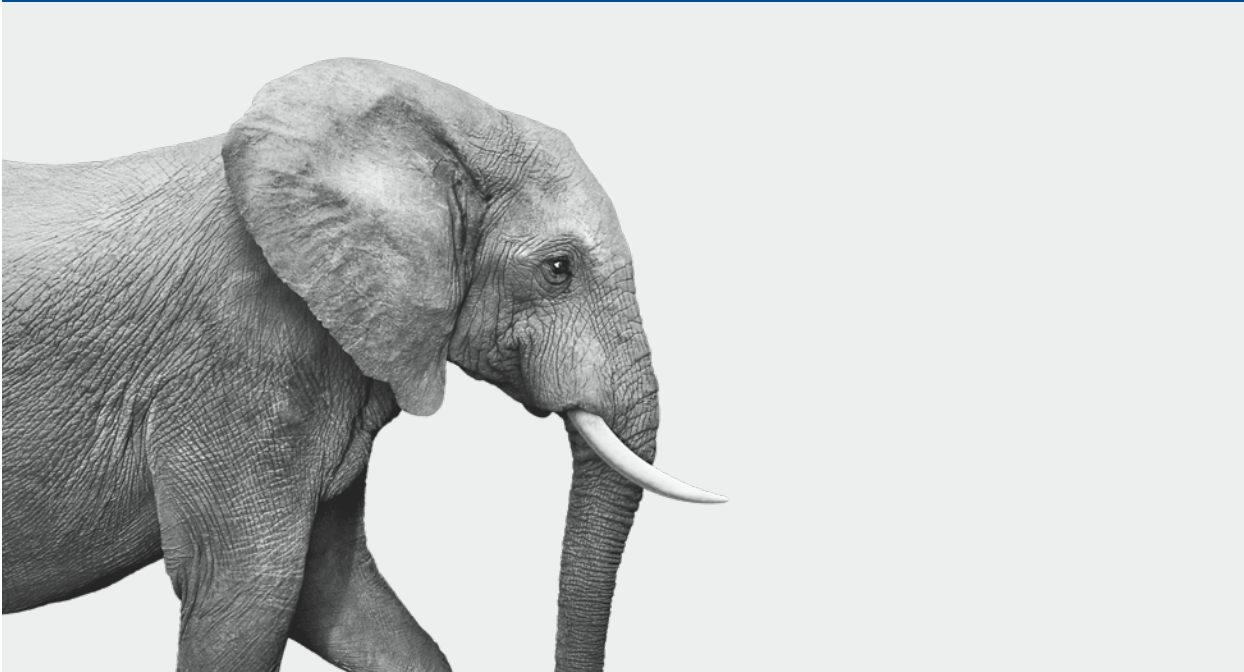
Telephone: 418 684-5000

1 800 463-6236 (toll free)

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