# PRESENT AND STRONG.

More than ever.

## 2021 Third Quarter Report to Shareholders

For the Quarter Ended September 30, 2021

iA Financial Group

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated November 3, 2021. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 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.

**TABLE OF CONTENTS**

## HIGHLIGHTS[1]

**Profitability**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **Variation** | **2021** | **2020** | **Variation** |
| Net income attributed to common shareholders (in millions) | $217 | $217 | — | $621 | $439 | 41% |
| Weighted average number of common shares (diluted) (in millions) | 108 | 107 | 1% | 108 | 107 | 1% |
| Earnings per common share (EPS) (diluted) | $2.01 | $2.03 | (1%) | $5.76 | $4.10 | 40% |
| Core earnings per common share (EPS) (diluted) | $2.23 | $2.19 | 2% | $6.31 | $5.39 | 17% |

| Return on common shareholders' equity (ROE) | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Reported ROE (trailing twelve months) | 12.8% | 13.2% | 10.6% | 10.9% |
| Core ROE (trailing twelve months) | 14.0% | 14.2% | 13.3% | 13.5% |

The Company ended the third quarter of 2021 with net income to common shareholders of $217 million, similar to the strong result observed in the same quarter last year. Diluted earnings per common share (EPS) of $2.01 in the third quarter of 2021 is comparable to the strong result of $2.03 a year earlier. It is worth noting that, in addition to including the profit from the IAS acquisition for the period from May 22 through June 30, 2020, the third quarter of 2020 had recorded significant gains related to taxes and the sale of the residential mortgage portfolio.

Return on common shareholders' equity (ROE) was 12.8% at September 30, 2021 versus 10.9% at September 30, 2020. ROE is calculated on a trailing-twelve-month basis.

Diluted core EPS of $2.23 for the third quarter is above guidance of $2.00 to $2.15 and 2% higher than $2.19 for the same period in 2020. Core ROE of 14.0% at September 30, 2021 is at the top of guidance of 12.5% to 14.0% and compares with 13.5% a year earlier.

**Business growth** – Total assets under management and administration were up 15% from the previous year, amounting to a record $214.5 billion at September 30, 2021. Premiums and deposits for the third quarter showed continued growth (+4%). The Company ended the third quarter of 2021 with solid sales results, continuing the momentum recorded for several quarters. In Canada, we continue to strengthen our market position in our "Foundation"[2] businesses of individual insurance and individual wealth management, recording excellent sales for Individual Insurance (+28%), segregated funds (+58%) and mutual funds (+21%). Combined, segregated and mutual funds recorded impressive net inflows of $1.1 billion. For Dealer Services, sales growth was impacted by vehicle inventory shortages (-3%). In addition to their "Support"[2] of branding and synergies with other businesses, iA Auto and Home also had good sales growth (+7%), as did Special Markets (+20%). In the U.S., Individual Insurance sales were similar to the previous year and Dealer Services, despite industry-wide inventory challenges, recorded strong sales results (+33%),[3,4] further demonstrating its growth potential as an "Expansion"[2] business.

**Financial position** – The solvency ratio was 131% at September 30, 2021, compared with 130% at the end of the previous quarter and 125% a year earlier. This result is above the Company's target range of 110% to 116%. The increase in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative. The acquisition of a majority stake in the online general insurance broker Surex announced on November 2, 2021 will reduce the Company's solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021). In the third quarter, the Company organically generated approximately $150 million in additional capital. The Company's leverage ratio[5] at September 30, 2021 was 23.1%.

**Book value** – The book value per common share was $60.82 at September 30, 2021, up 3% from the last quarter and 12% over twelve months.

**Dividend** – In accordance with regulators' instructions not to increase dividends on common shares due to the COVID-19 pandemic, the Board of Directors approved a quarterly dividend of $0.4850 per common share payable in the fourth quarter of 2021.

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 Q3/2020 figures were restated to deduct sales for IAS Parent Holdings, Inc. from May 22 to June 30, 2020 (US$27M) that were previously included.
5 Debentures and preferred shares issued by a subsidiary/capital structure.

**Annual actuarial assumption review** – The annual review of actuarial assumptions has begun and will be finalized in the coming weeks. The final results will be reported on February 16, 2022, with the fourth quarter 2021 earnings release. The impact of the annual actuarial assumption review on the fourth quarter 2021 results is expected to be non-significant.

**Management appointments**

- On August 23, 2021, Pierre Miron was appointed to the new position of Executive Vice-President and Chief Transformation Officer.
- On September 21, 2021, Philippe Sarfati was appointed to the position of Executive Vice-President and Chief Risk Officer.

**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. iA Financial Group has always maintained that the position taken by Ituna was legally unfounded and that life insurance contracts were never intended to be used as deposit accounts and for purposes unrelated to life insurance. In its decision, the Court of Appeal found that Ituna's position was inconsistent with the language and the purpose of the contract. 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 is expected on November 4, 2021.

**Philanthropic context –** On September 15, 2021, iA Financial Group kicked off the fifth edition of its major philanthropic contest. A total of $500,000 in donations will be shared by charities supporting the health and welfare of children across Canada. The winners will be announced on December 6, 2021.

**Subsequent to the third quarter of 2021:**

- **Disposal of PPI Benefits Inc. and Agile Benefits Inc.**
  On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary, PPI Benefits Inc. (including Agile Benefits Inc.) to AGA Benefits Solutions. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support for independent advisors. A gain of $12M before taxes will be recognized for this transaction in the fourth quarter of 2021.
- **Real estate asset management partnership**
  On October 19, iA Financial Group and Canderel announced the signing of an agreement in the real estate investment sector. The agreement confirms that Canderel has been selected as iA Financial Group's strategic partner and as such will be responsible for the operational management (operations and leasing) and maintenance of iA's real estate assets in Quebec. The agreement covers the operations of 16 properties—five in Montreal and 11 in Quebec City—and will take effect January 1, 2022.
- **Acquisition of a majority stake in the online general insurance broker Surex**
  On November 2, iA Financial Group announced the acquisition of 70% of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd. and Surexdirect.com (Ontario) Ltd. (collectively "Surex"). As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors. This acquisition allows iA Financial Group to better serve its distribution networks across Canada and, at the same time, to improve the client experience by offering a broader range of financial products. This transaction is financed from cash on hand and will reduce the Company's solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021).

*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) | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Variation | 2021 | 2020 | Variation |
| Individual Insurance | 433 | 412 | 21 | 1,297 | 1,203 | 94 |
| Individual Wealth Management | 2,019 | 1,478 | 541 | 6,582 | 4,528 | 2,054 |
| Group Insurance | 478 | 450 | 28 | 1,378 | 1,305 | 73 |
| Group Savings and Retirement | 804 | 1,174 | (370) | 2,159 | 2,184 | (25) |
| US Operations | 252 | 311 | (59) | 745 | 677 | 68 |
| General Insurance[8] | 106 | 91 | 15 | 299 | 251 | 48 |
| Total | 4,092 | 3,916 | 176 | 12,460 | 10,148 | 2,312 |

Premiums and deposits totalled nearly $4.1 billion in the third quarter, an increase of 4% year over year against a strong quarter a year earlier when a major insured annuities contract was signed in Group Savings and Retirement. Note that premiums and equivalents for the third quarter of 2020 include premiums and equivalents related to the IAS acquisition in the US Operations sector for the period from May 22 through June 30, 2020. For the first nine months of 2021, premiums and deposits are 23% higher than in the same period in 2020, especially supported by the performance of the Individual Wealth Management sector.

## Assets Under Management and Administration[7]

| (In millions of dollars) | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Assets under management | | | | |
| General fund | 54,226 | 53,160 | 53,662 | 52,706 |
| Segregated funds | 36,886 | 35,837 | 32,804 | 30,119 |
| Mutual funds | 13,192 | 12,868 | 11,393 | 10,518 |
| Other | 3,942 | 3,939 | 3,797 | 3,732 |
| Subtotal | 108,246 | 105,804 | 101,656 | 97,075 |
| Assets under administration | 106,213 | 104,723 | 95,830 | 88,745 |
| Total | 214,459 | 210,527 | 197,486 | 185,820 |

Assets under management and administration ended the quarter at a record level of $214.5 billion, up 15% from the previous year and up nearly $4 billion during the quarter, powered by net fund entries and favourable market conditions.

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) | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | Variation | 2021 | 2020 | Variation |
| Individual Insurance | | | | | | |
| Minimum premiums | 63 | 51 | 24% | 182 | 138 | 32% |
| Excess premiums | 5 | 2 | 150% | 17 | 13 | 31% |
| Total | 68 | 53 | 28% | 199 | 151 | 32% |
| Individual Wealth Management | | | | | | |
| Gross sales | | | | | | |
| General fund | 213 | 208 | 2% | 662 | 589 | 12% |
| Segregated funds | 1,146 | 725 | 58% | 3,569 | 2,196 | 63% |
| Mutual funds | 660 | 545 | 21% | 2,351 | 1,743 | 35% |
| Total | 2,019 | 1,478 | 37% | 6,582 | 4,528 | 45% |
| Net sales (after redemptions and transfers) | | | | | | |
| Segregated funds | 839 | 376 | 463 | 2,484 | 1,217 | 1,267 |
| Mutual funds | 261 | 47 | 214 | 911 | (2) | 913 |
| Group Insurance | | | | | | |
| Employee Plans | 19 | 26 | (27%) | 120 | 106 | 13% |
| Dealer Services | | | | | | |
| Creditor Insurance | 73 | 90 | (19%) | 186 | 196 | (5%) |
| P&C Insurance | 95 | 88 | 8% | 253 | 204 | 24% |
| Car loan originations | 132 | 132 | — | 404 | 324 | 25% |
| Special Markets | 48 | 40 | 20% | 139 | 160 | (13%) |
| Group Savings and Retirement | 810 | 1,180 | (31%) | 2,178 | 2,204 | (1%) |
| US Operations ($US) | | | | | | |
| Individual Insurance | 34 | 34 | — | 102 | 96 | 6% |
| Dealer Services – P&C Insurance[10,11] | 295 | 222 | 33% | 813 | 473 | 72% |
| General Insurance | | | | | | |
| iAAH (auto and home insurance) | 118 | 110 | 7% | 341 | 309 | 10% |

*Individual Insurance in Canada* – Third quarter sales totalled $68 million, continuing their growth momentum with a significant year-over-year increase of 28%. Year-to-date sales of $199 million exceeded last year's sales for the same period by 32%, confirming solid growth over several quarters. These positive results stem mainly from the combination of three elements: the strength of all our distribution networks, our comprehensive and competitive range of products and the excellent performance of our digital tools. The Company continued to strengthen its position as a Canadian leader in the mass/mid markets with 162,917 policies issued since the beginning of the year, an increase of 22,238 policies (+16%) year-over-year.

*Individual Wealth Management* – Gross and net sales of both segregated and mutual funds had another excellent quarter with combined net sales of $1.1 billion. Driven by the strong performance of our distribution networks and digital tools, segregated funds recorded gross sales of $1,146 million, up 58% year over year, and impressive net sales of $839 million, an increase of $463 million from the third quarter of 2020. The Company continued to strengthen its position in the industry, ranking first in net segregated fund sales for the first eight months of 2021. For mutual funds, the strong performance of the fund line-up, among other things, drove gross sales to $660 million, up 21% year over year, and net fund entries to $261 million, a significant increase of $214 million from a year earlier. Finally, guaranteed product (general fund) sales of $213 million for the third quarter compare with sales of $208 million a year ago.

*Group Insurance – Employee Plans* – Sales totalled $19 million compared to $26 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 Q3/2020 figures were restated to deduct sales for IAS Parent Holdings, Inc. from May 22 to June 30, 2020 (US$27M) that were previously included.

*Group Insurance – Dealer Services* – Total sales amounted to $300 million in the third quarter compared to $310 million a year earlier, while auto sales across Canada continue to be impacted by car inventory shortages. By product, P&C sales (including extended warranties and replacement insurance) were up 8% year over year, while creditor insurance sales of $73 million compared with $90 million a year ago. Car loan originations of $132 million were similar to the same period in 2020. The low vehicle inventory situation is still expected to impact sales for the remainder of the year.

*Group Insurance – Special Markets* – Third quarter sales were up 20% year over year, driven mostly by AD&D and critical illness sales performance. A rebound in travel medical sales has not been observed as the pandemic continues to impact the travel industry.

*Group Savings and Retirement* – Sales amounted to $810 million in the third quarter. Although excellent, it compares to $1,180 million for the same period last year, when a major insured annuity contract was signed. Note that sales in this division vary considerably from one quarter to another based on the size of the contracts sold. In addition, year-to-date sales are similar to the same period in 2020.

*US Operations* – Individual Insurance sales in the third quarter totalled US$34 million, similar to a year earlier. Sales for the first nine months of 2021 were up 6% from last year. In the Dealer Services division, third quarter sales totalled US$295 million, up 33%[12] year over year despite car sales being impacted by vehicle inventory shortages. This strong result was mostly driven by the synergies between IAS and DAC. Note that like in Canada, the low vehicle inventory situation is expected to impact sales for the remainder of the year.

*General Insurance (iA Auto and Home)* – Direct written premiums totalled $118 million in the third quarter, up 7% from the same period last year.

## ANALYSIS ACCORDING TO SOURCES OF EARNINGS

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

### Core earnings[13]

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 third quarter of 2021 was $2.23, a year-over-year increase of 2% and above market guidance of $2.00 to $2.15. Three items were adjusted in the core earnings calculation for the quarter, representing an increase of $0.22 EPS versus reported EPS. The table below reconciles the Company's reported and core earnings.

**Reported Earnings and Core Earnings Reconciliation**

| | Third quarter | | | | Year-to-date at September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | Earnings | EPS (diluted basis) | | | Earnings | EPS (diluted basis) | | |
| **(in millions of dollars after tax unless otherwise indicated)** | **2021** | **2021** | **2020** | **Variation** | **2021** | **2021** | **2020** | **Variation** |
| **Reported earnings** | 217 | $2.01 | $2.03 | (1%) | 621 | $5.76 | $4.10 | 40% |
| **Core earnings remove from reported earnings the impacts of the following items:** | | | | | | | | |
| Market-related impacts that differ from management's best estimate assumptions | — | — | ($0.12) | | (14) | ($0.13) | $0.58 | |
| Assumption changes and management actions | — | — | — | | — | — | — | |
| Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs | 4 | $0.04 | ($0.04) | | 14 | $0.13 | ($0.06) | |
| Amortization of acquisition-related finite life intangible assets | 14 | $0.13 | $0.16 | | 41 | $0.38 | $0.30 | |
| Non-core pension expense | 6 | $0.05 | $0.05 | | 17 | $0.16 | $0.14 | |
| Other specified unusual gains and losses | — | — | $0.11 | | — | — | $0.33 | |
| **Core earnings** | 241 | $2.23 | $2.19 | 2% | 679 | $6.31 | $5.39 | 17% |

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

13 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 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 September 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.

**Results According to Sources of Earnings – Core Basis**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | **2021** | **2020** | **Variation** | **2021** | **2020** | **Variation** |
| Core operating profit (loss) | | | | | | |
| Expected profit on in-force | 255 | 238 | | 718 | 622 | |
| Experience gain (loss) | 7 | 5 | | 39 | (9) | |
| Impact of new business (strain) | (2) | (2) | | (7) | (22) | |
| Changes in assumptions and management actions | — | — | | — | — | |
| Total | 260 | 241 | | 750 | 591 | |
| Core income on capital | 57 | 48 | | 157 | 135 | |
| Core income (loss) before income taxes | 317 | 289 | 10% | 907 | 726 | 25% |
| Core income taxes | (70) | (50) | | (210) | (131) | |
| Core net income (loss) attributed to shareholders | 247 | 239 | | 697 | 595 | |
| Dividends on preferred shares issued by a subsidiary | 6 | 6 | | 18 | 17 | |
| Core net income (loss) attributed to common shareholders | 241 | 233 | 3% | 679 | 578 | 17% |

**Results According to Sources of Earnings – Reported Basis**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | **2021** | **2020** | **Variation** | **2021** | **2020** | **Variation** |
| Operating profit (loss) | | | | | | |
| Expected profit on in-force | 244 | 225 | | 680 | 588 | |
| Experience gain (loss) | 7 | 26 | | 58 | (74) | |
| Impact of new business (strain) | (2) | (2) | | (7) | (22) | |
| Changes in assumptions and management actions[14] | — | — | | — | (24) | |
| Total | 249 | 249 | | 731 | 468 | |
| Income on capital | 37 | 19 | | 100 | 84 | |
| Income (loss) before income taxes | 286 | 268 | 7% | 831 | 552 | 51% |
| Income taxes | (63) | (45) | | (193) | (96) | |
| Net income (loss) attributed to shareholders | 223 | 223 | | 638 | 456 | |
| Dividends on preferred shares issued by a subsidiary | 6 | 6 | | 17 | 17 | |
| Net income (loss) attributed to common shareholders | 217 | 217 | — | 621 | 439 | 41% |

### Analysis According to Sources of Earnings on a Reported Basis

Net income attributed to common shareholders was $217 million for the third 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.

[14] Q1 2020: PPI goodwill impairment.

For the third quarter, expected profit on in-force (EPIF) of $244 million pre-tax was up by 8% or $19 million year over year. Note that EPIF for the third quarter of 2020 includes $6 million of reported EPIF related to the IAS acquisition in the US Operations sector for the period from May 22, 2020 to June 30, 2020. Adjusting for this amount, the year-over-year EPIF growth for the third quarter of 2021 is 14% for the US Operations sector and 12% for the company as a whole. This quarter, the expected profit on in-force growth is mainly the result of organic growth, including high net fund entries, and the favourable impact of financial markets 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.

In the third quarter of 2021, the Company recorded a net experience gain of $7 million, or $5 million after tax (+$0.05 EPS). The following experience results are worthy of note:

- *Additional protections in reserves for pandemic uncertainty* – In Canada and the U.S., additional mortality claims were higher than the provision releases planned for the third quarter. This resulted in an experience loss in Canada, while in the U.S. the experience loss was offset by the carry-forward provision arising from better than expected mortality in the first half of 2021. In addition to the provision releases planned for the fourth quarter in Canada and the U.S., there is still a carry-forward provision amount available in the U.S. for potential use in the future. The additional protection in the reserves for adverse policyholder behaviour remains intact as no adverse experience was recorded during the quarter.

- *Individual Insurance* – This business line recorded an after-tax gain of $6 million (+$0.05 EPS) in the third quarter. The market-related variations had a positive impact on universal life insurance policies (+$0.02 EPS) and an unfavourable impact on the level of assets backing individual insurance reserves (-$0.02 EPS). Policyholder experience generated a gain (+ $0.03 EPS) during the quarter as experience was favourable for morbidity and policyholder behaviour (lapse), but unfavourable for mortality, as mentioned above. Finally, other small favourable deviations from plan were recorded (+ $0.02 EPS).

- *Individual Wealth Management* – Experience for this business line was favourable in the third quarter (after-tax gain of $1 million or +$0.01 EPS). Profits from segregated funds, iA Clarington (mutual funds) and the Investia affiliate were higher than expected, driven by high net sales and favourable market conditions since the beginning of 2021. This favourable outcome was partly offset by higher expenses.

- *Group Insurance* – This business line recorded an after-tax gain of $8 million for the quarter (+$0.08 EPS). Experience in the Employee Plans division was favourable (+$0.01 EPS), mainly due to lower mortality claims. In the Dealer Services division, lower expenses and favourable P&C claims generated a gain (+$0.03 EPS) and the car loans portfolio recorded a strong performance due to better credit experience (+$0.06 EPS). This favourable variation is partly explained by the fact that credit experience has not yet returned to its pre-pandemic level, as was anticipated, and to a lesser extent by the partial release of pandemic-related provisions. In the Special Markets division, results were lower than expected (-$0.02 EPS) owing to unfavourable experience due to higher than expected claims.

- *Group Savings and Retirement* – This business line reported an after-tax loss of $3 million (-$0.03 EPS), essentially due to higher expenses and unfavourable longevity.

- *US Operations* – Experience in this business line was below expectations for the quarter with an after-tax loss of $7 million (-$0.06 EPS). In the Individual Insurance division, results were good, mainly due to favourable lapse experience (+$0.01 EPS). Results were lower than expected in the Dealer Services division owing to higher expenses (-$0.03 EPS) mainly due to good year-to-date sales performance, which resulted in an additional provision for sales bonuses, among other things. Also, a loss resulted from timing in revenues (-$0.02 EPS) and claims were slightly higher than expected (-$0.01 EPS). Finally, IAS integration costs of $0.04 EPS were slightly higher than expected, mainly due to the accelerated integration of corporate functions.

*Impact of new business (strain) in Individual Insurance and US Operations* – New business for the two business lines generated a charge at issue of $3 million pre-tax, or 3% of sales for the quarter. This result is close to expectations, being in the middle of the -5% to 10% target range.

*Income on capital* – Net income earned on the Company's surplus funds, which includes income from the iA Auto and Home affiliate (iAAH), was $37 million before tax for the third quarter, representing a gain of $0.09 EPS versus management expectations. This is explained by experience at iAAH, which was once again much more favourable than expected, mainly due to lower claims ratios, mostly for home protections (+$0.09 EPS). Also, investment income on surplus and amortization of intangible assets were slightly higher than expected (+0.01 EPS and -0.01 EPS, respectively).

*Income taxes* – Income taxes amounted to $63 million in the third quarter, for an effective tax rate of 22.0%, at the top end of the 20% to 22% guidance range. As a result, the tax charge was slightly higher than expected (-$0.01 EPS).

**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**

| | Third quarter | | | Year-to-date at September 30 | | |
|---|---|---|---|---|---|---|
| **(In millions of dollars)** | **2021** | **2020** | **Variation** | **2021** | **2020** | **Variation** |
| Revenues | | | | | | |
| Net premiums | 3,332 | 3,248 | 84 | 9,811 | 8,116 | 1,695 |
| Investment income | (41) | 396 | (437) | (1,861) | 3,694 | (5,555) |
| Other revenues | 543 | 455 | 88 | 1,559 | 1,311 | 248 |
| Total | 3,834 | 4,099 | (265) | 9,509 | 13,121 | (3,612) |
| Less: policy benefits and expenses | 3,545 | 3,831 | (286) | 8,683 | 12,562 | (3,879) |
| Income before income taxes | 289 | 268 | 21 | 826 | 559 | 267 |
| Less: income taxes | 63 | 49 | 14 | 191 | 99 | 92 |
| Net income | 226 | 219 | 7 | 635 | 460 | 175 |
| Less: net income attributed to participating policyholders | 3 | (4) | 7 | (3) | 4 | (7) |
| Net income attributed to shareholders | 223 | 223 | — | 638 | 456 | 182 |
| Less: dividends on preferred shares issued by a subsidiary | 6 | 6 | — | 17 | 17 | — |
| Net income attributed to common shareholders | 217 | 217 | — | 621 | 439 | 182 |

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

**Revenues by Line of Business**

| | Third quarter | | | | | | |
|---|---|---|---|---|---|---|---|
| **(In millions of dollars)** | **Individual Insurance** | **Individual Wealth Management** | **Group Insurance** | **Group Savings and Retirement** | **US Operations** | **Other** | **Total** |
| Net premiums | 433 | 1,359 | 439 | 804 | 191 | 106 | 3,332 |
| *Variation vs. 2020* | *21* | *426* | *25* | *(364)* | *(39)* | *15* | *84* |
| Investment income | (114) | (2) | 31 | (5) | 6 | 43 | (41) |
| *Variation vs. 2020* | *(371)* | *30* | *(11)* | *(76)* | *(10)* | *1* | *(437)* |
| Other revenues | 31 | 458 | 21 | 29 | 119 | (115) | 543 |
| *Variation vs. 2020* | *4* | *88* | *(3)* | *3* | *58* | *(62)* | *88* |
| Total | 350 | 1,815 | 491 | 828 | 316 | 34 | 3,834 |
| *Variation vs. 2020* | *(346)* | *544* | *11* | *(437)* | *9* | *(46)* | *(265)* |

*Net premiums* – The $84 million increase over the third quarter of 2020 is mainly explained by segregated fund premium growth in Individual Wealth Management.

The increase in net premiums was mitigated by:

- A decrease in Group Savings and Retirement given that a major insured annuities contract was signed in the same period last year.
- The fact that net premiums from US Operations for the third quarter of 2020 include premiums related to the IAS acquisition for the period from May 22, 2020 to June 30, 2020.

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 $437 million decrease in investment income compared to third quarter 2020 is largely due to the decrease in the fair value of bond and derivative financial instrument investments supporting the Individual Insurance contract liabilities, mainly caused by variations in interest rates and currency exchange 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 $88 million in the third 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 $286 million in the third quarter compared to the same period last year. This decrease is explained by a variation in insurance contract liabilities in the Group Savings and Retirement sector and market value movements. 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:

- A variation in net transfers to segregated funds in the Individual Wealth Management sector.
- A variation 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.

**Income Taxes**

For the third quarter of 2021, the Company recorded an income tax expense of $63 million versus $49 million in 2020. These amounts represent the Company's tax expense net of adjustments for prior years, if applicable.

**Net Income Attributed to Common Shareholders**

Net income attributed to common shareholders totalled $217 million for the third quarter of 2021 and 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**

| | 2021 | | | 2020 | | | | 2019 | |
|---|---|---|---|---|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** | **Q4** | **Q3** |
| Revenues | 3,834 | 5,344 | 331 | 4,518 | 4,099 | 6,684 | 2,338 | 2,544 | 3,715 |
| Net income attributed to common shareholders | 217 | 231 | 173 | 172 | 217 | 183 | 39 | 171 | 184 |
| Earnings per common share (in dollars) | | | | | | | | | |
| Basic | $2.01 | $2.16 | $1.61 | $1.61 | $2.03 | $1.71 | $0.37 | $1.60 | $1.73 |
| Diluted | $2.01 | $2.15 | $1.61 | $1.60 | $2.03 | $1.71 | $0.36 | $1.59 | $1.72 |

**Related Party Transactions**
There are no material related party transactions outside the normal course of business to report for the third 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 third quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements in the iA Financial Group 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) | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Book value of investments | 44,320 | 43,775 | 45,147 | 44,687 |
| Allocation of investments by asset class | | | | |
| Bonds | 73.0% | 72.7% | 71.1% | 72.2% |
| Stocks | 8.4% | 8.2% | 7.3% | 7.0% |
| Mortgages and other loans | 6.5% | 6.6% | 6.2% | 5.9% |
| Investment properties | 4.2% | 4.3% | 4.2% | 4.5% |
| Policy loans | 2.3% | 2.2% | 2.0% | 2.0% |
| Cash and short-term investments | 3.3% | 3.0% | 4.3% | 4.0% |
| Other | 2.3% | 3.0% | 4.9% | 4.4% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% |

The total value of the investment portfolio was more than $44 billion at September 30, 2021, up from June 30, 2021. The above table shows the main asset classes that make up the Company's investment portfolio.

| Quality of Investments | | | | |
|---|---|---|---|---|
| **(In millions of dollars, unless otherwise indicated)** | **September 30, 2021** | **June 30, 2021** | **December 31, 2020** | **September 30, 2020** |
| Gross impaired investments | 23 | 23 | 45 | 45 |
| Provisions for impaired investments | 6 | 6 | 14 | 8 |
| Net impaired investments | 17 | 17 | 31 | 37 |
| Net impaired investments as a % of total investments | 0.04% | 0.04% | 0.07% | 0.08% |
| Bonds – Proportion rated BB or lower | 1.03% | 0.90% | 0.99% | 0.77% |
| Mortgages – Proportion of securitized and insured loans[15] | 26.5% | 27.1% | 23.1% | 24.1% |
| – Proportion of insured loans | 45.9% | 45.5% | 50.1% | 49.7% |
| – Delinquency rate | — | — | — | — |
| Investment properties – Occupancy rate | 91.6% | 93.4% | 95.3% | 95.7% |
| Car loans – Average credit loss rate (non-prime)[16] | 2.4% | 2.6% | 3.6% | 4.3% |

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. For investment properties, the occupancy rate remained at at an excellent level, above that of the Canadian office market. Note that in the current environment, there is still too much uncertainty regarding office space for trends to emerge. 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)** | **September 30, 2021** | **June 30, 2021** | **December 31, 2020** | **September 30, 2020** |
| Total notional amount ($B) | 26 | 28 | 32 | 31 |
| Company's credit risk | | | | |
| AA - or higher | 100% | 100% | 100% | 100% |
| A + | — | — | — | — |
| Positive fair value | 485 | 761 | 1,652 | 1,411 |
| Negative fair value | 808 | 610 | 569 | 778 |

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.

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

## FINANCIAL POSITION

**Capitalization**

| (In millions of dollars) | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Equity | | | | |
| Common shares | 1,705 | 1,695 | 1,674 | 1,673 |
| Preferred shares issued by a subsidiary | 525 | 525 | 525 | 525 |
| Contributed surplus | 17 | 18 | 20 | 19 |
| Retained earnings | 4,818 | 4,624 | 4,170 | 4,034 |
| Accumulated other comprehensive income | 4 | 8 | 83 | 106 |
| Subtotal | 7,069 | 6,870 | 6,472 | 6,357 |
| Debentures | 1,450 | 1,449 | 1,449 | 1,448 |
| Participating policyholders' accounts | 38 | 35 | 41 | 46 |
| Total | 8,557 | 8,354 | 7,962 | 7,851 |

The Company's capital amounted to nearly $8.6 billion at September 30, 2021, up $203 million from June 30, 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.

**Solvency**[17]

| (In millions of dollars, unless otherwise indicated) | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Available capital | | | | |
| Tier 1 | 3,125 | 3,049 | 2,767 | 2,717 |
| Tier 2 | 1,838 | 1,822 | 1,601 | 1,603 |
| Surplus allowance and eligible deposits | 5,258 | 5,189 | 5,055 | 4,993 |
| Total | 10,221 | 10,060 | 9,423 | 9,313 |
| Base solvency buffer | 7,815 | 7,716 | 7,267 | 7,469 |
| Solvency ratio | 131% | 130% | 130% | 125% |

The Company ended the third quarter of 2021 with a solvency ratio of 131%. This result is above the Company's target range of 110% to 116%. The increase of 1 percentage point in the third quarter essentially stems from the contribution of organic capital generation as the impact of market-related variations was slightly negative. The acquisition of a majority stake in the online general insurance broker Surex announced on November 2, 2021 will reduce the Company's solvency ratio by about one percentage point (130% pro-forma as at September 30, 2021).

In the third quarter, the Company organically generated approximately $150 million in additional capital, and, after nine months, the $275 million to $325 million target range for the year has already been exceeded.

**Financial Leverage**

| | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Debt ratio | | | | |
| Debentures/capital | 16.9% | 17.3% | 18.2% | 18.4% |
| Debentures + preferred shares issued by a subsidiary/capital | 23.1% | 23.6% | 24.8% | 25.1% |
| Coverage ratio[18] | 15.0x | 14.8x | 11.7x | 12.0x |

17 This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.
18 Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, dividends on preferred shares issued by a subsidiary and redemption premiums on preferred shares issued by a subsidiary (if applicable).

The debt ratios decreased during the third quarter due to the increase in the Company's total capital, while the coverage ratio increased due to higher earnings. The increase over the past twelve months is explained by the pandemic's impact on 2020 earnings.

**Book Value per Common Share and Market Capitalization**

| | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
|---|---|---|---|---|
| Book value per common share | $60.82 | $59.02 | $55.52 | $54.50 |
| Number of common shares outstanding | 107,630,477 | 107,462,727 | 107,063,827 | 107,028,827 |
| Value per share at close | $71.86 | $67.49 | $55.18 | $46.35 |
| Market capitalization | $7,734,326,077 | $7,252,659,445 | $5,907,781,974 | $4,960,786,131 |

Book value per common share was $60.82 at September 30, 2021, up 3% from June 30, 2021, and up 12% over the last twelve months.

The number of common shares outstanding increased by 167,750 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 nearly $7.7 billion at September 30, 2021, up 7% during the third quarter and up 56% 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. In the third quarter of 2021, iA Insurance paid no dividend to its sole common shareholder, iA Financial Corporation. For the fourth 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 | December 15, 2021 | November 19, 2021 | |
| Class A Preferred Share – Series B – iA Insurance | $0.2875 | December 31, 2021 | November 26, 2021 | Non-cumulative dividend |
| Class A Preferred Share – Series G – iA Insurance | $0.2360625 | December 31, 2021 | November 26, 2021 | Non-cumulative dividend |
| Class A Preferred Share – Series I – iA Insurance | $0.3000 | December 31, 2021 | November 26, 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 December 15, 2021 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on November 12, 2021. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA,* in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

## SENSITIVITY ANALYSIS

| Sensitivity Analysis[19] | | | | |
|---|---|---|---|---|
| | September 30, 2021 | June 30, 2021 | December 31, 2020 | September 30, 2020 |
| S&P/TSX closing value | 20,070 points | 20,166 points | 17,433 points | 16,121 points |
| Solvency ratio | 131% | 130% | 130% | 125% |
| **Impact of a drop in the stock markets (S&P/TSX Index)[20]** | | | | |
| Decrease in index requiring a strengthening of provisions for future policy benefits for stocks matched to long-term liabilities | (27%) | (28%) | (27%) | (21%) |
| Index trigger threshold | 14,700 points | 14,500 points | 12,800 points | 12,700 points |
| Net income impact for each additional 1% S&P/TSX decrease below this level | ($23M) | ($22M) | ($24M) | ($21M) |
| Decrease in index that reduces the solvency ratio to 110% | (96%) | (98%) | (83%) | (66%) |
| Index trigger threshold | 800 points | 400 points | 2,900 points | 5,400 points |
| Impact on net income of a sudden 10% drop in the stock markets (over one year) | ($40M) | ($39M) | ($34M) | ($31M) |
| **Impact on net income attributed to common shareholders of a hypothetical 10 bp decrease in interest rates** | | | | |
| Drop in initial reinvestment rate (IRR) | $1M | $4M | $4M | $0M |
| Drop in ultimate reinvestment rate (URR) | ($64M) | ($66M) | ($68M) | ($68M) |

**Caution related to sensitivities**

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

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

## NOTICE AND GENERAL INFORMATION

**Internal Control Over Financial Reporting**

No changes were made to the Company's internal control over financial reporting during the interim period ended September 30, 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.

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

# Consolidated Income Statements

| (unaudited, in millions of dollars, unless otherwise indicated) | Quarters ended September 30 2021 | 2020 | Nine months ended September 30 2021 | 2020 |
|---|---|---|---|---|
| **Revenues** | | | | |
| **Premiums** | | | | |
| Gross premiums | **$ 3,599** | $ 3,492 | **$ 10,578** | $ 8,761 |
| Premiums ceded | **(267)** | (244) | **(767)** | (645) |
| Net premiums (Note 17) | **3,332** | 3,248 | **9,811** | 8,116 |
| **Investment income (Note 5)** | | | | |
| Interest and other investment income | **432** | 356 | **1,113** | 1,107 |
| Change in fair value of investments | **(473)** | 40 | **(2,974)** | 2,587 |
| | **(41)** | 396 | **(1,861)** | 3,694 |
| Other revenues | **543** | 455 | **1,559** | 1,311 |
| | **3,834** | 4,099 | **9,509** | 13,121 |
| **Policy benefits and expenses** | | | | |
| Gross benefits and claims on contracts | **1,604** | 1,468 | **5,861** | 4,301 |
| Ceded benefits and claims on contracts | **(172)** | (137) | **(512)** | (408) |
| Net transfer to segregated funds | **1,018** | 622 | **2,274** | 1,834 |
| Increase (decrease) in insurance contract liabilities | **96** | 950 | **(1,935)** | 4,266 |
| Increase (decrease) in investment contract liabilities | **1** | 3 | **(6)** | 25 |
| Decrease (increase) in reinsurance assets | **(39)** | (18) | **(57)** | (112) |
| | **2,508** | 2,888 | **5,625** | 9,906 |
| Commissions | **540** | 468 | **1,586** | 1,304 |
| General expenses | **441** | 422 | **1,309** | 1,203 |
| Premium and other taxes | **35** | 34 | **105** | 94 |
| Financing charges | **21** | 19 | **58** | 55 |
| | **3,545** | 3,831 | **8,683** | 12,562 |
| **Income before income taxes** | **289** | 268 | **826** | 559 |
| Income taxes (Note 16) | **63** | 49 | **191** | 99 |
| **Net income** | **$ 226** | $ 219 | **$ 635** | $ 460 |
| Net income attributed to participating policyholders | **3** | (4) | **(3)** | 4 |
| **Net income attributed to shareholders** | **$ 223** | $ 223 | **$ 638** | $ 456 |
| Dividends attributed to preferred shares issued by a subsidiary (Note 12) | **6** | 6 | **17** | 17 |
| **Net income attributed to common shareholders** | **$ 217** | $ 217 | **$ 621** | $ 439 |
| **Earnings per common share (in dollars) (Note 18)** | | | | |
| Basic | **$ 2.01** | $ 2.03 | **$ 5.78** | $ 4.11 |
| Diluted | **2.01** | 2.03 | **5.76** | 4.10 |
| **Weighted average number of shares outstanding (in millions of units) (Note 18)** | | | | |
| Basic | **108** | 107 | **107** | 107 |
| Diluted | **108** | 107 | **108** | 107 |
| **Dividends per common share (in dollars) (Note 11)** | **0.49** | 0.49 | **1.46** | 1.46 |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

# Consolidated Comprehensive Income Statements

| (unaudited, in millions of dollars) | Quarters ended September 30 **2021** | 2020 | Nine months ended September 30 **2021** | 2020 |
|---|---|---|---|---|
| **Net income** | **$ 226** | $ 219 | **$ 635** | $ 460 |
| **Other comprehensive income, net of income taxes** | | | | |
| **Items that may be reclassified subsequently to net income:** | | | | |
| Available for sale financial assets | | | | |
| Unrealized gains (losses) on available for sale financial assets | **(17)** | 46 | **(53)** | 73 |
| Reclassification of losses (gains) on available for sale financial assets included in net income | **(6)** | (2) | **(20)** | (16) |
| | **(23)** | 44 | **(73)** | 57 |
| Net investment hedge | | | | |
| Unrealized gains (losses) on currency translation in foreign operations | **53** | (72) | **(9)** | — |
| Hedges of net investment in foreign operations | **(33)** | 23 | **4** | (28) |
| | **20** | (49) | **(5)** | (28) |
| Cash flow hedge | | | | |
| Unrealized gains (losses) on cash flow hedges | **(1)** | (10) | **(1)** | 21 |
| **Items that will not be reclassified subsequently to net income:** | | | | |
| Remeasurement of post-employment benefits | **29** | (15) | **183** | (71) |
| Total other comprehensive income | **25** | (30) | **104** | (21) |
| **Comprehensive income** | **$ 251** | $ 189 | **$ 739** | $ 439 |
| Comprehensive income attributed to participating policyholders | **3** | (4) | **(3)** | 4 |
| **Comprehensive income attributed to shareholders** | **$ 248** | $ 193 | **$ 742** | $ 435 |

# Income Taxes Included in Other Comprehensive Income

| (unaudited, in millions of dollars) | Quarters ended September 30 **2021** | 2020 | Nine months ended September 30 **2021** | 2020 |
|---|---|---|---|---|
| **Income tax recovery (expense) related to:** | | | | |
| **Items that may be reclassified subsequently to net income:** | | | | |
| Unrealized losses (gains) on available for sale financial assets | **$ 5** | $ (16) | **$ 15** | $ (25) |
| Reclassification of gains (losses) on available for sale financial assets included in net income | **3** | 2 | **8** | 6 |
| Hedges of net investment in foreign operations | **6** | (4) | **—** | 5 |
| Unrealized losses (gains) on cash flow hedges | **—** | — | **—** | (5) |
| | **14** | (18) | **23** | (19) |
| **Items that will not be reclassified subsequently to net income:** | | | | |
| Remeasurement of post-employment benefits | **(11)** | 5 | **(66)** | 25 |
| **Total income tax recovery (expense) included in other comprehensive income** | **$ 3** | $ (13) | **$ (43)** | $ 6 |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

# Consolidated Statements of Financial Position

| (in millions of dollars) | As at September 30 2021 (unaudited) | As at December 31 2020 |
|---|---|---|
| **Assets** | | |
| **Investments (Note 5)** | | |
| Cash and short-term investments | **$ 1,445** | $ 1,949 |
| Bonds | **32,333** | 32,099 |
| Stocks | **3,725** | 3,286 |
| Mortgages and other loans | **2,897** | 2,801 |
| Derivative financial instruments (Note 8) | **485** | 1,652 |
| Policy loans | **1,015** | 881 |
| Other invested assets | **545** | 563 |
| Investment properties | **1,875** | 1,916 |
| | **44,320** | 45,147 |
| Other assets | **4,407** | 3,261 |
| Reinsurance assets | **2,223** | 1,981 |
| Fixed assets | **369** | 390 |
| Deferred income tax assets | **34** | 38 |
| Intangible assets | **1,666** | 1,621 |
| Goodwill | **1,207** | 1,224 |
| General fund assets | **54,226** | 53,662 |
| Segregated funds net assets (Note 9) | **36,886** | 32,804 |
| **Total assets** | **$ 91,112** | $ 86,466 |
| **Liabilities** | | |
| Insurance contract liabilities | **$ 34,636** | $ 36,527 |
| Investment contract liabilities | **566** | 575 |
| Derivative financial instruments (Note 8) | **808** | 569 |
| Other liabilities | **9,222** | 7,647 |
| Deferred income tax liabilities | **437** | 382 |
| Debentures | **1,450** | 1,449 |
| General fund liabilities | **47,119** | 47,149 |
| Liabilities related to segregated funds net assets (Note 9) | **36,886** | 32,804 |
| **Total liabilities** | **$ 84,005** | $ 79,953 |
| **Equity** | | |
| Share capital and contributed surplus | **$ 1,722** | $ 1,694 |
| Preferred shares issued by a subsidiary (Note 12) | **525** | 525 |
| Retained earnings and accumulated other comprehensive income | **4,822** | 4,253 |
| Participating policyholders' accounts | **38** | 41 |
| | **7,107** | 6,513 |
| **Total liabilities and equity** | **$ 91,112** | $ 86,466 |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

# Consolidated Equity Statements

| | As at September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| (unaudited, in millions of dollars) | Participating policyholders' accounts | Common shares (Note 11) | Preferred shares issued by a subsidiary (Note 12) | Contributed surplus | Retained earnings | Accumulated other comprehensive income (Note 13) | Total |
| Balance as at December 31, 2019 | $ 42 | $ 1,666 | $ 525 | $ 18 | $ 3,823 | $ 56 | $ 6,130 |
| Net income attributed to shareholders | — | — | — | — | 633 | — | 633 |
| Net income attributed to participating policyholders' accounts | (1) | — | — | — | — | — | (1) |
| Other comprehensive income | — | — | — | — | — | (27) | (27) |
| **Comprehensive income for the year** | (1) | — | — | — | 633 | (27) | 605 |
| **Equity transactions** | | | | | | | |
| Transfer of post-employment benefits | — | — | — | — | (54) | 54 | — |
| Stock option plan | — | — | — | 3 | — | — | 3 |
| Stock options exercised | — | — | — | (1) | — | — | (1) |
| Common shares issued | — | 9 | — | — | — | — | 9 |
| Redemption of common shares | — | (1) | — | — | (3) | — | (4) |
| Dividends on common shares | — | — | — | — | (208) | — | (208) |
| Dividends on preferred shares issued by a subsidiary | — | — | — | — | (22) | — | (22) |
| Other | — | — | — | — | 1 | — | 1 |
| | — | 8 | — | 2 | (286) | 54 | (222) |
| **Balance as at December 31, 2020** | **41** | **1,674** | **525** | **20** | **4,170** | **83** | **6,513** |
| Net income attributed to shareholders | **—** | **—** | **—** | **—** | **638** | **—** | **638** |
| Net income attributed to participating policyholders' accounts | **(3)** | **—** | **—** | **—** | **—** | **—** | **(3)** |
| Other comprehensive income | **—** | **—** | **—** | **—** | **—** | **104** | **104** |
| **Comprehensive income for the period** | **(3)** | **—** | **—** | **—** | **638** | **104** | **739** |
| **Equity transactions** | | | | | | | |
| Transfer of post-employment benefits | **—** | **—** | **—** | **—** | **183** | **(183)** | **—** |
| Stock option plan | **—** | **—** | **—** | **2** | **—** | **—** | **2** |
| Stock options exercised | **—** | **—** | **—** | **(5)** | **—** | **—** | **(5)** |
| Common shares issued | **—** | **31** | **—** | **—** | **—** | **—** | **31** |
| Dividends on common shares | **—** | **—** | **—** | **—** | **(156)** | **—** | **(156)** |
| Dividends on preferred shares issued by a subsidiary | **—** | **—** | **—** | **—** | **(17)** | **—** | **(17)** |
| | **—** | **31** | **—** | **(3)** | **10** | **(183)** | **(145)** |
| **Balance as at September 30, 2021** | **$ 38** | **$ 1,705** | **$ 525** | **$ 17** | **$ 4,818** | **$ 4** | **$ 7,107** |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

| | As at September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Participating policyholders' accounts | Common shares | Preferred shares issued by a subsidiary | Contributed surplus | Retained earnings | Accumulated other comprehensive income | Total |
| (unaudited, in millions of dollars) | | (Note 11) | (Note 12) | | | (Note 13) | |
| Balance as at December 31, 2019 | $ 42 | $ 1,666 | $ 525 | $ 18 | $ 3,823 | $ 56 | $ 6,130 |
| Net income attributed to shareholders | — | — | — | — | 456 | — | 456 |
| Net income attributed to participating policyholders' accounts | 4 | — | — | — | — | — | 4 |
| Other comprehensive income | — | — | — | — | — | (21) | (21) |
| **Comprehensive income for the period** | 4 | — | — | — | 456 | (21) | 439 |
| **Equity transactions** | | | | | | | |
| Transfer of post-employment benefits | — | — | — | — | (71) | 71 | — |
| Stock option plan | — | — | — | 2 | — | — | 2 |
| Stock options exercised | — | — | — | (1) | — | — | (1) |
| Common shares issued | — | 8 | — | — | — | — | 8 |
| Redemption of common shares | — | (1) | — | — | (3) | — | (4) |
| Dividends on common shares | — | — | — | — | (156) | — | (156) |
| Dividends on preferred shares issued by a subsidiary | — | — | — | — | (17) | — | (17) |
| Other | — | — | — | — | 2 | — | 2 |
| | — | 7 | — | 1 | (245) | 71 | (166) |
| Balance as at September 30, 2020 | $ 46 | $ 1,673 | $ 525 | $ 19 | $ 4,034 | $ 106 | $ 6,403 |

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

# Consolidated Cash Flows Statements

| | Nine months ended September 30 | |
|---|---|---|
| (unaudited, in millions of dollars) | **2021** | 2020 |
| **Cash flows from operating activities** | | |
| Income before income taxes | **$ 826** | $ 559 |
| Financing charges | **58** | 55 |
| Income taxes paid, net of refunds | **(187)** | (135) |
| Operating activities not affecting cash: | | |
| Increase (decrease) in insurance contract liabilities | **(1,889)** | 4,390 |
| Increase (decrease) in investment contract liabilities | **(9)** | (65) |
| Decrease (increase) in reinsurance assets | **(210)** | (176) |
| Unrealized losses (gains) on investments | **2,974** | (2,583) |
| Provisions for losses | **20** | 45 |
| Amortization of premiums and discounts | **23** | 14 |
| Other depreciation | **294** | 274 |
| Goodwill impairment (Note 15) | **—** | 24 |
| Gain on disposal of business | **—** | (16) |
| Other items not affecting cash | **23** | (470) |
| Operating activities affecting cash: | | |
| Sales, maturities and repayments on investments | **16,264** | 12,078 |
| Purchases of investments | **(18,844)** | (12,415) |
| Realized losses (gains) on investments | **(23)** | (41) |
| Other items affecting cash | **562** | 42 |
| Net cash from (used in) operating activities | **(118)** | 1,580 |
| **Cash flows from investing activities** | | |
| Acquisition of businesses, net of cash | **—** | (1,044) |
| Disposal of business, net of cash | **—** | 79 |
| Sales (purchases) of fixed and intangible assets | **(178)** | (121) |
| Net cash from (used in) investing activities | **(178)** | (1,086) |
| **Cash flows from financing activities** | | |
| Issuance of common shares | **26** | 6 |
| Redemption of common shares (Note 11) | **—** | (4) |
| Issuance of debentures (Note 10) | **—** | 398 |
| Reimbursement of lease liabilities[1] | **(16)** | (22) |
| Dividends paid on common shares | **(156)** | (156) |
| Dividends paid on preferred shares issued by a subsidiary | **(17)** | (17) |
| Interest paid on debentures | **(42)** | (37) |
| Interest paid on lease liabilities | **(3)** | (4) |
| Net cash from (used in) financing activities | **(208)** | 164 |
| Foreign currency gains (losses) on cash | **—** | 2 |
| **Increase (decrease) in cash and short-term investments** | **(504)** | 660 |
| **Cash and short-term investments at beginning** | **1,949** | 1,108 |
| **Cash and short-term investments at end** | **$ 1,445** | $ 1,768 |
| **Supplementary information:** | | |
| Cash | **$ 1,260** | $ 1,293 |
| Short-term investments | **185** | 475 |
| Total cash and short-term investments | **$ 1,445** | $ 1,768 |

[1] For the nine months ended September 30, 2021, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of $3 ($20 for the nine months ended September 30, 2020) of non-affecting cash items, mostly attributable to new liabilities.

The accompanying notes are an integral part of these Interim Condensed Consolidated Financial Statements.

# Notes to Interim Condensed Consolidated Financial Statements

Nine months ended September 30, 2021 and 2020 (unaudited) (in millions of dollars, unless otherwise indicated)

## 1 › General Information

iA Financial Corporation Inc. (iA Financial Corporation) is a holding company listed on the Toronto Stock Exchange and incorporated under the *Business Corporations Act* (Quebec). iA Financial Corporation and its subsidiaries (the "Company") offer a wide range of life and health insurance products, savings and retirement plans, mutual funds, securities, mortgages, auto and home insurance, creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services and other financial products and services. The Company's products and services are offered on both an individual and group basis and extend throughout Canada and the United States.

The Company's Interim Condensed Consolidated Financial Statements (the "Financial Statements") are prepared on the basis of International Financial Reporting Standards (IFRS) in accordance with IAS 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (IASB). These Financial Statements do not contain all the information required in a complete annual financial statement and should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2020, which are included in the 2020 Annual Report. The significant accounting policies used to prepare these Financial Statements are consistent with those found in the 2020 Annual Report, except for items mentioned in Note 3.

Publication of these Financial Statements was authorized for issue by the Company's Board of Directors on November 3, 2021.

## 2 › Impacts of COVID-19 Pandemic

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has caused turbulence in the financial markets, resulted in economic uncertainty and disrupted the activities of the business community and citizens. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. Governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. The risk management program established by the Company has made it possible, since the beginning of the pandemic, to mitigate the negative effects of this crisis on its results. The initiatives deployed by the Company help to ensure the continuity of all of its activities, while protecting the health and the safety of its employees. More detailed information regarding the pandemic's impact on the valuation of the Company's assets and liabilities as at December 31, 2020, is provided in the Financial Statements as at that date, which are included in the 2020 Annual Report, in Note 2, section b) "Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic".

At this time, it is impossible to reliably assess the duration and extent of the impacts that the pandemic could have on the Company's future financial results, due to uncertainties still prevailing as at September 30, 2021. The significant estimates, assumptions and judgments made by management in the preparation of these Financial Statements take into account these uncertainties.

As at December 31, 2020, during the annual assumption review, the Company increased the *Insurance contract liabilities* to take into account the temporary rise in mortality and the lapse assumptions for certain policies, both caused by the COVID-19 pandemic. For the nine months ended September 30, 2021, the Company paid benefits that were related to the pandemic and has consequently reduced the *Insurance contract liabilities.*

The effect of the pandemic on the results for the nine months ended September 30, 2021, are not significant.

Actual results could differ from best estimates, as mentioned in Note 2, section b) "Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic" of the Financial Statements for the year ended December 31, 2020, which are included in the Company's 2020 Annual Report.

## 3 › Changes in Accounting Policies

**New Accounting Policies Applied**

These standards or amendments apply to financial statements beginning on or after January 1, 2021.

| Standards or amendments | Description of the standards or amendments and impacts on financial statements of the Company |
|---|---|
| IFRS 4 *Insurance Contracts* | *Description:* On September 12, 2016, the IASB published an amendment to IFRS 4 *Insurance Contracts.* This amendment, *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*, provides two options to entities applying IFRS 4:<br>• the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4;<br>• the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities.<br><br>On June 25, 2020, the IASB published an amendment to IFRS 4 *Insurance Contracts* to extend the deferral approach until January 1, 2023.<br><br>*Status:* The Company met all criteria and chose the deferral approach, as described below in the section "Information on the Deferral of the Application of IFRS 9 *Financial Instruments*". The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023. |

| | |
|---|---|
| IFRS 16 *Leases* | *Description:* On May 28, 2020, the IASB published an amendment to IFRS 16 *Leases*. The amendment *COVID-19-Related Rent Concessions* exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This amendment applies retrospectively.<br><br>On March 31, 2021, the IASB published an amendment to IFRS 16 *Leases*. The amendment *COVID-19-Related Rent Concessions beyond 30 June 2021* extends the practical relief regarding COVID-19-related rent concessions until June 30, 2022.<br><br>*Impact:* No impact on the Company's financial statements. |
| IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* | *Description*: On August 27, 2020, the IASB published an amendment to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendment, *Interest Rate Benchmark Reform – Phase 2*, clarifies the requirements related to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements of financial instruments when an existing interest rate benchmark is replaced. This amendment applies on a modified retrospective basis.<br><br>*Impact:* No impact on the Company's financial statements. |

**Future Changes in Accounting Policies**

Standards or amendments are presented on the basis of their publication date unless a more relevant approach allows for better information.

| Standards or amendments | Description of the standards or amendments |
|---|---|
| IFRS 9 *Financial Instruments* | The Company adopted the amendment to IFRS 4 *Insurance Contracts* described in the section "New Accounting Policies Applied". Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17.<br><br>*Description:* On July 24, 2014, the IASB published the standard IFRS 9 *Financial Instruments* which replaces the provisions of the standard IAS 39 *Financial Instruments: Recognition and Measurement.* The standard IFRS 9:<br>• requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets;<br>• changes the accounting for financial liabilities measured using the fair value option;<br>• proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date;<br>• modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities.<br>The provisions of the new standard IFRS 9 will apply retrospectively or on a modified retrospective basis.<br><br>On October 12, 2017, the IASB published an amendment to IFRS 9 *Financial Instruments*. The amendment *Prepayment Features with Negative Compensation* enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation.<br><br>On August 27, 2020, the IASB published an amendment to IFRS 9 *Financial Instruments*. The amendment, *Interest Rate Benchmark Reform – Phase 2*, clarifies among other things the requirements related to financial assets, financial liabilities and specific hedge accounting requirements when an existing interest rate benchmark is replaced.<br><br>*Status:* The Company is currently evaluating the impact of this standard on its financial statements. |
| IFRS 17 *Insurance Contracts* | *Description:* On May 18, 2017, the IASB published the standard IFRS 17 *Insurance Contracts* which replaces the provisions of the standard IFRS 4 *Insurance Contracts.* The standard IFRS 17:<br>• has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement;<br>• establishes the principles for recognition, measurement, presentation and disclosure;<br>• defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities;<br>• defines a specific model for contracts of one year or less.<br>The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are previously applied.<br><br>On June 25, 2020, the IASB published an amendment to IFRS 17 *Insurance Contracts* that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023.<br><br>On July 28, 2021, the IASB proposed a narrow-scope amendment to the transition requirements for entities that first apply IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* at the same time to improve the usefulness of the comparative information at the time of initial application. The IASB expects to issue the amendment to IFRS 17 *Insurance Contracts* in the fourth quarter of 2021.<br><br>*Status:* The Company is currently evaluating the impact on presentation, disclosure and measurement of the insurance contract liabilities that this standard will have on its financial statements. |

| | |
|---|---|
| IAS 1 *Presentation of Financial Statements* | *Description:* On January 23, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.<br><br>On July 15, 2020, the IASB published an amendment to IAS 1 *Presentation of Financial Statements* that postpones the effective date to financial statements beginning on or after January 1, 2023.<br><br>*Status:* The Company is currently evaluating the impact of this amendment on its financial statements. |
| IAS 16 *Property, Plant and Equipment* | *Description:* On May 14, 2020, the IASB published an amendment to IAS 16 *Property, Plant and Equipment*. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.<br><br>*Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements. |
| IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* | *Description:* On May 14, 2020, the IASB published an amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The amendment clarifies that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2022. Early adoption is permitted.<br><br>*Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements. |
| IFRS 3 *Business Combinations* | *Description:* On May 14, 2020, the IASB published an amendment to IFRS 3 *Business Combinations*. The amendment updates the reference to the Conceptual Framework and adds an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted.<br><br>*Status:* The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements. |
| Annual Improvements to IFRSs 2018-2020 Cycle | *Description:* On May 14, 2020, the IASB published the Annual Improvements to IFRSs 2018-2020 Cycle. The Annual Improvements clarify situations specific to four standards:<br>• IFRS 1 *First-time Adoption of International Financial Reporting Standards* related to the fact that a subsidiary that becomes a first-time adopter later than its parent is allowed to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs;<br>• IFRS 9 *Financial Instruments* related to the fact that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf, are included when the entity applies the '10 per cent' test in assessing whether to derecognize a financial liability;<br>• IFRS 16 *Leases* related to Illustrative Example 13 accompanying IFRS 16 that removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion;<br>• IAS 41 *Agriculture* related to the fact that an entity no longer excludes taxation cash flows when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in IFRS 13 *Fair Value Measurement*.<br>The provisions of IFRS 1, IFRS 9, and IAS 41 will apply prospectively to financial statements beginning on or after January 1, 2022. Considering that the Company met all criteria and chose the IFRS 9 deferral approach, the Company will apply the annual improvement to IFRS 9 only to financial statements beginning on or after January 1, 2023. Early adoption is permitted. The Annual Improvement to IFRS 16 only regards an illustrative example, so it is applicable immediately.<br><br>*Status:* The Company has completed the analysis of these improvements and does not expect any significant impact on its financial statements. |
| IAS 1 *Presentation of Financial Statements* | *Description:* On February 12, 2021, the IASB published an amendment to IAS 1 *Presentation of Financial Statements*. The amendment *Disclosure of Accounting Policies* requires entities to disclose their material accounting policy information rather than their significant accounting policies. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted.<br><br>*Status:* The Company is currently evaluating the impact of this amendment on its financial statements. |
| IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* | *Description:* On February 12, 2021, the IASB published an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment *Definition of Accounting Estimates* introduces the definition of accounting estimates and clarifies the distinction between a change in accounting estimate and a change in accounting policy. The provisions of this amendment will apply prospectively to financial statements beginning on or after January 1, 2023. Early adoption is permitted.<br><br>*Status:* The Company is currently evaluating the impact of this amendment on its financial statements. |
| IAS 12 *Income Taxes* | *Description:* On May 7, 2021, the IASB published an amendment to IAS 12 *Income Taxes*. The amendment *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* clarifies the accounting for deferred tax on transactions that give rise to equal taxable and deductible temporary differences on initial recognition, such as with leases and decommissioning obligations. The provisions of this amendment will apply on a modified retrospective basis to financial statements beginning on or after January 1, 2023. Early adoption is permitted.<br><br>*Status:* The Company is currently evaluating the impact of this amendment on its financial statements. |

**Information on the Deferral of the Application of IFRS 9 *Financial Instruments***

The Company applies IFRS 4 *Insurance Contracts* in its operations. This standard was amended in 2016 to allow entities that apply IFRS 4 to defer the application of IFRS 9 *Financial Instruments* if total liabilities for insurance activities represent more than 90% of the entity's total liabilities. This calculation is made as of the closing date preceding April 1, 2016, the calculation date identified in the standard.

For this calculation, the Company primarily considered insurance contract liabilities, investment contract liabilities, liabilities related to segregated funds net assets and debentures as at December 31, 2015. Liabilities related to its insurance activities are greater than 90% of total liabilities.

The Company has decided to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at September 30, 2021, an amount of $856 ($948 as at December 31, 2020) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

## 4 › Acquisition and Disposal of Businesses

**Acquisition of Businesses**

On January 10, 2020, the Company announced that it acquired 100% of the shares of three Canadian companies specializing in vehicle warranties: WGI Service Plan Division Inc. and WGI Manufacturing Inc. (collectively "WGI") as well as Lubrico Warranty Inc. WGI wholesale manufactures and administrates chemical protection products for the automobile industry through independent dealers across Canada. As for Lubrico Warranty Inc., it sells car warranties through used vehicle dealerships across Canada (except in the province of Quebec). As at December 31, 2020, the allocation of the acquisition price process was completed for these acquisitions.

On May 22, 2020, the Company acquired 100% of the shares of IAS Parent Holdings, Inc. and its subsidiaries (collectively "IAS"). IAS is one of the largest independent providers of solutions in the U.S. vehicle warranty market. IAS provides a comprehensive portfolio of vehicle warranties and related software and services sold through one of the industry's broadest and most diverse distribution networks in the U.S. market. As at March 31, 2021, the allocation of the acquisition price process was completed for this acquisition, and the adjustments made in the final allocation did not have a significant impact on the Company's financial statements.

**Disposal of Business**

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. The sale reflects the Company's decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.

## 5 › Invested Assets and Investment Income

### a) Carrying Value and Fair Value

| | As at September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions of dollars) | At fair value through profit or loss | Available for sale | Held to maturity | Loans and receivables | Other | Total | Fair value |
| **Cash and short-term investments** | $ 321 | $ — | $ — | $ 1,124 | $ — | $ 1,445 | $ 1,445 |
| **Bonds** | | | | | | | |
| Governments | 11,828 | 2,014 | 307 | 107 | — | 14,256 | |
| Municipalities | 1,121 | 295 | — | 39 | — | 1,455 | |
| Corporate and other | 11,496 | 2,466 | — | 2,660 | — | 16,622 | |
| | 24,445 | 4,775 | 307 | 2,806 | — | 32,333 | 32,594 |
| **Stocks** | | | | | | | |
| Common | 2,051 | 62 | — | — | — | 2,113 | |
| Preferred | 236 | 490 | — | — | — | 726 | |
| Stock indexes | 139 | 7 | — | — | — | 146 | |
| Investment fund units | 733 | 7 | — | — | — | 740 | |
| | 3,159 | 566 | — | — | — | 3,725 | 3,725 |
| **Mortgages and other loans** | | | | | | | |
| Insured mortgages | | | | | | | |
| Multi-residential | — | — | — | 1,344 | — | 1,344 | |
| Non-residential | — | — | — | 4 | — | 4 | |
| | — | — | — | 1,348 | — | 1,348 | |
| Conventional mortgages | | | | | | | |
| Multi-residential | 35 | — | — | 191 | — | 226 | |
| Non-residential | 31 | — | — | 257 | — | 288 | |
| | 66 | — | — | 448 | — | 514 | |
| Other loans | — | — | — | 1,035 | — | 1,035 | |
| | 66 | — | — | 2,831 | — | 2,897 | 2,984 |
| **Derivative financial instruments** | 485 | — | — | — | — | 485 | 485 |
| **Policy loans** | — | — | — | 1,015 | — | 1,015 | 1,015 |
| **Other invested assets** | — | 101 | — | 3 | 441 | 545 | 545 |
| **Investment properties** | — | — | — | — | 1,875 | 1,875 | 1,904 |
| **Total investments** | $ 28,476 | $ 5,442 | $ 307 | $ 7,779 | $ 2,316 | $ 44,320 | $ 44,697 |

| | As at December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions of dollars) | At fair value through profit or loss | Available for sale | Held to maturity | Loans and receivables | Other | Total | Fair value |
| **Cash and short-term investments** | $ 831 | $ — | $ — | $ 1,118 | $ — | $ 1,949 | $ 1,949 |
| **Bonds** | | | | | | | |
| Governments | 12,729 | 1,855 | 494 | 117 | — | 15,195 | |
| Municipalities | 1,306 | 205 | — | 40 | — | 1,551 | |
| Corporate and other | 10,923 | 1,952 | — | 2,478 | — | 15,353 | |
| | 24,958 | 4,012 | 494 | 2,635 | — | 32,099 | 32,501 |
| **Stocks** | | | | | | | |
| Common | 1,774 | 50 | — | — | — | 1,824 | |
| Preferred | 233 | 506 | — | — | — | 739 | |
| Stock indexes | 61 | 7 | — | — | — | 68 | |
| Investment fund units | 623 | 32 | — | — | — | 655 | |
| | 2,691 | 595 | — | — | — | 3,286 | 3,286 |
| **Mortgages and other loans** | | | | | | | |
| Insured mortgages | | | | | | | |
| Multi-residential | — | — | — | 1,379 | — | 1,379 | |
| Non-residential | — | — | — | 5 | — | 5 | |
| | — | — | — | 1,384 | — | 1,384 | |
| Conventional mortgages | | | | | | | |
| Multi-residential | 48 | — | — | 200 | — | 248 | |
| Non-residential | 33 | — | — | 226 | — | 259 | |
| | 81 | — | — | 426 | — | 507 | |
| Other loans | — | — | — | 910 | — | 910 | |
| | 81 | — | — | 2,720 | — | 2,801 | 2,935 |
| **Derivative financial instruments** | 1,652 | — | — | — | — | 1,652 | 1,652 |
| **Policy loans** | — | — | — | 881 | — | 881 | 881 |
| **Other invested assets** | — | 123 | — | 4 | 436 | 563 | 563 |
| **Investment properties** | — | — | — | — | 1,916 | 1,916 | 1,943 |
| **Total investments** | $ 30,213 | $ 4,730 | $ 494 | $ 7,358 | $ 2,352 | $ 45,147 | $ 45,710 |

The majority of bonds and stocks, designated at fair value through profit or loss, are assets used by the Company to match insurance contract liabilities and investment contract liabilities. The change in the fair value of financial assets designated at fair value through profit or loss is therefore reflected in insurance contract liabilities and investment contract liabilities.

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments, as well as securities designated at fair value through profit or loss.

Other invested assets are made up of bonds and investment units which represent restricted investments, notes receivable and investments in associates and joint ventures. Bonds and fund units are classified as available for sale. Notes receivable are classified as loans and receivables. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column.

The fair value of investment properties includes the carrying value of investment properties accounted for at fair value and the fair value of linearization of rents accounted for in *Other Assets*.

**b) Investments in Associates and Joint Ventures**

The Company holds interests ranging from 25% to 50% as at September 30, 2021 and as at December 31, 2020. The carrying value of these investments as at September 30, 2021 is $441 ($436 as at December 31, 2020). The share of net income and comprehensive income for the nine months ended September 30, 2021 amounts to $13 ($13 for the nine months ended September 30, 2020).

**c) Investment Income**

| | Quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| (in millions of dollars) | **2021** | 2020 | **2021** | 2020 |
| **Interest and other investment income** | | | | |
| Interest | **$ 299** | $ 260 | **$ 801** | $ 823 |
| Dividends | **75** | 25 | **149** | 108 |
| Derivative financial instruments | **3** | 1 | **9** | (2) |
| Rental income | **43** | 56 | **138** | 162 |
| Gains (losses) realized | **8** | 19 | **23** | 41 |
| Variation in provisions for losses | **(8)** | (8) | **(20)** | (45) |
| Other | **12** | 3 | **13** | 20 |
| | **432** | 356 | **1,113** | 1,107 |
| **Change in fair value of investments** | | | | |
| Cash and short-term investments | **—** | 1 | **—** | 4 |
| Bonds | **(287)** | (127) | **(2,170)** | 2,048 |
| Stocks | **52** | 88 | **257** | (50) |
| Mortgages and other loans | **2** | (2) | **(1)** | 4 |
| Derivative financial instruments | **(257)** | 81 | **(1,047)** | 657 |
| Investment properties | **—** | (4) | **(13)** | (75) |
| Other | **17** | 3 | **—** | (1) |
| | **(473)** | 40 | **(2,974)** | 2,587 |
| **Total investment income** | **$ (41)** | $ 396 | **$ (1,861)** | $ 3,694 |

## 6 › Fair Value of Financial Instruments and Investment Properties

### a) Methods and Assumptions Used to Estimate Fair Values

Fair value is the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management exercises its judgment to determine the data that will be used to measure the fair value of financial assets and liabilities, particularly for financial instruments classified as Level 3. Fair value of various categories of financial instruments and investment properties is determined as described below.

**Financial Assets**

*Short-Term Investments* – Carrying value of these investments represents the fair value due to their short-term maturity.

*Bonds* – Bonds are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available.

*Stocks* – Stocks are valued based on quote price, observed on active markets. If the price is not available on the active markets, fair value is determined using equity valuation models, which analyze the fair value of the net asset, and other techniques that rely on comparisons with reference data, such as market indices. Investment fund units are evaluated at the net asset value published by the fund manager.

*Mortgages and Other Loans* – The fair value of mortgages and other loans is estimated by discounting the cash flows with the interest rates currently prevailing on the market for loans with substantially the same credit risk and terms.

*Derivative Financial Instruments* – Fair value of derivative financial instruments is determined according to the type of derivative financial instrument. Fair value of derivative financial instruments such as futures contracts and options traded on the stock exchanges is determined in accordance with quoted prices on active markets. Derivative financial instruments that are traded over the counter are valued using valuation models such as actualized cash flow analysis and other valuation models used on the market. These valuations are based on observable data on the market, including interest rates, foreign exchange rates, financial indices, rate differentials, credit risk and volatility.

Among derivative financial instruments, certain other derivative contracts are subject to trading restrictions. In such situations, an illiquidity premium based on data that are not observable on the market is used to ascertain the fair value of these derivative financial instruments. While these data are not observable, they are based on assumptions deemed appropriate given the circumstances. Once the restricted trading period ends, the instruments are valued using standard valuation models based on data observable on the market, as described previously. The Company's use of non-observable data is limited to the trading restrictions period, and their effect on the fair value of derivative financial instruments does not represent a significant amount.

*Policy Loans* – Policy loans are carried at amortized cost. They are guaranteed and may be reimbursed at any time. Their fair value approximates their carrying value due to their nature.

*Other Invested Assets* – The fair value of other invested assets is determined according to the type of invested assets. Fair value of notes receivable and investments in associates and joint ventures is approximately the same as the carrying value due to the nature of these elements. Bonds which are restricted investments are valued based on quoted price, observed on active markets for identical or similar assets. If prices are not available on active markets, fair value is estimated using current valuation methods, including a model based on discounting expected cash flows or other similar techniques. These methods take into account current data observable on the market for financial instruments that have similar risk profiles and comparable terms. The significant data used in these models include, but are not limited to, rate curves, credit risk, issuer spread, volatility and liquidity valuation, and other reference data published by the market. Management makes its best estimates when such data are not available. Investment fund units which are restricted investments are evaluated at the net asset value published by the fund manager.

*Other Assets* – The fair value of the other financial assets is approximately the same as the carrying value due to their short-term nature.

**Investment Properties**

The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible physical use that is legally admissible, financially feasible and achievable in the short term based on demand, and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly.

**Financial Liabilities**

*Derivative Financial Instruments* – The fair value of derivative financial instruments recorded as financial liabilities is presented in Note 8 "Derivative Financial Instruments" and is equal to the carrying amounts reported in the negative fair value column. The fair value is determined according to the method and assumptions previously described in the "Financial Assets" section.

*Other Liabilities* – The fair value of other liabilities, except short-selling securities, securitization liabilities and mortgage debt, is approximately the same as the carrying value due to their short-term nature.

Short-selling securities, classified as held for trading, are measured using the observed market prices in active markets for identical or similar financial instruments. If quoted prices in active markets are not available, fair value is estimated using standard methods of assessment, such as a model based on discounted future cash flows or similar techniques. These methods take into account the current observable market data for financial instruments with a similar risk profile and comparable terms. The significant data used in these models include, but are not limited to, yield curves, credit risks, issuer spreads, volatility and liquidity valuation and other reference data published by the markets.

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms.

The fair value of the mortgage debt is $71 ($76 as at December 31, 2020). The mortgage debt is secured by an investment property with a carrying value of $168 ($174 as at December 31, 2020), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is $2 ($2 for the nine months ended September 30, 2020).

*Debentures* – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments.

**b) Hierarchy of the Fair Value**

Disclosures regarding financial instruments and investment properties must be presented as a hierarchy that categorizes the inputs to valuation models used to measure the fair value of financial assets and financial liabilities. The hierarchy gives the highest priority to readily available unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobserved inputs. The three levels of the hierarchy are described below:

Level 1 – Valuation based on quoted prices in active markets (unadjusted) for identical assets or liabilities. Stocks traded on the market, among other things, are classified in Level 1.

Level 2 – Valuation model based on inputs other than quoted prices included in Level 1 that are observable on the market for the asset or liability, either directly or indirectly. Most bonds, short-term investments and certain derivative financial instruments are classified in Level 2.

Level 3 – Valuation model based on valuation techniques that use largely unobservable market parameters and that reflect management's best estimates. Most private placements are classified in Level 3.

If a financial instrument classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2. If the measurement of its fair value requires the use of significant unobservable inputs, it is directly reclassified into Level 3.

**Assets**

| | As at September 30, 2021 | | | |
|---|---|---|---|---|
| (in millions of dollars) | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Recurring fair value measurements** | | | | |
| **Cash and short-term investments** | | | | |
| Held for trading | $ — | $ 321 | $ — | $ 321 |
| **Bonds** | | | | |
| Designated at fair value through profit or loss | | | | |
| Governments | 837 | 10,991 | — | 11,828 |
| Municipalities | — | 1,121 | — | 1,121 |
| Corporate and other | — | 11,338 | 158 | 11,496 |
| | 837 | 23,450 | 158 | 24,445 |
| Available for sale | | | | |
| Governments | 295 | 1,719 | — | 2,014 |
| Municipalities | — | 295 | — | 295 |
| Corporate and other | — | 2,466 | — | 2,466 |
| | 295 | 4,480 | — | 4,775 |
| | 1,132 | 27,930 | 158 | 29,220 |
| **Stocks** | | | | |
| Designated at fair value through profit or loss | 1,450 | — | 1,709 | 3,159 |
| Available for sale | 197 | 317 | 52 | 566 |
| | 1,647 | 317 | 1,761 | 3,725 |
| **Mortgages and other loans** | | | | |
| Designated at fair value through profit or loss | — | 66 | — | 66 |
| **Derivative financial instruments** | | | | |
| Held for trading | 137 | 346 | 2 | 485 |
| **Other invested assets** | | | | |
| Available for sale | 22 | 79 | — | 101 |
| **Investment properties** | — | — | 1,875 | 1,875 |
| **General fund investments recognized at fair value** | 2,938 | 29,059 | 3,796 | 35,793 |
| **Segregated funds financial instruments and investment properties** | 28,892 | 7,434 | 358 | 36,684 |
| **Total financial assets at fair value** | $ 31,830 | $ 36,493 | $ 4,154 | $ 72,477 |

| | As at December 31, 2020 | | | |
|---|---|---|---|---|
| (in millions of dollars) | Level 1 | Level 2 | Level 3 | Total |
| **Recurring fair value measurements** | | | | |
| **Cash and short-term investments** | | | | |
| Held for trading | $ — | $ 831 | $ — | $ 831 |
| **Bonds** | | | | |
| Designated at fair value through profit or loss | | | | |
| Governments | 420 | 12,309 | — | 12,729 |
| Municipalities | — | 1,306 | — | 1,306 |
| Corporate and other | — | 10,783 | 140 | 10,923 |
| | 420 | 24,398 | 140 | 24,958 |
| Available for sale | | | | |
| Governments | 248 | 1,607 | — | 1,855 |
| Municipalities | — | 205 | — | 205 |
| Corporate and other | — | 1,952 | — | 1,952 |
| | 248 | 3,764 | — | 4,012 |
| | 668 | 28,162 | 140 | 28,970 |
| **Stocks** | | | | |
| Designated at fair value through profit or loss | 1,247 | — | 1,444 | 2,691 |
| Available for sale | 187 | 365 | 43 | 595 |
| | 1,434 | 365 | 1,487 | 3,286 |
| **Mortgages and other loans** | | | | |
| Designated at fair value through profit or loss | — | 81 | — | 81 |
| **Derivative financial instruments** | | | | |
| Held for trading | 433 | 1,216 | 3 | 1,652 |
| **Other invested assets** | | | | |
| Available for sale | 76 | 47 | — | 123 |
| **Investment properties** | — | — | 1,916 | 1,916 |
| **General fund investments recognized at fair value** | 2,611 | 30,702 | 3,546 | 36,859 |
| **Segregated funds financial instruments and investment properties** | 25,065 | 7,365 | 264 | 32,694 |
| **Total financial assets at fair value** | $ 27,676 | $ 38,067 | $ 3,810 | $ 69,553 |

There were no transfers from Level 1 to Level 2 during the nine months ended September 30, 2021 ($564 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments and resulted from the application of a fair value adjustment for events that took place after the market close but before the valuation date. There were no transfers from Level 2 to Level 1 during the nine months ended September 30, 2021 ($564 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments.

Transfers from Level 2 to Level 3 during the nine months ended September 30, 2021 amount to $28 ($10 for the year ended December 31, 2020). These transfers are from bonds designated at fair value through profit or loss. For some of these bonds the fair value is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. However, the price of these bonds has remained unchanged for more than 30 days which, according to the Company's internal policy, results in a transfer. For the remaining bonds, the fair value is now measured using unobservable inputs.

Transfers from Level 3 to Level 2 during the nine months ended September 30, 2021 amount to $2 ($7 for the year ended December 31, 2020). These transfers are from bonds designated at fair value through profit or loss. The fair value of these bonds is measured at the quoted market price obtained through brokers who estimate the fair value of these financial instruments. As at September 30, 2021 and as at December 31, 2020, the value of these bonds is based on a price obtained less than 30 days prior.

There were no transfers from Level 3 to Level 1 during the nine months ended September 30, 2021 ($7 for the year ended December 31, 2020). Transfers for the year ended December 31, 2020 were related to segregated funds financial instruments. The fair value of the transferred financial instruments was previously determined using internal valuation models that required the use of assumptions, including one main assumption that was not observable in the market.

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.07% to 2.43% as at September 30, 2021 (1.30% to 2.43% as at December 31, 2020). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at September 30, 2021 are the discount rate, which is between 5.25% and 8.00% (5.25% and 8.00% as at December 31, 2020) and the terminal capitalization rate, which is between 4.25% and 7.25% (4.25% and 7.25% as at December 31, 2020). The discount rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and the location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

Due to the unobservable nature of the main data used to measure bonds, stocks and investment properties classified in Level 3, the Company does not assess whether the application of other assumptions would have an impact on fair value. Also, the investment properties as well as the bonds and stocks classified as designated at fair value through profit or loss support the insurance contract liabilities. Consequently, changes in the fair value of these assets are offset by changes in the corresponding insurance contract liabilities under the Canadian Asset Liability Method (CALM). Even if the Company were to use possible alternative assumptions affecting fair value, this would not have a significant impact on the Financial Statements.

The following table presents assets recognized at fair value evaluated according to Level 3 parameters:

| | Nine months ended September 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars) | Balance as at December 31, 2020 | Realized and unrealized gains (losses) included in net income | Realized and unrealized gains (losses) included in other comprehensive income | Purchases | Sales and settlements | Transfers into (out of) Level 3 | Balance as at September 30, 2021 | Total unrealized gains (losses) included in net income on investments still held |
| **Bonds** | | | | | | | | |
| Designated at fair value through profit or loss | $ 140 | $ (8) | $ — | $ 3 | $ (3) | $ 26 | $ 158 | $ (10) |
| **Stocks** | | | | | | | | |
| Designated at fair value through profit or loss | 1,444 | 150 | — | 211 | (96) | — | 1,709 | 161 |
| Available for sale | 43 | — | 4 | 5 | — | — | 52 | — |
| **Derivative financial instruments** | | | | | | | | |
| Held for trading | 3 | — | — | — | (1) | — | 2 | — |
| **Investment properties** | 1,916 | (13) | — | 15 | (43) | — | 1,875 | (13) |
| **General fund investments recognized at fair value** | 3,546 | 129 | 4 | 234 | (143) | 26 | 3,796 | 138 |
| **Segregated funds financial instruments and investment properties** | 264 | 18 | — | 86 | (10) | — | 358 | 18 |
| **Total** | $ 3,810 | $ 147 | $ 4 | $ 320 | $ (153) | $ 26 | $ 4,154 | $ 156 |

| (in millions of dollars) | Balance as at December 31, 2019 | Realized and unrealized gains (losses) included in net income | Realized and unrealized gains (losses) included in other comprehensive income | Purchases | Sales and settlements | Transfers into (out of) Level 3 | Balance as at December 31, 2020 | Total unrealized gains (losses) included in net income on investments still held |
|---|---|---|---|---|---|---|---|---|
| | Year ended December 31, 2020 | | | | | | | |
| **Bonds** | | | | | | | | |
| Designated at fair value through profit or loss | $ 129 | $ 11 | $ — | $ 26 | $ (29) | $ 3 | $ 140 | $ 11 |
| Available for sale | 11 | — | — | — | (11) | — | — | — |
| **Stocks** | | | | | | | | |
| Designated at fair value through profit or loss | 1,291 | 48 | — | 199 | (94) | — | 1,444 | 49 |
| Available for sale | 31 | — | 2 | 11 | (1) | — | 43 | — |
| **Derivative financial instruments** | | | | | | | | |
| Held for trading | — | 3 | — | — | — | — | 3 | 3 |
| **Investment properties** | 2,077 | (129) | — | 28 | (60) | — | 1,916 | (129) |
| **General fund investments recognized at fair value** | 3,539 | (67) | 2 | 264 | (195) | 3 | 3,546 | (66) |
| **Segregated funds financial instruments and investment properties** | 90 | 10 | — | 181 | (10) | (7) | 264 | 10 |
| **Total** | $ 3,629 | $ (57) | $ 2 | $ 445 | $ (205) | $ (4) | $ 3,810 | $ (56) |

For the nine months ended September 30, 2021, an amount of $11 ($28 for the year ended December 31, 2020) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of $4 corresponds to the transfer of fixed assets to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2020).

*Realized and unrealized gains (losses) included in net income* and *Total unrealized gains (losses) included in net income on investments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 9 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 13 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses).*

**Fair Value Disclosed in the Notes**

The Company classifies certain financial instruments as held to maturity or as loans and receivables. These financial instruments are measured at amortized cost and fair value is disclosed in the notes. The following table shows the hierarchy level of such fair values:

| (in millions of dollars) | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| | **As at September 30, 2021** | | | |
| **Classified as held to maturity** | | | | |
| **Bonds** | | | | |
| Governments | **$ —** | **$ 307** | **$ —** | **$ 307** |
| **Total of assets classified as held to maturity** | **—** | **307** | **—** | **307** |
| **Classified as loans and receivables** | | | | |
| **Bonds** | | | | |
| Governments | **—** | **7** | **135** | **142** |
| Municipalities | **—** | **50** | **—** | **50** |
| Corporate and other | **—** | **185** | **2,690** | **2,875** |
| | **—** | **242** | **2,825** | **3,067** |
| **Mortgages and other loans** | **—** | **2,918** | **—** | **2,918** |
| **Total of assets classified as loans and receivables** | **—** | **3,160** | **2,825** | **5,985** |
| **Total of assets whose fair value is disclosed in the notes** | **$ —** | **$ 3,467** | **$ 2,825** | **$ 6,292** |

| (in millions of dollars) | As at December 31, 2020 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Classified as held to maturity** | | | | |
| **Bonds** | | | | |
| Governments | $ — | $ 497 | $ — | $ 497 |
| **Total of assets classified as held to maturity** | — | 497 | — | 497 |
| **Classified as loans and receivables** | | | | |
| **Bonds** | | | | |
| Governments | — | 8 | 148 | 156 |
| Municipalities | — | 54 | — | 54 |
| Corporate and other | — | 187 | 2,637 | 2,824 |
| | — | 249 | 2,785 | 3,034 |
| **Mortgages and other loans** | — | 2,854 | — | 2,854 |
| **Total of assets classified as loans and receivables** | — | 3,103 | 2,785 | 5,888 |
| **Total of assets whose fair value is disclosed in the notes** | $ — | $ 3,600 | $ 2,785 | $ 6,385 |

**Financial Liabilities**

The following table presents financial liabilities measured at fair value on a recurring basis and those whose fair value is disclosed in a note by hierarchy level:

| (in millions of dollars) | **As at September 30, 2021** **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **Other liabilities** | | | | |
| Held for trading | **$ 568** | **$ 216** | **$ —** | **$ 784** |
| **Derivative financial instruments** | | | | |
| Held for trading | **32** | **742** | **34** | **808** |
| **Total of liabilities classified as held for trading** | **600** | **958** | **34** | **1,592** |
| **Classified at amortized cost** | | | | |
| **Other liabilities** | | | | |
| Securitization liabilities | **—** | **917** | **—** | **917** |
| Mortgage debt | **—** | **71** | **—** | **71** |
| **Debentures** | **—** | **1,497** | **—** | **1,497** |
| **Total of liabilities classified at amortized cost** | **$ —** | **$ 2,485** | **$ —** | **$ 2,485** |

| (in millions of dollars) | As at December 31, 2020 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Recurring fair value measurements** | | | | |
| **Other liabilities** | | | | |
| Held for trading | $ 65 | $ 208 | $ — | $ 273 |
| **Derivative financial instruments** | | | | |
| Held for trading | 220 | 310 | 39 | 569 |
| **Total of liabilities classified as held for trading** | 285 | 518 | 39 | 842 |
| **Classified at amortized cost** | | | | |
| **Other liabilities** | | | | |
| Securitization liabilities | — | 1,009 | — | 1,009 |
| Mortgage debt | — | 76 | — | 76 |
| **Debentures** | — | 1,528 | — | 1,528 |
| **Total of liabilities classified at amortized cost** | $ — | $ 2,613 | $ — | $ 2,613 |

## 7 › Management of Risks Associated with Financial Instruments

### a) Impairment of Financial Assets Classified as Available for Sale

During the nine months ended September 30, 2021 and the year ended December 31, 2020, the Company did not reclassify any unrealized losses on stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

Since the financial assets designated at fair value through profit or loss are matched, variations of fair value, other than those related to credit risk, are directly reflected in the *Increase (decrease) in insurance contract liabilities*, which prevents a disparity of the treatment in the net income. Only variations in the fair value related to credit events regarding cash flows would have an impact on the Company's net income.

The unrealized gains and losses on financial assets classified as available for sale and included in the *Accumulated other comprehensive income* are the following:

| | **As at September 30, 2021** | | | As at December 31, 2020 | | |
|---|---|---|---|---|---|---|
| (in millions of dollars) | **Fair value** | **Unrealized losses** | **Unrealized gains** | Fair value | Unrealized losses | Unrealized gains |
| **Bonds** | | | | | | |
| Governments | **$ 2,014** | **$ (24)** | **$ 48** | $ 1,855 | $ (1) | $ 81 |
| Municipalities | **295** | **(1)** | **6** | 205 | — | 10 |
| Corporate and other | **2,466** | **(19)** | **44** | 1,952 | — | 88 |
| | **4,775** | **(44)** | **98** | 4,012 | (1) | 179 |
| **Stocks** | **566** | **(1)** | **39** | 595 | (10) | 18 |
| **Other invested assets** | **101** | **—** | **1** | 123 | — | 4 |
| **Total** | **$ 5,442** | **$ (45)** | **$ 138** | $ 4,730 | $ (11) | $ 201 |

### b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet its commitments.

### b) i) Credit Quality Indicators

**Bonds by Investment Grade**

| (in millions of dollars) | **As at September 30, 2021** | As at December 31, 2020 |
|---|---|---|
| AAA | **$ 2,085** | $ 1,916 |
| AA | **13,845** | 15,176 |
| A | **10,190** | 9,459 |
| BBB | **5,881** | 5,231 |
| BB and lower | **332** | 317 |
| **Total** | **$ 32,333** | $ 32,099 |

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of $2,122 as at September 30, 2021 ($2,116 as at December 31, 2020).

**Mortgages and Other Loans**

| (in millions of dollars) | **As at September 30, 2021** | As at December 31, 2020 |
|---|---|---|
| Insured mortgages | **$ 1,348** | $ 1,384 |
| Conventional mortgages | **514** | 507 |
| Other loans | **1,035** | 910 |
| **Total** | **$ 2,897** | $ 2,801 |

The credit quality of mortgages and other loans is assessed internally, on a regular basis, when the review of the portfolio is made.

### b) ii) Past Due or Impaired Financial Assets

**Past Due Bonds, Mortgages and Other Loans**

Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired.

| | As at September 30, 2021 | | | | |
|---|---|---|---|---|---|
| (in millions of dollars) | **Bonds classified as held to maturity** | **Bonds classified as loans and receivables** | **Mortgages classified as loans and receivables** | **Other loans** | **Total** |
| **Gross values** | | | | | |
| Not past due and not impaired | **$ 307** | **$ 2,789** | **$ 1,796** | **$ 1,024** | **$ 5,916** |
| Past due and not impaired | | | | | |
| 30 – 89 days in arrears | **—** | **—** | **—** | **31** | **31** |
| 90 – 119 days in arrears | **—** | **—** | **—** | **5** | **5** |
| 120 days or more in arrears | **—** | **—** | **—** | **1** | **1** |
| Impaired | **—** | **23** | **—** | **—** | **23** |
| **Total of gross values** | **$ 307** | **$ 2,812** | **$ 1,796** | **$ 1,061** | **$ 5,976** |
| Specific provisions for losses | **—** | **6** | **—** | **—** | **6** |
| | **307** | **2,806** | **1,796** | **1,061** | **5,970** |
| Collective provisions for losses | **—** | **—** | **—** | **26** | **26** |
| **Total of net values** | **$ 307** | **$ 2,806** | **$ 1,796** | **$ 1,035** | **$ 5,944** |

| | As at December 31, 2020 | | | | |
|---|---|---|---|---|---|
| (in millions of dollars) | Bonds classified as held to maturity | Bonds classified as loans and receivables | Mortgages classified as loans and receivables | Other loans | Total |
| **Gross values** | | | | | |
| Not past due and not impaired | $ 494 | $ 2,604 | $ 1,786 | $ 903 | $ 5,787 |
| Past due and not impaired | | | | | |
| 30 – 89 days in arrears | — | — | 24 | 29 | 53 |
| 90 – 119 days in arrears | — | — | — | 4 | 4 |
| 120 days or more in arrears | — | — | — | 1 | 1 |
| Impaired | — | 45 | — | — | 45 |
| **Total of gross values** | $ 494 | $ 2,649 | $ 1,810 | $ 937 | $ 5,890 |
| Specific provisions for losses | — | 14 | — | — | 14 |
| | 494 | 2,635 | 1,810 | 937 | 5,876 |
| Collective provisions for losses | — | — | — | 27 | 27 |
| **Total of net values** | $ 494 | $ 2,635 | $ 1,810 | $ 910 | $ 5,849 |

**Foreclosed Properties**

During the nine months ended September 30, 2021, the Company did not take possession of any properties it held as collateral on mortgages (less than $1 for the year ended December 31, 2020). Foreclosed properties that the Company still held at the end of the period are presented as real estate held for resale in *Other Assets.*

**Specific Provisions for Losses**

| | **As at September 30, 2021** | As at December 31, 2020 |
|---|---|---|
| (in millions of dollars) | **Bonds classified as loans and receivables** | Bonds classified as loans and receivables |
| Balance at beginning | **$ 14** | $ 10 |
| Variation in specific provisions for losses | **(8)** | 4 |
| **Balance at end** | **$ 6** | $ 14 |

During the nine months ended September 30, 2021, the specific provisions for losses did not vary for bonds classified as held to maturity, mortgages classified as loans and receivables and other loans (nor for the year ended December 31, 2020).

## 8 › Derivative Financial Instruments

The Company is an end user of derivative financial instruments in the normal course of managing exposure to fluctuations in interest rates, currency exchange rates and fair values of invested assets. Derivative financial instruments are financial contracts whose value is derived from underlying interest rates, exchange rates, other financial instruments or indexes.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at September 30, 2021 is $466 ($1,648 as at December 31, 2020). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

| | **As at September 30, 2021** | | | | | |
|---|---|---|---|---|---|---|
| | **Notional amount** | | | | **Fair value** | |
| (in millions of dollars) | **Less than 1 year** | **1 to 5 years** | **Over 5 years** | **Total** | **Positive** | **Negative** |
| **Equity contracts** | | | | | | |
| Swap contracts | **$ 907** | **$ 244** | **$ 87** | **$ 1,238** | **$ 2** | **$ (26)** |
| Futures contracts | **494** | **—** | **—** | **494** | **17** | **—** |
| Options | **4,289** | **—** | **—** | **4,289** | **128** | **(35)** |
| **Currency contracts** | | | | | | |
| Swap contracts | **529** | **342** | **4,008** | **4,879** | **44** | **(301)** |
| Forward contracts | **3,582** | **512** | **—** | **4,094** | **27** | **(55)** |
| **Interest rate contracts** | | | | | | |
| Swap contracts | **1,712** | **2,175** | **3,800** | **7,687** | **198** | **(228)** |
| Forward contracts | **1,099** | **1,557** | **—** | **2,656** | **67** | **(129)** |
| **Other derivative contracts** | **2** | **5** | **279** | **286** | **2** | **(34)** |
| **Total** | **$ 12,614** | **$ 4,835** | **$ 8,174** | **$ 25,623** | **$ 485** | **$ (808)** |

| | As at December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Notional amount | | | | Fair value | |
| (in millions of dollars) | Less than 1 year | 1 to 5 years | Over 5 years | Total | Positive | Negative |
| **Equity contracts** | | | | | | |
| Swap contracts | $ 735 | $ 460 | $ 87 | $ 1,282 | $ 35 | $ (3) |
| Futures contracts | 660 | — | — | 660 | 1 | (8) |
| Options | 7,632 | — | — | 7,632 | 439 | (215) |
| **Currency contracts** | | | | | | |
| Swap contracts | 510 | 367 | 3,345 | 4,222 | 136 | (137) |
| Forward contracts | 4,476 | 536 | — | 5,012 | 129 | (18) |
| **Interest rate contracts** | | | | | | |
| Swap contracts | 1,093 | 3,169 | 4,845 | 9,107 | 538 | (148) |
| Forward contracts | 1,597 | 2,456 | — | 4,053 | 371 | (1) |
| **Credit risk contracts** | | | | | | |
| Swap contracts | — | 2 | — | 2 | — | — |
| **Other derivative contracts** | 3 | 5 | 340 | 348 | 3 | (39) |
| **Total** | $ 16,706 | $ 6,995 | $ 8,617 | $ 32,318 | $ 1,652 | $ (569) |

| | As at September 30, 2021 | | |
|---|---|---|---|
| | **Notional amount** | **Fair value** | |
| (in millions of dollars) | | **Positive** | **Negative** |
| Derivative financial instruments not designated as hedge accounting | **$ 23,076** | **$ 475** | **$ (766)** |
| Net investment hedge | **1,585** | **—** | **(37)** |
| Fair value hedges | | | |
| Interest risk | **810** | **7** | **(5)** |
| Currency risk | **38** | **1** | **—** |
| Cash flow hedges | | | |
| Currency risk | **114** | **2** | **—** |
| **Total of derivative financial instruments** | **$ 25,623** | **$ 485** | **$ (808)** |

| | As at December 31, 2020 | | |
|---|---|---|---|
| | Notional amount | Fair value | |
| (in millions of dollars) | | Positive | Negative |
| Derivative financial instruments not designated as hedge accounting | $ 29,733 | $ 1,580 | $ (540) |
| Net investment hedge | 1,555 | 56 | — |
| Fair value hedges | | | |
| Interest risk | 860 | 10 | (28) |
| Currency risk | 30 | 1 | — |
| Cash flow hedges | | | |
| Currency risk | 140 | 5 | (1) |
| **Total of derivative financial instruments** | $ 32,318 | $ 1,652 | $ (569) |

**Embedded Derivative Financial Instruments**

The Company owns perpetual preferred shares with call options that give the issuer the right to redeem the shares at a predetermined price. Accounting standards require that the value of the call options be measured separately from the preferred shares. The value of the call options for embedded derivative financial instruments is determined using a valuation that relies predominantly on the volatility, quoted price on markets and characteristics of the underlying preferred shares. Embedded derivative financial instruments are presented as *Other derivative contracts*.

**Net Investment Hedge**

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year as at September 30, 2021 (less than 1 year as at December 31, 2020). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the nine months ended September 30, 2021 and 2020, the Company did not recognize any ineffectiveness.

**Fair Value Hedges**

*Interest rate risk hedging*

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk related to financial assets classified as available for sale. The Company entered into interest rate swap contracts with maturities ranging from less than 1 year to 13 years as at September 30, 2021 (from 1 year to 14 years as at December 31, 2020).

The Company entered into a hedging relationship in order to reduce its exposure to interest rate risk on financial liabilities classified as financial liabilities at amortized cost. The Company entered into interest rate swap contracts with maturities of less than 1 year to 7 years as at September 30, 2021 (less than 1 year to 8 years as at December 31, 2020).

For the nine months ended September 30, 2021, the Company has recognized a gain of $17 on the hedging instruments (loss of $23 for the nine months ended September 30, 2020) and a loss of $20 on the hedged items (gain of $22 for the nine months ended September 30, 2020). For the nine months ended September 30, 2021, the Company has recognized an ineffectiveness of $3 ($1 for the nine months ended September 30, 2020).

*Currency rate risk hedging*

The Company entered into a fair value hedge to manage its exposure to changes in currency rate risk related to financial assets classified as available for sale. The Company entered into forward contracts with maturities of less than 1 year as at September 30, 2021 (less than 2 years as at December 31, 2020). For the nine months ended September 30, 2021 and 2020, the Company did not recognize any ineffectiveness.

**Cash Flow Hedges**

The Company entered into a cash flow hedging relationship in order to manage its exposure to changes in currency rate risk on financial assets denominated in foreign currency. The Company entered into swap contracts that have maturities from less than 1 year to 8 years as at September 30, 2021 (from 2 years to 9 years as at December 31, 2020). For the nine months ended September 30, 2021 and 2020, the Company did not recognize any ineffectiveness.

During the nine months ended September 30, 2020, the Company ended a cash flow hedging relationship which was entered into in 2019 in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company was using forward contracts that had maturities of less than 1 year. For the nine months ended September 30, 2020, the Company did not recognize any ineffectiveness.

## 9 › Segregated Funds Net Assets

| (in millions of dollars) | **As at September 30, 2021** | As at December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Cash and short-term investments | **$ 1,407** | $ 1,077 |
| Bonds | **6,357** | 6,481 |
| Stocks and investment funds | **29,106** | 25,207 |
| Mortgages | **32** | 27 |
| Investment properties | **15** | 16 |
| Derivative financial instruments | **4** | 26 |
| Other assets | **324** | 155 |
| | **37,245** | 32,989 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | **345** | 185 |
| Derivative financial instruments | **14** | — |
| | **359** | 185 |
| **Net assets** | **$ 36,886** | $ 32,804 |

The following table presents the change in segregated funds net assets:

| | **Quarters ended September 30** | | **Nine months ended September 30** | |
|---|---|---|---|---|
| (in millions of dollars) | **2021** | 2020 | **2021** | 2020 |
| Balance at beginning | **$ 35,837** | $ 28,505 | **$ 32,804** | $ 27,868 |
| Add: | | | | |
| Amounts received from policyholders | **1,924** | 1,166 | **5,988** | 3,990 |
| Interest and dividends | **244** | 73 | **456** | 352 |
| Net realized gains | **393** | 373 | **1,131** | 586 |
| Net increase (decrease) in fair value | **(359)** | 700 | **832** | (104) |
| | **38,039** | 30,817 | **41,211** | 32,692 |
| Less: | | | | |
| Amounts withdrawn by policyholders | **978** | 564 | **3,840** | 2,189 |
| Operating expenses | **175** | 134 | **485** | 384 |
| | **1,153** | 698 | **4,325** | 2,573 |
| **Balance at end** | **$ 36,886** | $ 30,119 | **$ 36,886** | $ 30,119 |

## 10 › Debentures

On February 21, 2020, the Company issued subordinated debentures in the amount of $400 maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and variable interest equal to the three-month Canadian Dollar Offered Rate (CDOR), plus 0.71%, payable quarterly, commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to prior approval by the Autorité des marchés financiers (AMF). The carrying value of the debentures includes transaction costs and an issuance discount which are amortized for a total of $2.

## 11 › Share Capital

The share capital issued by the Company is as follows:

| (in millions of dollars, unless otherwise indicated) | **As at September 30, 2021** Number of shares (in thousands) | Amount | As at December 31, 2020 Number of shares (in thousands) | Amount |
|---|---|---|---|---|
| **Common shares** | | | | |
| Balance at beginning | **107,064** | **$ 1,674** | 106,966 | $ 1,666 |
| Shares issued on exercise of stock options | **567** | **31** | 185 | 9 |
| Shares redeemed | **—** | **—** | (87) | (1) |
| **Balance at end** | **107,631** | **$ 1,705** | 107,064 | $ 1,674 |

**Stock Option Plan**

As at September 30, 2021, the number of outstanding stock options (in thousands) was 1,708 (1,965 as at December 31, 2020). For the nine months ended September 30, 2021, the Company granted (in thousands) 310 stock options exercisable at $58.55 (285 stock options exercisable at $73.93 for the year ended December 31, 2020).

**Normal Course Issuer Bid Redemption**

During the year ended December 31, 2019, with the approval of the Toronto Stock Exchange, the Board of Directors renewed the Normal Course Issuer Bid redemption and authorized the Company to purchase, in the normal course of its activities, from November 12, 2019 to November 11, 2020, up to 5,335,397 common shares, representing approximately 5% of its 106,707,949 common shares issued and outstanding as at November 1, 2019. For the nine months ended September 30, 2020, a total of 86,872 common shares were purchased and cancelled for a net cash amount of $4, of which $1 was recorded against share capital and $3 against retained earnings. On March 13, 2020, redemptions were suspended in accordance with instructions from regulatory authorities. As at September 30, 2021, no Normal Course Issuer Bid redemption was in effect.

**Dividends**

| | **Quarters ended September 30** | | | | **Nine months ended September 30** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | | 2020 | | **2021** | | 2020 | |
| (in millions of dollars, unless otherwise indicated) | **Total** | **Per share (in dollars)** | Total | Per share (in dollars) | **Total** | **Per share (in dollars)** | Total | Per share (in dollars) |
| **Common shares** | **$ 52** | **$ 0.49** | $ 52 | **$ 0.49** | **$ 156** | **$ 1.46** | $ 156 | $ 1.46 |

**Dividends Declared and Not Recognized on Common Shares**

A dividend of 0.485 dollars per share was approved by the Board of Directors of the Company on November 3, 2021. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on December 15, 2021 to the shareholders of record as of November 19, 2021, date on which it will be recognized in the equity of the Company.

**Dividend Reinvestment and Share Purchase Plan**

The Company offers a Dividend Reinvestment and Share Purchase Plan to its common shareholders. Dividends on common shares are deducted from equity in the period in which they were authorized. The common shares issued under the plan will be purchased on the secondary market.

## 12 › Preferred Shares Issued by a Subsidiary

Preferred shares issued by iA Insurance, a subsidiary of the Company, are as follows:

| (in millions of dollars, unless otherwise indicated) | **As at September 30, 2021** Number of shares (in thousands) | Amount | As at December 31, 2020 Number of shares (in thousands) | Amount |
|---|---|---|---|---|
| **Preferred shares, Class A, issued by iA Insurance** | | | | |
| **Balance at beginning and at end** | **21,000** | **$ 525** | 21,000 | $ 525 |

**Dividends**

| | Quarters ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | **2021** | | 2020 | | **2021** | | 2020 | |
| (in millions of dollars, unless otherwise indicated) | **Total** | **Per share (in dollars)** | Total | Per share (in dollars) | **Total** | **Per share (in dollars)** | Total | Per share (in dollars) |
| **Preferred shares, issued by iA Insurance** | | | | | | | | |
| Class A – Series B | **$ 1** | **$ 0.29** | $ 1 | $ 0.29 | **$ 4** | **$ 0.86** | $ 4 | $ 0.86 |
| Class A – Series G | **3** | **0.24** | 2 | 0.24 | **7** | **0.71** | 7 | 0.71 |
| Class A – Series I | **2** | **0.30** | 3 | 0.30 | **6** | **0.90** | 6 | 0.90 |
| **Total** | **$ 6** | | $ 6 | | **$ 17** | | **$ 17** | |

## 13 › Accumulated Other Comprehensive Income

| (in millions of dollars) | **Bonds** | **Stocks** | **Other invested assets** | **Currency translation** | **Hedging** | **Total** |
|---|---|---|---|---|---|---|
| **Balance as at December 31, 2020** | **$ 136** | **$ 6** | **$ —** | **$ (30)** | **$ (29)** | **$ 83** |
| Unrealized gains (losses) | **(94)** | **28** | **(2)** | **—** | **—** | **(68)** |
| Income taxes on unrealized gains (losses) | **22** | **(7)** | **—** | **—** | **—** | **15** |
| Other | **—** | **—** | **—** | **(9)** | **3** | **(6)** |
| | **(72)** | **21** | **(2)** | **(9)** | **3** | **(59)** |
| Realized losses (gains) | **(29)** | **1** | **—** | **—** | **—** | **(28)** |
| Income taxes on realized losses (gains) | **8** | **—** | **—** | **—** | **—** | **8** |
| | **(21)** | **1** | **—** | **—** | **—** | **(20)** |
| **Balance as at September 30, 2021** | **43** | **28** | **(2)** | **(39)** | **(26)** | **4** |
| Balance as at December 31, 2019 | 73 | (8) | — | 73 | (82) | 56 |
| Unrealized gains (losses) | 118 | 15 | — | — | — | 133 |
| Income taxes on unrealized gains (losses) | (31) | (3) | — | — | — | (34) |
| Other | — | — | — | (103) | 63 | (40) |
| Income taxes on other | — | — | — | — | (10) | (10) |
| | 87 | 12 | — | (103) | 53 | 49 |
| Realized losses (gains) | (32) | 2 | — | — | — | (30) |
| Income taxes on realized losses (gains) | 8 | — | — | — | — | 8 |
| | (24) | 2 | — | — | — | (22) |
| Balance as at December 31, 2020 | 136 | 6 | — | (30) | (29) | 83 |
| Balance as at December 31, 2019 | 73 | (8) | — | 73 | (82) | 56 |
| Unrealized gains (losses) | 102 | (4) | — | — | — | 98 |
| Income taxes on unrealized gains (losses) | (26) | 1 | — | — | — | (25) |
| Other | — | — | — | — | (7) | (7) |
| | 76 | (3) | — | — | (7) | 66 |
| Realized losses (gains) | (21) | (1) | — | — | — | (22) |
| Income taxes on realized losses (gains) | 6 | — | — | — | — | 6 |
| | (15) | (1) | — | — | — | (16) |
| Balance as at September 30, 2020 | $ 134 | $ (12) | $ — | $ 73 | $ (89) | $ 106 |

## 14 › Capital Management

### Regulatory Requirements and Solvency Ratio

The Company is committed to respecting certain requirements of the guideline on capital adequacy requirements for life insurers (CARLI).

According to CARLI, many items are included in the solvency ratio:

The available capital represents the total Tier 1 and Tier 2 capital, less other deductions prescribed by the AMF.

Tier 1 capital contains more permanent equity items and is primarily composed of equity attributable to common shareholders and preferred shares. Goodwill and other intangible assets are deducted from this category.

Tier 2 capital is primarily composed of subordinated debentures.

The surplus allowance is the value of specific provisions for adverse deviations included in insurance contract liabilities.

The eligible deposits are amounts related to unregistered reinsurance agreements, which are deposited in guarantee instruments.

The base solvency buffer is determined according to five risk categories, namely credit risk, market risk, insurance risk, segregated funds guarantee risk and operational risk. These risk components are calculated using various methods and consider the risks associated to asset and liability elements that are on and off the Statement of Financial Position. The base solvency buffer represents the sum of risk components minus some credits (for example, between-risk diversification and adjustable products) multiplied by a scalar of 1.05.

The CARLI total ratio is calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.

According to the AMF guideline, the Company must set a target level of available capital that exceeds the minimum requirements. The guideline also stipulates that most of the available capital must be Tier 1, which absorbs the losses related to current operations.

The Company manages its capital on a consolidated basis. As at September 30, 2021, the Company maintains a ratio that satisfies the regulatory requirements.

| (in millions of dollars, unless otherwise indicated) | | **September 30, 2021** |
|---|---|---|
| Available Capital | | |
| Tier 1 Capital | $ | **3,125** |
| Tier 2 Capital | | **1,838** |
| Surplus allowance and eligible deposits | | **5,258** |
| **Total** | $ | **10,221** |
| **Base solvency buffer** | $ | **7,815** |
| **Total ratio** | | **131%** |

As at December 31, 2020, the solvency ratio was 130% and the Company maintained a ratio that satisfied the regulatory requirements.

## 15 › General Expenses

### Impairment of Goodwill

As at March 31, 2020, as a result of the COVID-19 pandemic described in Note 2, the Company reviewed the financial projections of PPI Management Inc. Further to this review, an impairment test was performed with respect to PPI Management Inc.'s operations included in the Individual Insurance sector cash-generating units (CGU). This led the Company to recognize an impairment of goodwill of $24. This amount was recognized in the Income Statement in *General expenses*. The recoverable amount of the CGU is determined by the higher of value in use and fair value less costs of sale which, as of March 31, 2020, was the value in use, determined using cash flow projections before tax based on future financial projections approved by management covering a five-year period.

## 16 › Income Taxes

The effective income tax rate differs from the Canadian statutory tax rate due to the following items:

| | Quarters ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions of dollars, unless otherwise indicated) | **2021** | | 2020 | | **2021** | | 2020 | |
| Income before income taxes | **$ 289** | | $ 268 | | **$ 826** | | $ 559 | |
| Income tax expense at Canadian statutory tax rate | **76** | **26 %** | 70 | 27 % | **218** | **26 %** | 148 | 27 % |
| Increase (decrease) in income taxes due to: | | | | | | | | |
| Differences in tax rates on income not subject to tax in Canada | **(1)** | **— %** | (1) | — % | **(4)** | **— %** | (2) | — % |
| Tax-exempt investment income | **(13)** | **(4)%** | (21) | (9)% | **(36)** | **(4)%** | (50) | (9)% |
| Non-deductible (non-taxable) portion of the change in fair value of investment properties | **—** | **— %** | — | — % | **1** | **— %** | 7 | 1 % |
| Adjustments of previous years | **3** | **1 %** | — | — % | **10** | **1 %** | (11) | (2)% |
| Variation in tax rates | **—** | **— %** | — | — % | **1** | **— %** | (1) | — % |
| Other | **(2)** | **(1)%** | 1 | — % | **1** | **— %** | 8 | 1 % |
| **Income tax expense (recovery) and effective income tax rate** | **$ 63** | **22 %** | $ 49 | 18 % | **$ 191** | **23 %** | $ 99 | 18 % |

## 17 › 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**

| | Quarter ended September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Individual | | Group | | | | |
| (in millions of dollars) | Insurance | Wealth Management | Insurance | Savings and Retirement | US Operations | Other | Total |
| **Revenues** | | | | | | | |
| Net premiums | $ 433 | $ 1,359 | $ 439 | $ 804 | $ 191 | $ 106 | $ 3,332 |
| Investment income | (114) | (2) | 31 | (5) | 6 | 43 | (41) |
| Other revenues | 31 | 458 | 21 | 29 | 119 | (115) | 543 |
| | 350 | 1,815 | 491 | 828 | 316 | 34 | 3,834 |
| **Operating expenses** | | | | | | | |
| Gross benefits and claims on contracts | 219 | 553 | 295 | 361 | 161 | 15 | 1,604 |
| Ceded benefits and claims on contracts | (77) | — | (14) | (6) | (103) | 28 | (172) |
| Net transfer to segregated funds | — | 842 | — | 176 | — | — | 1,018 |
| Increase (decrease) in insurance contract liabilities | (108) | (66) | 15 | 258 | (3) | — | 96 |
| Increase (decrease) in investment contract liabilities | — | — | 1 | — | — | — | 1 |
| Decrease (increase) in reinsurance assets | (46) | — | (1) | 1 | 7 | — | (39) |
| Commissions, general and other expenses | 251 | 404 | 154 | 33 | 228 | (54) | 1,016 |
| Financing charges | 4 | 1 | 8 | — | — | 8 | 21 |
| | 243 | 1,734 | 458 | 823 | 290 | (3) | 3,545 |
| Income before income taxes and allocation of other activities | 107 | 81 | 33 | 5 | 26 | 37 | 289 |
| Allocation of other activities | 30 | 8 | 2 | 3 | (6) | (37) | — |
| Income before income taxes | 137 | 89 | 35 | 8 | 20 | — | 289 |
| Income taxes | 23 | 26 | 9 | 2 | 3 | — | 63 |
| **Net income** | 114 | 63 | 26 | 6 | 17 | — | 226 |
| Net income attributed to participating policyholders | 3 | — | — | — | — | — | 3 |
| **Net income attributed to shareholders** | $ 111 | $ 63 | $ 26 | $ 6 | $ 17 | $ — | $ 223 |

| | Quarter ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Individual | | Group | | | | |
| (in millions of dollars) | Insurance | Wealth Management | Insurance | Savings and Retirement | US Operations | Other | Total |
| **Revenues** | | | | | | | |
| Net premiums | $ 412 | $ 933 | $ 414 | $ 1,168 | $ 230 | $ 91 | $ 3,248 |
| Investment income | 257 | (32) | 42 | 71 | 16 | 42 | 396 |
| Other revenues | 27 | 370 | 24 | 26 | 61 | (53) | 455 |
| | 696 | 1,271 | 480 | 1,265 | 307 | 80 | 4,099 |
| **Operating expenses** | | | | | | | |
| Gross benefits and claims on contracts | 178 | 480 | 289 | 341 | 171 | 9 | 1,468 |
| Ceded benefits and claims on contracts | (51) | — | (17) | (7) | (94) | 32 | (137) |
| Net transfer to segregated funds | — | 381 | — | 241 | — | — | 622 |
| Increase (decrease) in insurance contract liabilities | 269 | 15 | 17 | 652 | 1 | (4) | 950 |
| Increase (decrease) in investment contract liabilities | — | — | 3 | — | — | — | 3 |
| Decrease (increase) in reinsurance assets | (37) | — | 3 | 1 | 11 | 4 | (18) |
| Commissions, general and other expenses | 221 | 325 | 149 | 28 | 187 | 14 | 924 |
| Financing charges | 3 | 1 | 8 | — | 1 | 6 | 19 |
| | 583 | 1,202 | 452 | 1,256 | 277 | 61 | 3,831 |
| Income before income taxes and allocation of other activities | 113 | 69 | 28 | 9 | 30 | 19 | 268 |
| Allocation of other activities | 17 | 5 | 1 | 1 | (5) | (19) | — |
| Income before income taxes | 130 | 74 | 29 | 10 | 25 | — | 268 |
| Income taxes | 24 | 1 | 14 | 6 | 4 | — | 49 |
| **Net income** | 106 | 73 | 15 | 4 | 21 | — | 219 |
| Net income attributed to participating policyholders | (4) | — | — | — | — | — | (4) |
| **Net income attributed to shareholders** | $ 110 | $ 73 | $ 15 | $ 4 | $ 21 | $ — | $ 223 |

| | Nine months ended September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Individual | | Group | | | | |
| (in millions of dollars) | Insurance | Wealth Management | Insurance | Savings and Retirement | US Operations | Other | Total |
| **Revenues** | | | | | | | |
| Net premiums | $ 1,297 | $ 4,231 | $ 1,267 | $ 2,132 | $ 585 | $ 299 | $ 9,811 |
| Investment income | (1,757) | (157) | 69 | (102) | (33) | 119 | (1,861) |
| Other revenues | 93 | 1,306 | 57 | 86 | 245 | (228) | 1,559 |
| | (367) | 5,380 | 1,393 | 2,116 | 797 | 190 | 9,509 |
| **Operating expenses** | | | | | | | |
| Gross benefits and claims on contracts | 669 | 1,774 | 897 | 2,016 | 466 | 39 | 5,861 |
| Ceded benefits and claims on contracts | (236) | — | (38) | (18) | (302) | 82 | (512) |
| Net transfer to segregated funds | — | 2,489 | — | (215) | — | — | 2,274 |
| Increase (decrease) in insurance contract liabilities | (1,732) | (292) | (19) | 209 | (102) | 1 | (1,935) |
| Increase (decrease) in investment contract liabilities | — | — | (6) | — | — | — | (6) |
| Decrease (increase) in reinsurance assets | (119) | — | — | 4 | 59 | (1) | (57) |
| Commissions, general and other expenses | 737 | 1,184 | 445 | 100 | 583 | (49) | 3,000 |
| Financing charges | 7 | 2 | 25 | — | 1 | 23 | 58 |
| | (674) | 5,157 | 1,304 | 2,096 | 705 | 95 | 8,683 |
| Income before income taxes and allocation of other activities | 307 | 223 | 89 | 20 | 92 | 95 | 826 |
| Allocation of other activities | 78 | 19 | 4 | 8 | (14) | (95) | — |
| Income before income taxes | 385 | 242 | 93 | 28 | 78 | — | 826 |
| Income taxes | 77 | 66 | 27 | 7 | 14 | — | 191 |
| **Net income** | 308 | 176 | 66 | 21 | 64 | — | 635 |
| Net income attributed to participating policyholders | (3) | — | — | — | — | — | (3) |
| **Net income attributed to shareholders** | $ 311 | $ 176 | $ 66 | $ 21 | $ 64 | $ — | $ 638 |

| | Nine months ended September 30, 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Individual | | Group | | | | |
| (in millions of dollars) | Insurance | Wealth Management | Insurance | Savings and Retirement | US Operations | Other | Total |
| **Revenues** | | | | | | | |
| Net premiums | $ 1,203 | $ 2,785 | $ 1,204 | $ 2,155 | $ 518 | $ 251 | $ 8,116 |
| Investment income | 2,738 | 223 | 149 | 300 | 162 | 122 | 3,694 |
| Other revenues | 84 | 1,116 | 54 | 78 | 128 | (149) | 1,311 |
| | 4,025 | 4,124 | 1,407 | 2,533 | 808 | 224 | 13,121 |
| **Operating expenses** | | | | | | | |
| Gross benefits and claims on contracts | 605 | 1,376 | 863 | 999 | 428 | 30 | 4,301 |
| Ceded benefits and claims on contracts | (178) | — | (48) | (20) | (245) | 83 | (408) |
| Net transfer to segregated funds | — | 1,229 | — | 605 | — | — | 1,834 |
| Increase (decrease) in insurance contract liabilities | 2,766 | 419 | 49 | 838 | 197 | (3) | 4,266 |
| Increase (decrease) in investment contract liabilities | — | — | 25 | — | — | — | 25 |
| Decrease (increase) in reinsurance assets | (76) | — | 7 | 3 | (49) | 3 | (112) |
| Commissions, general and other expenses | 669 | 996 | 421 | 82 | 429 | 4 | 2,601 |
| Financing charges | 11 | 2 | 24 | — | 1 | 17 | 55 |
| | 3,797 | 4,022 | 1,341 | 2,507 | 761 | 134 | 12,562 |
| Income before income taxes and allocation of other activities | 228 | 102 | 66 | 26 | 47 | 90 | 559 |
| Allocation of other activities | 69 | 11 | 2 | 3 | 5 | (90) | — |
| Income before income taxes | 297 | 113 | 68 | 29 | 52 | — | 559 |
| Income taxes | 43 | 26 | 15 | 5 | 10 | — | 99 |
| **Net income** | 254 | 87 | 53 | 24 | 42 | — | 460 |
| Net income attributed to participating policyholders | 4 | — | — | — | — | — | 4 |
| **Net income attributed to shareholders** | $ 250 | $ 87 | $ 53 | $ 24 | $ 42 | $ — | $ 456 |

**Segmented Premiums**

| | **Quarter ended September 30, 2021** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Individual** | | **Group** | | | | |
| (in millions of dollars) | **Insurance** | **Wealth Management** | **Insurance** | **Savings and Retirement** | **US Operations** | **Other** | **Total** |
| **Gross premiums** | | | | | | | |
| Invested in general fund | **$ 547** | **$ 213** | **$ 469** | **$ 332** | **$ 388** | **$ 26** | **$ 1,975** |
| Invested in segregated funds | **—** | **1,146** | **—** | **478** | **—** | **—** | **1,624** |
| | **547** | **1,359** | **469** | **810** | **388** | **26** | **3,599** |
| **Premiums ceded** | | | | | | | |
| Invested in general fund | **(114)** | **—** | **(30)** | **(6)** | **(197)** | **80** | **(267)** |
| **Net premiums** | **$ 433** | **$ 1,359** | **$ 439** | **$ 804** | **$ 191** | **$ 106** | **$ 3,332** |

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

| | **Nine months ended September 30, 2021** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Individual** | | **Group** | | | | |
| (in millions of dollars) | **Insurance** | **Wealth Management** | **Insurance** | **Savings and Retirement** | **US Operations** | **Other** | **Total** |
| **Gross premiums** | | | | | | | |
| Invested in general fund | **$ 1,618** | **$ 662** | **$ 1,352** | **$ 583** | **$ 1,124** | **$ 102** | **$ 5,441** |
| Invested in segregated funds | **—** | **3,569** | **—** | **1,568** | **—** | **—** | **5,137** |
| | **1,618** | **4,231** | **1,352** | **2,151** | **1,124** | **102** | **10,578** |
| **Premiums ceded** | | | | | | | |
| Invested in general fund | **(321)** | **—** | **(85)** | **(19)** | **(539)** | **197** | **(767)** |
| **Net premiums** | **$ 1,297** | **$ 4,231** | **$ 1,267** | **$ 2,132** | **$ 585** | **$ 299** | **$ 9,811** |

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

**Segmented Assets and Liabilities**

| | As at September 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Individual | | Group | | | | |
| (in millions of dollars) | Insurance | Wealth Management | Insurance | Savings and Retirement | US Operations | Other | Total |
| **Assets** | | | | | | | |
| Invested assets | **$ 25,037** | **$ 1,928** | **$ 1,986** | **$ 5,137** | **$ 1,443** | **$ 8,789** | **$ 44,320** |
| Segregated funds net assets | **—** | **22,862** | **—** | **14,024** | **—** | **—** | **36,886** |
| Reinsurance assets | **85** | **—** | **225** | **127** | **1,994** | **(208)** | **2,223** |
| Other | **110** | **1,135** | **—** | **—** | **107** | **6,331** | **7,683** |
| **Total assets** | **$ 25,232** | **$ 25,925** | **$ 2,211** | **$ 19,288** | **$ 3,544** | **$ 14,912** | **$ 91,112** |
| **Liabilities** | | | | | | | |
| Insurance contract liabilities and investment contract liabilities | **$ 23,956** | **$ 1,964** | **$ 2,261** | **$ 5,240** | **$ 1,892** | **$ (111)** | **$ 35,202** |
| Liabilities related to segregated funds net assets | **—** | **22,862** | **—** | **14,024** | **—** | **—** | **36,886** |
| Other | **680** | **51** | **3** | **14** | **—** | **11,169** | **11,917** |
| **Total liabilities** | **$ 24,636** | **$ 24,877** | **$ 2,264** | **$ 19,278** | **$ 1,892** | **$ 11,058** | **$ 84,005** |

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

## 18 › Earnings Per Common Share

**Basic Earnings Per Share**

Basic earnings per share are calculated by dividing the net income attributed to common shareholders by the weighted average number of outstanding common shares during the period.

| | Quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| (in millions of dollars, unless otherwise indicated) | **2021** | 2020 | **2021** | 2020 |
| Net income attributed to common shareholders | **$ 217** | $ 217 | **$ 621** | $ 439 |
| Weighted average number of outstanding shares (in millions of units) | **108** | 107 | **107** | 107 |
| Basic earnings per share (in dollars) | **$ 2.01** | $ 2.03 | **$ 5.78** | $ 4.11 |

**Diluted Earnings Per Share**

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to take into account the conversion of all potentially dilutive common shares.

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the period). For the quarter and for the nine months ended September 30, 2021, an average of 29,273 and 41,573 antidilutive stock options respectively (393,159 options for the quarter and 295,876 options for the nine months ended September 30, 2020) were excluded from the calculation.

| | Quarters ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| (in millions of dollars, unless otherwise indicated) | **2021** | 2020 | **2021** | 2020 |
| Net income attributed to common shareholders | **$ 217** | $ 217 | **$ 621** | $ 439 |
| Weighted average number of outstanding shares (in millions of units) | **108** | 107 | **107** | 107 |
| Add: dilutive effect of stock options granted and outstanding (in millions of units) | **—** | — | **1** | — |
| Weighted average number of outstanding shares on a diluted basis (in millions of units) | **108** | 107 | **108** | 107 |
| Diluted earnings per share (in dollars) | **$ 2.01** | $ 2.03 | **$ 5.76** | $ 4.10 |

There was no transaction on common shares that could affect these calculations after the closing date and before the date of authorization for issue of these Financial Statements.

## 19 › Post-Employment Benefits

The Company maintains a funded defined benefit plan and a number of unfunded plans that provide pension benefits and defined contribution plans.

The Company also provides other post-retirement benefits. These include additional health care benefits, life insurance and dental benefits. The Company also provides post-employment benefits such as salary continuation for short-term disabilities.

**Amounts Recognized in Net Income and Other Comprehensive Income**

| | Quarters ended September 30 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| (in millions of dollars) | **Pension plans** | **Other plans** | Pension plans | Other plans |
| Current service cost | **$ 17** | **$ 1** | $ 16 | $ 1 |
| Net interest | **2** | **—** | 2 | — |
| Components of the cost of defined benefits recognized in the net income | **19** | **1** | 18 | 1 |
| Remeasurement of net liabilities (assets) as defined benefits[1] | | | | |
| Rate of return on assets (excluding amounts included in the net interest above) | **12** | **—** | (18) | — |
| Actuarial losses (gains) on financial assumption changes | **(48)** | **(4)** | 36 | 2 |
| Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income | **(36)** | **(4)** | 18 | 2 |
| **Total of defined benefit cost components** | **$ (17)** | **$ (3)** | $ 36 | $ 3 |

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

| | Nine months ended September 30 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| (in millions of dollars) | **Pension plans** | **Other plans** | Pension plans | Other plans |
| Current service cost | **$ 51** | **$ 2** | $ 46 | $ 3 |
| Net interest | **7** | **1** | 6 | 1 |
| Administrative expense | **1** | **—** | 1 | — |
| Components of the cost of defined benefits recognized in the net income | **59** | **3** | 53 | 4 |
| Remeasurement of net liabilities (assets) as defined benefits[1] | | | | |
| Rate of return on assets (excluding amounts included in the net interest above) | **39** | **—** | (37) | — |
| Actuarial losses (gains) on financial assumption changes | **(281)** | **(7)** | 130 | 3 |
| Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income | **(242)** | **(7)** | 93 | 3 |
| **Total of defined benefit cost components** | **$ (183)** | **$ (4)** | $ 146 | $ 7 |

[1] Changes in financial assumptions and assumptions on rate of return on assets, which represent market-based assumptions, are reviewed on a quarterly basis. All other assumptions are reviewed on an annual basis.

**Items that will not be reclassified subsequently to net income**

| | Quarters ended September 30 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| (in millions of dollars) | **Pension plans** | **Other plans** | Pension plans | Other plans |
| **Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income** | | | | |
| Remeasurement of post-employment benefits | **$ (36)** | **$ (4)** | $ 18 | $ 2 |
| Income taxes on remeasurement of post-employment benefits | **10** | **1** | (4) | (1) |
| **Total of other comprehensive income** | **$ (26)** | **$ (3)** | $ 14 | $ 1 |

| | Nine months ended September 30 | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| (in millions of dollars) | **Pension plans** | **Other plans** | Pension plans | Other plans |
| **Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income** | | | | |
| Remeasurement of post-employment benefits | **$ (242)** | **$ (7)** | $ 93 | $ 3 |
| Income taxes on remeasurement of post-employment benefits | **64** | **2** | (24) | (1) |
| **Total of other comprehensive income** | **$ (178)** | **$ (5)** | $ 69 | $ 2 |

## 20 › Commitments

**Investment Commitments**

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were $715 ($773 as at December 31, 2020) of outstanding commitments as at September 30, 2021, of which the estimated disbursements will be $109 ($72 as at December 31, 2020) in 30 days, $259 ($308 as at December 31, 2020) in 31 to 365 days and $347 ($393 as at December 31, 2020) in more than one year.

**Letters of Credit**

In the normal course of operations, banks issue letters of credit on behalf of the Company. As at September 30, 2021, the balance of these letters is $2 ($7 as at December 31, 2020).

**Lines of Credit**

As at September 30, 2021, the Company had operating lines of credit totalling $56 ($56 as at December 31, 2020). As at September 30, 2021 and 2020, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

## 21 › Events After the Reporting Period

### Acquisition of Businesses

On November 2, 2021, the Company announced that it acquired, through one of its subsidiaries, 70% of the shares of two Canadian companies specializing in insurance technology: Surexdirect.com Ltd and Surexdirect.com (Ontario) Ltd (collectively "Surex") for a total cash consideration of $63. As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors.

### Disposal of Business

On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary PPI Benefits Inc. to AGA Benefits Solutions. A gain of $12 before tax will be recognized in the Income Statement in *Other revenues* in the next quarter. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support for independent advisors.

**Conference Call**

Management held a conference call to present its results on Wednesday, November 3, at 2:00 p.m. (ET). You can listen to a replay of the conference call for a 90-day period on the Company's website at ia.ca, under *About iA,* in the *Investor Relations/Financial Reports* section.

**About iA Financial Group**

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

**Shareholder Information**

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

For questions regarding your shares and the Dividend Reinvestment and Share Purchase Plan:
Computershare Investor Services Inc.
Telephone: 514 982-7555
1 877 684-5000 (toll free)
Email: ia@computershare.com

To obtain financial information about Industrial Alliance, contact the Investor Relations Department:
Investor Relations Department
Industrial Alliance Insurance and Financial Services Inc.
Telephone: 418 684-5000, extension 105862
1 800 463-6236, extension 105862 (toll free)
Fax: 418 684-5192
Email: investors@ia.ca
Website: www.ia.ca

For questions regarding Industrial Alliance products and services, contact your agent. If you don't have an agent, contact Industrial Alliance at:
Industrial Alliance Insurance and Financial Services Inc.
1080 Grande Allée West
PO Box 1907, Station Terminus
Quebec City, QC G1K 7M3
Telephone: 418 684-5000
1 800 463-6236 (toll free)
Website: www.ia.ca

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PO Box 1907, Station Terminus
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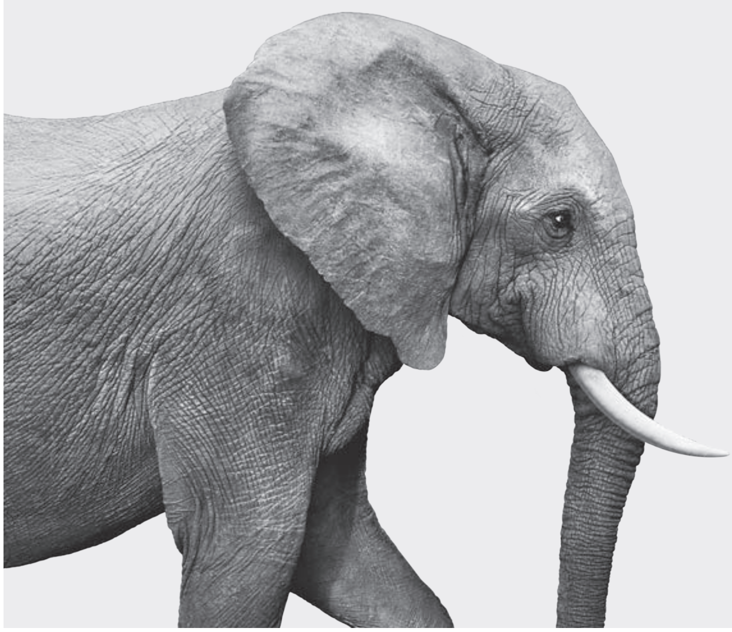
Telephone: 418-684-5000
Toll-free: 1-800-463-6236



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