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iA Financial Corporation Inc.

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

July 29, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated July 29, 2021. iA Financial Corporation became the parent company of Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance") on 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 six months ended June 30, 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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HIGHLIGHTS¹

Profitability	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
	Net income attributed to common shareholders (in millions)	\$231	\$183	26%	\$404	\$222
Weighted average number of common shares (diluted) (in millions)	108	107	1%	108	107	1%
Earnings per common share (EPS) (diluted)	\$2.15	\$1.71	26%	\$3.76	\$2.07	82%
Core earnings per common share (EPS) (diluted)	\$2.29	\$1.71	34%	\$4.08	\$3.20	28%

	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Return on common shareholders' equity (ROE)				
Reported ROE (trailing twelve months)	13.2%	12.7%	10.6%	10.5%
Core ROE (trailing twelve months)	14.2%	13.6%	13.3%	13.1%

The Company ended the second quarter of 2021 with net income to common shareholders of \$231 million, up 26% from \$183 million in the same quarter last year. Diluted earnings per common share (EPS) of \$2.15 in the second quarter of 2021 is also 26% higher than \$1.71 a year earlier.

Return on common shareholders' equity (ROE) was 13.2% at June 30, 2021 versus 10.5% at June 30, 2020. ROE is calculated on a trailing-twelve-month basis.

Diluted core EPS of \$2.29 for the second quarter is above guidance of \$1.95 to \$2.10 and 34% higher than \$1.71 for the same period in 2020. Core ROE of 14.2% at June 30, 2021 is above guidance of 12.5% to 14.0% and compares with 13.1% a year earlier.

Business growth – Premiums and deposits totalled more than \$3.9 billion for the quarter, significantly up from second quarter 2020 (+47%). Sales results for the second quarter were strong across all lines of business. In Canada, we continue to strengthen our market position in all three of our "Foundation"² businesses of individual insurance, individual wealth management and dealer services. Indeed, sales were very good for Individual Insurance (+38%), Dealer Services (+64%), segregated funds (+75%) and mutual funds (+48%). Segregated and mutual funds recorded strong net inflows of \$673 million and \$272 million, respectively. Sales were also excellent for Group Savings (+85%) and iAAH (+11%), two business sectors that contribute to the Company's growth through their "Support"² of branding and synergies with other businesses. In the U.S., Individual Insurance recorded solid sales (+12%)³ and Dealer Services sales posted significant growth (+113%),^{3,4} demonstrating the "Expansion"² potential of both divisions. Finally, total assets under management and administration were up 16% from the previous year, amounting to \$210.5 billion at June 30, 2021.

Financial position – The solvency ratio was 130% at June 30, 2021, compared with 128% at the end of the previous quarter and 124% a year earlier. This result is above the Company's target range of 110% to 116%. The increase in the second quarter essentially stems from the positive impact of market-related variations and the contribution from organic capital generation. In the second quarter, the Company organically generated approximately \$100 million in additional capital. The Company's leverage ratio⁵ at June 30, 2021 was 23.6%.

Book value – The book value per common share was \$59.02 at June 30, 2021, up 4% from the last quarter and 11% 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 third quarter of 2021.

Annual Shareholder Meeting and new directors – On Thursday, May 6, 2021, the Annual Shareholder Meeting of iA Financial Corporation and the Annual Meeting of the Sole Common Shareholder and of the Participating Policyholders of iA Insurance were held virtually. During these events, Suzanne Rancourt and William F. Chinery were elected as directors to the boards of iA Financial Corporation and iA Insurance.

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

² 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 Company's website at <http://ia.ca/investorrelations> under *Events and Presentations/2021 Investor Event*.

³ Calculated on a \$US basis.

⁴ Q2/2020 figures were restated to account for IAS Parent Holdings, Inc. sales from May 22 to June 30, 2020 (US\$27M) previously included in Q3/2020 sales.

⁵ Debentures and preferred shares issued by a subsidiary/capital structure.

The future of work after the pandemic – iA Financial Group's vision for the future of work after the pandemic is a hybrid work model based on flexibility and choice, to provide a high-quality employee experience while always putting the client at the forefront. Our future work arrangement will allow most employees to choose where they want to work, based on what works best for them and their team. The hybrid work model implies rethinking all of our work spaces so that they are adapted to our new reality. To this end, our offices are being transformed to create collaborative and social spaces while allowing individual work for those who wish to do so. This new work model will be phased in over the next few years starting in late 2021.

The Capitale-Nationale Region Enterprise Vaccination Hub – iA Financial Group joined forces with a dozen other companies to set up a vaccination hub in the Quebec City region. The Capitale-Nationale Region Enterprise Vaccination Hub opened on May 25, 2021 and is managed by iA Financial Group. This vaccination hub is open to the population of the Capitale-Nationale region, including some 15,000 employees of the participating companies and the members of their immediate family (18 and older), while respecting the order of priority set by the Quebec government. In total, it is expected that the Capitale-Nationale Region Enterprise Hub will have the capacity to vaccinate approximately 25,000 people (50,000 doses of vaccine).

iA Financial Group among 2021's Best 50 Canadian Corporate Citizens – On June 30, 2021, iA Financial Group's approach to sustainability was recognized when iA was named one of Corporate Knights' Best 50 Canadian Corporate Citizens for the first time. Since 2002, Corporate Knights has evaluated Canadian companies with annual revenue of over \$1 billion on key performance indicators related to ESG factors, such as board/executive gender diversity and energy/carbon/waste/waste productivity.

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. Ituna is seeking leave from the Supreme Court of Canada to appeal the entire decision of the Court of Appeal. A decision on Ituna's application for leave to appeal could be delivered by the end of this year or in early 2022.

Subsequent to the second quarter of 2021:

- **Merger of FundEX Investments Inc. and Investia Financial Services Inc.** – On July 5, 2021, iA Financial Group announced the merger of FundEX Investments Inc. and Investia Financial Services Inc., effective July 1, 2021. The merger unifies iA Wealth's Mutual Fund Dealers Association (MFDA) division under the Investia brand and solidifies its position as a leading Canadian provider of independent, holistic wealth management solutions. The merger has no significant impact for advisors and clients, with no interruption to normal business activities.
- **Board of Directors** – On July 8, 2021, iA Financial Group announced the appointment of Ludwig W. Willisich to the boards of directors of iA Financial Corporation Inc. and Industrial Alliance Insurance and Financial Services Inc. Mr. Willisich also serves on the board of directors for certain U.S. subsidiaries of iA Financial Group.

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 ^{6,7}						
(In millions of dollars)	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
Individual Insurance	445	394	51	864	791	73
Individual Wealth Management	2,015	1,279	736	4,563	3,050	1,513
Group Insurance	471	394	77	900	855	45
Group Savings and Retirement	668	358	310	1,355	1,010	345
US Operations	246	187	59	493	366	127
General Insurance ⁸	101	75	26	193	160	33
Total	3,946	2,687	1,259	8,368	6,232	2,136

Premiums and deposits totalled more than \$3.9 billion in the second quarter, a significant increase of 47% year over year. This strong growth was supported by all lines of business, particularly Individual Wealth Management and Group Savings and Retirement.

Assets Under Management and Administration ⁷				
(In millions of dollars)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Assets under management				
General fund	53,160	52,238	53,662	51,499
Segregated funds	35,837	33,437	32,804	28,505
Mutual funds	12,868	12,031	11,393	10,049
Other	3,939	3,913	3,797	5,287
Subtotal	105,804	101,619	101,656	95,340
Assets under administration	104,723	99,647	95,830	85,683
Total	210,527	201,266	197,486	181,023

Assets under management and administration ended the quarter at \$210.5 billion, up 16% from the previous year and up 5% during the quarter, primarily due to solid net fund entries and equity market growth.

⁶ 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.

⁷ This table presents non-IFRS measures.

⁸ Includes iAAH and some minor consolidation adjustments.

Sales Growth by Line of Business ⁹						
(In millions of dollars, unless otherwise indicated)	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
Individual Insurance						
Minimum premiums	65	44	48%	119	87	37%
Excess premiums	8	9	(11%)	12	11	9%
Total	73	53	38%	131	98	34%
Individual Wealth Management						
Gross sales						
General fund	220	175	26%	449	381	18%
Segregated funds	1,046	599	75%	2,423	1,471	65%
Mutual funds	749	505	48%	1,691	1,198	41%
Total	2,015	1,279	58%	4,563	3,050	50%
Net sales (after redemptions and transfers)						
Segregated funds	673	417	256	1,645	841	804
Mutual funds	272	50	222	650	(49)	699
Group Insurance						
Employee Plans	14	23	(39%)	101	80	26%
Dealer Services						
Creditor Insurance	70	47	49%	113	106	7%
P&C Insurance	94	54	74%	158	116	36%
Car loan originations	148	89	66%	272	192	42%
Special Markets	44	45	(2%)	91	120	(24%)
Group Savings and Retirement	675	365	85%	1,368	1,024	34%
US Operations (\$US)						
Individual Insurance	37	33	12%	68	62	10%
Dealer Services – P&C Insurance ^{10,11}	285	134	113%	518	251	106%
General Insurance						
iAAH (auto and home insurance)	139	125	11%	223	199	12%

Individual Insurance in Canada – Second quarter sales totalled \$73 million, continuing their growth momentum with a significant year-over-year increase of 38% for the quarter. This positive result stems in part from the strength of all our distribution networks, the improvement of our product offering in 2020 and the excellent performance of our digital tools.

Individual Wealth Management – Guaranteed product (general fund) sales for the quarter were up 26% from last year at \$220 million. Driven by the strong performance of our distribution networks and digital tools, gross and net sales of both segregated and mutual funds had another excellent quarter. Segregated funds recorded gross sales of \$1,046 million, up 75% year over year, and impressive net sales of \$673 million, an increase of \$256 million from the second quarter of 2020. The Company continued to strengthen its position in the industry, ranking first in year-to-date gross and net segregated fund sales as at May 31. For mutual funds, gross sales were up 48% year over year at \$749 million, and net fund entries were up significantly at \$272 million, an increase of \$222 million.

Group Insurance – Employee Plans – Sales totalled \$14 million compared to \$23 million in the same quarter last year. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold.

⁹ Sales are not an IFRS measure.

¹⁰ Property and casualty insurance.

¹¹ Q2/2020 figures were restated to account for IAS Parent Holdings, Inc. sales from May 22 to June 30, 2020 (US\$27M) previously included in Q3/2020 sales.

Group Insurance – Dealer Services – Total sales amounted to \$312 million in the second quarter, up 64% from a year earlier, when dealerships were not operating at full capacity due to the pandemic. By product, P&C sales (including extended warranties and replacement insurance), creditor insurance and car loan originations all showed very strong growth despite auto inventory challenges, and were up 74%, 49% and 66%, respectively, from the previous year. Sales from this division were excellent in the first half of 2021, but vehicle inventory shortages in the second half of the year may have a temporary negative impact on sales.

Group Insurance – Special Markets – Second quarter sales totalled \$44 million compared to \$45 million a year earlier. While sales were about the same as last year, a rebound in travel medical sales is expected in the latter half of 2021.

Group Savings and Retirement – Second quarter sales amounted to \$675 million, up 85% from a year ago, mainly supported by accumulation product sales with the signing of several groups with sizable assets and, to a lesser extent, by very good insured annuity sales.

US Operations – Year over year, Individual Insurance sales grew by 12% in the second quarter to US\$37 million. For Dealer Services, despite auto inventory challenges faced by dealerships, sales totalled US\$285 million, up 113% from a year earlier due to the addition of IAS's sales, more pronounced synergies between IAS and DAC and resilient car sales during the second quarter. Note that, like in Canada, vehicle inventory shortages could create headwinds throughout the remainder of 2021.

General Insurance (iA Auto and Home) – Direct written premiums grew by 11% year over year to \$139 million, surpassing their 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 earnings¹²

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 second quarter of 2021 was \$2.29, a year-over-year increase of 34% and above market guidance of \$1.95 to \$2.10. Four items were adjusted in the core earnings calculation for the quarter, representing an increase of \$0.14 EPS versus reported EPS. The table below reconciles the Company's reported and core earnings.

Reported Earnings and Core Earnings Reconciliation								
(in millions of dollars after tax unless otherwise indicated)	Second quarter				Year-to-date at June 30			
	Earnings	EPS (diluted basis)			Earnings	EPS (diluted basis)		
	2021	2021	2020	Variation	2021	2021	2020	Variation
Reported earnings	231	\$2.15	\$1.71	26%	404	\$3.76	\$2.07	82%
Core earnings remove from reported earnings the impacts of the following items:								
Market-related impacts that differ from management's best estimate assumptions	(10)	(\$0.09)	(\$0.10)		(14)	(\$0.13)	\$0.70	
Assumption changes and management actions	—	—	—		—	—	—	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	6	\$0.06	(\$0.02)		10	\$0.09	(\$0.02)	
Amortization of acquisition-related finite life intangible assets	14	\$0.12	\$0.07		27	\$0.25	\$0.14	
Non-core pension expense	5	\$0.05	\$0.05		11	\$0.11	\$0.09	
Other specified unusual gains and losses	—	—	—		—	—	\$0.22	
Core earnings	246	\$2.29	\$1.71	34%	438	\$4.08	\$3.20	28%

Results According to Sources of Earnings on a Core and Reported 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 June 30, 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 core and reported basis.

¹² For the definition of core earnings, refer to the “Non-IFRS Financial Information” section of this document. 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 – Core Basis						
(In millions of dollars, unless otherwise indicated)	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
Core operating profit (loss)						
Expected profit on in-force	246	190		463	384	
Experience gain (loss)	31	13		32	(14)	
Impact of new business (strain)	—	(10)		(5)	(20)	
Changes in assumptions and management actions	—	—		—	—	
Total	277	193		490	350	
Core income on capital	48	42		100	87	
Core income (loss) before income taxes	325	235	38%	590	437	35%
Core income taxes	(73)	(47)		(140)	(81)	
Core net income (loss) attributed to shareholders	252	188		450	356	
Dividends on preferred shares issued by a subsidiary	6	5		12	11	
Core net income (loss) attributed to common shareholders	246	183	34%	438	345	27%

Results According to Sources of Earnings – Reported Basis						
(In millions of dollars, unless otherwise indicated)	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
Operating profit (loss)						
Expected profit on in-force	232	177		436	363	
Experience gain (loss)	44	43		51	(100)	
Impact of new business (strain)	—	(10)		(5)	(20)	
Changes in assumptions and management actions ¹³	—	—		—	(24)	
Total	276	210		482	219	
Income on capital	29	31		63	65	
Income (loss) before income taxes	305	241	27%	545	284	92%
Income taxes	(69)	(53)		(130)	(51)	
Net income (loss) attributed to shareholders	236	188		415	233	
Dividends on preferred shares issued by a subsidiary	5	5		11	11	
Net income (loss) attributed to common shareholders	231	183	26%	404	222	82%

Analysis According to Sources of Earnings on a Reported Basis

Net income attributed to common shareholders was \$231 million for the second quarter of 2021. This result, as analyzed according to sources 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 second quarter, expected profit on in-force was up by 31% or \$55 million year over year. This growth is mainly explained by the addition of expected profit from the IAS acquisition in the US Operations sector and by the favourable impact of financial markets and high net fund entries in the wealth sectors.

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.

¹³ Q1 2020: PPI goodwill impairment.

In the second quarter of 2021, the Company recorded a net experience gain of \$44 million, or \$32 million after tax (+\$0.29 EPS). The following experience results are worthy of note:

- *Additional protections in reserves for pandemic uncertainty* – Overall, the provision for additional mortality arising from the pandemic was sufficient during the second quarter. In the US, mortality claims were lower than the provision release and the excess provision (equivalent to \$0.02 EPS) remains in the reserves for potential use in the future. In Canada, mortality claims were slightly higher than the provision release, resulting in a \$0.01 EPS experience loss. As for adverse policyholder behaviour, the additional protection remains intact as no adverse experience was recorded during the quarter.
- *Individual Insurance* – This business line recorded an after-tax gain of \$13 million (+\$0.12 EPS) in the second quarter. The market-related variations had a positive impact on universal life insurance policies (+\$0.08 EPS) and an unfavourable impact on the level of assets backing individual insurance reserves (-\$0.02 EPS). Morbidity experience for disability and critical illness protections was favourable (+\$0.04 EPS) while mortality was slightly higher than expected, as mentioned above (-\$0.01 EPS), and lapse experience was slightly unfavourable (-\$0.01 EPS). Also, the PPI distribution affiliate generated stronger profits (+ \$0.02 EPS), and other small favourable deviations from plan were recorded (+\$0.02 EPS).
- *Individual Wealth Management* – Experience for this business line was favourable in the second quarter (after-tax gain of \$9 million or +\$0.08 EPS). Profits from segregated funds, iA Clarington (mutual funds) and distribution affiliates were higher than expected, driven by high net sales and favourable market conditions since the beginning of 2021 (+\$0.05 EPS). In addition, market-related variations had a favourable impact on investment fund income (MERS) (+\$0.01 EPS) and the segregated fund hedging program generated a gain (+\$0.02 EPS).
- *Group Insurance* – This business line recorded an after-tax gain of \$7 million for the quarter (+\$0.06 EPS). Experience in the Employee Plans division was lower than expected (-\$0.02 EPS) mainly due to unfavourable mortality experience. In the Dealer Services division, P&C experience was favourable (+\$0.03 EPS) and car loans generated a gain from strong portfolio performance (better credit experience) (+ \$0.03 EPS) and the partial release of pandemic-related provisions (+\$0.02 EPS) to reflect more favourable experience than initially anticipated. In the Special Markets division, results were as expected.
- *Group Savings and Retirement* – This business line reported an after-tax loss of \$1 million (-\$0.01 EPS), essentially due to higher expenses.
- *US Operations* – Experience in this business line was above expectations for the quarter with an after-tax gain of \$4 million (+ \$0.04 EPS). In the Individual Insurance division, results were good, partly due to favourable lapse experience (+\$0.02 EPS). Results were also above expectations in the Dealer Services division, which was favourably impacted by strong sales and, to a lesser extent, good claims experience (+\$0.05 EPS). Also, IAS integration costs of \$0.06 EPS were higher than expected, mainly due to the accelerated integration of corporate functions (-\$0.03 EPS).

Impact of new business (strain) in Individual Insurance and US Operations – New business for the two business lines generated a gain at issue of \$1 million pre-tax, or -1% of sales for the quarter. This result is within the -5% to 10% guidance range and is more favourable than expected (+\$0.01 EPS) because of the high sales volume.

Income on capital – Net income earned on the Company's surplus funds, which includes income from the iA Auto and Home affiliate (iAAH), was \$29 million before tax for the second quarter, representing a gain of \$0.06 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 (+\$0.09 EPS). Also, an IT software writedown was recorded in the normal course of business (-0.03 EPS).

Income taxes – Income taxes amounted to \$69 million in the second quarter, for an effective tax rate of 22.6%, just above the 20% to 22% guidance range. The tax expense was higher than expected and represents a negative impact of \$0.02 EPS due to the true-up for the 2020 tax period, which was partially offset by lower taxation from iA Insurance's status as a multinational insurer (CIF) and other small favourable 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						
(In millions of dollars)	Second quarter			Year-to-date at June 30		
	2021	2020	Variation	2021	2020	Variation
Revenues						
Net premiums	3,104	2,113	991	6,479	4,868	1,611
Investment income	1,730	4,155	(2,425)	(1,820)	3,298	(5,118)
Other revenues	510	416	94	1,016	856	160
Total	5,344	6,684	(1,340)	5,675	9,022	(3,347)
Less: policy benefits and expenses	5,040	6,437	(1,397)	5,138	8,731	(3,593)
Income before income taxes	304	247	57	537	291	246
Less: income taxes	69	52	17	128	50	78
Net income	235	195	40	409	241	168
Less: net income attributed to participating policyholders	(1)	7	(8)	(6)	8	(14)
Net income attributed to shareholders	236	188	48	415	233	182
Less: dividends on preferred shares issued by a subsidiary	5	5	—	11	11	—
Net income attributed to common shareholders	231	183	48	404	222	182

Revenues

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

Revenues by Line of Business							
(In millions of dollars)	Second quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	445	1,266	429	668	195	101	3,104
Variation vs. 2020	51	492	63	314	45	26	991
Investment income	1,413	30	55	111	80	41	1,730
Variation vs. 2020	(2,314)	102	(36)	(166)	(12)	1	(2,425)
Other revenues	33	434	19	27	59	(62)	510
Variation vs. 2020	5	64	10	2	24	(11)	94
Total	1,891	1,730	503	806	334	80	5,344
Variation vs. 2020	(2,258)	658	37	150	57	16	(1,340)

Net premiums – The \$991 million increase over the second quarter of 2020 is mainly explained by:

- Segregated fund premium growth in Individual Wealth Management.
- Increased Group Savings and Retirement premiums due to the signing of large contracts.

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 \$2,425 million decrease in investment income compared to second quarter 2020 is largely due to the decrease in the fair value of bond and derivative financial instrument 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 \$94 million in the second quarter compared to the same period last year, essentially due to business growth in Individual Wealth Management and US Operations.

Policy Benefits and Expenses

Policy benefits and expenses decreased by \$1,397 million in the second quarter compared to the same period last year. This decrease is explained by a variation in insurance contract liabilities, essentially due to a less significant decrease 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.

The decrease in policy benefits and expenses was mitigated by:

- An increase in net benefits and claims on contracts reflecting the normal course of business, mostly in the Individual Wealth Management sector. Net benefits and claims on contracts include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- An increase in net transfers to segregated funds in the Individual Wealth Management and Group Savings and Retirement sectors.

Income Taxes

For the second quarter of 2021, the Company recorded an income tax expense of \$69 million versus \$52 million in 2020 due to an increase in income before income taxes. 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 \$231 million for the second quarter of 2021, compared to \$183 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)	2021		2020				2019		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenues	5,344	331	4,518	4,099	6,684	2,338	2,544	3,715	4,079
Net income attributed to common shareholders	231	173	172	217	183	39	171	184	181
Earnings per common share (in dollars)									
Basic	\$2.16	\$1.61	\$1.61	\$2.03	\$1.71	\$0.37	\$1.60	\$1.73	\$1.70
Diluted	\$2.15	\$1.61	\$1.60	\$2.03	\$1.71	\$0.36	\$1.59	\$1.72	\$1.69

Related Party Transactions

There are no material related party transactions outside the normal course of business to report for the second 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 Company’s 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 second 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)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Book value of investments	43,775	42,499	45,147	43,308
Allocation of investments by asset class				
Bonds	72.7%	71.9%	71.1%	69.1%
Stocks	8.2%	8.2%	7.3%	6.8%
Mortgages and other loans	6.6%	6.8%	6.2%	8.7%
Investment properties	4.3%	4.4%	4.2%	4.6%
Policy loans	2.2%	2.2%	2.0%	2.2%
Cash and short-term investments	3.0%	3.2%	4.3%	3.4%
Other	3.0%	3.3%	4.9%	5.2%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was close to \$44 billion at June 30, 2021, up from March 31, 2021. The positive variation was driven by the equity market appreciation and by the decrease in interest rates during the quarter, which favourably impacted 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 third 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)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Gross impaired investments	23	23	45	44
Provisions for impaired investments	6	6	14	8
Net impaired investments	17	17	31	36
Net impaired investments as a % of total investments	0.04%	0.04%	0.07%	0.08%
Bonds – Proportion rated BB or lower	0.86%	1.01%	0.99%	0.83%
Mortgages – Proportion of securitized and insured loans ¹⁴	27.1%	24.4%	23.1%	34.9%
– Proportion of insured loans	45.5%	48.6%	50.1%	38.3%
– Delinquency rate	—	—	—	0.01%
Investment properties – Occupancy rate	93.4%	94.6%	95.3%	96.0%
Car loans – Average credit loss rate (non-prime) ¹⁵	2.6%	3.0%	3.6%	5.0%

The indicators in the above table confirm the quality of the investment portfolio. The decrease over twelve months in impaired investments is related to the disposal of an impaired private bond. Lastly, the temporary low credit loss trend for car loans is attributed to continued client payment patterns arising in part from enhanced government support programs. In the coming quarters, the credit loss rate is expected to start increasing and eventually return to pre-pandemic levels.

Derivative Financial Instruments				
(In millions of dollars, unless otherwise indicated)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Total notional amount (\$B)	28.4	30.8	32.3	31.9
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	761	841	1,652	1,712
Negative fair value	610	968	569	859

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.

¹⁴ A marginal portion of the securitized and insured loans may be uninsured at the end of the quarter.

¹⁵ 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)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Equity				
Common shares	1,695	1,689	1,674	1,672
Preferred shares issued by a subsidiary	525	525	525	525
Contributed surplus	18	18	20	18
Retained earnings	4,624	4,405	4,170	3,884
Accumulated other comprehensive income	8	(1)	83	121
Subtotal	6,870	6,636	6,472	6,220
Debentures	1,449	1,449	1,449	1,448
Participating policyholders' accounts	35	36	41	50
Total	8,354	8,121	7,962	7,718

The Company's capital amounted to nearly \$8.4 billion at June 30, 2021, up \$233 million from March 31, 2021. This increase is mainly due to the increase in retained earnings generated by the net earnings contribution. Note that the decrease in accumulated other comprehensive income since the beginning of the year is mainly caused by market-related variations.

Solvency¹⁶				
(In millions of dollars, unless otherwise indicated)	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Available capital				
Tier 1	3,049	2,755	2,767	2,620
Tier 2	1,822	1,711	1,601	1,521
Surplus allowance and eligible deposits	5,189	4,704	5,055	4,846
Total	10,060	9,170	9,423	8,987
Base solvency buffer	7,716	7,190	7,267	7,268
Solvency ratio	130%	128%	130%	124%

The Company ended the second quarter of 2021 with a solvency ratio of 130%. The increase of 2 percentage points since March 31, 2021 essentially stems from the positive impact of market-related variations and the contribution from organic capital generation. The current ratio remains above the Company's target range of 110% to 116%. In the second quarter, the Company organically generated approximately \$100 million in additional capital.

Financial Leverage				
	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Debt ratio				
Debentures/capital	17.3%	17.8%	18.2%	18.8%
Debentures + preferred shares issued by a subsidiary/capital	23.6%	24.3%	24.8%	25.6%
Coverage ratio ¹⁷	14.8x	14.0x	11.7x	12.4x

¹⁶ This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

¹⁷ 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 second quarter due to the increase in the Company's total capital. The coverage ratio increased during the quarter due to higher earnings. The significant increase over the past twelve months is due to the pandemic impact on 2020 earnings.

Book Value per Common Share and Market Capitalization				
	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
Book value per common share	\$59.02	\$56.95	\$55.52	\$53.23
Number of common shares outstanding	107,462,727	107,343,977	107,063,827	107,008,827
Value per share at close	\$67.49	\$68.33	\$55.18	\$45.46
Market capitalization	\$7,252,659,445	\$7,334,813,948	\$5,907,781,974	\$4,864,621,275

Book value per common share was \$59.02 at June 30, 2021, up 4% from March 31, 2021, and up 11% over the last twelve months.

The number of common shares outstanding increased by 118,750 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 was near \$7.3 billion at June 30, 2021, down 1% during the second quarter and up 49% during the previous 12-month period, primarily due to the 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 second quarter of 2021, iA Insurance paid no dividend to its sole common shareholder, iA Financial Corporation. For the third quarter of 2021, no dividend should 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	September 15, 2021	August 20, 2021	
Class A Preferred Share – Series B – iA Insurance	\$0.2875	September 30, 2021	August 27, 2021	Non-cumulative dividend
Class A Preferred Share – Series G – iA Insurance	\$0.2360625	September 30, 2021	August 27, 2021	Non-cumulative dividend
Class A Preferred Share – Series I – iA Insurance	\$0.3000	September 30, 2021	August 27, 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 September 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on August 13, 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 Analysis¹⁸				
	June 30, 2021	March 31, 2021	December 31, 2020	June 30, 2020
S&P/TSX closing value	20,166 points	18,701 points	17,433 points	15,515 points
Solvency ratio	130%	128%	130%	124%
Impact of a drop in the stock markets (S&P/TSX Index)¹⁹				
Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities	(28%)	(24%)	(27%)	(20%)
Index trigger threshold	14,500 points	14,200 points	12,800 points	12,500 points
Net income impact for each additional 1% S&P/TSX decrease below this level	(\$22M)	(\$21M)	(\$24M)	(\$20M)
Decrease in index that reduces the solvency ratio to 110%	(98%)	(84%)	(83%)	(61%)
Index trigger threshold	400 points	2,900 points	2,900 points	6,000 points
Impact on net income of a sudden 10% drop in the stock markets (over one year)	(\$36M)	(\$34M)	(\$34M)	(\$30M)
Impact on net income attributed to common shareholders of a hypothetical 10 bp decrease in interest rates				
Drop in initial reinvestment rate (IRR)	\$4M	\$1M	\$4M	\$3M
Drop in ultimate reinvestment rate (URR)	(\$66M)	(\$60M)	(\$68M)	(\$69M)

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 June 30, 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.

¹⁸ The sensitivity analysis is based on non-IFRS measures.

¹⁹ 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 and 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 second quarter results on Thursday, July 29, 2021 at 2:00 p.m. (ET). The dial-in number is 416-641-6712 or 1-800-768-6727 (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 Thursday, July 29, 2021. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 21995222. 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 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

	Quarters ended June 30		Six months ended June 30	
(unaudited, in millions of dollars, unless otherwise indicated)	2021	2020	2021	2020
Revenues				
Premiums				
Gross premiums	\$ 3,360	\$ 2,319	\$ 6,979	\$5,269
Premiums ceded	(256)	(206)	(500)	(401)
Net premiums	3,104	2,113	6,479	4,868
Investment income				
Interest and other investment income	331	308	681	751
Change in fair value of investments	1,399	3,847	(2,501)	2,547
	1,730	4,155	(1,820)	3,298
Other revenues	510	416	1,016	856
	5,344	6,684	5,675	9,022
Policy benefits and expenses				
Gross benefits and claims on contracts	1,633	1,220	4,257	2,833
Ceded benefits and claims on contracts	(165)	(137)	(340)	(271)
Net transfer to segregated funds	845	524	1,256	1,212
Increase (decrease) in insurance contract liabilities	1,789	4,018	(2,031)	3,316
Increase (decrease) in investment contract liabilities	7	21	(7)	22
Decrease (increase) in reinsurance assets	(72)	(19)	(18)	(94)
	4,037	5,627	3,117	7,018
Commissions	517	395	1,046	836
General expenses	430	369	868	781
Premium and other taxes	37	27	70	60
Financing charges	19	19	37	36
	5,040	6,437	5,138	8,731
Income before income taxes	304	247	537	291
Income taxes	69	52	128	50
Net income	\$ 235	\$ 195	\$ 409	\$ 241
Net income attributed to participating policyholders	(1)	7	(6)	8
Net income attributed to shareholders	\$ 236	\$ 188	\$ 415	\$ 233
Dividends attributed to preferred shares issued by a subsidiary	5	5	11	11
Net income attributed to common shareholders	\$ 231	\$ 183	\$ 404	\$ 222
Earnings per common share (in dollars)				
Basic	\$ 2.16	\$ 1.71	\$3.77	\$2.07
Diluted	2.15	1.71	3.76	2.07
Weighted average number of shares outstanding (in millions of units)				
Basic	107	107	107	107
Diluted	108	107	108	107
Dividends per common share (in dollars)	0.49	0.49	0.97	0.97

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at June 30 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
Assets		
Investments		
Cash and short-term investments	\$ 1,320	\$ 1,949
Bonds	31,821	32,099
Stocks	3,584	3,286
Mortgages and other loans	2,892	2,801
Derivative financial instruments	761	1,652
Policy loans	974	881
Other invested assets	546	563
Investment properties	1,877	1,916
	43,775	45,147
Other assets	4,083	3,261
Reinsurance assets	2,057	1,981
Fixed assets	378	390
Deferred income tax assets	33	38
Intangible assets	1,642	1,621
Goodwill	1,192	1,224
General fund assets	53,160	53,662
Segregated funds net assets	35,837	32,804
Total assets	\$ 88,997	\$ 86,466
Liabilities		
Insurance contract liabilities	\$ 34,444	\$ 36,527
Investment contract liabilities	562	575
Derivative financial instruments	610	569
Other liabilities	8,768	7,647
Deferred income tax liabilities	422	382
Debentures	1,449	1,449
General fund liabilities	46,255	47,149
Liabilities related to segregated funds net assets	35,837	32,804
Total liabilities	\$ 82,092	\$ 79,953
Equity		
Share capital and contributed surplus	\$ 1,713	\$ 1,694
Preferred shares issued by a subsidiary	525	525
Retained earnings and accumulated other comprehensive income	4,632	4,253
Participating policyholders' accounts	35	41
	6,905	6,513
Total liabilities and equity	\$ 88,997	\$ 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

(in millions of Canadian dollars)	Quarter ended June 30, 2021							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
Revenues								
Net premiums	\$ 445	\$ 1,266	\$ 429	\$ 668	\$ 195	\$ 101	\$ 3,104	
Investment income	1,413	30	55	111	80	41	1,730	
Other revenues	33	434	19	27	59	(62)	510	
	1,891	1,730	503	806	334	80	5,344	
Operating expenses								
Gross benefits and claims on contracts	206	594	299	367	154	13	1,633	
Ceded benefits and claims on contracts	(71)	—	(13)	(6)	(102)	27	(165)	
Net transfer to segregated funds	—	672	—	173	—	—	845	
Increase (decrease) in insurance contract liabilities	1,441	3	9	235	101	—	1,789	
Increase (decrease) in investment contract liabilities	—	—	7	—	—	—	7	
Decrease (increase) in reinsurance assets	(50)	—	—	—	(22)	—	(72)	
Commissions, general and other expenses	252	380	151	32	167	2	984	
Financing charges	2	1	9	—	—	7	19	
	1,780	1,650	462	801	298	49	5,040	
Income before income taxes and allocation of other activities	111	80	41	5	36	31	304	
Allocation of other activities	27	4	—	4	(4)	(31)	—	
Income before income taxes	138	84	41	9	32	—	304	
Income taxes	24	23	15	2	5	—	69	
Net income	114	61	26	7	27	—	235	
Net income attributed to participating policyholders	(1)	—	—	—	—	—	(1)	
Net income attributed to shareholders	\$ 115	\$ 61	\$ 26	\$ 7	\$ 27	\$ —	\$ 236	

(in millions of Canadian dollars)	Quarter ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Revenues							
Net premiums	\$ 394	\$ 774	\$ 366	\$ 354	\$ 150	\$ 75	\$ 2,113
Investment income	3,727	(72)	91	277	92	40	4,155
Other revenues	28	370	9	25	35	(51)	416
	4,149	1,072	466	656	277	64	6,684
Operating expenses							
Gross benefits and claims on contracts	198	339	279	272	132	—	1,220
Ceded benefits and claims on contracts	(64)	—	(18)	(7)	(77)	29	(137)
Net transfer to segregated funds	—	423	—	101	—	—	524
Increase (decrease) in insurance contract liabilities	3,732	(72)	22	254	81	1	4,018
Increase (decrease) in investment contract liabilities	—	—	21	—	—	—	21
Decrease (increase) in reinsurance assets	(27)	—	1	1	7	(1)	(19)
Commissions, general and other expenses	204	320	121	26	129	(9)	791
Financing charges	3	1	8	—	—	7	19
	4,046	1,011	434	647	272	27	6,437
Income before income taxes and allocation of other activities	103	61	32	9	5	37	247
Allocation of other activities	27	4	—	1	5	(37)	—
Income before income taxes	130	65	32	10	10	—	247
Income taxes	22	28	2	(2)	2	—	52
Net income	108	37	30	12	8	—	195
Net income attributed to participating policyholders	7	—	—	—	—	—	7
Net income attributed to shareholders	\$ 101	\$ 37	\$ 30	\$ 12	\$ 8	\$ —	\$ 188

(in millions of Canadian dollars)	Six months ended June 30, 2021							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
Revenues								
Net premiums	\$ 864	\$ 2,872	\$ 828	\$ 1,328	\$ 394	\$ 193	\$ 6,479	
Investment income	(1,643)	(155)	38	(97)	(39)	76	(1,820)	
Other revenues	62	848	36	57	126	(113)	1,016	
	(717)	3,565	902	1,288	481	156	5,675	
Operating expenses								
Gross benefits and claims on contracts	450	1,221	602	1,655	305	24	4,257	
Ceded benefits and claims on contracts	(159)	—	(24)	(12)	(199)	54	(340)	
Net transfer to segregated funds	—	1,647	—	(391)	—	—	1,256	
Increase (decrease) in insurance contract liabilities	(1,624)	(226)	(34)	(49)	(99)	1	(2,031)	
Increase (decrease) in investment contract liabilities	—	—	(7)	—	—	—	(7)	
Decrease (increase) in reinsurance assets	(73)	—	1	3	52	(1)	(18)	
Commissions, general and other expenses	486	780	291	67	355	5	1,984	
Financing charges	3	1	17	—	1	15	37	
	(917)	3,423	846	1,273	415	98	5,138	
Income before income taxes and allocation of other activities	200	142	56	15	66	58	537	
Allocation of other activities	48	11	2	5	(8)	(58)	—	
Income before income taxes	248	153	58	20	58	—	537	
Income taxes	54	40	18	5	11	—	128	
Net income	194	113	40	15	47	—	409	
Net income attributed to participating policyholders	(6)	—	—	—	—	—	(6)	
Net income attributed to shareholders	\$ 200	\$ 113	\$ 40	\$ 15	\$ 47	\$ —	\$ 415	

Six months ended June 30, 2020

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Revenues							
Net premiums	\$ 791	\$ 1,852	\$ 790	\$ 987	\$ 288	\$ 160	\$ 4,868
Investment income	2,481	255	107	229	146	80	3,298
Other revenues	57	746	30	52	67	(96)	856
	3,329	2,853	927	1,268	501	144	9,022
Operating expenses							
Gross benefits and claims on contracts	427	896	574	658	257	21	2,833
Ceded benefits and claims on contracts	(127)	—	(31)	(13)	(151)	51	(271)
Net transfer to segregated funds	—	848	—	364	—	—	1,212
Increase (decrease) in insurance contract liabilities	2,497	404	32	186	196	1	3,316
Increase (decrease) in investment contract liabilities	—	—	22	—	—	—	22
Decrease (increase) in reinsurance assets	(39)	—	4	2	(60)	(1)	(94)
Commissions, general and other expenses	448	671	272	54	242	(10)	1,677
Financing charges	8	1	16	—	—	11	36
	3,214	2,820	889	1,251	484	73	8,731
Income before income taxes and allocation of other activities	115	33	38	17	17	71	291
Allocation of other activities	52	6	1	2	10	(71)	—
Income before income taxes	167	39	39	19	27	—	291
Income taxes	19	25	1	(1)	6	—	50
Net income	148	14	38	20	21	—	241
Net income attributed to participating policyholders	8	—	—	—	—	—	8
Net income attributed to shareholders	\$ 140	\$ 14	\$ 38	\$ 20	\$ 21	\$ —	\$ 233

Segmented Premiums

Quarter ended June 30, 2021

(in millions of Canadian dollars)	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 553	\$ 220	\$ 458	\$ 212	\$ 367	\$ 41	\$ 1,851
Invested in segregated funds	—	1,046	—	463	—	—	1,509
	553	1,266	458	675	367	41	3,360
Premiums ceded							
Invested in general fund	(108)	—	(29)	(7)	(172)	60	(256)
Net premiums	\$ 445	\$ 1,266	\$ 429	\$ 668	\$ 195	\$ 101	\$ 3,104

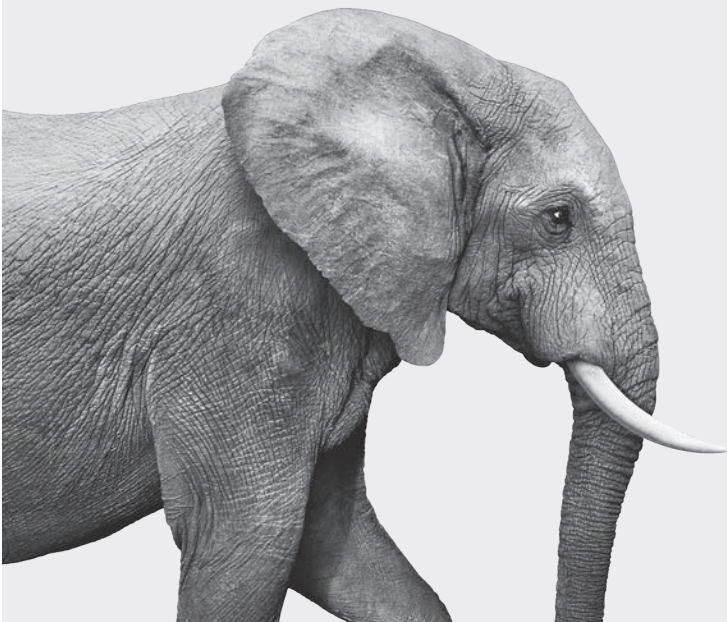
(in millions of Canadian dollars)	Quarter ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 493	\$ 174	\$ 397	\$ 72	\$ 280	\$ 14	\$ 1,430
Invested in segregated funds	—	600	—	289	—	—	889
	493	774	397	361	280	14	2,319
Premiums ceded							
Invested in general fund	(99)	—	(31)	(7)	(130)	61	(206)
Net premiums	\$ 394	\$ 774	\$ 366	\$ 354	\$ 150	\$ 75	\$ 2,113

(in millions of Canadian dollars)	Six months ended June 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 1,071	\$ 449	\$ 883	\$ 251	\$ 736	\$ 76	\$ 3,466
Invested in segregated funds	—	2,423	—	1,090	—	—	3,513
	1,071	2,872	883	1,341	736	76	6,979
Premiums ceded							
Invested in general fund	(207)	—	(55)	(13)	(342)	117	(500)
Net premiums	\$ 864	\$ 2,872	\$ 828	\$ 1,328	\$ 394	\$ 193	\$ 6,479

(in millions of Canadian dollars)	Six months ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 980	\$ 380	\$ 856	\$ 120	\$ 537	\$ 43	\$ 2,916
Invested in segregated funds	—	1,472	—	881	—	—	2,353
	980	1,852	856	1,001	537	43	5,269
Premiums ceded							
Invested in general fund	(189)	—	(66)	(14)	(249)	117	(401)
Net premiums	\$ 791	\$ 1,852	\$ 790	\$ 987	\$ 288	\$ 160	\$ 4,868

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