

# **PRESENT AND STRONG.**

More than ever.



## **Industrial Alliance Insurance and Financial Services 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 Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance" or the "Company") is dated July 29, 2021. iA Financial Corporation Inc. ("iA Financial Corporation") became the parent company of iA Insurance on January 1, 2019, as a result of a plan of arrangement (the "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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**HIGHLIGHTS<sup>1</sup>**

**Profitability** – In the second quarter of 2021, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$232 million, compared to \$193 million in the second quarter of 2020.

**Business growth** – Premiums and deposits totalled nearly \$3.9 billion for the quarter, significantly up from second quarter of 2020 (+45%). Sales results for the second quarter were strong across all lines of business. In Canada, we continue to strengthen our market position. 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%). In the U.S., Individual Insurance sales were up (+12%)<sup>2</sup> year over year and Dealer Services posted significant growth, mainly due to synergies with its affiliate company, IAS. Finally, total assets under management and administration were up 16% from the previous year, amounting to \$207.3 billion at June 30, 2021.

**Financial position** – The solvency ratio for iA Insurance was 120% at June 30, 2021, compared with 116% at the end of the previous quarter and 121% a year earlier. This is above iA Insurance's target range of 110% to 116%.

**Dividend** – iA Insurance paid no dividend in the second quarter of 2021. For the third quarter of 2021, the Board of Directors of iA Insurance approved that there will be no dividend to its sole common shareholder, iA Financial Corporation, and therefore no dividend should be paid by iA Insurance to iA Financial Corporation.

**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.

**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.

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

<sup>2</sup> Calculated on a \$US basis

- **Board of Directors** – On July 8, 2021, iA Financial Group announced the appointment of Ludwig W. Willisch to the boards of directors of iA Financial Corporation Inc. and Industrial Alliance Insurance and Financial Services Inc. Mr. Willisch 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.

## ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 16 “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	3,061	2,104	957	6,384	4,850	1,534
Investment income	1,727	4,155	(2,428)	(1,828)	3,297	(5,125)
Other revenues	486	418	68	953	856	97
Total	5,274	6,677	(1,403)	5,509	9,003	(3,494)
Less: policy benefits and expenses	4,971	6,416	(1,445)	4,977	8,696	(3,719)
Income before income taxes	303	261	42	532	307	225
Less: income taxes	67	56	11	124	54	70
Net income	236	205	31	408	253	155
Less: net income attributed to participating policyholders	(1)	7	(8)	(6)	8	(14)
Net income attributed to shareholders	237	198	39	414	245	169
Less: dividends on preferred shares	5	5	—	11	11	—
Net income attributed to common shareholder	232	193	39	403	234	169

### 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	156	97	3,061
Variation vs. 2020	51	492	72	314	6	22	957
Investment income	1,413	30	56	111	80	37	1,727
Variation vs. 2020	(2,314)	102	(34)	(166)	(12)	(4)	(2,428)
Other revenues	33	434	12	27	37	(57)	486
Variation vs. 2020	5	64	3	2	2	(8)	68
Total	1,891	1,730	497	806	273	77	5,274
Variation vs. 2020	(2,258)	658	41	150	(4)	10	(1,403)

*Net premiums* – The \$957 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 \$2,428 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 \$68 million in the second quarter compared to the same period last year, essentially due to business growth in Individual Wealth Management.

#### **Policy Benefits and Expenses**

Policy benefits and expenses decreased by \$1,445 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 \$67 million versus \$56 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 Shareholder**

Net income attributed to the sole common shareholder, iA Financial Corporation, totalled \$232 million for the second quarter of 2021, compared to \$193 million for the same period last year.

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

<b>Selected Financial Data</b>									
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>2021</b>		<b>2020</b>				<b>2019</b>		
	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>
Revenues	5,274	235	4,444	3,987	6,677	2,326	2,541	3,715	4,079
Net income attributed to common shareholder	232	171	182	222	193	41	175	184	181
Basic earnings per common share (in dollars)	\$2.14	\$1.57	\$1.68	\$2.04	\$1.78	\$0.37	\$1.61	\$1.69	\$1.67

### **Related Party Transactions**

The Company has a financing agreement with iA Financial Corporation in the amount of \$80 million, to be used only to finance iA Financial Corporation's Normal Course Issuer Bid program, where applicable.

### **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 Management's Discussion and Analysis for 2020.

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 19 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 for the year ended December 31, 2020.

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**

<b>Investment Mix</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Book value of investments	42,673	41,405	44,225	43,111
Allocation of investments by asset class				
Bonds	72.7%	71.9%	71.8%	69.4%
Stocks	8.1%	8.0%	7.2%	6.8%
Mortgages and other loans	6.8%	7.0%	6.3%	8.7%
Investment properties	4.4%	4.6%	4.3%	4.6%
Policy loans	2.3%	2.3%	2.0%	2.2%
Cash and short-term investments	2.9%	3.1%	3.6%	3.3%
Other	2.8%	3.1%	4.8%	5.0%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was close to \$43 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 12 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.

<b>Quality of Investments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
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	0.83%	0.98%	1.00%	0.83%

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.

<b>Derivative Financial Instruments</b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Total notional amount (\$B)	28.2	30.6	32.1	31.7
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	761	840	1,651	1,711
Negative fair value	602	968	569	858

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.

## FINANCIAL POSITION

<b>Capitalization</b>				
<b>(In millions of dollars)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Equity				
Common shares	1,655	1,655	1,655	1,655
Preferred shares	525	525	525	525
Contributed surplus	—	—	—	—
Retained earnings	3,171	2,899	2,864	2,969
Accumulated other comprehensive income	104	93	150	105
Subtotal	5,455	5,172	5,194	5,254
Debentures	653	653	653	652
Participating policyholders' accounts	35	36	41	50
Total	6,143	5,861	5,888	5,956

The Company's capital totalled more than \$6.1 billion at June 30, 2021, up \$282 million from March 31, 2021. The variation during the second quarter is mainly explained by the increase in retained earnings generated by the net earnings contribution.

<b>Solvency<sup>3</sup></b>				
<b>(In millions of dollars, unless otherwise indicated)</b>	<b>June 30, 2021</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>	<b>June 30, 2020</b>
Available capital, surplus allowance and eligible deposits	9,263	8,316	8,829	8,817
Base solvency buffer	7,722	7,198	7,246	7,258
Solvency ratio	120%	116%	122%	121%

The solvency ratio of iA Insurance was 120% at June 30, 2021, compared with 116% at the end of the previous quarter and 121% a year earlier. This is above iA Insurance's target range of 110% to 116%.

Please note that in accordance with the terms of the arrangement, the Company's class A preferred shares and debentures issued and outstanding at the effective date of the arrangement are guaranteed by iA Financial Corporation. If iA Insurance should default on its obligations, iA Financial Corporation will be jointly and severally liable with iA Insurance for payments due in connection with the debentures and preferred shares.

## DECLARATION OF DIVIDEND

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 various categories of iA Insurance's preferred shares.

<sup>3</sup> This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.



Declaration of Dividend				
	Amount	Payment date	Closing date	
Class A Preferred Share – Series B	\$0.2875	September 30, 2021	August 27, 2021	Non-cumulative dividend
Class A Preferred Share – Series G	\$0.2360625	September 30, 2021	August 27, 2021	Non-cumulative dividend
Class A Preferred Share – Series I	\$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 Insurance on its common and preferred shares are considered to be eligible dividends.

## 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 Insurance 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.

Non-IFRS financial measures published by the Company include, but are not limited to: return on common shareholders' equity (ROE), sales, assets under management (AUM), assets under administration (AUA), capital and solvency ratio.

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 Insurance 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", 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 Insurance 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 Insurance 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 Insurance; 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 Insurance's filings with Canadian Securities Administrators, which are available for review at [sedar.com](http://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 Insurance 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 the Company's financial results are available on the iA Financial Group website at [ia.ca](http://ia.ca) under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can also be found on the SEDAR website at [sedar.com](http://sedar.com), as well as in the Company's 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](http://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**

(unaudited, in millions of dollars, unless otherwise indicated)	Quarters ended June 30		Six months ended June 30	
	2021	2020	2021	2020
<b>Revenues</b>				
<b>Premiums</b>				
Gross premiums	\$ 3,301	\$ 2,310	\$ 6,839	\$ 5,251
Premiums ceded	(240)	(206)	(455)	(401)
Net premiums	3,061	2,104	6,384	4,850
<b>Investment income</b>				
Interest and other investment income	332	310	680	749
Change in fair value of investments	1,395	3,845	(2,508)	2,548
	1,727	4,155	(1,828)	3,297
Other revenues	486	418	953	856
	5,274	6,677	5,509	9,003
<b>Policy benefits and expenses</b>				
Gross benefits and claims on contracts	1,617	1,218	4,227	2,828
Ceded benefits and claims on contracts	(160)	(137)	(331)	(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)
	4,026	5,625	3,096	7,013
Commissions	518	395	1,018	834
General expenses	376	355	767	762
Premium and other taxes	38	27	70	60
Financing charges	13	14	26	27
	4,971	6,416	4,977	8,696
<b>Income before income taxes</b>				
	303	261	532	307
Income taxes	67	56	124	54
<b>Net income</b>				
	\$ 236	\$ 205	\$ 408	\$ 253
Net income attributed to participating policyholders	(1)	7	(6)	8
<b>Net income attributed to shareholders</b>				
	\$ 237	\$ 198	\$ 414	\$ 245
Dividends attributed to preferred shares	5	5	11	11
<b>Net income attributed to common shareholder</b>				
	\$ 232	\$ 193	\$ 403	\$ 234
<b>Basic earnings per common share (in dollars)</b>				
	\$ 2.14	\$ 1.78	\$ 3.71	\$ 2.15

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	As at June 30 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
<b>Assets</b>		
<b>Investments</b>		
Cash and short-term investments	\$ 1,252	\$ 1,593
Bonds	31,019	31,762
Stocks	3,444	3,168
Mortgages and other loans	2,892	2,801
Derivative financial instruments	761	1,651
Policy loans	974	881
Other invested assets	454	453
Investment properties	1,877	1,916
	42,673	44,225
Other assets	3,679	2,897
Reinsurance assets	1,861	1,808
Fixed assets	362	371
Deferred income tax assets	16	23
Intangible assets	773	773
Goodwill	556	556
General fund assets	49,920	50,653
Segregated funds net assets	35,837	32,815
<b>Total assets</b>	<b>\$ 85,757</b>	<b>\$ 83,468</b>
<b>Liabilities</b>		
Insurance contract liabilities	\$ 34,444	\$ 36,527
Investment contract liabilities	562	575
Derivative financial instruments	602	569
Other liabilities	7,870	6,846
Deferred income tax liabilities	299	248
Debentures	653	653
General fund liabilities	44,430	45,418
Liabilities related to segregated funds net assets	35,837	32,815
<b>Total liabilities</b>	<b>\$ 80,267</b>	<b>\$ 78,233</b>
<b>Equity</b>		
Share capital	\$ 2,180	\$ 2,180
Retained earnings and accumulated other comprehensive income	3,275	3,014
Participating policyholders' accounts	35	41
	5,490	5,235
<b>Total liabilities and equity</b>	<b>\$ 85,757</b>	<b>\$ 83,468</b>

## 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		
<b>Revenues</b>								
Net premiums	\$ 445	\$ 1,266	\$ 429	\$ 668	\$ 156	\$ 97	\$ 3,061	
Investment income	1,413	30	56	111	80	37	1,727	
Other revenues	33	434	12	27	37	(57)	486	
	1,891	1,730	497	806	273	77	5,274	
<b>Operating expenses</b>								
Gross benefits and claims on contracts	206	594	299	367	138	13	1,617	
Ceded benefits and claims on contracts	(71)	—	(13)	(6)	(97)	27	(160)	
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	148	32	130	(10)	932	
Financing charges	2	1	9	—	—	1	13	
	1,780	1,650	459	801	250	31	4,971	
Income before income taxes and allocation of other activities	111	80	38	5	23	46	303	
Allocation of other activities	31	5	2	5	3	(46)	—	
Income before income taxes	142	85	40	10	26	—	303	
Income taxes	23	23	13	2	6	—	67	
<b>Net income</b>	119	62	27	8	20	—	236	
Net income attributed to participating policyholders	(1)	—	—	—	—	—	(1)	
<b>Net income attributed to shareholders</b>	\$ 120	\$ 62	\$ 27	\$ 8	\$ 20	\$ —	\$ 237	

(in millions of Canadian dollars)	Quarter ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 394	\$ 774	\$ 357	\$ 354	\$ 150	\$ 75	\$ 2,104
Investment income	3,727	(72)	90	277	92	41	4,155
Other revenues	28	370	9	25	35	(49)	418
	4,149	1,072	456	656	277	67	6,677
<b>Operating expenses</b>							
Gross benefits and claims on contracts	198	339	273	272	132	4	1,218
Ceded benefits and claims on contracts	(64)	—	(13)	(7)	(77)	24	(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	116	26	120	(9)	777
Financing charges	3	1	8	—	—	2	14
	4,046	1,011	428	647	263	21	6,416
Income before income taxes and allocation of other activities	103	61	28	9	14	46	261
Allocation of other activities	30	6	3	1	6	(46)	—
Income before income taxes	133	67	31	10	20	—	261
Income taxes	23	29	2	(2)	4	—	56
<b>Net income</b>	110	38	29	12	16	—	205
Net income attributed to participating policyholders	7	—	—	—	—	—	7
<b>Net income attributed to shareholders</b>	\$ 103	\$ 38	\$ 29	\$ 12	\$ 16	\$ —	\$ 198

(in millions of Canadian dollars)	Six months ended June 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 864	\$ 2,872	\$ 828	\$ 1,328	\$ 301	\$ 191	\$ 6,384
Investment income	(1,643)	(155)	38	(97)	(40)	69	(1,828)
Other revenues	62	848	23	57	70	(107)	953
	(717)	3,565	889	1,288	331	153	5,509
<b>Operating expenses</b>							
Gross benefits and claims on contracts	450	1,221	602	1,655	274	25	4,227
Ceded benefits and claims on contracts	(159)	—	(24)	(12)	(190)	54	(331)
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	283	67	253	(14)	1,855
Financing charges	3	1	17	—	1	4	26
	(917)	3,423	838	1,273	291	69	4,977
Income before income taxes and allocation of other activities	200	142	51	15	40	84	532
Allocation of other activities	54	13	5	6	6	(84)	—
Income before income taxes	254	155	56	21	46	—	532
Income taxes	53	40	16	5	10	—	124
<b>Net income</b>	201	115	40	16	36	—	408
Net income attributed to participating policyholders	(6)	—	—	—	—	—	(6)
<b>Net income attributed to shareholders</b>	\$ 207	\$ 115	\$ 40	\$ 16	\$ 36	\$ —	\$ 414

(in millions of Canadian dollars)	Six months ended June 30, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Revenues</b>							
Net premiums	\$ 791	\$ 1,852	\$ 772	\$ 987	\$ 288	\$ 160	\$ 4,850
Investment income	2,481	255	108	229	146	78	3,297
Other revenues	57	746	28	52	67	(94)	856
	3,329	2,853	908	1,268	501	144	9,003
<b>Operating expenses</b>							
Gross benefits and claims on contracts	427	896	565	658	257	25	2,828
Ceded benefits and claims on contracts	(127)	—	(26)	(13)	(151)	46	(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	262	54	232	(11)	1,656
Financing charges	8	1	16	—	—	2	27
	3,214	2,820	875	1,251	474	62	8,696
Income before income taxes and allocation of other activities	115	33	33	17	27	82	307
Allocation of other activities	56	8	5	2	11	(82)	—
Income before income taxes	171	41	38	19	38	—	307
Income taxes	20	26	1	(1)	8	—	54
<b>Net income</b>	151	15	37	20	30	—	253
Net income attributed to participating policyholders	8	—	—	—	—	—	8
<b>Net income attributed to shareholders</b>	\$ 143	\$ 15	\$ 37	\$ 20	\$ 30	\$ —	\$ 245

## Segmented Premiums

(in millions of Canadian dollars)	Quarter ended June 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Gross premiums</b>							
Invested in general fund	\$ 553	\$ 220	\$ 458	\$ 212	\$ 310	\$ 39	\$ 1,792
Invested in segregated funds	—	1,046	—	463	—	—	1,509
	553	1,266	458	675	310	39	3,301
<b>Premiums ceded</b>							
Invested in general fund	(108)	—	(29)	(7)	(154)	58	(240)
<b>Net premiums</b>	\$ 445	\$ 1,266	\$ 429	\$ 668	\$ 156	\$ 97	\$ 3,061



(in millions of Canadian dollars)	Quarter ended June 30, 2020							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Gross premiums</b>								
Invested in general fund	\$ 493	\$ 174	\$ 383	\$ 72	\$ 280	\$ 19	\$ 1,421	
Invested in segregated funds	—	600	—	289	—	—	889	
	493	774	383	361	280	19	2,310	
<b>Premiums ceded</b>								
Invested in general fund	(99)	—	(26)	(7)	(130)	56	(206)	
<b>Net premiums</b>	\$ 394	\$ 774	\$ 357	\$ 354	\$ 150	\$ 75	\$ 2,104	

(in millions of Canadian dollars)	Six months ended June 30, 2021							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Gross premiums</b>								
Invested in general fund	\$ 1,071	\$ 449	\$ 883	\$ 251	\$ 595	\$ 77	\$ 3,326	
Invested in segregated funds	—	2,423	—	1,090	—	—	3,513	
	1,071	2,872	883	1,341	595	77	6,839	
<b>Premiums ceded</b>								
Invested in general fund	(207)	—	(55)	(13)	(294)	114	(455)	
<b>Net premiums</b>	\$ 864	\$ 2,872	\$ 828	\$ 1,328	\$ 301	\$ 191	\$ 6,384	

(in millions of Canadian dollars)	Six months ended June 30, 2020							Total
	Individual		Group					
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other		
<b>Gross premiums</b>								
Invested in general fund	\$ 980	\$ 380	\$ 829	\$ 120	\$ 537	\$ 52	\$ 2,898	
Invested in segregated funds	—	1,472	—	881	—	—	2,353	
	980	1,852	829	1,001	537	52	5,251	
<b>Premiums ceded</b>								
Invested in general fund	(189)	—	(57)	(14)	(249)	108	(401)	
<b>Net premiums</b>	\$ 791	\$ 1,852	\$ 772	\$ 987	\$ 288	\$ 160	\$ 4,850	

## Segmented Assets and Liabilities

(in millions of Canadian dollars)	As at June 30, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
<b>Assets</b>							
Invested assets	\$ 24,923	\$ 2,001	\$ 1,975	\$ 4,823	\$ 1,200	\$ 7,751	\$ 42,673
Segregated funds net assets	—	22,021	—	13,816	—	—	35,837
Reinsurance assets	39	—	223	126	1,598	(125)	1,861
Other	111	1,094	—	—	34	4,147	5,386
<b>Total assets</b>	<b>\$ 25,073</b>	<b>\$ 25,116</b>	<b>\$ 2,198</b>	<b>\$ 18,765</b>	<b>\$ 2,832</b>	<b>\$ 11,773</b>	<b>\$ 85,757</b>
<b>Liabilities</b>							
Insurance contract liabilities and investment contract liabilities	\$ 24,028	\$ 2,023	\$ 2,238	\$ 4,982	\$ 1,842	\$ (107)	\$ 35,006
Liabilities related to segregated funds net assets	—	22,021	—	13,816	—	—	35,837
Other	490	54	3	7	—	8,870	9,424
<b>Total liabilities</b>	<b>\$ 24,518</b>	<b>\$ 24,098</b>	<b>\$ 2,241</b>	<b>\$ 18,805</b>	<b>\$ 1,842</b>	<b>\$ 8,763</b>	<b>\$ 80,267</b>
	As at December 31, 2020						
	Individual		Group				
(in millions of Canadian dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
<b>Assets</b>							
Invested assets	\$ 25,922	\$ 2,145	\$ 1,969	\$ 4,949	\$ 1,211	\$ 8,029	\$ 44,225
Segregated funds net assets	—	19,240	—	13,575	—	—	32,815
Reinsurance assets	(36)	—	222	130	1,615	(123)	1,808
Other	109	1,096	—	—	32	3,383	4,620
<b>Total assets</b>	<b>\$ 25,995</b>	<b>\$ 22,481</b>	<b>\$ 2,191</b>	<b>\$ 18,654</b>	<b>\$ 2,858</b>	<b>\$ 11,289</b>	<b>\$ 83,468</b>
<b>Liabilities</b>							
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	—	13,575	—	—	32,815
Other	441	47	3	8	—	7,817	8,316
<b>Total liabilities</b>	<b>\$ 26,102</b>	<b>\$ 21,533</b>	<b>\$ 2,275</b>	<b>\$ 18,613</b>	<b>\$ 2,003</b>	<b>\$ 7,707</b>	<b>\$ 78,233</b>

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