iA Financial Corporation Inc.

Management's Discussion and Analysis for the First Quarter of 2021

May 6, 2021

iA Financial Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated May 6, 2021. 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 months ended March 31, 2021 and 2020. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2020. 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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HIGHLIGHTS[1]

Profitability

	First quarter		
	2021	**2020**	**Variation**
Net income attributed to common shareholders (in millions)	$172.9	$39.1	342%
Weighted average number of common shares (diluted) (in millions)	107.5	107.4	—
Earnings per common share (EPS) (diluted)	$1.61	$0.36	347%
Core earnings per common share (EPS) (diluted)	$1.79	$1.49	20%

Return on common shareholders' equity (ROE)	March 31, 2021	December 31, 2020	March 31, 2020
Reported ROE (trailing twelve months)	12.7%	10.6%	10.7%
Core ROE (trailing twelve months)	13.6%	13.3%	13.3%

The Company ended the first quarter of 2021 with net income to common shareholders of $172.9 million, up significantly from $39.1 million in the same quarter last year—a quarter marked by the onset of the COVID-19 pandemic and major market fluctuations—and from $151.1 million in the first quarter of 2019.[2] Diluted earnings per common share (EPS) of $1.61 in the first quarter of 2021 is also considerably higher than $0.36 a year earlier and $1.40 in the first quarter of 2019.[2]

Return on common shareholders' equity (ROE) was 12.7% at March 31, 2021 versus 10.7% at March 31, 2020. ROE is calculated on a trailing-twelve-month basis. The increase in this ratio is explained by the first quarter 2020 result, which again was marked by the impact of the pandemic.

Diluted core EPS of $1.79 for the first quarter is 20% higher than $1.49 for the same period in 2020. Core ROE of 13.6% at March 31, 2021 compares with 13.3% a year earlier.

Business growth – Premiums and deposits totalled more than $4.4 billion for the quarter, significantly up from first quarter 2020 (+25%). Sales results for the first quarter were good across all lines of business. In Canada, we continue to strengthen our market position in our "Foundation"[3] businesses of individual insurance and individual wealth management. In particular, sales were quite good for Individual Insurance (+29%), segregated funds (+58%) and mutual funds (+36%). Segregated and mutual funds recorded strong net inflows of $972.3 million and $377.8 million, respectively. Sales were also excellent for Employee Plans (+53%) and iAAH (+14%), two business sectors that contribute to the Company's growth through their "Support"[3] of branding and synergies with other businesses. In the U.S., Individual Insurance sales were up year over year (+6%) and Dealer Services sales, including the addition of IAS, posted significant growth (+99%), demonstrating the "Expansion"[3] potential of this division. Finally, total assets under management and administration were up 15% from the previous year, amounting to $201.3 billion at March 31, 2021.

Financial position – The solvency ratio was 128% at March 31, 2021, compared with 130% at the end of the previous quarter and 137% a year earlier, before deploying capital for the acquisition of IAS Parent Holdings. This result is above the Company's target range of 110% to 116%. The decrease in the first quarter essentially stems from the negative impact of market-related variations and was partially offset by the contribution of organic capital generation. The Company's debt ratio at March 31, 2021 was 24.3%.

Book value – The book value per common share was $56.95 at March 31, 2021, up 3% from the last quarter and 9% 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 second quarter of 2021.

1 This section presents non-IFRS measures. See "Non-IFRS Financial Information" at the end of this document.
2 Considering the unusual market volatility with the onset of the COVID-19 pandemic in Q1/2020, the disclosed Q1/2019 results are presented here for comparison purposes.
3 At the Investor Event held on March 10, 2021, the Company presented its business mix under three main categories: Foundation, Support and Expansion. For more information, please refer to the "2021 iA Financial Group Investor Event" paragraph on page 3 and the Company's website at http://ia.ca/investorrelations under *Events and Presentations/2021 Investor Event.*

Litigation – On March 10, 2021, the Saskatchewan Court of Appeal ruled in favour of iA Financial Group in the litigation between the Company and Ituna Investment LP ("Ituna"). Ituna sought to make unlimited deposits into a universal life insurance contract that it purchased from a policyholder. In its decision, the Court of Appeal found that Ituna's position was inconsistent with the language and the purpose of the contract. iA Financial Group has always maintained that the position taken by Ituna was legally unfounded.

Credit rating update – On March 9, 2021, the rating agency DBRS Morningstar upgraded its credit ratings for iA Financial Corporation and iA Insurance. The rating upgrades reflect the significant efforts made by iA Financial Group in the past few years to improve its risk profile, in particular its sensitivity to market-related risks. In addition, the credit ratings assigned by Standard & Poor's and A.M. Best remained stable.

2021 iA Financial Group Investor Event – iA Financial Group held a virtual Investor Event on March 10, 2021. During this public event, under the theme "Guiding to solid growth," an update was given on the company's strategic priorities, digital evolution and financial objectives, including the following short and medium-term financial targets:

- Grow core EPS by at least 10% on average per year during the coming years
- Increase the target for core ROE to 13% to 15% by 2023, with the target range for 2021 being 12.5% to 14%

The Company also explained its growth strategy by presenting its business mix under three main categories: Foundation, Support and Expansion. "Foundation" activities include long-established businesses in which iA Financial Group excels and is already a leader, namely Individual Insurance, Individual Wealth Management and Dealer Services (Canada). "Support" businesses support branding and deliver synergies and competitive advantages to other iA businesses. They include Group Insurance Employee Plans and Special Markets; Group Savings and Retirement; and iA Auto and Home. Lastly, the distribution affiliates and US Operations are part of the "Expansion" businesses, which are high-growth distinctive businesses in which iA Financial Group seeks to become a leader.

For more information on the strategic initiatives presented during this event, please refer to the Company's website at http://ia.ca/investorrelations under *Events and Presentations/2021 Investor Event*.

2020 Sustainability Report – On March 30, 2021, iA Financial Group released its 2020 Sustainability Report, which outlines the Company's environmental, social and governance initiatives and achievements for 2020. The Company took important steps in its sustainability strategy and commitment, including :

- Receipt of carbon-neutral company certification for 2020 and a commitment to reduce our GHG emissions by 20% per employee by 2025
- Commitment to achieve greater gender equity in senior leadership positions by 2025
- Incorporation of ESG criterion into executive compensation
- Use of a recognized ESG disclosure framework (Sustainability Accounting Standards Board – SASB)

iA Wealth launches iA Private Wealth and iA Capital Markets brands – On January 18, 2021, iA Wealth announced the launch of iA Private Wealth, a new brand identity that replaces the iA Securities and HollisWealth brands and unifies iA Wealth's IIROC wealth management business. As part of this change, iA Wealth's capital markets division, formerly operating under the iA Securities brand, will now be known as iA Capital Markets. This change will be reflected in our reports beginning this quarter.

Board of Directors – The Company's annual meeting will be held on Thursday, May 6, 2021. At the meeting, two new director nominees will be proposed for election by shareholders to replace those not seeking another term.

Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period last 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)	First quarter 2021	First quarter 2020	Variation
Individual Insurance	418.7	397.5	21.2
Individual Wealth Management	2,547.5	1,771.0	776.5
Group Insurance	429.7	461.3	(31.6)
Group Savings and Retirement	686.8	652.0	34.8
US Operations	246.4	178.9	67.5
General Insurance[6]	92.5	84.5	8.0
Total	4,421.6	3,545.2	876.4

Premiums and deposits totalled more than $4.4 billion in the first quarter, an increase of 25% year over year thanks to the contribution of almost all business lines, in particular Individual Wealth Management and, to a lesser extent, Group Savings and Retirement and US Operations.

Assets Under Management and Administration[5]

(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Assets under management			
General fund	52,237.8	53,661.5	47,811.4
Segregated funds	33,437.1	32,804.0	25,460.1
Mutual funds	12,030.7	11,393.1	9,908.7
Other	3,913.4	3,797.3	13,893.1
Subtotal	101,619.0	101,655.9	97,073.3
Assets under administration	99,647.2	95,830.1	78,653.6
Total	201,266.2	197,486.0	175,726.9

Assets under management and administration ended the quarter at $201.3 billion, up 15% from the previous year when assets under administration were especially impacted by the drop in equity markets spurred by the pandemic. During the quarter, assets under management and administration grew 2%, mainly due to market growth and net fund entries.

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.

Sales Growth by Line of Business[7]			
	First quarter		
(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Individual Insurance			
Minimum premiums	54.4	43.3	26%
Excess premiums	3.7	1.9	95%
Total	58.1	45.2	29%
Individual Wealth Management			
Gross sales			
General fund	228.7	205.7	11%
Segregated funds	1,377.0	872.3	58%
Mutual funds	941.8	693.0	36%
Total	2,547.5	1,771.0	44%
Net sales (after redemptions and transfers)			
Segregated funds	972.3	423.8	548.5
Mutual funds	377.8	(99.2)	477.0
Group Insurance			
Employee Plans	87.1	57.1	53%
Dealer Services			
Creditor Insurance	43.0	58.9	(27%)
P&C Insurance	64.5	62.0	4%
Car loan originations	123.7	103.2	20%
Special Markets	46.8	75.8	(38%)
Group Savings and Retirement	693.3	658.9	5%
US Operations ($US)			
Individual Insurance	31.2	29.4	6%
Dealer Services – P&C Insurance[8]	233.0	117.2	99%
General Insurance			
iAAH (auto and home insurance)	84.1	73.9	14%

Individual Insurance in Canada – First quarter sales totalled $58.1 million, continuing their growth momentum with a significant year-over-year increase of 29% for the quarter. This positive result stems in part from the improvement of our product offering in 2020, the strength of our distribution networks and the excellent performance of our digital tools.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up 11% from last year at $228.7 million. Driven by the strong performance of our distribution networks and digital tools, the first quarter ended with record high results for gross and net sales of both segregated and mutual funds. Starting with segregated funds, gross sales were up 58% year over year at $1,377.0 million, and net sales of $972.3 million more than doubled compared to first quarter 2020. The Company continued to strengthen its position in the industry, ranking first in gross and net sales. For mutual funds, gross sales were up 36% year over year at $941.8 million, and net sales were positive and up significantly at $377.8 million, an increase of $477.0 million.

Group Insurance – Employee Plans – Sales of $87.1 million were significantly up from $57.1 million in the same quarter last year following the implementation of several new groups during the quarter.

Group Insurance – Dealer Services – Total sales amounted to $231.2 million in the first quarter compared to $224.1 million a year earlier. By product, P&C sales (including extended warranties and replacement insurance) were up 4% from the previous year at $64.5 million, while creditor insurance sales of $43.0 million were down compared with $58.9 million a year ago. Car loan originations of $123.7 million were up 20% and surpassed their strong performance from the same period last year.

Group Insurance – Special Markets – First quarter sales totalled $46.8 million compared to $75.8 million a year earlier. Results in this division continued to be impacted by lower travel insurance sales due to the pandemic. Excluding travel insurance, first quarter sales were slightly higher than the same period last year.

[7] Sales are not an IFRS measure.
[8] Property and casualty insurance.

Group Savings and Retirement – First quarter sales amounted to $693.3 million, up 5% from a year ago, mainly supported by accumulation product sales with the signing of several groups with sizable assets.

US Operations – Year over year, Individual Insurance sales grew by 6% in the first quarter to US$31.2 million. Dealer Services sales totalled US$233.0 million, up 99% from a year earlier. Along with the addition of IAS's sales, this growth is also explained by several new dealer group enrolments.

General Insurance (iAAH) – Direct written premiums grew by 14% year over year to $84.1 million, surpassing their strong performance from the same period last year.

ANALYSIS ACCORDING TO SOURCES OF EARNINGS

This section contains measures that have no IFRS equivalents. See "Non-IFRS Financial Information" at the end of this document for more information and an explanation of the adjustments applied in the Company's core earnings calculation.

Core earnings[9]

Core earnings is a non-IFRS measure that represents management's view of the Company's capacity to generate sustainable earnings. Diluted core EPS for the first quarter of 2021 was $1.79, a year-over-year increase of 20%. Four items were adjusted in the core earnings calculation for the quarter, representing an increase of $0.18 versus reported EPS. The table below reconciles the Company's reported earnings and core earnings.

Reported Earnings and Core Earnings Reconciliation

	First quarter			
	Earnings	EPS (diluted basis)		
(in millions of dollars after tax unless otherwise indicated)	**2021**	**2021**	**2020**	**Variation**
Reported earnings	172.9	$1.61	$0.36	347%
Core earnings remove from reported earnings the impacts of the following items:				
Market-related impacts that differ from management's best estimate assumptions	(4.4)	($0.04)	$0.80	
Assumption changes and management actions	—	—	—	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	3.5	$0.03	—	
Amortization of acquisition-related finite life intangible assets	13.5	$0.13	$0.07	
Non-core pension expense	6.7	$0.06	$0.04	
Other specified unusual gains and losses	—	—	$0.22	
Core earnings	192.2	$1.79	$1.49	20%

9 For the definition of core earnings, refer to the "Non-IFRS Financial Information" section on page 15. 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.

Results According to Sources of Earnings on a Reported and Core Basis

Results according to the sources of earnings presents the key variations between the net income and the Company's expectations for the three-month period ended March 31, 2021. This data complements the information presented in the "Analysis According to the Financial Statements" section and provides additional information to better understand the Company's financial results. The two tables below present the results according to sources of earnings on both a reported and core basis.

Results According to Sources of Earnings – Core Basis

(In millions of dollars)	First quarter 2021	First quarter 2020	Variation
Core operating profit (loss)			
Expected profit on in-force	216.5	194.0	
Experience gain (loss)	1.3	(26.7)	
Impact of new business (strain)	(4.7)	(10.5)	
Changes in assumptions and management actions	—	—	
Total	213.1	156.8	
Core income on capital	51.8	45.4	
Core income (loss) before income taxes	264.9	202.2	31%
Core income taxes	(67.0)	(34.6)	
Core net income (loss) attributed to shareholders	197.9	167.6	
Dividends on preferred shares issued by a subsidiary	5.7	5.6	
Core net income (loss) attributed to common shareholders	192.2	162.0	19%

Results According to Sources of Earnings – Reported Basis

(In millions of dollars)	First quarter 2021	First quarter 2020	Variation
Operating profit (loss)			
Expected profit on in-force	204.7	186.2	
Experience gain (loss)	6.2	(142.9)	
Impact of new business (strain)	(4.7)	(10.5)	
Changes in assumptions and management actions[10]	—	(24.0)	
Total	206.2	8.8	
Income on capital	33.4	34.3	
Income (loss) before income taxes	239.6	43.1	456%
Income taxes	(61.0)	1.6	
Net income (loss) attributed to shareholders	178.6	44.7	
Dividends on preferred shares issued by a subsidiary	5.7	5.6	
Net income (loss) attributed to common shareholders	172.9	39.1	342%

Analysis According to Sources of Earnings on a Reported Basis

Net income attributed to common shareholders was $172.9 million for the first quarter of 2021. This result, as analyzed according to source of earnings, can be explained as follows:

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 2021 budget was prepared. Expected profit for the wealth lines is updated quarterly to reflect changes in the stock markets and net fund entries.

For the first quarter, expected profit on in-force was up year over year by 10% or $18.5 million. This growth is mainly explained by the addition of expected profit from the IAS acquisition in the US Operations sector and by good expected growth in the Individual Insurance sector.

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.

[10] Q1 2020: PPI goodwill impairment.

In the first quarter of 2021, the Company recorded a net experience gain of $6.2 million, or $4.9 million after tax (+$0.04 EPS). The following experience results are worthy of note:

- *Additional protections in reserves for pandemic uncertainty* – Additional mortality arising from the pandemic was lower than expected during the first quarter. Additional mortality benefits were absorbed by the additional protection planned for the first quarter and the remainder of this amount remains in the provision for potential use in future quarters. As for adverse policyholder behaviour, the additional protection remains intact as no adverse experience was recorded during the quarter.

- *Expenses* – Expenses were above plan during Q1, generating a loss of $0.06 EPS. This is explained by higher IT expenses and higher charges for employee benefits. This loss is allocated among the four Canadian business lines as mentioned below.

- *Individual Insurance* – This business line recorded an after-tax loss of $2.9 million (-$0.02 EPS) in the first quarter. The market-related variations had a positive impact on universal life insurance policies (+$0.04 EPS). This gain was more than offset by expenses as mentioned above (-$0.03 EPS), by a provision of approximately $3 million pre-tax taken on a private bond (-$0.02 EPS) and by other unfavourable small miscellaneous items (-$0.01 EPS).

- *Individual Wealth Management* – Experience for this business line was favourable in the first quarter (after-tax gain of $2.5 million or +$0.02 EPS). Higher revenues (+$0.04 EPS) from segregated funds, iA Clarington and distribution affiliates were partly driven by high net sales and by the positive market-related variations on investment fund income (MERs). In contrast, the segregated fund hedging program generated a small loss (-$0.01 EPS) and expenses were higher than expected, as mentioned above (-$0.01 EPS).

- *Group Insurance* – This business line recorded an after-tax loss of $1.2 million for the quarter (-$0.01 EPS). Experience in the Employee Plans division was lower than expected (-$0.03 EPS) due to unfavourable mortality experience, which was offset in part by good long-term disability experience. In the Dealer Services division, P&C experience was favourable (+$0.02 EPS) and car loans generated a gain as we observed favourable car loan credit experience (+$0.03 EPS). In the Special Markets division, claims for health coverage were slightly higher than expected (-$0.01 EPS). Lastly, expenses for the sector were higher than expected, as mentioned above (-$0.02 EPS).

- *Group Savings and Retirement* – This business line reported an after-tax gain of $1.3 million (+$0.01 EPS) due to favourable longevity experience, partly offset by expenses as mentioned above.

- *US Operations* – Experience in this business line was above expectations for the quarter with an after-tax gain of $5.2 million (+$0.04 EPS). Results were as expected in the Individual Insurance division and better than expected in Dealer Services. Favourable claims experience, strong sales and lower expenses had a positive impact (+$0.05 EPS), but IAS integration costs were slightly higher than expected (-$0.01 EPS).

Impact of new business (strain) in Individual Insurance and US Operations – Strain for the two business lines amounted to $4.8 million pre-tax, or 5% of sales for the quarter. This result is within the -5% to 10% guidance range, but is slightly unfavourable (-$0.01 EPS) because the sales mix was slightly different than expected.

Income on capital – Net income earned on the Company's surplus funds, which includes income from the iA Auto and Home affiliate (iAAH), was $33.4 million before tax for the first quarter, representing a gain of $0.09 EPS versus management expectations. This is explained by experience at iAAH—which was once again much more favourable than expected, mainly due to lower claims ratios for both auto and home insurance (+$0.08 EPS)—and by investment income on capital being higher than expected (+ 0.01 EPS).

Income taxes – Income taxes amounted to $61.0 million in the first quarter, for an effective tax rate of 25.5%. This higher than expected tax expense represents a negative impact of $0.09 EPS. This is mainly explained by higher taxation from the Company's status as a multinational insurer (CIF) due to market-related variations and, to a lesser extent, the negative impact of the decrease in the value of real estate and other small deviations.

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			
	First quarter		
(In millions of dollars)	**2021**	**2020**	**Variation**
Revenues			
Net premiums	3,375.0	2,755.1	619.9
Investment income	(3,550.2)	(857.0)	(2,693.2)
Other revenues	506.2	440.1	66.1
Total	331.0	2,338.2	(2,007.2)
Less: policy benefits and expenses	98.5	2,294.1	(2,195.6)
Income before income taxes	232.5	44.1	188.4
Less: income taxes	58.6	(1.9)	60.5
Net income	173.9	46.0	127.9
Less: net income attributed to participating policyholders	(4.7)	1.3	(6.0)
Net income attributed to shareholders	178.6	44.7	133.9
Less: dividends on preferred shares issued by a subsidiary	5.7	5.6	0.1
Net income attributed to common shareholders	172.9	39.1	133.8

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

Revenues by Line of Business							
	First quarter						
(In millions of dollars)	**Individual Insurance**	**Individual Wealth Management**	**Group Insurance**	**Group Savings and Retirement**	**US Operations**	**Other**	**Total**
Net premiums	418.7	1,605.7	399.5	659.8	198.8	92.5	3,375.0
Variation vs. 2020	*21.2*	*527.7*	*(24.4)*	*26.8*	*60.6*	*8.0*	*619.9*
Investment income	(3,055.9)	(184.8)	(17.5)	(208.0)	(118.9)	34.9	(3,550.2)
Variation vs. 2020	*(1,809.4)*	*(511.8)*	*(33.7)*	*(159.8)*	*(172.9)*	*(5.6)*	*(2,693.2)*
Other revenues	29.2	414.1	17.0	30.2	67.1	(51.4)	506.2
Variation vs. 2020	*(0.2)*	*38.3*	*(3.5)*	*3.4*	*34.9*	*(6.8)*	*66.1*
Total	(2,608.0)	1,835.0	399.0	482.0	147.0	76.0	331.0
Variation vs. 2020	*(1,788.4)*	*54.2*	*(61.6)*	*(129.6)*	*(77.4)*	*(4.4)*	*(2,007.2)*

Net premiums – The $619.9 million increase over the first quarter of 2020 is mainly explained by:
- Segregated fund premium growth in Individual Wealth Management.
- To a lesser extent, increased premiums in US Operations, mainly due to the IAS acquisition, and in Individual Insurance and Group Savings and Retirement.

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 $2,693.2 million decrease in investment income compared to first quarter 2020 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates.

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 $66.1 million in the first quarter of 2021 versus first quarter of 2020, essentially due to business growth in Individual Wealth Management and US Operations from the IAS acquisition.

Policy Benefits and Expenses

Policy benefits and expenses decreased by $2,195.6 million in the first quarter compared to the same period last year. This decrease is explained by:

- A decrease in insurance contract liabilities, essentially due to the significant increase in interest rates. 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.
- A decrease in net transfers to segregated funds in the Group Savings and Retirement sector.

The decrease in policy benefits and expenses was mitigated by:

- An increase in net benefits reflecting the normal course of business, mainly in the Group Savings and Retirement sector. Net benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- A variation in reinsurance assets. This item is generally influenced by the same factors that influence the variation in insurance contract liabilities mentioned above.
- To a lesser extent, an increase in commissions related to net premium growth.

Income Taxes

For the first quarter of 2021, the Company recorded an income tax expense of $58.6 million, compared to an income tax recovery of $1.9 million in 2020. 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 $172.9 million for the first quarter of 2021, compared to $39.1 million for the same period last year. In addition to the items mentioned above, recall that net income attributed to common shareholders in the first quarter of 2020 was negatively affected by the impacts of the COVID-19 pandemic and the resulting macroeconomic changes.

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)	2021	2020				2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	331.0	4,518.7	4,098.5	6,684.1	2,338.2	2,543.9	3,715.5	4,078.7	4,927.0
Net income attributed to common shareholders	172.9	171.9	217.5	182.7	39.1	171.2	183.7	181.4	151.1
Earnings per common share (in dollars)									
Basic	$1.61	$1.61	$2.03	$1.71	$0.37	$1.60	$1.73	$1.70	$1.41
Diluted	$1.61	$1.60	$2.03	$1.71	$0.36	$1.59	$1.72	$1.69	$1.40

Related Party Transactions
There are no material related party transactions outside the normal course of business to report for the first quarter of 2021.

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 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 2020 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 first 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 2020 Annual Report.

More information on new accounting policies applied and future 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)	March 31, 2021	December 31, 2020	March 31, 2020
Book value of investments	42,498.8	45,147.1	41,561.2
Allocation of investments by asset class			
Bonds	71.9%	71.1%	66.7%
Stocks	8.2%	7.3%	6.6%
Mortgages and other loans	6.8%	6.2%	9.2%
Investment properties	4.4%	4.2%	4.9%
Policy loans	2.2%	2.0%	2.2%
Cash and short-term investments	3.2%	4.3%	7.2%
Other	3.3%	4.9%	3.2%
Total	100.0%	100.0%	100.0%

The total value of the investment portfolio was $42.5 billion at March 31, 2021, down from December 31, 2020. The favourable impact of the equity market during the quarter was more than offset by the negative impact of rising interest rates on the bond portfolio. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans over twelve months is explained by the sale of the residential mortgage portfolio in the second quarter of 2020, 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 over the year.

Quality of Investments

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Gross impaired investments	23.1	45.2	5.5
Provisions for impaired investments	5.6	14.1	2.8
Net impaired investments	17.5	31.1	2.7
Net impaired investments as a % of total investments	0.04%	0.07%	0.01%
Bonds – Proportion rated BB or lower	1.01%	0.99%	0.75%
Mortgages – Proportion of securitized and insured loans[11]	24.4%	23.1%	38.0%
– Proportion of insured loans	48.6%	50.1%	34.3%
– Delinquency rate	—	—	0.06%
Investment properties – Occupancy rate	95.0%	95.0%	95.0%
Car loans – Average credit loss rate (non-prime)[12]	3.0%	3.6%	5.5%

The indicators in the above table confirm the quality of the investment portfolio. The increase over twelve months in impaired investments is the result of a provision taken on a certain asset in the first quarter. However, the decrease during Q1 is related to the disposal of another asset that was impaired. Given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure. Lastly, the average credit loss rate on car loans remained at historically low levels, primarily due to client relief measures and changes in consumers' shopping and payment habits since the start of the pandemic. Recall that a credit loss provision was taken in 2020 to absorb this unusual temporary decrease in the average loss rate.

Derivative Financial Instruments

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Total notional amount ($B)	30.8	32.3	31.8
Company's credit risk			
AA - or higher	100%	100%	100%
A +	—	—	—
Positive fair value	841.0	1,651.8	911.9
Negative fair value	967.8	569.1	1,755.9

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.

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

[11] A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.
[12] Represents the non-prime credit losses for the last twelve months divided by the average finance receivables over the same period.

FINANCIAL POSITION

Capitalization

(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Equity			
Common shares	1,689.5	1,674.5	1,671.9
Preferred shares issued by a subsidiary	525.0	525.0	525.0
Contributed surplus	17.5	18.8	17.2
Retained earnings	4,405.5	4,170.5	3,878.4
Accumulated other comprehensive income	(1.5)	82.5	27.5
Subtotal	6,636.0	6,471.3	6,120.0
Debentures	1,449.3	1,448.7	1,447.9
Participating policyholders' accounts	36.0	40.7	43.3
Total	8,121.3	7,960.7	7,611.2

The Company's capital amounted to more than $8.1 billion at March 31, 2021, up $160.6 million from December 31, 2020. This increase stems mainly from the increase in retained earnings generated by the net earnings contribution and the impact of market-related variations on the Company's pension plan. During the quarter, there was a decrease in accumulated other comprehensive income, mainly caused by market-related variations.

Solvency[13]

(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Available capital			
Tier 1	2,755.3	2,767.4	3,136.3
Tier 2	1,711.3	1,600.6	1,954.0
Surplus allowance and eligible deposits	4,703.5	5,054.6	4,432.9
Total	9,170.1	9,422.6	9,523.2
Base solvency buffer	7,189.5	7,267.3	6,972.1
Solvency ratio	128%	130%	137%

The Company ended the first quarter of 2021 with a solvency ratio of 128%. The decrease of 2 percentage points versus the ratio at December 31, 2020 essentially stems from the negative impact of market-related variations, which was partially offset by organic capital generation. The current ratio remains above the Company's target range of 110% to 116%.

In the first quarter, the Company organically generated approximately $90 million in additional capital.

Financial Leverage

	March 31, 2021	December 31, 2020	March 31, 2020
Debt ratio			
Debentures/capital	17.8%	18.2%	19.0%
Debentures + preferred shares issued by a subsidiary/capital	24.3%	24.8%	25.9%
Coverage ratio[14]	14.0x	11.7x	13.3x

[13] This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.
[14] 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 first quarter due to the increase in the Company's total capital. The favourable variation in the coverage ratio during the quarter is essentially due to higher earnings, as earnings from the first quarter of 2020, which were heavily impacted by the pandemic, are no longer part of the calculation.

Book Value per Common Share and Market Capitalization

	March 31, 2021	December 31, 2020	March 31, 2020
Book value per common share	$56.95	$55.52	$52.29
Number of common shares outstanding	107,343,977	107,063,827	107,008,827
Value per share at close	$68.33	$55.18	$44.24
Market capitalization	$7,334,813,948	$5,907,781,974	$4,734,070,506

Book value per common share was $56.95 at March 31, 2021, up 3% from December 31, 2020, and 9% over the last twelve months.

The number of common shares outstanding increased by 280,150 during the quarter. This change resulted entirely from the exercise of stock options under the stock option plan for senior managers. In accordance with regulators' instructions suspending common share redemptions due to the pandemic, the Company did not renew the Normal Course Issuer Bid that expired on November 11, 2020. Therefore, the Company did not redeem or cancel any outstanding common shares during the quarter.

The Company's market capitalization exceeded $7.3 billion at March 31, 2021, up 24% during the period, primarily due to the significant change in the Company's stock value, as the number of outstanding 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. During the first quarter of 2021, iA Insurance paid a dividend of $250.0 million to its sole common shareholder, iA Financial Corporation. For the second quarter of 2021, no dividend will be paid by iA Insurance to 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	June 15, 2021	May 21, 2021	
Class A Preferred Share – Series B – iA Insurance	$0.2875	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	$0.2360625	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	$0.3000	June 30, 2021	May 28, 2021	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 June 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on May 14, 2021. 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 Analysis[15]			
	March 31, 2021	**December 31, 2020**	**March 31, 2020**
S&P/TSX Closing Value	18,701 points	17,433 points	13,379 points
Solvency ratio	128%	130%	137%
Impact of a drop in the stock markets (S&P/TSX Index)[16]			
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(24%)	(27%)	(13%)
Index trigger threshold	14,200 points	12,800 points	11,700 points
Net income impact for each 1% S&P/TSX additional decrease below this level	($21M)	($24M)	($18M)
Decrease in index that reduces the solvency ratio to 110%	(84%)	(83%)	(87%)
Index trigger threshold	2,900 points	2,900 points	1,800 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	($34M)	($34M)	($26M)
Impact on net income attributed to common shareholders of a hypothetical 10 bps decrease in interest rates			
Drop in initial reinvestment rate (IRR)	$1M	$4M	—
Drop in ultimate reinvestment rate (URR)	($60M)	($68M)	($66M)

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 March 31, 2021, 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 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.

15 The sensitivity analysis is based on non-IFRS measures.
16 The S&P/TSX Index is a proxy that can move differently from our equity portfolio, which includes international public and private equities.

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, impact of new business (strain), 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); impact of 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); and any other items not attributed to operating profit.

Core earnings (loss) and financial measures based on core earnings (loss), including core EPS and core ROE, are non-IFRS financial measures used to better understand the capacity of the Company to generate sustainable earnings. Core earnings (loss) remove 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;
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.

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.

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", "goal", "guidance", and "forecast" 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.

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 Corporation's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Corporation remains financially solid. In addition, iA Financial Corporation'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.

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 2020, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 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 first quarter results on Thursday, May 6, 2021 at 11:30 a.m. (ET). The dial-in number is 416-641-6712 or 1-800-768-8804 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 2:00 p.m. on Thursday, May 6, 2021. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21992299. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at ia.ca.

Annual Meeting

iA Financial Corporation is holding its Annual Meeting virtually at 2:00 p.m. (ET) on Thursday, May 6, 2021, at the following web address: https://www.icastpro.ca/eia210506b. An audio webcast of the meeting as well as a copy of management's presentation will be available on the Company's website at ia.ca under *About iA*, in the *Investor Relations/Events and Presentations* 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 an important Canadian public company 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)	Three months ended March 31 2021	2020
Revenues		
Premiums		
Gross premiums	**$ 3,619**	$2,950
Premiums ceded	**(244)**	(195)
Net premiums	**3,375**	2,755
Investment income		
Interest and other investment income	**350**	443
Change in fair value of investments	**(3,900)**	(1,300)
	(3,550)	(857)
Other revenues	**506**	440
	331	2,338
Policy benefits and expenses		
Gross benefits and claims on contracts	**2,624**	1,613
Ceded benefits and claims on contracts	**(175)**	(134)
Net transfer to segregated funds	**411**	688
Increase (decrease) in insurance contract liabilities	**(3,820)**	(702)
Increase (decrease) in investment contract liabilities	**(14)**	1
Decrease (increase) in reinsurance assets	**54**	(75)
	(920)	1,391
Commissions	**529**	441
General expenses	**438**	412
Premium and other taxes	**33**	33
Financing charges	**18**	17
	98	2,294
Income before income taxes	**233**	44
Income taxes	**59**	(2)
Net income	**$ 174**	$ 46
Net income attributed to participating policyholders	**(5)**	1
Net income attributed to shareholders	**$ 179**	$ 45
Dividends attributed to preferred shares issued by a subsidiary	**6**	6
Net income attributed to common shareholders	**$ 173**	$ 39
Earnings per common share (in dollars)		
Basic	**$1.61**	$0.37
Diluted	**1.61**	0.36
Weighted average number of shares outstanding (in millions of units)		
Basic	**107**	107
Diluted	**107**	107
Dividends per common share (in dollars)	**0.49**	0.49

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at March 31 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
Assets		
Investments (Note 5)		
Cash and short-term investments	$ 1,343	$ 1,949
Bonds	30,542	32,099
Stocks	3,472	3,286
Mortgages and other loans	2,901	2,801
Derivative financial instruments	841	1,652
Policy loans	953	881
Other invested assets	562	563
Investment properties	1,885	1,916
	42,499	45,147
Other assets	4,532	3,261
Reinsurance assets	1,957	1,981
Fixed assets	380	390
Deferred income tax assets	41	38
Intangible assets	1,628	1,621
Goodwill	1,201	1,224
General fund assets	52,238	53,662
Segregated funds net assets	33,437	32,804
Total assets	$ 85,675	$ 86,466
Liabilities		
Insurance contract liabilities	$ 32,705	$ 36,527
Investment contract liabilities	552	575
Derivative financial instruments	968	569
Other liabilities	9,492	7,647
Deferred income tax liabilities	400	382
Debentures	1,449	1,449
General fund liabilities	45,566	47,149
Liabilities related to segregated funds net assets	33,437	32,804
Total liabilities	$ 79,003	$ 79,953
Equity		
Share capital and contributed surplus	$ 1,707	$ 1,694
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	4,404	4,253
Participating policyholders' accounts	36	41
	6,672	6,513
Total liabilities and equity	$ 85,675	$ 86,466

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 makes judgments 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 makes judgments and uses assumptions 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 Income Statements

	Three months ended March 31, 2021						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 419	$ 1,606	$ 399	$ 660	$ 199	$ 92	$ 3,375
Investment income	(3,056)	(185)	(17)	(208)	(119)	35	(3,550)
Other revenues	29	414	17	30	67	(51)	506
	(2,608)	1,835	399	482	147	76	331
Operating expenses							
Gross benefits and claims on contracts	244	627	303	1,288	151	11	2,624
Ceded benefits and claims on contracts	(88)	—	(11)	(6)	(97)	27	(175)
Net transfer to segregated funds	—	975	—	(564)	—	—	411
Increase (decrease) in insurance contract liabilities	(3,065)	(229)	(43)	(284)	(200)	1	(3,820)
Increase (decrease) in investment contract liabilities	—	—	(14)	—	—	—	(14)
Decrease (increase) in reinsurance assets	(23)	—	1	3	74	(1)	54
Commissions, general and other expenses	234	400	140	35	188	3	1,000
Financing charges	1	—	8	—	1	8	18
	(2,697)	1,773	384	472	117	49	98
Income before income taxes and allocation of other activities	89	62	15	10	30	27	233
Allocation of other activities	21	7	2	1	(4)	(27)	—
Income before income taxes	110	69	17	11	26	—	233
Income taxes	30	17	3	3	6	—	59
Net income	80	52	14	8	20	—	174
Net income attributed to participating policyholders	(5)	—	—	—	—	—	(5)
Net income attributed to shareholders	$ 85	$ 52	$ 14	$ 8	$ 20	$ —	$ 179

	Three months ended March 31, 2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	$ 397	$ 1,078	$ 424	$ 633	$ 138	$ 85	$ 2,755
Investment income	(1,246)	327	16	(48)	54	40	(857)
Other revenues	29	376	21	27	32	(45)	440
	(820)	1,781	461	612	224	80	2,338
Operating expenses							
Gross benefits and claims on contracts	229	557	295	386	125	21	1,613
Ceded benefits and claims on contracts	(63)	—	(13)	(6)	(74)	22	(134)
Net transfer to segregated funds	—	425	—	263	—	—	688
Increase (decrease) in insurance contract liabilities	(1,235)	476	10	(68)	115	—	(702)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(12)	—	3	1	(67)	—	(75)
Commissions, general and other expenses	244	351	151	28	113	(1)	886
Financing charges	5	—	8	—	—	4	17
	(832)	1,809	455	604	212	46	2,294
Income before income taxes and allocation of other activities	12	(28)	6	8	12	34	44
Allocation of other activities	25	2	1	1	5	(34)	—
Income before income taxes	37	(26)	7	9	17	—	44
Income taxes	(3)	(3)	(1)	1	4	—	(2)
Net income	40	(23)	8	8	13	—	46
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	$ 39	$ (23)	$ 8	$ 8	$ 13	$ —	$ 45

Segmented Premiums

	Three months ended March 31, 2021						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Gross premiums							
Invested in general fund	**$ 518**	**$ 229**	**$ 425**	**$ 39**	**$ 369**	**$ 35**	**$ 1,615**
Invested in segregated funds	**—**	**1,377**	**—**	**627**	**—**	**—**	**2,004**
	518	**1,606**	**425**	**666**	**369**	**35**	**3,619**
Premiums ceded							
Invested in general fund	**(99)**	**—**	**(26)**	**(6)**	**(170)**	**57**	**(244)**
Net premiums	**$ 419**	**$ 1,606**	**$ 399**	**$ 660**	**$ 199**	**$ 92**	**$ 3,375**

	Three months ended March 31, 2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Gross premiums							
Invested in general fund	$ 487	$ 206	$ 459	$ 48	$ 257	$ 29	$ 1,486
Invested in segregated funds	—	872	—	592	—	—	1,464
	487	1,078	459	640	257	29	2,950
Premiums ceded							
Invested in general fund	(90)	—	(35)	(7)	(119)	56	(195)
Net premiums	$ 397	$ 1,078	$ 424	$ 633	$ 138	$ 85	$ 2,755

Segmented Assets and Liabilities

	As at March 31, 2021						
	Individual		**Group**				
(in millions of dollars)	**Insurance**	**Wealth Management**	**Insurance**	**Savings and Retirement**	**US Operations**	**Other**	**Total**
Assets							
Invested assets	**$ 23,921**	**$ 2,007**	**$ 1,960**	**$ 4,684**	**$ 1,268**	**$ 8,659**	**$ 42,499**
Segregated funds net assets	**—**	**20,423**	**—**	**13,014**	**—**	**—**	**33,437**
Reinsurance assets	**(13)**	**—**	**223**	**127**	**1,766**	**(146)**	**1,957**
Other	**111**	**1,205**	**—**	**—**	**90**	**6,376**	**7,782**
Total assets	**$ 24,019**	**$ 23,635**	**$ 2,183**	**$ 17,825**	**$ 3,124**	**$ 14,889**	**$ 85,675**
Liabilities							
Insurance contract liabilities and investment contract liabilities	**$ 22,583**	**$ 2,032**	**$ 2,225**	**$ 4,746**	**$ 1,779**	**$ (108)**	**$ 33,257**
Liabilities related to segregated funds net assets	**—**	**20,423**	**—**	**13,014**	**—**	**—**	**33,437**
Other	**845**	**60**	**3**	**10**	**—**	**11,391**	**12,309**
Total liabilities	**$ 23,428**	**$ 22,515**	**$ 2,228**	**$ 17,770**	**$ 1,779**	**$ 11,283**	**$ 79,003**

	As at December 31, 2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Assets							
Invested assets	$ 25,922	$ 2,145	$ 1,969	$ 4,949	$ 1,347	$ 8,815	$ 45,147
Segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Reinsurance assets	(36)	—	222	130	1,805	(140)	1,981
Other	109	1,096	—	—	74	5,255	6,534
Total assets	$ 25,995	$ 22,481	$ 2,191	$ 18,643	$ 3,226	$ 13,930	$ 86,466
Liabilities							
Insurance contract liabilities and investment contract liabilities	$ 25,661	$ 2,246	$ 2,272	$ 5,030	$ 2,003	$ (110)	$ 37,102
Liabilities related to segregated funds net assets	—	19,240	—	13,564	—	—	32,804
Other	441	47	3	8	—	9,548	10,047
Total liabilities	$ 26,102	$ 21,533	$ 2,275	$ 18,602	$ 2,003	$ 9,438	$ 79,953

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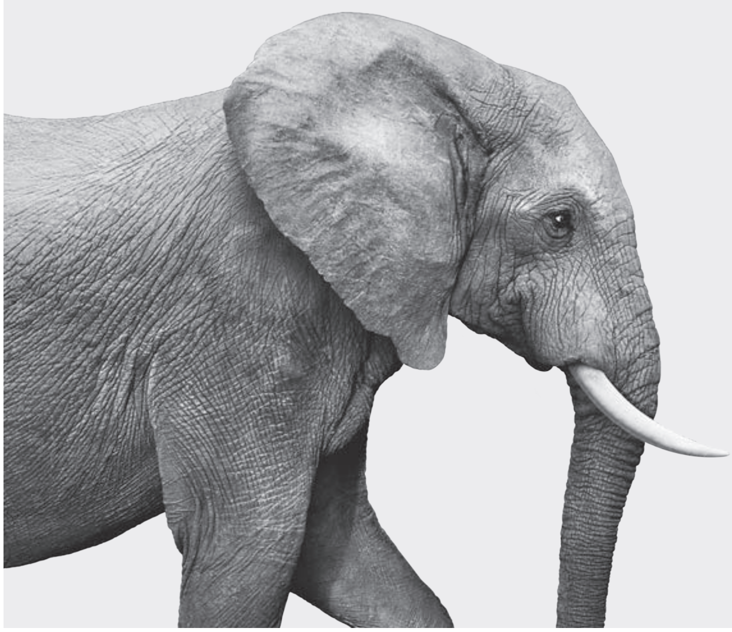

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