PRESENT AND STRONG.

More than ever.

iA Financial Corporation Inc.

2021 Management's Discussion and Analysis

for the year ended December 31, 2021

February 16, 2022

iA Financial Group

Notice

Legal Constitution and General Information

iA Financial Corporation Inc. (“iA Financial Corporation” or the “Company”) is a stock company constituted on February 20, 2018 under the *Business Corporations Act* (Quebec). At the time of its constitution, it was a wholly-owned subsidiary of Industrial Alliance Insurance and Financial Services Inc. (“iA Insurance”) and had no business operations. On January 1, 2019, the plan of arrangement previously approved by the shareholders of iA Insurance and endorsed by the court was completed and put into place. Consequently, on January 1, 2019, a certificate of arrangement was issued by the Quebec Enterprise Registrar, and iA Financial Corporation became the parent company of the iA group, holding all common shares of iA Insurance. Until December 31, 2018, iA Insurance was the parent company of the iA group. Upon completion of the arrangement, iA Insurance’s issued and outstanding preferred shares and debentures remained issued by iA Insurance and were guaranteed by iA Financial Corporation in accordance with the terms of the arrangement.

iA Financial Corporation is a “successor issuer” of iA Insurance as defined in securities regulations with respect to the common shares previously issued by iA Insurance. The comparative figures prior to 2019 presented in this Management’s Discussion and Analysis are therefore the same as those of iA Insurance.

iA Financial Corporation is not regulated under the *Insurers Act* (Quebec). However, iA Financial Corporation will maintain the ability to supply capital, if it considers it necessary, to iA Insurance so that the latter meets the capital adequacy requirements of the *Insurers Act* (Quebec). Pursuant to an undertaking, iA Financial Corporation will disclose its capital position on a quarterly basis. A copy of the undertaking (to which the Autorité des marchés financiers is an intervening party) was filed under the SEDAR profiles of iA Financial Corporation and iA Insurance at sedar.com.

iA Financial Corporation is governed by the *Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the “1999 Private Bill”), as amended by the *Act to amend the Act respecting Industrial-Alliance Life Insurance Company* (Quebec) (the “2018 Private Bill,” collectively with the 1999 Private Bill, the “Private Bill”). The 1999 Private Bill was enacted by the Quebec National Assembly on November 26, 1999, and its amendment, the 2018 Private Bill, was enacted on June 15, 2018. The Private Bill prohibits any person and his/her affiliates from acquiring, either directly or indirectly, voting shares of iA Financial Corporation if the acquisition results in the person and his/her affiliates holding 10% or more of the voting rights related to the shares. The Private Bill further provides that in the event that an acquisition is made in contravention of the foregoing, an individual on behalf of whom the shares are acquired cannot exercise the voting rights attached to the aggregate of his/her shares for as long as they are in contravention of this provision. In addition, under this Private Bill, iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance.

Unless otherwise indicated, all information presented in this Management’s Discussion and Analysis is established as at December 31, 2021, or for the year ended on that date.

Unless otherwise indicated, all amounts that appear in this Management’s Discussion and Analysis are denominated in Canadian dollars. The financial information is presented in accordance with International Financial Reporting Standards (IFRS), as they apply to life insurance companies in Canada, and with the accounting requirements prescribed by the regulatory authorities.

iA Financial Group is a business name and trademark of **iA Financial Corporation Inc.** and **Industrial Alliance Insurance and Financial Services Inc.**

This Management’s Discussion and Analysis is dated February 16, 2022.

Non-IFRS and Additional Financial Measures

iA Financial Corporation and iA Insurance report their financial results and statements in accordance with International Financial Reporting Standards (“IFRS”). They also publish certain financial measures or ratios 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 (“GAAP”) used for the Company’s audited financial statements. The Company uses non-IFRS measures when evaluating its results and measuring its performance. The Company believes that non-IFRS measures provide additional information to better understand its 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 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. These non-IFRS measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS measures, there are no directly comparable amounts under IFRS.

Regulation 52-112 respecting Non-GAAP and Other Financial Measures Disclosure from the Canadian Securities Administrators (“Regulation 52-112”) establishes disclosure requirements that apply, respectively, to each of the following categories of non-IFRS measures used by iA Financial Corporation:

- *Non-IFRS financial measures*, which depict the historical or expected future financial performance, financial position or cash flow, and with respect to their composition, exclude an amount that is included in, or includes an amount that is excluded from, the composition of the most directly comparable financial measure disclosed in the Company’s financial statements.
- *Non-IFRS ratios*, which are in the form of a ratio, fraction, percentage, or similar representation, have a non-IFRS financial measure as one or more of their components and are not disclosed in the Company’s financial statements.
- *Supplementary financial measures*, which are disclosed on a periodic basis to depict historical or expected future financial performance, financial position, or cash flow and are not disclosed in the Company’s financial statements.
- *Capital management measures*, which are financial measures intended to enable the reader to evaluate the Company’s objectives, policies, and processes for managing its capital.
- *Segment measures*, which combine financial measures for two or more reportable segments of the Company and are not disclosed in the Company’s financial statements.

Below is a description of the non-IFRS financial measures, non-IFRS ratios and supplementary financial measures used by the Company. Additional information is provided, along with a description of the reconciliation to the closest IFRS measure, where applicable.

Non-IFRS measures published by iA Financial Corporation are:

- Return on common shareholders' equity (ROE):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity.
- Core earnings:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Removes 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; and
    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.

    Note: 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.
  - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings.
  - *Reconciliation*: "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core earnings per common share (core EPS):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Obtained by dividing the core earnings by the diluted weighted average number of common shares.
  - *Purpose*: Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.

- Core return on common shareholders' equity (core ROE):
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
  - *Purpose*: Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: There is no directly comparable IFRS financial measure that is disclosed in the financial statements of the Company to which the measure relates.

- Components of the sources of earnings (SOE), on a reported and core basis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* Presents sources of earnings in compliance with the guideline issued by the Office of the Superintendent of Financial Institutions and developed in cooperation with the Canadian Institute of Actuaries using the following components:
    a. Operating profit, which is the sum of the following components of the sources of earnings analysis: expected profit on in-force, experience gains and losses, impact of new business and changes in assumptions and management actions.
    b. Expected profit on in-force, which represents 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.
    c. Experience gains or losses, which 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.
    d. Impact of new business, or strain, which represents the point-of-sale impact on net income of writing new business during the period. The expected profit realized in the years after a policy is issued should cover the strain incurred at the time of issue.
    e. Changes in assumptions and management actions, which is the impact on pre-tax net income resulting from changes in actuarial methods and assumptions or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its provisions given the existing economic and financial environment as well as the Company's own experience in terms of mortality, morbidity, lapse rates, unit costs and other factors. Management actions represent the impact of actions apart from the normal operation of the business, including but not limited to changes in methodology, model refinement and impacts of acquisitions, mergers and divestitures.
    f. Income on capital, which represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate that income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item.
    g. Income taxes, which represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. Income taxes are considered to be an expense for the purpose of calculating the operating profit.
  - *Purpose:* Provides additional indicators for evaluating the Company's financial performance and an additional tool to help investors better understand the source of shareholder value creation.
  - *Reconciliation:* There is no directly comparable IFRS financial measure for components of the SOE that is disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Loan originations:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: New car loans disbursed during a period.
  - *Purpose*: Used to assess the Company's ability to generate new business in the car loan business unit.
  - *Reconciliation*: It is a component of the "Operating activities affecting cash: Purchases of investments" IFRS measure disclosed in the Company's financial statements.
- Car loan measure – Finance receivables:
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Includes car loans, accrued interest, and fees.
  - *Purpose*: Used to assess the Company's total receivable amounts in the car loan business unit.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Car loan measure – Average credit loss rate on car loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Represents the total credit losses divided by the average finance receivables over the same period.
  - *Purpose*: Used to assess the Company's average credit performance in the car loan business unit.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Dividend payout ratio:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The percentage of net income attributed to common shareholders, on a reported basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends.
  - *Reconciliation*: The dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the reported earnings per common share for the period.
- Core dividend payout ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The percentage of net income attributed to common shareholders, on a core earnings basis, that is distributed to common shareholders in the form of dividends during the period.
  - *Purpose*: Indicates the percentage of the Company's core revenues shareholders received in the form of dividends.
  - *Reconciliation*: The core dividend payout ratio is the ratio of the dividend per common share paid during the period (an IFRS measure) divided by the core earnings per common share for the period.
- Organic capital generation:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Excess capital generated in the normal course of business, excluding the impact of the macroeconomic environment, where excess capital is the amount of capital over and above the target ratio, calculated under the CARLI guideline.
  - *Purpose*: Provides a measure of the Company's capacity to generate excess capital in the normal course of business.

- Potential capital deployment:
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: Amount of capital the Company can deploy for a transaction, taking into account all limits and constraints of the regulatory capital guideline and the Company's targets, assuming the transaction parameters to be the worst-case scenario.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.
- Total payout ratio (trailing 12 months):
  - *Category under Regulation 52-112*: Supplementary financial measure.
  - *Definition*: The sum of common dividends paid and common shares repurchased (buybacks) over the last twelve months divided by the net income available to common shareholders over the last twelve months.
  - *Purpose*: Indicates the percentage of the Company's reported revenues shareholders received in the form of dividends over a twelve-month period.
- Sensitivity measures:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The impact of macroeconomic variations, such as interest rate and equity market variations, on other Company metrics, such as net income or the solvency ratio.
  - *Purpose*: Used to assess the Company's risk exposure to macroeconomic variations.
- Financial leverage measure – Debentures/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing total debentures by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.
- Financial leverage measure – Debentures + Preferred Shares issued by a subsidiary/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.
- Financial leverage measure – Coverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred shares issued by a subsidiary, and dividends and redemption premiums on preferred shares issued by a subsidiary (if applicable).
  - *Purpose*: Provides a measure of the Company's ability to meet liquidity requirements for obligations when they come due.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Capitalization:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: The sum of the Company's equity, participating policyholders' accounts and debentures.
  - *Purpose*: Provides an additional indicator for evaluating the Company's financial performance.
  - *Reconciliation*: This measure is the sum of several IFRS measures.
- Solvency ratio:
  - *Category under Regulation 52-112*: In accordance with the Capital Adequacy Requirements Guideline – Insurance of Persons (CARLI) revised in January 2021 by the Autorité des marchés financiers ("AMF"), this financial measure is exempt from certain requirements of Regulation 52-112.
  - *Definition*: Calculated by dividing the sum of the available capital, the surplus allowance and the eligible deposits by the base solvency buffer.
  - *Purpose*: Provides a measure of the Company's solvency and allows the regulatory authorities to determine if an insurance company is sufficiently capitalized in relation to the minimum set by the Company's regulator.
- Assets under administration (AUA):
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition:* All assets with respect to which the Company acts only as an intermediary between a client and an external fund manager.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Assets under management (AUM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: All assets with respect to which the Company establishes a contract with a client and makes investment decisions for amounts deposited in this contract.
  - *Purpose:* Used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration.
  - *Reconciliation*: "General fund assets" and "Segregated funds net assets" disclosed in the Company's financial statements are IFRS measures and components of the AUM calculation. A reconciliation is presented in this document.

- Individual Wealth Management mutual funds deposits, Group Savings and Retirement deposits, US Operations Dealer Services premium equivalents and Group Insurance Employee Plans ASO, Investment contracts and premium equivalents and deposits:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definitions*:
        a. Deposits refer to amounts received from clients under an investment contract. Deposits are not reflected in the Company's income statements.
        b. Premium equivalents refer to amounts related to service contracts or services where the Company is primarily an administrator but could become an insurer if a specific event were to happen. These amounts are not accounted for in "Net premiums".
    - *Purpose*: Premiums, premium equivalents and deposits are one of many measures used to assess the Company's ability to generate income from in-force and new business.
- Individual Insurance minimum and excess premium sales, Individual Wealth Management gross and net mutual fund sales, Group Insurance Employee Plans sales, US Operations Individual Insurance sales, Group Insurance Special Markets sales, Group Insurance Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales and General Insurance sales:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definitions*:
        a. Individual Insurance minimum and excess premium sales are defined as first-year annualized premiums. The net premiums presented in the Consolidated Financial Statements include fund entries on both in-force contracts and new business written during the period and are reduced by premiums ceded to reinsurers.
        b. Individual Wealth Management gross mutual fund sales are defined as deposits and include primary market sales of ETFs.
        c. Individual Wealth Management net mutual fund sales correspond to net fund entries and are defined as Individual Wealth Management gross mutual fund sales less withdrawals and transfers.
        d. Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (Administrative Services Only).
        e. US Operations Individual Insurance sales are defined as first-year annualized premiums.
        f. Group Insurance Special Markets sales are defined as fund entries on both in-force contracts and new business written during the period.
        g. Group Insurance Dealer Services P&C sales are defined as direct written premiums (before reinsurance).
        h. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
        i. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
        j. General Insurance sales are defined as direct written premiums.
    - *Purpose*: Used to assess the Company's ability to generate new business and serve as additional tools to help investors better assess the Company's growth potential.
    - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.
- Group Insurance Dealer Services creditor insurance sales:
    - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
    - *Definition*: Premiums before reinsurance and cancellations.
    - *Purpose*: Used to assess the Company's ability to generate new business and serve as an additional tool to help investors better assess the Company's growth potential in the Dealer Services division of the Group Insurance sector.
    - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

Forward-Looking Statements

- This document may contain statements relating to strategies used by iA Financial Group 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", "outlook" and "forecast", or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, 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 Group 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. In addition, 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.
  - Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks, such as: general business and economic conditions; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; risks associated with the political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group's ability to satisfy stakeholder expectations on environmental and social issues; data and cyber risks; risks related to human resources; hedging strategy risks; liquidity of iA Financial Group, 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; the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.
  - Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company such as mortality, morbidity, longevity and policyholder behaviour; different business growth rates per business unit; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment; risks and conditions; and the Company's recent performance and results, as discussed elsewhere in this document.
- 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 Group's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Group remains financially solid. In addition, iA Financial Group'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 this Management's Discussion and Analysis for 2021, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2021, and elsewhere in iA Financial Group's filings with the Canadian Securities Administrators, which are available for review at sedar.com.
- The forward-looking statements in this document reflect iA Financial Group's expectations as of the date of this document. iA Financial Group 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 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 Company can be found on the SEDAR website at sedar.com, as well as in the annual information forms for iA Financial Corporation and for iA Insurance, which can be found on the iA Financial Group website or the SEDAR website.

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¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Highlights

The Company had a solid year in 2021, once again demonstrating the soundness and strength of its business model. Net income attributed to common shareholders amounted to $830 million in 2021, compared to $611 million in 2020. Earnings per common share (EPS) and return on common shareholders' equity (ROE)[¤] were also significantly above 2020 results. In addition, both core EPS[¤] and core ROE[¤] for 2021 were above market guidance provided at the beginning of the year.

In 2021, business growth continued the strong momentum that began in 2020, moving the Company closer to its growth ambition, which is to be a North American financial institution operating in sectors deemed strategically important where we can be the leader in the mass/mid markets. The Company's diversified business mix has provided synergies and complementarities that have led to record sales in several sectors. This excellent performance was also due in part to the scope and diversity of the Company's distribution networks, the range and relevance of its products, and the effectiveness of the digital tools available to representatives, clients and employees.

At the end of 2021, the adequacy of the Company's actuarial provisions was confirmed as the adjustment of actuarial assumptions had a slightly positive net impact on its net income.

The Company maintained a strong solvency ratio[¤] above its target throughout the year. Organic capital generation[¤] was also very strong and above guidance. The investment portfolio remained of the highest quality and credit ratings were raised by DBRS Morningstar and reaffirmed by Standard & Poor's and A.M. Best.

Finally, value creation in 2021 was reflected in the 12% growth in book value per share and the 29% increase in the quarterly dividend per common share. Also, the Company established a share buyback program in December 2021.

Profitability

Net income attributed to common shareholders amounted to $830 million in 2021, a 36% increase over 2020. Earnings per common share of $7.70 was up 35% from a year earlier and core EPS[¤] of $8.31 was up 17%. Return on common shareholders' equity (ROE)[¤] was 13.2% in 2021 and core ROE was 14.2%. Both core EPS[¤] and core ROE[¤] for 2021 were above market guidance provided at the beginning of the year. Refer to the "Profitability" section of this Management's Discussion and Analysis for more information on the Company's profitability in 2021.

Business Growth

Assets under management and administration[¤] reached record levels, ending the year at $221.2 billion, an increase of 12% over the previous year. Premiums and deposits[¤] of more than $16.6 billion were up 18% compared to 2020. Sales growth was very strong in most lines of business. Refer to the sections that follow for more information on business growth by line of business.

Profitability

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Net income attributed to common shareholders	830	611	36%
Earnings per common share (EPS) (diluted) (in dollars)	7.70	5.70	35%
Core EPS (diluted) (in dollars)[¤]	8.31	7.12	17%
Return on common shareholders' equity (ROE)[¤]	13.2%	10.6%	
Core ROE[¤]	14.2%	13.3%	

Assets Under Management and Administration

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Assets under management[¤]	111,476	101,656	10%
Assets under administration[¤]	109,687	95,830	14%
Total	**221,163**	**197,486**	**12%**

Premiums and Deposits[¤,1]

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Individual Insurance	1,758	1,625	8%
Individual Wealth Management	8,775	6,418	37%
Group Insurance	1,883	1,744	8%
Group Savings and Retirement	2,773	3,056	(9%)
US Operations	1,039	896	16%
General Insurance	395	340	16%
Total	**16,623**	**14,079**	**18%**

Sales by Line of Business[2]

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Individual Insurance			
Minimum premiums[¤]	263	202	30%
Excess premiums[¤]	23	21	10%
Total	286	223	28%
Individual Wealth Management			
General fund	891	836	7%
Segregated funds	4,818	3,080	56%
Mutual funds[¤]	3,066	2,502	23%
Total	8,775	6,418	37%
Group Insurance			
Employee Plans[¤]	135	136	(1%)
Dealer Services[¤,3]	1,109	972	14%
Special Markets[¤]	215	205	5%
Total	1,459	1,313	11%
Group Savings and Retirement[¤]	2,798	3,083	(9%)
US Operations			
Individual Insurance ($US)[¤]	135	127	6%
Dealer Services ($US)[¤]	1,068	719	49%
iA Auto and Home[¤]	432	395	9%

1 Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.
2 Refer to the sections on the Company's different business lines for a definition of sales.
3 Includes creditor insurance, P&C products and car loan originations.

¤ This item is a non-IFRS measure; see the "Non-IFRS and additional Financial Measures" section in this document for relevant information about such measures.

Financial Strength

The Company's financial strength continued to be robust throughout 2021, as confirmed by the following indicators. Total capital¤ increased by 9% during the year to reach nearly $8.7 billion at December 31, 2021. As of the same date, the solvency ratio¤ was 134% compared to 130% a year earlier. The increase of four percentage points during the year is essentially due to very strong organic capital generation¤. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2021 and is expected to remain within or above the target range at all times in 2022. Once the debenture redemption of $250 million announced on January 20, 2022 is completed, it will reduce the Company's solvency ratio by about three percentage points, for a pro forma ratio of 131% at December 31, 2021. As mentioned above, organic capital generation was very strong throughout the year, with the Company generating approximately $450 million in additional capital in 2021, exceeding the $275 million to $325 million target range for the year. The very good organic capital generation is expected to continue into 2022[4].

The coverage ratio¤, which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, finished the year at 16.1x compared to 11.7x a year earlier. The increase is essentially due to higher earnings as no financial activities, redemptions or issuances were completed in 2021. The debt ratio¤ including debentures and preferred shares was 22.7% at December 31, 2021, a decrease from 24.8% at December 31, 2020 as the Company's total capital increased but no financial activities were completed in 2021. Lastly, following the lifting of regulatory restrictions on share buyback programs in November 2021, the Company reinstated its Normal Course Issuer Bid (NCIB) program in December 2021 (in effect from December 6, 2021 to December 5, 2022). During the fourth quarter,112,500 common shares were redeemed and cancelled under this program.

For detailed comments on financial strength, refer to the "Financial Position" section of this Management's Discussion and Analysis.

Dividends

In 2021, the Company increased its quarterly dividend per common share by 29%. This was announced following the lifting of regulatory restrictions last November. Therefore, the quarterly dividend payable, which was previously $0.4850, was increased in the fourth quarter to $0.6250. As a result, the dividend paid in 2021 totalled $2.0800 per common share, compared to $1.9400 per common share in 2020, an increase of 7%. The dividend payout ratio¤ was 27% for the year, which is within the target range guidance given at the beginning of 2021. Note that at the end of 2021, the Company announced that its dividend payout ratio target range would be set to 25% to 35% of core earnings¤. This target was previously based on reported earnings. Lastly, the Board of Directors approved a quarterly dividend of $0.6250 per share, the same as in the fourth quarter of 2021, on the outstanding common shares of iA Financial Corporation.

Quality of Investments

The Company's investment portfolio continued to be of excellent quality in 2021. As presented in the table to the right, the proportion of net impaired investments decreased in 2021, and remained relatively low at 0.04% of total investments. In addition, bonds rated BB and lower accounted for just 0.94% of the bond portfolio. Also, the occupancy rate of the real estate portfolio decreased to 91.5% and continues to compare very favourably with commercial rental properties in large Canadian cities. For detailed comments on investments, refer to the "Investments" section of this Management's Discussion and Analysis.

Financial Strength

(As as December 31)	2021	2020
Solvency ratio¤	134%	130%
Debt ratio¤	22.7%	24.8%
Coverage ratio¤	**16.1x**	**11.7x**

Dividend

	2021	2020
Dividend to common shareholders	**$2.0800**	$1.9400

Investment Quality Indices

(As at December 31)	2021	2020
Net impaired investments ($M)	17	31
Net impaired investments as a % of total investments	0.04%	0.07%
Bonds – Proportion rated BB and lower	0.94%	0.99%
Mortgages – Delinquency rate	—	—
Investment properties – Occupancy rate	91.5%	95.3%

Sensitivity Analysis¤

The analysis of the Company's sensitivity to macroeconomic changes was updated at the end of 2021. The main results of the analysis are shown in the table below and explained under "Market Risk" in the "Risk Management" section of this Management's Discussion and Analysis.

Sensitivity Analysis¤

(In millions of dollars, unless otherwise indicated)	As at December 31	
	2021	2020
Drop in the S&P/TSX index requiring a strengthening of the provisions for future policy benefits for stocks matched to long-term liabilities[5]	(35%)	(27%)
Drop in the S&P/TSX[5] index that would decrease the solvency ratio to 110%	—	(83%)
Impact on net income of a sudden 10% drop in the stock markets (impact for a full year)	(44)	(34)
Impact on net income of a 10 basis point increase in the initial reinvestment rate (IRR)	(25)	(4)
Impact on net income of a 10 basis point decrease in the initial reinvestment rate (IRR)	25	4
Impact on net income of a 10 basis point increase in the ultimate reinvestment rate (URR)	68	68
Impact on net income of a 10 basis point decrease in the ultimate reinvestment rate (URR)	(68)	(68)
Impact on net income of a 10 basis point increase in the **combined metric of URR + IRR**	43	64
Impact on net income of a 10 basis point decrease in the **combined metric of URR + IRR**	(43)	(64)

4 Please refer to the "Forward-Looking Statements" section of this document.
5 Decrease compared to the actual index values at December 31 of the indicated years.

¤ This item is a non-IFRS measure; see the "Non-IFRS and additional Financial Measures" section in this document for relevant information about such measures.

Acquisitions and Disposition

On November 2, 2021, the Company announced that it had 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”). As a leading player in digital property and casualty (P&C) insurance distribution in Canada, Surex combines online self-serve capabilities with experienced advisors.

On October 1, 2021, PPI Management, a subsidiary of the Company, completed the sale of its PPI Benefits Inc. subsidiary to AGA Benefits Solutions. The sale reflects PPI Management’s decision to focus on its core business of individual insurance and support to independent advisors.

For more information on the acquisitions and disposition completed in 2021, refer to Note 4 of the Company’s consolidated financial statements entitled *Acquisition and Disposal of Businesses.*

Sustainable Development

Summary of 2021 results

iA Financial Group takes into account environmental, social and governance factors in its sustainable development actions. In 2021, the Company focused on further integrating ESG factors and rolling out several new sustainable finance initiatives. In particular, we committed to supporting external asset managers in their process of integrating these factors. We also adopted and published a responsible investment policy and a proxy voting guideline. Furthermore, the Company is a signatory to the Statement by the Quebec Financial Centre for a Sustainable Finance. We also set up a climate change task force to implement the Towards a Carbon Free Future project.

Lastly, our Net Promoter Score survey results exceeded our high expectations, demonstrating our successful efforts to make the client the focus of our activities.

Along with this work, the organization continued its efforts to support its stakeholders. Nearly CAN$8 million was donated to charitable organizations; our diversity and inclusion program is being rolled out and all employees have received training on inclusion; several specialized products and services for immigrants and expatriates have been enhanced; and we are rolling out a Work From Anywhere program for our employees that is adapted to the new reality of the job market.

Lastly, 2021 was marked by the integration of the recommendations from the Task Force on Climate-related Financial Disclosures, which will be reflected in our non-financial disclosure to be published in March.

Litigation

iA Insurance was involved in litigation with a third party, Ituna Investment LP, which was seeking to use insurance contracts for purposes unrelated to insurance. On November 4, 2021, the Supreme Court of Canada released its decision that it had refused to hear the appeal. The decision of the Saskatchewan Court of Appeal of March 10, 2021, which was favourable to iA, is thus confirmed, putting an end to the litigation.

Changes to Accounting Policies in 2021 and Future Changes in Accounting

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2021. None of these amendments or standards had an impact on the Company’s financial statements. For more information on these amendments and new standards, refer to Note 3 of the consolidated financial statements, entitled “Changes in Accounting Policies.” Also, on December 9, 2021, the IASB published 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. Lastly, the Company is continuing its work related to the application of IFRS 17 *Insurance Contracts,* which is scheduled to take effect on January 1, 2023. The Company is currently evaluating the impact of this standard on its financial statements.

¤ This item is a non-IFRS measure; see the “Non-IFRS and additional Financial Measures” section in this document for relevant information about such measures.

Outlook for 2022

iA Financial Group held a virtual Investor Event in March 2021, where management discussed the Company’s strategy and outlook for the coming years. Remaining focused on the execution of this strategy and outlook, the Company recorded solid results in 2021, once again demonstrating the soundness and strength of its business model. The balance sheet remains robust and the Company has the protection and resources it needs to adjust to macroeconomic fluctuations. iA Financial Group is therefore well positioned to grow its earnings, maintain its financial strength and create value for its shareholders in 2022.

The main guidance targets for 2022 are presented in the table below.

EPS and ROE[¤] growth is expected to come from:

- Organic growth, which refers to normal growth in expected profit on in-force
- Profitability improvement initiatives in all lines of business
- Acquisitions and technology improvements made in recent years
- Initiatives to fully leverage the Company’s strong and diversified distribution networks

The significant increase in the organic capital generation target and the improvement in the impact of new business (strain) reflect management actions to improve the quality of the business mix and sound risk management initiatives, among other things.

The dividend payout ratio is now based on core earnings, which increases the dividend payout target, as expected core earnings are higher than expected reported earnings.

Lastly, guidance for the solvency ratio remains unchanged for 2022 and the increase in the effective tax rate target reflects most recent results and expectations.

Market Guidance[6]

	2022	2021
Core earnings per common share[¤]	**$8.70 to $9.30**	$7.60 to $8.20
Core return on common shareholders’ equity[¤]	**13.0% to 15.0%**	12.5% to 14.0%
Organic capital generation[¤]	**$450M to $525M**	$275M to $325M
Effective tax rate	**21% to 23%**	20% to 22%
Solvency ratio[¤]	**110% to 116%**	110% to 116%
Impact of new business (strain)[¤]	**0% (quarterly range of -5% to 10%)**	2% (quarterly range of -5% to 10%)
Dividend payout ratio[¤]	**25% to 35% (mid-point, based on core earnings)**	25% to 35% (mid-point, based on reported earnings)

Transition to IFRS 17 and IFRS 9 and outlook for 2023 – The Company's management is already making decisions and taking actions based on the new IFRS 17 and IFRS 9 accounting standards that will come into effect on January 1, 2023. Due to its strong and flexible balance sheet under IFRS 4 and its well-positioned actuarial assumptions, management considers that the Company is in a favourable position for the transition to the new accounting standards. Based on currently available information, impacts ranging from near-neutral to favourable are expected for the following key measures: 1) Core EPS, 2) Core EPS growth, 3) Core ROE, 4) Book value, 5) Solvency ratio and 6) Capital available for deployment. Core earnings will continue to be the best indicator of the Company's ability to generate sustainable revenues, eliminating the short-term volatility that may result from the de-linking between assets and liabilities under the new accounting regime. Finally, it is important to note that this outlook is preliminary as the following elements are not finalized or remain uncertain: the tax treatment of the contractual service margin (CSM) at transition, the changes that will be made to the formula for calculating the solvency ratio and the evolution of the macroeconomic environment until transition.

The Company’s outlook for 2022, including the market guidance provided, constitutes forward-looking information within the meaning of securities laws. Although the Company believes that its outlook for 2022 is reasonable, such statements involve risks and uncertainties and undue reliance should not be placed on such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks. In addition, certain material factors or assumptions are applied in preparing the Company’s outlook for 2022, including but not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company; a business growth rate similar to previous years; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment; risks and conditions; and the Company’s recent performance and results, as discussed elsewhere in this document. The Company’s outlook for 2022 serves to provide shareholders, market analysts, investors, and other stakeholders with a basis for adjusting their expectations with regards to the Company's performance throughout the year and may not be appropriate for other purposes. Additional information about risk factors and assumptions applied may be found in the “Forward-looking Statements” section of this document.

6 Guidance for EPS and ROE excludes non-core items as well as any potential impact of the year-end assumption review. Guidance for 2020 was based on the definition of core earnings used prior to 2021, and guidance for 2021 is based on the revised definition of core earnings in use as of 2021. Refer to the “Profitability” section of this Management’s Discussion and Analysis for an explanation of core earnings.

¤ This item is a non-IFRS measure; see the “Non-IFRS and additional Financial Measures” section in this document for relevant information about such measures.

Covid-19 Pandemic

iA Financial Group's resilient business model, including the strength of its distribution networks and its sound risk management practices, has helped mitigate the impacts of the COVID-19 pandemic. As a result, the Company has been fully able to continue generating growth while ensuring the financial wellbeing of its clients.

From the first signs of the pandemic, management prioritized the health and safety of employees and distributors, along with business continuity. iA Financial Group adjusted quickly and efficiently, implementing telework for the vast majority of employees and using high-performance digital tools that were already in place.

Profitability, Growth and Financial Strength

The pandemic has brought about significant changes in the distribution of financial products. The Company and its distribution networks have managed to adapt quickly to the new reality, in particular thanks to its digital tools available to distributors and clients. Business growth was excellent again in 2021, which is attributable mainly to three factors: the strength and diversification of the Company's distribution networks, the excellent performance of its digital tools, and the wide range of products offered.

The Company's solid financial results again in 2021 demonstrate the resiliency of its business model and the soundness of its choices, particularly in terms of technology, based on a strong long-term strategic vision.

In terms of solvency, the Company's solvency ratio[¤] remained well above the Company's target throughout 2021. This favourable result is mainly due to the Company's strong capacity for organic capital generation and the positive impact of its risk management initiatives.

Lastly, the Company continues to have additional protections in the reserves to absorb potential negative impacts that may result from the pandemic in the coming years.

Community Support

Since the beginning of the pandemic, iA Financial Group has been committed to contributing tirelessly and in every possible way to the immense social efforts being made to counter its effects. From the very beginning, the Company put various relief measures in place to support clients experiencing financial hardship as a direct result of the pandemic. Also, iA Financial Group has been committed to the fight against COVID-19 and its unprecedented effects on our communities. The Company increased donations in the areas of health and community services, specifically targeting organizations with urgent needs due to the pandemic.

In 2021, the Company answered the Quebec government's invitation to participate in the COVID-19 vaccination effort by setting up and managing a vaccination centre in collaboration with other employers in Quebec City.

Employee Health and Wellbeing

iA Financial Group has spared no effort to ensure the health and safety of its employees and to try to reduce the spread of the virus in the community. In mid-March 2020, the Company quickly took steps to enable telework for almost all employees and to ensure the safety of its offices for those required to work onsite for business continuity purposes. These measures have remained in place since then.

The Company also offered various support measures in addition to the services already available to employees, including access to telemedicine, a stress management and wellness program, and an employee and family assistance program.

Beyond the Pandemic

It remains to be seen when the pandemic will end. With everything achieved and put in place, and with its tested and proven business model, iA Financial Group is well positioned to grow and create value for its shareholders and other stakeholders in 2022 and beyond.

Those elements that have enabled the Company to achieve strong sales growth in 2021 remain in place.

With its high solvency ratio and the adequacy of its actuarial reserves, the Company has solid foundations to support its growth. In its reserves, the Company has distinctive protection against macroeconomic variations, as well as additional protections that will be used to respond to temporary pandemic or post-pandemic uncertainties by absorbing unfavourable mortality or lapse experience.

As a result, the Company is well positioned to take advantage of post-pandemic opportunities while remaining resilient and committed to the wellbeing of its clients, employees and communities.

¤ This item is a non-IFRS measure; see the "Non-IFRS and additional Financial Measures" section in this document for relevant information about such measures.

Analysis by business segment

CANADA
LINES OF BUSINESS

INDIVIDUAL INSURANCE

INDIVIDUAL WEALTH MANAGEMENT

GROUP SAVINGS AND RETIREMENT

GROUP INSURANCE

Divisions
- Employee Plans
- Dealer Services
- Special Markets

UNITED STATES
LINES OF BUSINESS

U.S. OPERATIONS

Divisions
- Individual Insurance
- Dealer Services

QUEBEC
SUBSIDIARY

IA AUTO AND HOME

Individual Insurance

The Individual Insurance line of business offers a wide range of insurance products through an extensive distribution network.

The Company is aiming to stand out in the Canadian market in terms of client and distributor experience. To do so, the sector mainly focuses on enhancing its digital tools and product offering, and simplifying and accelerating the underwriting and new business process. Many initiatives were undertaken in 2021 to give clients and distributors greater flexibility and more options, including:

- iA PAR Wealth, a new addition to the Company's participating life insurance product. This new option further enhances the Company's ability to meet client-specific needs and continues to increase iA Financial Group's penetration of the participating insurance market in Canada;
- The customary adjustment of premiums for selected products to maintain profitability and competitiveness.

Today, as a result of sound digital initiatives to enhance its online sales tool, iA Financial Group is a leader in instant point-of-sale approval thanks to EVO, one of the best distance-selling platforms in Canada. iA Financial Group also continued to improve its non face-to-face processes, which facilitate and improve interactions between clients and distributors as the current pandemic persists.

Business Growth

(In millions of dollars, unless otherwise indicated)	**2021**	**2020**	**Variation**
Sales			
Minimum premiums[¤,7]	263	202	30%
Excess premiums[¤,8]	23	21	10%
Total	**286**	**223**	**28%**
Net premiums	1,758	1,625	8%

Total sales amounted to $286 million in 2021, a significant increase of 28% compared to 2020. This growth is due in part to the success of both the iA PAR insurance product and the enhanced version of the yearly renewable term option of the universal life product launched in 2020. The success of these two products improves the Company's business mix by providing better diversification and a lower level of macroeconomic risk.

Net premiums were up 8% in 2021 at $1,758 million. Note that premiums are a key long-term profitability driver for the sector.

In terms of the Company's performance in the industry, according to the Canadian data published by LIMRA for the first nine months of the year:

- iA Financial Group is the company that insures the most Canadians, with a market share close to 25% in policies sold. It ranks fourth for premium sales, with a market share of 11% (life, critical illness and disability combined);
- iA Financial Group ranks first for critical illness insurance sales, with a market share of 29%;
- iA Financial Group ranks second for disability insurance product sales, with a market share of 15%.

While growth for disability insurance products in the industry was rather small, in part due to the pandemic and the economic environment, iA Financial Group managed to achieve 13% growth in premiums, and 5% growth in number of policies sold.

In addition, the Company's Career Network performed very well in 2021, with a total premium increase of 11% over 2020.

Outlook[8] and Business Focus

- Capitalizing on the strength and diversity of all our distribution networks
- Building and optimizing the distributor and client digital experience

7 Minimum premiums are the portion of the premium used to cover the insurance risks under an individual insurance contract and are an important way to measure the sector's performance. Excess premiums include all deposits to accumulation funds available under universal life policies, as well as contributions to the additional deposit option for the participating life insurance product.

8 Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and additional Financial Measures" section in this document for relevant information about such measures.

As an industry leader, recognized as such in the fall 2021 Environics Research Advisor Perception Study, the sector will be focused on seizing all opportunities to maintain this coveted position in 2022. Providing the best experience for distributors and clients will be central to the sector's evolution. To this end, the sector will continue to capitalize on the strength and diversity of all our distribution networks to meet the needs of Canadians. This will be achieved by remaining proactive in offering the most comprehensive range of high-performance products in the Canadian market. As a leader in point-of-sale approval, the sector will continue to distinguish itself through intuitive digital solutions while supporting advisors as they adapt to a hybrid model that combines in-person with non face-to-face contact. Rigorous management of the product offering and high service standards for clients and distributors will also be key to iA Financial Group's continuing leadership.

Products and Services

- Life insurance (universal, participating, permanent and term)
- Critical illness insurance
- Short and long-term disability insurance
- Mortgage insurance
- Accidental death and dismemberment (AD&D) insurance
- Creditor insurance (life and disability)
- Travel insurance

Manufacturers and Subsidiaries

- iA Insurance
- PPI Management
- Invisor Insurance Services
- Michel Rhéaume et associés

Distribution Affiliates and Networks

- Career Network (iA) (2,130 advisors)
- Managing General Agents Network (15,370 representatives)
- National Accounts Network (600 representatives)
- PPI Management (5,000 representatives)
- Michel Rhéaume et associés

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Individual Wealth Management

In the Individual Wealth Management line of business, the Company offers a broad range of savings and retirement products. iA Financial Group is a Canadian leader in the development and distribution of segregated funds. IA Clarington Investments, a Company subsidiary, is a large investment management firm in Canada that offers a full line of mutual funds.

Clients can invest in the sector's products through registered retirement savings plans (RRSPs), registered education savings plans (RESPs), tax-free savings accounts (TFSAs), registered retirement income funds (RRIFs) and non-registered plans.

The sector also has two distribution affiliates working in mutual fund and securities brokerage: iA Private Wealth[9] and Investia Financial Services.[10]

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Gross sales			
General fund	891	836	7%
Segregated funds	4,818	3,080	56%
Mutual funds¤	3,066	2,502	23%
Total	**8,775**	**6,418**	**37%**
Net sales			
Segregated funds	3,307	1,764	1,543
Mutual funds¤	1,153	243	$910
Total	**4,460**	**2,007**	**$2,453**

Business growth was once again excellent in this sector. Total gross sales of nearly $8.8 billion were up 37% from 2020.

Driven by the strong performance of all distribution networks, digital tools and the fund portfolio, gross segregated fund sales reached a record high for a second year in a row, increasing 56% year over year to $4.8 billion. Net segregated fund sales were impressive, totalling $3.3 billion, an increase of $1.5 billion over 2020. The Company continued to strengthen its position in the industry, ranking[11] first in Canada for net segregated fund sales, second in gross sales and third in terms of assets. The Company continues to offer clients the simplicity of having all their investments (segregated funds, guaranteed interest funds and high interest savings account) combined under one contract, which also contributes to its success.

Gross mutual fund sales¤ totalled $3.1 billion, up 23% from 2020, and net inflows¤ totalled $1.2 billion compared to $243 million in 2020. Strong results in 2021 were driven by the excellent contribution of both the Company's affiliated and independent distribution networks. In addition, the strategic focus to consolidate the Company's mutual fund offerings within a smaller, select group of top-tier sub-advisory asset managers proved to be a good growth driver for 2021.

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Funds under management			
General fund	2,103	2,122	(1%)
Segregated funds	24,722	19,240	28%
Mutual funds	13,955	11,393	22%
Other[12]	—	995	(100%)
Subtotal	40,780	33,750	21%
Funds under administration[13]	108,331	94,534	15%
Total	**149,111**	**128,284**	16%

Total assets amounted to more than $149.1 billion at December 31, 2021, up 16% from the previous year, mainly due to net fund entries and market growth. Growth in assets under management, which is reliant on gross sales, in-force business persistency and return on assets, is the key long-term profitability driver for the sector.

9 As of January 18, 2021, iA Private Wealth is the new brand replacing iA Securities and HollisWealth.
10 As of July 1, 2021, Investia Financial Services Inc. and FundEX Investments Inc. were merged into one entity under the brand Investia Financial Services.
11 Source: Investor Economics
12 The *Other* category of funds under management includes assets from the Company's private wealth management activities.
13 Includes assets related to affiliated dealers.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[14] and Business Focus

In 2022, the sector will continue to digitally transform and improve its operational processes to provide the best experience for distribution partners and clients, putting them at the centre of the sector's priorities. This digital transformation combined with the desire to offer competitive products to mass and middle market clients and future retirees will support the business growth objectives. In addition, these commitments will attract new distribution partners and increase the retention of assets under management, which is an important factor in the sector's profitability. Initiatives and efforts will also be made to better understand client needs and identify potential business opportunities.

Assuming non-excessive market volatility, the Company's mutual fund sales are projected to remain strong given a well-diversified, competitive line-up of products. Accelerated growth of assets under management¤ will be pursued through the expansion of high-quality products and an extension of the Company's well-established line of socially responsible investments.

Products and Services

- Segregated funds
- Mutual funds
- Securities
- Life and fixed-term annuities
- Registered savings and disbursement plans (RRSPs, RESPs, TFSAs and RRIFs)
- Investment advice
- Private wealth management

Manufacturers and Subsidiaries

- iA Insurance
- iA Clarington
- iA Private Wealth
- Investia Financial Services
- iA Trust
- iA Investment Management

Distribution Affiliates and Networks

- Career Network (iA) (2,130 advisors)
- Managing General Agents Network (15,370 representatives)
- National Accounts Network (600 representatives)
- PPI Management (5,000 representatives)
- Distribution affiliates (iA Private Wealth and Investia) (2,100 advisors)

[14] Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Employee Plans

The Employee Plans division offers a broad range of group benefits products for companies and organizations. The division has over 700 employees, has signed agreements with some 1,200 groups, and serves over 575,000 plan members.

To help manage plans more effectively and promote the health and wellness of plan members, the division offers a number of services and technology tools for plan administrators, plan members and benefits advisors. These include a disability management program, a drug management program (PharmAssist) and a health and wellness program (Well-Balanced), including telemedicine services and an employee assistance program. These services and tools, accessible through My Client Space and the iA Mobile app, give clients access to a continually evolving omnichannel experience.

In 2021, PharmAssist was revamped to provide solid and innovative solutions that optimize the physical and mental health of plan members while contributing to the financial sustainability of drug plans, an important focus among plan administrators.

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Sales[15]	135	136	(1%)
Premiums	1,147	1,028	12%
Premium equivalents[¤,16]	91	64	42%
Investment contracts[¤,17]	64	76	(16%)
Total	**1,302**	**1,168**	**11%**

Total premiums, premium equivalents[¤] and investment contract[¤] deposits reached $1,302 million in 2021, an increase of 11% over 2020.

Premium growth was mainly driven by new business sold in recent years, as 2021 sales were on par with the strong year in 2020.

By region, the majority of sales came from Quebec in 2021, as they did in 2020.

For the first nine months of the year, iA Financial Group ranked fifth in the industry with 8% of market sales for groups with 100 to 4,999 employees, the market closest to the division's target market.[18]

Outlook[19] and Business Focus

In 2022 and the years to come, the Employee Plans division will continue to enhance the client experience by investing in technology for a strong front-end digital solution, essential to supporting plan members' financial, physical and mental well-being.

With a focus on profitable growth, the division will remain committed to maximizing efficiency gains by taking advantage of greater synergy between business units.

Products and Services

- Life and health, accidental death and dismemberment (AD&D), dental care, short and long-term disability, critical illness and home care insurance
- Voluntary benefits (life, AD&D and critical illness)

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Group benefits brokers
- Actuarial consulting firms

15 The net premiums presented in the consolidated financial statements are net of reinsurance and include fund entries on both in-force contracts and new business written during the period.
16 Premium equivalents are income from administrative services only (ASO) contracts.
17 Premiums from Hold Harmless Agreements.
18 Source: LIMRA.
19 Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Dealer Services

Dealer Services distributes creditor insurance products (life, disability, loss of employment and critical illness), car loan financing, and property and casualty (P&C) products. P&C products include extended warranties, replacement insurance, guaranteed asset protection and a full range of ancillary products.

The division has more than 650 employees, insures over 650,000 individuals and over one million vehicles, and has more than 48,000 car loans outstanding. Its products are offered through a Canada-wide direct distribution network of nearly 7,000 automobile and other motor vehicle dealers, original equipment manufacturers and preferred partnerships. Distributors demand one-stop shopping for their aftermarket needs and iA Financial Group is one of the few companies that can provide it.

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Sales			
Creditor[¤,20]	244	261	(7%)
P&C[¤]	331	271	22%
Car loans[¤]	534	440	21%
Total	**1,109**	**972**	**14%**

Dealer Services sales totaled $1,109 million in 2021. The division continues to expand its presence across Canada by signing deals with large dealership groups and car manufacturers, and by developing new products and partnerships.

Creditor Insurance

Creditor insurance sales totalling $244 million in 2021 compares to $261 million in 2020. This variation can be explained by changing consumer behaviour and the regulatory environment.

P&C Products

P&C sales were up 22% from 2020 to reach $331 million. Increasing Canadian light vehicle sales[21], which were up 6.6% from 2020, new partnerships, and consumers' affinity for P&C products were the major drivers of sales growth.

Car Loans

Car loan originations were up 21% from 2020 to reach $534 million. The non-prime loan market increased year over year due to the easing of provincial pandemic restrictions. An increase in the average car loan value also contributed to this growth.

Outlook[22] and Business Focus

In 2022, the division will work on improving the dealer experience through digital platforms and enhancing the client experience by adapting products and distribution practices. Although the automotive market continues to face headwinds from the COVID-19 pandemic, the focus is on maintaining the growth strategy of partnering with original equipment manufacturers, expanding the dealer network and pursuing internal business opportunities within iA Financial Group.

Products and Services

- Creditor insurance
- P&C products
- Car loans

Manufacturers and Subsidiaries

- iA Insurance
- SAL Marketing
- National Warranties MRWV Limited
- Industrial Alliance Pacific General Insurance Corporation
- WGI Service Plan Division
- Lubrico Warranty
- iA Auto Finance
- iA Advantages Damage Insurance

Distribution Affiliates and Networks

- Direct distribution through automobile and other motor vehicle dealers (7,000 dealers)
- Original equipment manufacturers (OEM)
- Preferred partnerships

20 Includes all creditor insurance business sold by the Company.
21 Source: DesRosiers Automotive Consultants Inc., December 2021 year-to-date information.
22 Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Insurance: Special Markets

Special Markets specializes in niche insurance markets that are underserved by traditional group insurance carriers. The division offers accidental death and dismemberment (AD&D), critical illness, term life and specialized insurance products to employers, alumni associations and affinity groups. It also offers travel medical and health insurance through distribution partners.

Special Markets has contracts with over 5,000 groups and associations. Through these contracts, it insures millions of Canadians, predominately through AD&D and travel medical coverage.

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Sales (gross premiums)[¤,23]	215	205	5%
Net sales[24]	193	188	3%

In 2021, Special Markets sales[¤] increased by 5% to $215 million. This growth was primarily in non-travel blocks of business, where strong sales were maintained in core AD&D and critical illness products through existing and expanded partnerships. Despite concerns around COVID-19 variants and travel advisories, the travel block of business grew 3% in 2021, driven by the full-year impact of a new partnership effective late in 2020 and increased travel activity towards the end of 2021.

Net sales, defined as gross premiums net of reinsurance, recorded an increase of 3% in 2021.

Efforts to maintain a competitive edge in the special risks market continued throughout 2021. The division expanded business with an existing partner and conducted analyses on the development of a digital platform for voluntary products.

Outlook[25] and Business Focus

Looking ahead to 2022, the focus remains on clients and partners, and achieving profitable growth. Building and expanding the distribution networks, pursuing large block opportunities, and identifying internal synergies to cross-sell products are priorities for the division.

For travel insurance sales, given the trend observed in late 2021, there is reason to be optimistic for 2022 and hope for a return of sales to pre-pandemic levels. Supporting travel partners will be important as demand for travel insurance is expected to increase in the post-pandemic world.

Finally, we will continue to improve digital capabilities, with a focus on making it easier for clients to do business with the division for voluntary products.

Products and Services

- Accidental death & dismemberment (AD&D), critical illness and life insurance
- Travel medical
- Health insurance and other specialized products

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Distribution partners
- Specialized insurance brokers
- Third-party administrators

23 Sales (gross premiums) are before reinsurance.
24 Net sales in Special Markets are equivalent to net premiums (IFRS measure). Net premiums for this division are included in the net premiums for the Group Insurance sector, along with those of the other two divisions, Employee Plans and Dealer Services.
25 Please refer to the “Forward-Looking Statements” section of this document.

¤ This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Group Savings and Retirement

The Group Savings and Retirement sector offers a wide range of products and services adapted to the needs of companies, organizations and their employees, focusing on long-term financial well-being. The products offered can be broken down into two categories: accumulation products (savings products, such as defined contribution or defined benefit plans, and institutional money management services) and disbursement products (essentially insured annuities).

Products are marketed Canada-wide through group benefits and retirement brokers and actuarial consulting firms.

The Group Savings and Retirement sector has approximately 300 employees, has signed agreements with nearly 13,000 groups and serves close to 410,000 plan members and 64,000 annuitants.

Committed to sustainable development and helping plan members uphold their values while meeting their investment needs, iA Financial Group added some new socially responsible investment options to its fund offering in 2021.

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Premiums (sales)[26]			
Accumulation Products¤			
Recurring premiums	1,401	1,161	21%
Transfers	766	1,177	(35%)
Premium equivalents	27	38	(29%)
Subtotal	2,194	2,376	(8%)
Insured Annuities¤	604	707	(15%)
Total	**2,798**	**3,083**	**(9%)**
New plan sales[27]	**1,436**	**1,902**	**(25%)**

Recurring premiums for accumulation products¤ provide sustainable business growth and are a key part of the sector's strategy. They correspond to regular member contributions collected from in-force group clients. Recurring premiums were up 21% in 2021. New plan sales were strong, albeit lower than 2020, which was a very strong year.

For the first nine months of the year, iA Financial Group sales had a market share of 11% in the industry.[28]

In the insured annuities¤ segment, 2021 ended with $604 million in sales, in comparison to $707 million in 2020, which was a very strong year.

Accumulation Products – Net Fund Entries[29]

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Entries	2,327	1,050	122%
Disbursements	2,315	290	698%
Net entries	**12**	**760**	**(98%)**

Funds Under Management

	As at December 31		
(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Accumulation Products	15,505	14,227	9%
Insured Annuities	5,098	4,758	7%
Total	**20,603**	**18,985**	**9%**

Funds under management exceeded $20.6 billion at year-end, an increase of 9% mainly driven by a positive market impact. Growth in assets under management is a key long-term profitability driver for the sector.

26 The net premiums presented in the consolidated financial statements are after reinsurance and exclude premium equivalents.
27 New plan sales are measured by the sum of first-year annualized premiums (which correspond to the total of the initial asset transfer and recurring first-year annualized premiums) plus insured annuities. The prior year figures have been revised due to the new definition of sales.
28 Source: LIMRA.
29 The change in assets under management is important because it determines the management fees recorded in the consolidated financial statements under *Other revenues.*

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Outlook[30] and Business Focus

For 2022 and the years to come, the Group Savings and Retirement sector will continue to enhance the client experience by investing in technology for a strong front-end digital solution, essential to supporting plan members' financial, physical and mental well-being.

With a focus on profitable growth, the line of business will remain committed to maximizing efficiency gains by taking advantage of greater synergy between business units.

Products and Services

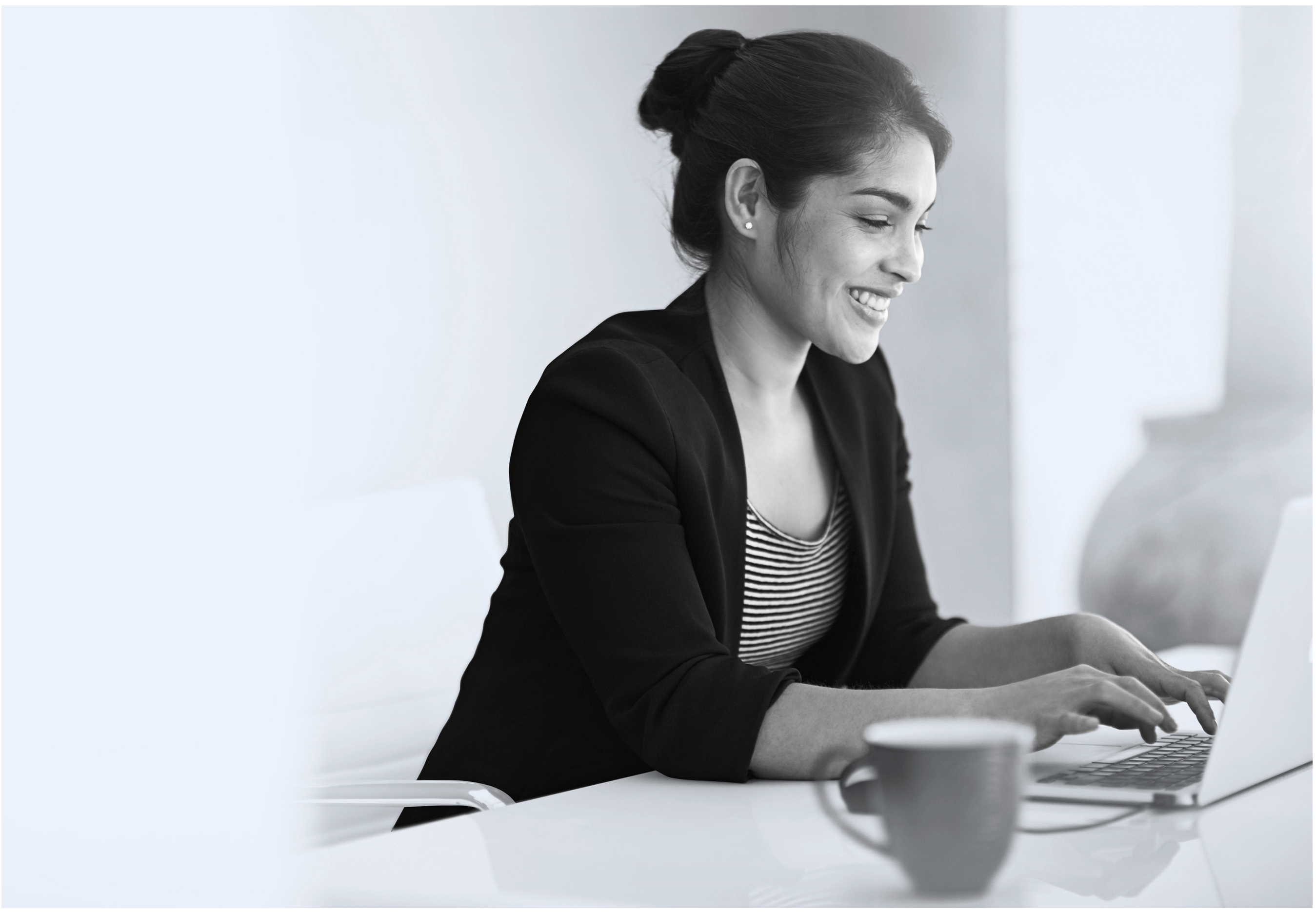
- Capital accumulation products
- Disbursement products (insured annuities)
- Registered savings and disbursement plans (RRSPs, TFSAs and RRIFs)

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Group benefits and retirement brokers
- Actuarial consulting firms



30 Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and additional Financial Measures" section in this document for relevant information about such measures.

US Operations: Individual Insurance

iA American Life Insurance Company and four other downline subsidiaries are located in Waco, Texas, and represent the base for iA Financial Group's U.S. individual insurance operations.

The iA American group of companies markets their life insurance products through independent marketing organizations, or IMO's, and collectively these organizations have over 22,600 independent agents under contract with the group.

These companies operate primarily in the simplified issue marketplace, with final expense life insurance and mortgage/family protection term life representing over 85% of new business sales. They also offer universal life and other specialty life products in the government and worksite markets. They have the ability to customize products for larger marketing organizations and this flexibility has played a key role in their success.

Digital enhancements to improve and simplify the sales process from both the agent and client perspectives have been an important component in the companies' ability to compete. Point-of-sale underwriting capabilities greatly simplify and expedite the sales process and this technology is used for the majority of company sales today.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2021	2020	Variation
Sales[¤]	135	127	6%
Premiums	400	344	16%

U.S. life insurance sales[¤] ended the year at US$135 million, for a 6% increase over the previous year. The increase in sales resulted primarily from growth in the middle/family market that was driven by strong performance from leading IMOs operating in that sector. Sales in 2021 were also positively influenced by a substantial increase in the number of new agents contracted.

The number of policies issued in 2021 was essentially the same as in 2020, but on average, policies issued were larger in premium size and client retention was improved. This resulted in positive premium growth as total premiums grew to US$400 million in 2021, representing a 16% increase over 2020.

The U.S. sales mix by product is relatively consistent and varied only slightly in 2021. The proportion of whole life insurance sales decreased slightly from 76% in 2020 to 73% in 2021, as the proportion of term insurance sales written in the middle/family market increased.

The sales mix by market has shifted only slightly as well based on the growth in term insurance sales. Final expense sales as a percentage of total sales decreased from 67% in 2020 to 66% in 2021, while sales in the middle/family market grew from 22% to 24% of total sales over that same period. Several IMOs that focus on term insurance had strong growth in 2021.

Outlook[31] and Business Focus

– Continuing to increase distribution with a strong focus on growth in the middle/family market
– Enhancing the agent and client experience through digital point-of-sale capabilities
– Continuing to automate the underwriting process

Products and Services

- Life (universal, permanent and term)
- Critical illness
- Short-term disability
- Accidental death
- Annuities
- Group life

Manufacturers and Subsidiaries

- iA American Life Insurance Company
- American-Amicable Life Insurance Company of Texas
- Occidental Life Insurance Company of North Carolina
- Pioneer American Insurance Company
- Pioneer Security Life Insurance Company

Distribution Affiliates and Networks

- Independent marketing organizations (22,610 agents)

31 Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

US Operations: Dealer Services

In 2021, the Dealer Services division of our US Operations sector combined the acquired companies of Innovative Aftermarket Systems (IAS) and SouthwestRe and rebranded them as iA American Warranty Group.

iA American Warranty Group and its affiliates distribute casualty products that include extended warranties and a full range of ancillary products providing coverage for a wide range of risks associated with vehicle ownership, as well as additional products such as training, income development, and marketing services to help dealerships improve their bottom line. The company benefits from vertical integration of insurance, administration and reinsurance services and is one of only a handful of full service providers in the United States. Products are sold through a network of general agents, automobile dealers, finance companies and third party administrators.

The division employs over 700 people and administers products for more than 7,000 dealerships throughout the U.S. Products are often customized for larger producers and this flexibility has played a key role in the success of iA American Warranty Group.

Business Growth

(In millions of US dollars, unless otherwise indicated)	2021	2020	Variation
Sales¤	1,068	719	49%

Sales production was strong and totalled US$1,068 million in 2021, which represents a 49% increase over 2020. This strong result amid vehicle inventory shortages was mostly driven by synergies between the various business units, especially supported by the acquisition of IAS in May 2020.

Sales by Market	2021 %	2020 %
Affiliate producers	72	66
Non-affiliate producers	28	34
Total	100	100

Affiliate producers generated 72% of sales in 2021, which is up significantly from 66% in 2020. Affiliate business is an important growth metric due to higher profit margins.

Outlook[32] and Business Focus

Vehicle demand remained strong in 2021, even though the chip shortage and supply chain issues led to significantly reduced supply of new vehicles. Demand for new and used vehicles is expected to remain strong in 2022 due to low unemployment rates and strong consumer demand.

Dealerships have pivoted by sourcing and selling a higher percentage of used cars and had one of their best years, as measured by profit. Dealerships are not selling as many units as they have previously but have been able to increase profit per vehicle on finance and insurance (F&I) products because they have more time to spend with each customer, and customers are more responsive to protecting their investment as transaction prices increase.

The US Dealer Services business is positioned to continue growing not only due to favourable market conditions but also due to further realization of expected synergies, the updating and rebranding of key products, and a continued focus on our points of interaction with customers and distribution partners with the goal of delivering the best client experience in the industry.

Products and Services
- Extended warranties
- Guaranteed asset protection
- Ancillary vehicle protection
- Training services
- Marketing services

Manufacturers and Subsidiaries
- Dealers Assurance Company
- Dealers Alliance Company
- iA American Warranty Corp.
- iA American Warranty, L.P. (formerly IAS)
- First Automotive Service Corporation
- Dealer Wizard, LLC

Distribution Affiliates and Networks
- General agents
- Direct sales (auto dealers and finance companies)
- Third party administrators
- Direct to consumer

[32] Please refer to the “Forward-Looking Statements” section of this document.

¤ This item is a non-IFRS measure; see the “Non-IFRS and additional Financial Measures” section in this document for relevant information about such measures.

Auto and Home Insurance

iA Auto and Home Insurance (iAAH) is a Company subsidiary that markets auto and home insurance products in the province of Quebec.

One advantage that sets iAAH apart is the referral of clients by the Company's distribution networks, providing a business development opportunity that is unique in the industry. A significant portion of its clients are referred by Career Network advisors and the Dealer Services division. iAAH also operates through a subsidiary, Prysm General Insurance, that creates strategic partnerships allowing preferred distributors to offer the subsidiary's products.

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Direct written premiums¤	432	395	9%

Direct written premiums totalled $432 million in 2021, up 9% from the previous year. Premium growth was strong in 2021, mainly due to improved client retention. This improvement is the result of better competitive positioning and reflects a high level of customer satisfaction. The five-year compound annual growth rate for iAAH's business volume is 10%.

Combined Ratio

(%)	2021	2020	2019	2018	2017
Combined ratio	78.0	78.7	93.1	95.8	103.9

The combined ratio, which represents the sum of the expense ratio and the claims ratio, has improved significantly since 2017. Claims ratio improvement was due to actions taken with regard to pricing and underwriting and, in more recent years, modified client behaviour due to the pandemic. The combined ratio has remained below 100% for the last four years.

Outlook[33] and Business Focus

The main focus will be to develop new partnerships and to maximize synergies with Dealer Services, Surex and other business units.

In the coming years, iAAH will accelerate its digital transformation by enhancing the client and partner experience. Reshaping our interaction with clients will be the main objective. This transformation also includes a review that will integrate automation and data analytics into the main operating processes so employees can better anticipate client needs. This transformation is a key factor for future growth.

Products and Services
- Auto and home insurance

Manufacturers and Subsidiaries
- iA Auto and Home Insurance
- Prysm General Insurance
- Surex

Distribution Affiliates and Networks
- Direct sales from advertising
- Preferred partner distribution
- Referrals from iA networks

Acquisition

In November 2021, iA Financial Corporation acquired a majority stake in the online general insurance broker Surex. Surex is a leading player in digital property and casualty (P&C) insurance distribution in Canada and combines online self-serve capabilities with experienced advisors. With about 200 employees, Surex has served over 50,000 clients to date, processing over 60,000 policies annually, representing an annual premium volume of over $130 million. This acquisition adds multiple strategic opportunities by expanding iA's distribution offering for personal P&C products to the pancanadian level, thus improving client experience and growth, while supporting iA's advisor networks. In 2022 and beyond, iA will focus on projects with high synergy potential such as the implementation of cross-selling opportunities between Surex and iA.

[33] Please refer to the "Forward-Looking Statements" section of this document.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Profitability

Highlights

The Company ended the year with net income attributed to common shareholders of $830 million, compared to $611 million in 2020. Diluted earnings per common share (EPS) was $7.70 in 2021, compared to $5.70 a year earlier, and return on common shareholders' equity (ROE) was 13.2% for the year, compared to 10.6% in 2020. On a core basis, core EPS of $8.31 in 2021 was 17% higher than in 2020 and core ROE of 14.2% in 2021 compares favourably with 13.3 % a year earlier. Both core EPS and core ROE for 2021 were above market guidance provided at the beginning of the year.

Profitability

(In millions of dollars, unless otherwise indicated)	2021	2020	2019	2018	2017
Income attributed to shareholders	852	633	709	634	531
Less: preferred share dividends	22	22	22	21	16
Net income attributed to common shareholders	**830**	**611**	**687**	**613**	**516**
Earnings per common share (EPS)					
Basic	$7.73	$5.71	$6.43	$5.62	$4.84
Diluted	$7.70	$5.70	$6.40	$5.59	$4.81
Diluted, core¤	$8.31	$7.12	$6.55	N/A	N/A
Return on common shareholders' equity (ROE)¤	13.2%	10.6%	12.9%	12.5%	11.4%
Core ROE¤	14.2%	13.3 %	13.1%	N/A	N/A

Analysis According to Sources of Earnings

The profitability analysis according to sources of earnings below discusses the main items that had an impact on the financial results for the year in comparison with management's expectations. The measures presented in this analysis are not IFRS measures. They supplement the information presented in the "Analysis According to the Financial Statements" section below and provide additional indicators for evaluating financial performance.

Expected profit on in-force¤ – Expected profit on in-force reflects the best estimates determined by management when the 2021 budget was prepared at the end of 2020. However, expected profit for the savings sectors is updated quarterly to reflect changes in the financial markets and net fund entries.

Expected profit on in-force amounted to $927 million in 2021, a year-over-year increase of 16%, or $126 million before tax. The increase is mainly explained by organic growth and the contribution of the IAS acquisition in US Operations. Expected profit growth was also supported during the year by the quarterly updates mentioned above, due to favourable impacts of net fund entries and financial market growth.

Experience gains (losses) compared to expected profit¤ – Experience gains or losses represent the difference between the expected profit on in-force and the realized profit. Gains or losses occur when actual results differ from those derived from the assumptions used to calculate expected profit.

The Company ended the year with experience gains of $69 million before tax, compared to losses of $97 million in 2020. This result was achieved due to gains in four of the five lines of business. Note that in 2021, expenses were higher than initially planned, primarily due to bonuses, salaries and benefits resulting from the Company's strong sales and profits in 2021, and to digital initiatives to support growth and efficiency gains.

The paragraphs that follow provide details on the 2021 results for each line of business.

- *Individual Insurance* – An experience gain of $59 million before tax was recorded in 2021, compared to a gain of $10 million in 2020. Gains in 2021 were mainly driven by favourable policyholder experience, particularly morbidity, and the positive impact of financial market variations, while expenses were higher than planned. Also, revenues from the PPI distribution affiliate were higher than expected, in part because of the disposal of PPI benefits Inc.
- *Individual Wealth Management* – A positive variance of $9 million before tax was recorded in 2021, compared to a negative variance of $86 million in 2020. In 2021, results from segregated funds, iA Clarington (mutual funds) and distribution affiliates were higher than expected, driven by high net sales and favourable market conditions. These gains were partly offset by higher expenses.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

- *Group Insurance* – An experience gain of $10 million before tax was recorded in 2021, compared to a loss of $9 million in 2020. The gain in 2021 stems from the Dealer Services division where P&C experience was favourable and revenues from the car loan business were higher than expected. The latter was due to the strong portfolio performance and the release of the pandemic-related provisions set aside in the first quarter of 2020. Results in the Employee Plans and Special Markets divisions were below expectations due to higher claims and expenses.
- *Group Savings and Retirement* – An unfavourable variance of $12 million before tax was recorded in 2021, compared to a favourable variance of $5 million in 2020. The 2021 result is due to expenses being higher than expected and to other miscellaneous items.
- *US Operations* – An experience gain of $3 million before tax was recorded in 2021, compared to a loss of $17 million the year before. In the Individual Insurance division, results in 2021 were higher than expected due to favourable policyholder experience. In the Dealer Services division, integration costs for the IAS acquisition were higher than expected, mainly owing to the accelerated integration of corporate and administrative functions. Excluding this item, results were higher than expected due to favourable claims experience and strong sales.

Gain (strain) on sales¤ – Strain is a charge incurred by an insurance company mainly resulting from the expense of issuing new policies. Certain products have features that make them more strain-intensive than others, such as products with long-term guarantees. If experience remains in line with expectations in the years after a policy is issued, profits realized will cover the strain incurred at the time of issue. In the Individual Insurance sector and the Individual Insurance division of the US Operations sector, new business strain was $15 million before tax in 2021, compared to $28 million the previous year. The strain expressed as a percentage of sales (measured in terms of first-year annualized premiums) was 3% in 2021 versus 7% a year earlier. Strain in 2021 was therefore more favourable than in 2020 and in the middle of the -5% to 10% guidance range for 2021.

Assumption changes and management actions¤ – At the end of each quarter, the Company ensures the adequacy of its provisions given the existing economic environment. It also updates its valuation assumptions at the end of each year to take into account the most recent developments in the economic and financial environment as well as its own experience and that of the industry in terms of mortality, morbidity, lapse rates, unit costs and other factors.

In 2021, management actions and changes in the actuarial assumptions used to calculate net insurance contract liabilities (for non-participating business) had a positive net impact on operating profit of $2 million before tax, and can be broken down as follows:

- *Mortality and morbidity* – A reserve increase of $39 million before tax resulted from the outcome of the Company's annual mortality and morbidity studies and from the increase of the additional protection in the reserves for pandemic uncertainty. The latter reflects the most recent trend in additional mortality claims due to direct and indirect impacts of the pandemic. The value of this additional protection for excess mortality was $37 million before tax at the end of 2021.
- *Policyholder behaviour (lapse)* – A reserve increase of $10 million before tax resulted from the net outcome of the Company's annual policyholder behaviour studies and from the decrease of the additional protection in the reserves for pandemic uncertainty. The annual studies led to a reserve increase mainly to reflect the lapse experience of some critical illness products. With respect to additional protections in the reserves for pandemic uncertainty, these have been reduced since no adverse policyholder behaviour due to pandemic-related economic uncertainty was recorded in 2021. The value of this additional protection for adverse policyholder behaviour was $20 million before tax at the end of 2021.
- *Economic assumptions* – A reserve release of $47 million before tax resulted from the revision of investment and economic assumptions.
- *Expenses and other* – A reserve release of $4 million before tax was recorded due to the favourable impact of policy liability modelling refinements, which more than offset the expense assumption adjustment resulting from the Company's annual expense study.

For more details, refer to Note 14 to the financial statements, entitled "Insurance Contract Liabilities and Investment Contract Liabilities."

Income on capital¤ – Income on capital represents the income derived from investments in which the Company's capital is invested, minus any expenses incurred to generate this income. The Company also includes financing expenses from debentures, amortization of intangible assets related to acquisitions and the results of the iA Auto and Home (iAAH) subsidiary in this item. Income on capital amounted to $125 million before tax in 2021, compared to $105 million the previous year. The result in 2021 is higher than expected due to a strong contribution from the iA Auto and Home subsidiary, resulting from lower claim ratios, and to higher investment income on capital.

Income taxes¤ – Income taxes represent the value of amounts payable under the tax laws and include tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. They are considered to be an expense for the purpose of calculating the operating profit. Income taxes amounted to $256 million in 2021, for an effective tax rate of 23.1%.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Core Earnings

Financial measures based on core earnings are non-IFRS measures used to better understand the capacity of the Company to generate sustainable earnings.

Core earnings remove from reported earnings the impacts of items that create volatility in the Company's results under IFRS, or that, in management's view, are not representative of its operating performance. The table below presents the six adjustments applied to reported earnings per share (EPS) in the calculation of core EPS.

In particular, these adjustments include market-related impacts, changes in actuarial assumptions, impacts from acquisitions, and 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.

Core EPS of $8.31 in 2021 was 17% higher than in 2020.

Reported EPS and Core EPS Reconciliation Based on 2021 Definition of Core Earnings

	2021	2020
Earnings per common share (EPS, diluted)	**$7.70**	$5.70
Adjustments:		
Market-related impacts that differ from management's best estimate assumptions	**($0.21)**	$0.49
Assumption changes and management actions	**($0.02)**	($0.04)
Gains or losses on acquisition or disposition of a business, including acquisition, integration and restructuring costs	**$0.10**	($0.01)
Amortization of acquisition-related finite life intangible assets	**$0.52**	$0.42
Non-core pension expense	**$0.22**	$0.19
Other specified unusual gains and losses	**—**	$0.37
Core EPS[¤]	**$8.31**	$7.12

Reconciliation of Certain Non-IFRS Measures with IFRS Measures

The following table reconciles the operating profit and income taxes indicated in the above table with IFRS measures.

Reconciliation of Sources of Earnings with IFRS Measures

(In millions of dollars)	2021	2020
Components of earnings before taxes:		
Operating profit (according to sources of earnings)	983	658
Income on capital (according to sources of earnings)	125	105
Income attributable to participating contracts and other items	10	(1)
Earnings before taxes according to the financial statements	**1,118**	**762**
Income taxes:		
On operating profit and on income on capital	(256)	(130)
Amount for participating contracts and other items	—	—
Income taxes according to financial statements	(3)	(130)
Net income according to financial statements	**859**	**632**

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Annual Results

The following table presents the Company's financial results according to the financial statements for the years ended December 31, 2021, 2020 and 2019.

Consolidated Income Statement

(In millions of dollars)	2021	2020	2019
Revenues			
Net premiums	13,164	11,196	8,944
Investment income	206	4,668	4,642
Other revenues	2,116	1,775	1,679
Total	**15,486**	**17,639**	**15,265**
Policy benefits and expenses			
Net policy benefits	6,991	5,290	5,392
Net transfers to segregated funds	3,278	2,872	917
Increase (decrease) in insurance contract liabilities	(45)	5,760	4,773
Increase (decrease) in investment contract liabilities	(1)	34	27
Decrease (increase) in reinsurance assets	(76)	(737)	(44)
Commissions	2,180	1,788	1,654
General expenses	1,823	1,668	1,472
Premium and other taxes	141	129	128
Financing charges	77	73	59
Total	**14,368**	**16,877**	**14,378**
Income before income taxes	1,118	762	887
Less: income taxes	259	130	188
Net income	859	632	699
Less: net income attributed to participating policyholders	7	(1)	(10)
Net income attributed to shareholders	852	633	709
Less: preferred share dividends	22	22	22
Net income attributed to common shareholders	**830**	**611**	**687**

Net Income Attributed to Common Shareholders

The 36% increase in net income attributed to common shareholders between 2021 and 2020 is explained by the items mentioned below.

Revenues

Revenues, whose three components are presented in the above table, totalled nearly $15.5 billion in 2021, a decrease of 12% compared to 2020. This decrease is mainly due to a decrease in investment income of nearly $4.5 billion, which is mainly attributable to the change in the fair value of investments stemming from variations in interest rates and stock markets. Generally speaking, variations in the fair value of investments are largely neutralized by corresponding variations in insurance contract liabilities, making their impact on net income fairly minimal. Net premiums increased by almost $2.0 billion in 2021, or 18% compared to 2020. Growth was observed in almost all sectors, mainly from individual savings products such as segregated funds and guaranteed investment certificates. Business growth from Individual Wealth Management also contributed to the increase in other revenues. The acquisition of IAS Parent Holdings, Inc. in the second quarter of 2020 also contributed to the increase in net premiums and other revenues for US Operations.

The following table provides more details regarding the composition of revenues by sector.

Revenues by Sector

	Year ended December 31, 2021						
(In millions of dollars)	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	1,758	5,709	1,728	2,746	828	395	13,164
Variation vs. 2020	*133*	*1,793*	*125*	*(272)*	*134*	*55*	*1,968*
Investment income	56	(149)	114	29	(16)	172	206
Variation vs. 2020	*(3,536)*	*(298)*	*(80)*	*(358)*	*(208)*	*18*	*(4,462)*
Other revenues	142	1,780	77	118	351	(352)	2,116
Variation vs. 2020	*24*	*279*	*5*	*13*	*175*	*(155)*	*341*
Total	1,956	7,340	1,919	2,893	1,163	215	15,486
Variation vs. 2020	*(3,379)*	*1,774*	*50*	*(617)*	*101*	*(82)*	*(2,153)*

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Policy Benefits and Expenses

Policy benefits and expenses were down $2.5 billion in 2021 compared to 2020. The main item contributing to this decrease is a $5.8 billion variation for insurance contract liabilities compared to 2020, essentially due to the increase in interest rates this year, compared to a decrease last year. 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 partially offset by the following:

- An increase in net policy benefits of more than $1.7 billion, mostly in Group Savings and Retirement, reflecting the normal course of business for group contracts. Net policy benefits include benefits paid due to death, disability, illness, claims or contract terminations, as well as annuity payments.
- A lower variation related to reinsurance assets in 2021 compared to 2020 ($661 million). This item is generally influenced by the same factors that influence the variation in insurance contract liabilities.
- An increase in net transfers to segregated funds compared to 2020, as premium growth exceeded benefit growth ($406 million).
- An increase in commissions compared to the previous year ($392 million), which primarily stems from growth of the in-force block of business as well as business acquisitions. Commissions correspond to the compensation of financial advisors and distribution channel partners for new sales and certain in-force contracts.
- An increase in general expenses, mainly due to business growth and acquisitions ($155 million).

Income Taxes

The consolidated financial statements indicate an income tax expense of $259 million in 2021, compared to $130 million in 2020. These amounts represent the Company's tax expense net of all adjustments for prior years. The increase in 2021 is mainly due to higher income before income taxes.

Quarterly Results

Below is a summary of the Company's quarterly results, taken from the financial statements for the last eight quarters. The analysis in this section focuses primarily on the Company's results for the fourth quarter of 2021. Generally speaking, the terminology used in this section is the same terminology used in the financial statements.

Net premiums

Net premiums amounted to nearly $3.4 billion in the fourth quarter, a year-over-year increase of 9%. This variation is mainly explained by significant net premium growth in the Individual Wealth Management sector, mitigated by a decrease in the Groups Savings and Retirement sector.

Stock market variations, the level of premiums invested in segregated funds and the signing of new agreements with large groups in both group lines of business are some of the factors that contribute to the fluctuation of premiums from one quarter to another.

Net premiums include the amounts invested by insureds in the Company's segregated funds, but exclude those invested by clients in mutual funds.

Investment Income

In the fourth quarter of 2021, investment income was up $1,093 million from the same quarter in 2020. This was primarily due to an increase in the fair value of bond investments and derivative financial instruments resulting from the variation in interest rates, exchange rates and market rates.

Investment income fluctuates in large part based on the fair value of investments, which is influenced by 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 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 for the fourth quarter of 2021 were up $93 million, or 20%, year over year. This variation came mainly from the Individual Wealth Management sector.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Net Income Attributed to Common Shareholders

(In millions of dollars)	Individual Insurance 2021	Individual Insurance 2020	Individual Wealth Management 2021	Individual Wealth Management 2020	Group Insurance 2021	Group Insurance 2020	Group Savings and Retirement 2021	Group Savings and Retirement 2020	US Operations 2021	US Operations 2020	Total 2021	Total 2020
Sources of earnings:¤												
Expected profit on in-force	384	362	284	238	98	91	33	22	128	88	927	801
Experience gains (losses)	59	10	9	(86)	10	(9)	(12)	5	3	(17)	69	(97)
Gain (strain) on sales	(9)	(16)	—	—	—	—	—	—	(6)	(12)	(15)	(28)
Changes in assumptions	31	(20)	1	(1)	(3)	(5)	(31)	12	4	(4)	2	(18)
Operating profit	465	336	294	151	105	77	(10)	39	129	55	983	658
Income on capital	108	82	22	15	5	1	10	4	(20)	3	125	105
Income taxes	(119)	(67)	(86)	(42)	(31)	(16)	—	(8)	(20)	3	(256)	(130)
Net income attributed to shareholders	454	351	230	124	79	62	—	35	89	61	852	633
Less: preferred share dividends	16	17	3	3	2	1	1	1	—	—	22	22
Net income attributed to common shareholders	**438**	**334**	**227**	**121**	**77**	**61**	**(1)**	**34**	**89**	**61**	**830**	**611**

Quarterly Results

(In millions of dollars, unless otherwise indicated)	2021 Q4	2021 Q3	2021 Q2	2021 Q1	2020 Q4	2020 Q3	2020 Q2	2020 Q1
Revenues								
Net premiums	3,353	3,332	3,104	3,375	3,080	3,248	2,113	2,755
Investment income	2,067	(41)	1,730	(3,550)	974	396	4,155	(857)
Other revenues	557	543	510	506	464	455	416	440
Total	**5,977**	**3,834**	**5,344**	**331**	**4,518**	**4,099**	**6,684**	**2,338**
Income before income taxes	292	289	304	233	203	268	247	44
Income taxes	68	63	69	59	31	49	52	(2)
Net income	224	226	235	174	172	219	195	46
Less: net income attributed to participating policyholders	10	3	(1)	(5)	(5)	(4)	7	1
Net income attributed to shareholders	214	223	236	179	177	223	188	45
Less: preferred share dividends	5	6	5	6	5	6	5	6
Net income attributed to common shareholders	**209**	**217**	**231**	**173**	**172**	**217**	**183**	**39**
Earnings per common share								
Basic	$1.95	$2.01	$2.16	$1.61	$1.61	$2.03	$1.71	$0.37
Diluted	$1.94	$2.01	$2.15	$1.61	$1.60	$2.03	$1.71	$0.36
Net transfers to segregated funds	1,004	1,018	845	411	1,038	622	524	688
Increase (decrease) in insurance contract liabilities	1,890	96	1,789	(3,820)	1,494	950	4,018	(702)
Increase (decrease) in investment contract liabilities	5	1	7	(14)	9	3	21	1
Total general fund assets	55,082	54,226	53,160	52,238	53,662	52,706	51,499	47,811
Segregated funds net assets	39,577	36,886	35,837	33,437	32,804	30,119	28,505	25,460

¤ This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Financial Position

Capitalization and Solvency

Capitalization¤

iA Financial Corporation's capital structure can be divided into three categories: equity, debentures, and participating policyholders' accounts. At December 31, 2021, the Company's capital¤ reached nearly $8.7 billion, a year-over-year increase of 9%, with equity and participating policyholders' accounts representing 83% of total capital.

The favourable variation in 2021 is mainly due to the increase in retained earnings resulting from profits realized during the year, net of dividends paid to common shareholders.

Capital Structure¤

(In millions of dollars)	As at December 31				
	2021	**2020**	**2019**	**2018**	**2017**
Equity					
Common shares	1,706	1,674	1,666	1,656	1,521
Preferred shares[34]	525	525	525	525	375
Retained earnings[35,36]	4,963	4,170	3,823	3,440	3,073
Contributed surplus	17	20	18	23	20
AOCI[37]	(14)	83	56	23	49
Subtotal	7,197	6,472	6,088	5,667	5,037
Debentures[34]	1,450	1,449	1,050	901	996
Participating policyholders' accounts[37]	48	41	42	52	41
Total	**8,695**	**7,962**	**7,180**	**6,620**	**6,074**

Financial Leverage¤ and Coverage Ratio¤

The debt ratio¤ measured as debentures over the capital structure was 16.7% at December 31, 2021. With preferred shares added to the debentures, the ratio was 22.7%. The decrease in these ratios is explained by the increase in the Company's total capital as mentioned above, as no financial activities, redemptions or issuances were completed in 2021.

At December 31, 2021, the coverage ratio¤ was 16.1x, compared to 11.7x at December 31, 2020. The increase is essentially due to higher earnings as no financial activities were completed in 2021. The coverage ratio is measured as the Company's earnings for the last twelve months before interest and income tax expenses divided by its interest and dividend expenses.

Debt Ratios and Coverage Ratio

	As at December 31				
	2021	**2020**	**2019**	**2018**	**2017**
Debt ratios¤					
Debentures/capital structure	16.7%	18.2%	14.6%	13.6%	16.4%
Debentures and preferred shares/capital structure	22.7%	24.8%	21.9%	21.5%	22.6%
Coverage ratio (number of times)¤,[38]	16.1x	11.7x	16.6x	14.6x	13.3x

Solvency

When iA Financial Corporation was created as a holding company, it committed to following the Capital Adequacy Requirements for Life and Health Insurance (CARLI) Guideline issued by the Autorité des marchés financiers (AMF). The Company had a solvency ratio¤ of 134% at December 31, 2021, compared to 130% at December 31, 2020. The increase of four percentage points during the year is essentially due to very strong organic capital generation. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2021. When the debenture redemption of $250 million announced on January 20, 2022 is completed, it will reduce the Company's solvency ratio by about three percentage points, for a pro forma ratio of 131% at December 31, 2021.

34 Items considered as long-term debt and included in the debt ratio calculation.
35 In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by $58 million.
36 In the fourth quarter of 2019, an adjustment retroactive to January 1, 2018 was made transferring $7 million from retained earnings to participating policyholders' accounts.
37 AOCI: Accumulated other comprehensive income.
38 Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred share dividends and preferred share redemption premiums (if applicable).

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

As mentioned above, organic capital generation¤ was very strong throughout the year with the Company generating approximately $450 million in additional capital in 2021, exceeding the $275 million to $325 million target range for the year. The very good organic capital generation is expected to continue into 2022 and the Company intends to maintain a solvency ratio within or above the target range of 110% to 116% for iA Financial Corporation.[39]

	As at December 31	
(In millions of dollars, unless otherwise indicated)	**2021**	**2020**
Available capital	4,982	4,368
Surplus allowance and eligible deposits	5,261	5,055
Base solvency buffer	7,640	7,267
Solvency ratio¤	**134%**	**130%**

Equity and Financing

Redemption and Issue of Financial Instruments

No financial activities, issuances or redemptions were completed in 2021.

On January 20, 2022, iA Insurance announced the redemption of $250 million in debentures to be completed on February 23, 2022.

Debentures

The Company had four series of debentures, two of which were issued by iA Insurance, on its balance sheet at December 31, 2021, with a total book value of $1,446 million. These four series, which are detailed in the table later in this section, were classified as financial liabilities at amortized cost. The debentures represent direct unsecured obligations of the Company that are subordinate to those of the Company's policyholders and other creditors. In 2021, the financing expense, made up of interest and the amortization of issuance costs, amounted to $41.6 million, the same as in 2020.

Outstanding Common Shares

The Company has only one class of common shares and all common shares contain a single voting right. In addition, no shareholder may acquire, directly or indirectly, 10% or more of the voting shares of iA Financial Corporation, and iA Financial Corporation must directly or indirectly hold 100% of the common shares of iA Insurance. iA Financial Corporation's common shares are traded on the Toronto Stock Exchange under the ticker symbol IAG. (See the "Notice" at the beginning of this Management's Discussion and Analysis for more information about the legal constitution of iA Financial Group.)

The number of issued and outstanding common shares at December 31, 2021 was 107,557,577, an increase of 493,750 compared to December 31, 2020. This increase is mainly due to the exercise of options under the Stock Option Plan for executives. Otherwise, there were no common share issuances in 2021 and very few share redemptions under the Normal Course Issuer Bid as the program was only reintroduced in December 2021 following the lifting of regulatory restrictions on share buyback programs.

Common Shares

	As at December 31				
(In millions)	**2021**	**2020**	**2019**	**2018**	**2017**
Number of common shares outstanding	108	107	107	109	107

Stock Price and Market Capitalization

iA Financial Group became a stock company in February 2000. The Company's stock began trading on the Toronto Stock Exchange on February 3, 2000, at a price of $7.875, taking into account the two-for-one split of the Company's common shares, which took place on May 16, 2005. The Company's stock closed the year at $72.38, with a market capitalization of nearly $7.8 billion, an increase of 32% in 2021.

Stock Price and Market Capitalization

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2021**	**2020**	**2019**	**2018**	**2017**
Stock price	$72.38	$55.18	$71.33	43.57	59.82
Market capitalization	7,785	5,908	7,630	4,731	6,386

Book Value per Common Share[40]

The book value per common share was $62.01 at the end of 2021, up nearly 12% during the year. This increase stems mainly from the contribution of retained earnings net of dividends paid in 2021.

[39] Please refer to the "Forward-Looking Statements" section of this document.

[40] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Book Value per Common Share

	As at December 31				
	2021	**2020**	**2019**	**2018**	**2017**
Book value per common share[41]	$62.01	$55.52	$51.99	$47.34	$43.65

Preferred Shares

In 2021, the iA Insurance subsidiary paid $22 million in dividends to preferred shareholders with Class A Shares, Series B, G and I. iA Insurance's capital currently includes these three series of Class A Preferred Shares, as shown in the full-page table later in this section.

Dividends

In November 2021, the Company increased its quarterly dividend per common share by 29%, from $0.4850 to $0.6250, following the lifting of regulatory restrictions on raising dividends to common shareholders due to the pandemic. As a result, the dividend for 2021 totalled $2.0800 per common share, compared to $1.9400 per common share in 2020, an increase of 7%. In total, the Company paid out $224 million in dividends to common shareholders in 2021. The dividend payout ratio[¤] for the year was 27% of the net income attributed to common shareholders, which is within the 25% to 35% target range given as guidance at the beginning of 2021. Note that at the end of 2021, the Company announced that its dividend payout ratio target range would be set to 25% to 35% of core earnings[¤]. This target was previously based on reported earnings.

Dividends

	2021	**2020**	**2019**	**2018**	**2017**
Dividends paid per common share	$2.08	$1.94	$1.77	$1.59	$1.43
Dividend payout ratio[¤]	27%	34%	27%	28%	30%

Declaration of Fourth Quarter Dividends

Following are the amounts and dates of payment and closing of registers for common shares and the various categories of preferred shares.

The Board of Directors has approved a quarterly dividend of $0.6250 per share, the same as that announced the previous quarter, on the outstanding common shares of iA Financial Corporation. This dividend is payable on March 15, 2022 to the shareholders of record as at March 4, 2022.

iA Insurance paid no dividend in the fourth quarter of 2021. For the first quarter of 2022, the Board of Directors of iA Insurance approved no dividend to its sole common shareholder, iA Financial Corporation. As a result, no dividend should be paid by iA Insurance to iA Financial Corporation during the first quarter of 2022.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.2875 per non-cumulative Class A Preferred Share – Series B. The dividend is payable in cash on March 31, 2022, to the preferred shareholders of record as at March 4, 2022.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.2360625 per non-cumulative Class A Preferred Share – Series G. The dividend is payable in cash on March 31, 2022, to the preferred shareholders of record as at March 4, 2022.

The Board of Directors of iA Insurance has declared the payment of a quarterly dividend of $0.3000 per non-cumulative Class A Preferred Share – Series I. The dividend is payable in cash on March 31, 2022, to the preferred shareholders of record as at March 4, 2022.

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

Stock Option Plan

In accordance with the Stock Option Plan adopted by the Board of Directors in 2001, the Human Resources and Compensation Committee granted 310,000 new share purchase options in 2021. These new options, which will expire in 2031, were granted at a weighted average exercise price of $58.55. The issue, net of the options exercised and cancelled during the year, brings the number of share purchase options outstanding to 1,668,733 or 1.55% of the number of issued and outstanding shares at December 31, 2021.

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

The Dividend Reinvestment and Share Purchase Plan for Common Shareholders allows participants to have their dividends automatically reinvested in iA Financial Corporation common shares and to make cash purchases of additional iA Financial Corporation common shares. Shares issued under the plan are acquired on the secondary market.

Normal Course Issuer Bid

On December 1, 2021, the Company announced the reinstatement of its Normal Course Issuer Bid following the lifting of regulatory restrictions on share buyback programs in November 2021. Under the program in effect from December 6, 2021 to December 5, 2022, the Company can redeem up to 5,382,503 common shares, representing approximately 5% of the outstanding common shares issued and outstanding at November 23, 2021. In the fourth quarter, 112,500 common shares were redeemed and cancelled under the program, for a total value of $8 million.

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[41] Book value per common share is a financial measure calculated by dividing the common shareholders' equity by the number of common shares outstanding at the end of the period; all components of this measure are IFRS measures.

[¤] This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Preferred Shares and Debentures – iA Financial Corporation Inc.

Subordinated debentures issued on February 21, 2020 and maturing on February 21, 2030	
Nominal value:	$400 million
Book value:	$398 million
Interest:	2.400% until February 21, 2025. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR (Canadian Dollar Offered Rate), plus 0.71%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 21, 2025, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.8 million.

Subordinated debentures issued on September 24, 2019 and maturing on September 24, 2031	
Nominal value:	$400 million
Book value:	$398 million
Interest:	3.072% until September 24, 2026. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 1.31%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 24, 2026, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $2.0 million.

Preferred Shares and Debentures – Industrial Alliance Insurance and Financial Services Inc.

Class A Preferred Shares – Series B	
Number:	5,000,000
Nominal value:	$125 million
Book value:	Shares recognized at their acquisition value
Dividend:	Fixed non-cumulative quarterly dividend of $0.2875 per preferred share
Voting rights:	No voting rights
Conversion:	Not convertible into common shares, convertible to Class A Preferred Shares.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the Autorité des marchés financiers (AMF), on or after March 31, 2011.

Class A Preferred Shares – Series G	
Number:	10,000,000
Nominal value:	$250 million
Book value:	Shares recognized at their acquisition value
Dividend:	Non-cumulative 5-year rate reset quarterly dividend at an initial annual rate of $1.0750 in cash per preferred share until June 30, 2017. The annual rate was modified on June 30, 2017 to $0.94425 in cash per preferred share.
Voting rights:	No voting rights
Conversion:	Convertible at the option of the holder to Class A Preferred Shares – Series H on June 30, 2017 and on June 30 every 5 years thereafter.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on June 30, 2017 and on June 30 every 5 years thereafter.

Class A Preferred Shares – Series I	
Number:	6,000,000
Nominal value:	$150 million
Book value:	Shares recognized at their acquisition value
Dividend:	Non-cumulative 5-year rate reset quarterly dividend at an initial annual rate of $1.20 in cash per preferred share until March 31, 2023. On March 31, 2023 and on March 31 every 5 years thereafter, the dividend rate will be adjusted to equal the sum of the then current 5-year Government of Canada bond yield plus 2.75%.
Voting rights:	No voting rights
Conversion:	Convertible at the option of the holder to Class A Preferred Shares – Series J on March 31, 2023 and on March 31 every 5 years thereafter.
Redemption:	Redeemable in whole or in part at the option of the Company, subject to approval by the AMF, on March 31, 2023 and on March 31 every 5 years thereafter.

Subordinated debentures issued on February 23, 2015 and maturing on February 23, 2027	
Nominal value:	$250 million
Book value:	$250 million
Interest:	2.64% until February 23, 2022. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 1.08%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after February 23, 2022, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $0.3 million.

Subordinated debentures issued on September 16, 2016 and maturing on September 15, 2028	
Nominal value:	$400 million
Book value:	$399 million
Interest:	3.30% until September 15, 2023. After that date, the interest rate will be a variable annual rate of return equal to the three-month CDOR, plus 2.14%, payable quarterly.
Redemption and repayment:	Redeemable by the Company on or after September 15, 2023, in whole or in part, subject to prior approval by the regulatory bodies. The book value of these debentures includes the transaction costs and the premium at issue for a total of $1.0 million.

More information about the features of the preferred shares and debentures can be found in the prospectus documents, which are available on the Company's website at ia.ca in the *Investor Relations* section under *About iA*.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information is gathered and reported in a timely fashion to senior management, in particular the President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary in order that appropriate decisions may be made regarding disclosure. These controls and procedures are also designed to ensure that the information is gathered, recorded, processed, condensed and reported within the time frames prescribed by Canadian securities regulations.

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the controls and procedures for disclosing the Company's information. Following an evaluation carried out by these senior officers as at December 31, 2021, the Company's disclosure controls and procedures were deemed to be effective.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance that the Company's financial reporting is reliable and that, for the purposes of publishing its financial information, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Company's President and Chief Executive Officer and the Executive Vice-President, Chief Financial Officer and Chief Actuary are responsible for establishing and maintaining the Company's internal control over financial reporting as defined in Multilateral Instrument 52-109 (*Certification of Disclosure in Issuers' Annual and Interim Filings*). As at December 31, 2021, they evaluated the effectiveness of the internal control over financial reporting using the framework and criteria established in the *Internal Control – Integrated Framework* report published by the Committee of Sponsoring Organizations of the Treadway Commission. Following this evaluation, they concluded that the internal control over financial reporting was effective. During the year, no changes had, or are reasonably likely to have had, a material impact on internal control over financial reporting.

Significant Accounting and Actuarial Policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

For more information on significant accounting policies, refer to Note 2 of the Company's consolidated financial statements.

The preparation of the financial statements requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results may differ from management's estimates. The estimates and assumptions are revised periodically based on changes in relevant facts and circumstances. The changes are then accounted for in the period in which the revisions are made and in all subsequent periods affected by the revisions. The most significant estimates and judgments pertain to the classification of contracts and the determination of policy liabilities.

Other Items

Related Party Transactions

Related party transactions are described in Note 28 of the Company's consolidated financial statements.

Guarantees, Commitments and Contingencies

In the normal course of business, the Company frequently signs various types of contracts or agreements which, in certain cases, can be considered to be guarantees, commitments or contingencies.

As at December 31, 2021, the Company's contractual obligations and commitments were as follows:

Contractual Obligations – Payments Due by Period

	As at December 31, 2021			
(In millions of dollars)	**Total**	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
Debentures	1,450	250	—	1,200
Lease liabilities	123	21	60	42
Purchasing commitments	341	90	251	—
Other long-term commitments	3,864	2,508	794	562
Total of contractual obligations	**5,778**	**2,869**	**1,105**	**1,804**

For more information on commitments to third parties, investment commitments and the Company's lines of credit, refer to Note 29 of the consolidated financial statements.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Credit Ratings

The Company and its subsidiaries receive credit ratings from three independent rating agencies: Standard & Poor's, DBRS Morningstar and A.M. Best. These ratings, presented in the table below, confirm the financial strength of the Company and its subsidiaries and their ability to meet their commitments to policyholders and creditors.

In 2021, the credit ratings assigned by Standard & Poor's and A.M. Best remained unchanged, with a stable outlook.

In March 2021, DBRS Morningstar raised the issuer credit rating of iA Financial Corporation from A (low) to A, and the subordinated debentures rating from BBB (high) to A (low). It also raised the issuer credit and financial strength ratings of Industrial Alliance Insurance and Financial Services from A (high) to AA (low), the subordinated debentures rating from A to A (high) and the non-cumulative preferred shares rating from Pfd-2 (high) to Pfd-1 (low). The rating upgrades reflect the effort made by the Company in the past few years to improve its risk profile, in particular its sensitivity to market-related risks, and its shift towards less capital-intensive products. Note that DBRS Morningstar also removed the ratings from Under Review with Positive Implications, where they were placed in December 2020, now assigning a stable outlook.

Credit Ratings

iA Financial Corporation Inc.

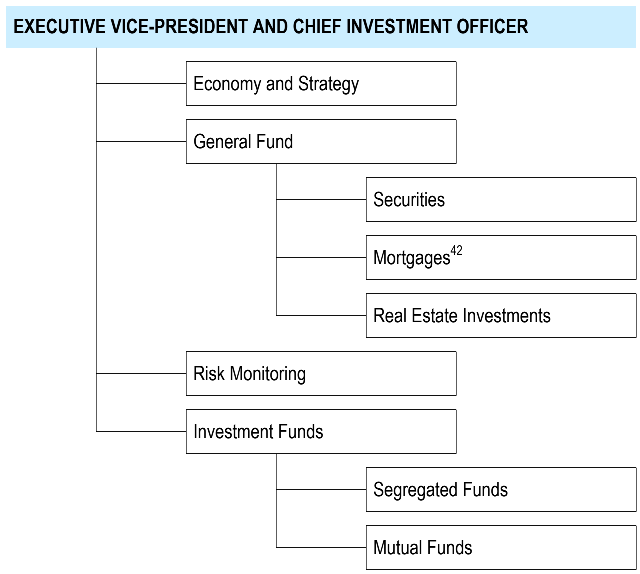
Agency	Type of evaluation	Rating
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)
Industrial Alliance Insurance and Financial Services Inc.		
Standard & Poor's	Issuer Credit Rating	AA-
	Financial Strength Rating	AA-
	Subordinated Debentures	A+
	Preferred Shares – Canadian scale	P-1 (Low)
	Preferred Shares – Global scale	A
DBRS Morningstar	Financial Strength	AA (low)
	Issuer Rating	AA (low)
	Subordinated Debentures	A (high)
	Preferred Shares	Pfd-1 (low)
A.M. Best	Financial Strength	A+ (Superior)
	Issuer Credit Rating	aa- (Superior)
	Subordinated Debentures	a
	Preferred Shares	a-
IA American Life Group Entities (IA American Life Insurance Company, American-Amicable Life Insurance Company of Texas, Pioneer Security Life Insurance Company, Pioneer American Insurance Company, Occidental Life Insurance Company of North Carolina)		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)
Industrial Alliance Pacific General Insurance Corporation		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a+
Dealers Assurance Company		
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investments

Description of Sector

The Investments sector has two main functions: managing the assets in the Company's general fund and managing the investment funds offered to its clients. All of iA Financial Group's investment activities, including those associated with its U.S. operations, are combined under a single authority and share a common philosophy. The Investment management structure is illustrated below.



Most of iA Financial Group's investment professionals look after asset allocation and securities selection for the general fund and for a number of segregated and mutual funds, in addition to overseeing all external managers.

The general fund experts manage a diverse range of investments, including bonds, stocks, mortgages, real estate investments, short-term investments and derivatives.

The risk monitoring team is responsible for developing a global vision for the control and monitoring of the various investment risks (interest rate, stock market, foreign currency, credit, liquidity, etc.). It is also responsible for analyzing and monitoring active risk and risks related to investment funds. In addition to quantifying the risks, the team helps develop strategies for managing these risks effectively.

Sustainable Investment Approach

The *Responsible Investment Policy*, *Sustainable Development Policy* and *Proxy Voting Policy* provide guidance on how our investment teams incorporate ESG considerations into investment management and stewardship activities in a consistent and comprehensive manner.

When assets are managed internally, Industrial Alliance Investment Management Inc. (iAIM) portfolio managers and analysts are expected to adhere to the guiding principles of the Responsible Investment Policy, in particular the incorporation of ESG considerations into the investment process. iAIM regularly assesses the application of this Policy across its investment portfolios. When assets are managed by an external manager, we review their Responsible Investment policy and practices as part of the selection process, as well as on a regular, ongoing basis.

[42] The Company withdrew from the residential mortgage market in 2020. The mortgage portfolio is now made up of multi-unit residential and non-residential loans.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Assets Under Management and Administration¤

At December 31, 2021, iA Financial Group had $221.2 billion in assets under management and administration, an increase of $23.7 billion, or 12%, versus the previous year.

Assets Under Management and Administration

	As at December 31				
(In millions of dollars)	**2021**	**2020**	**2019**	**2018**	**2017**
Assets under management¤					
General fund	55,082	53,661	45,280	39,760	37,789
Segregated funds	39,577	32,804	27,868	23,781	24,117
Mutual funds	13,955	11,393	11,594	10,833	11,723
Other	2,862	3,797	15,500	14,721	15,123
Subtotal	111,476	101,656	100,242	89,094	88,753
Assets under administration¤	109,687	95,830	89,246	79,678	80,787
Total	**221,163**	**197,486**	**189,488**	**168,772**	**169,540**

Assets under management, which are made up of amounts in the general fund, segregated funds and mutual funds, as well as certain assets managed for third parties (classified as *Other*), increased 10% compared to the previous year, amounting to $111.5 billion at December 31, 2021.

Assets under administration of $109.7 billion at December 31, 2021 increased 14% compared to the previous year. Assets under administration essentially include third-party assets that are administered through the mutual fund brokerage company (Investia Financial Services[43]), the securities brokerage company (iA Private Wealth[44]) and the trust company (iA Trust).

General Fund

General Fund Investments

The Company takes a prudent, disciplined approach to investing and aims to achieve an optimal balance between risk and return. In addition to ensuring that its investments are well diversified among issuers and operating sectors, as well as geographically, the Company closely monitors its asset/liability matching and maintains a sufficient level of liquidity at all times. For more information about liquidity risk and how it is managed and about the asset/liability matching process and the measures used by the Company to reduce the risks associated with this process, refer to the "Risk Management" section of this Management's Discussion and Analysis.

The assets related to the Company's insurance and annuity operations are mainly invested in fixed-income securities, such as bonds, and to a lesser extent, in equity securities (stocks). The assets related to the Company's capital are invested in fixed-income securities and preferred shares.

Composition of General Fund Investments

At the end of 2021, 72% of the Company's investments were invested in bonds and 6% in mortgages and other loans, for a total of 78% in fixed-income securities. The proportion of fixed-income securities has fluctuated between 77% and 79% over the last five years, while stocks have varied between 7% and 11%.

General Fund Investments

	As at December 31				
(In millions of dollars)	**2021**	**2020**	**2019**	**2018**	**2017**
Bonds	32,893	32,099	27,509	23,592	22,944
Mortgages and other loans	2,922	2,802	3,870	3,661	3,288
Stocks	3,906	3,286	3,024	3,055	3,467
Real estate	1,870	1,916	2,077	1,721	1,341
Other invested assets	4,060	5,045	3,440	2,550	2,782
Total	**45,651**	**45,147**	**39,919**	**34,579**	**33,822**

[43] As of July 1, 2021, Investia Financial Services Inc. and FundEX Investments Inc. were merged into one entity under the brand Investia Financial Services.
[44] As of January 18, 2021, iA Private Wealth is the new brand replacing iA Securities and HollisWealth.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investments by Asset Category

	As at December 31	
	2021	2020
Portfolio	**$45.7B**	**$45.1B**
Bonds	72%	71%
Mortgages and other loans	6%	6%
Stocks	9%	7%
Real estate	4%	4%
Other	9%	11%

The figures do not always add up exactly due to rounding differences.

Overall Quality of Investments

At December 31, 2021, net impaired investments totalled $17 million, compared to $31 million a year earlier. On a $45.7 billion portfolio, this represents 0.04% of total investments (0.07% at December 31, 2020). This decrease is related to the disposal of a bond that was impacted by the pandemic and for which a provision was taken in 2020.

The overall quality of investments continued to be very good in 2021.

Net Impaired Investments (Excluding Insured Loans)

	As at December 31				
(In millions of dollars)	**2021**	**2020**	**2019**	**2018**	**2017**
Bonds	17	31	10	13	15
Mortgages and other loans	—	0	1	3	8
Total	**17**	**31**	**11**	**16**	**23**

Net impaired investments are made up of bonds and conventional mortgages that are three or more months in arrears, as well as restructured loans and other loans in default, taking into account any specific provisions for losses set up in consideration of these assets.

Net Impaired Investments as a Percentage of Total Investments

	As at December 31				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Net impaired investments	0.04	0.07	0.03	0.05	0.07

For the investment portfolio as a whole, unrealized losses on corporate fixed-income securities classified as a*vailable for sale* amounted to $36 million at December 31, 2021 ($0.2 million at December 31, 2020).

Bond Portfolio

The quality of the Company's bond portfolio is very good, totalling $32.9 billion at December 31, 2021.

In accordance with the rules defined in the investment policies, the Company largely invests in bonds whose credit rating from a recognized rating agency is BBB low or higher at the time of acquisition. In the event no evaluation is available from a recognized rating agency, the Company uses an in-house method to evaluate the quality of the bonds in question.

The proportion of bonds rated A or higher made up 80% of the bond portfolio at the end of 2021, compared to 83% at the end of 2020. At December 31, 2021, bonds rated BB and lower (high-yield bonds) totalled $309 million (0.9% of the bond portfolio), compared to $317 million at December 31, 2020 (1.0% of the bond portfolio).

Bonds by Credit Rating

	As at December 31	
	2021	2020
Portfolio	**$32.9B**	**$32.1B**
AAA	5%	6%
AA	41%	47%
A	34%	30%
BBB	19%	16%
BB and lower	1%	1%

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

In addition to investing in bonds issued through public placements (government bonds and bonds of public corporations), the Company also invests in bonds issued through private placements. These bonds offer investment opportunities that are generally not available on the public market, and offer performance and risk features that are suitable for the operations of a life insurance company. They also provide greater access to information from issuers. However, bonds issued through private placements do not have the same level of liquidity and could be affected by changing credit conditions in the market. At December 31, 2021, private issue bonds totalled $5.8 billion, accounting for 18% of the bond portfolio ($5.4 billion or 17% of the portfolio at December 31, 2020).

Bond Portfolio

	As at December 31				
	2021	**2020**	**2019**	**2018**	**2017**
Book value of the portfolio ($M)	**32,893**	**32,099**	**27,509**	**23,592**	**22,944**
Distribution by category of issuer (%)					
Governments	40	47	50	51	52
Municipalities	4	5	5	5	5
Corporates – Public issues	38	31	28	26	26
Corporates – Private issues	18	17	17	18	17
Total	100	100	100	100	100

Mortgages and Other Loans Portfolio

The mortgages and other loans portfolio amounted to $2.9 billion at December 31, 2021 compared to $2.8 billion a year earlier. At the end of 2021, 17% of the portfolio ($485 million) was securitized through the Canada Mortgage and Housing Corporation (CMHC) Canada Mortgage Bond (CMB) program.

The mortgage portfolio alone, made up of multi-unit residential and non-residential mortgages, totalled nearly $1.9 billion and was of excellent quality at December 31, 2021, with a delinquency rate of nil. The delinquency rate data includes both insured and uninsured mortgages.

Delinquency Rate as a Percentage of Mortgages

	As at December 31				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Delinquency rate	—	—	0.08	0.09	0.34

As shown in the table below, insured mortgages have represented approximately three-quarters of the total mortgage portfolio in recent years (71% in 2021).

Mortgages and Other Loans Portfolio

	As at December 31				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Book value of the portfolio ($M)					
Mortgages	1,866	1,892	3,076	2,999	2,719
Other loans – Car loans	1,055	910	794	662	570
Total	**2,922**	**2,802**	**3,870**	**3,661**	**3,288**
Distribution of mortgages by type of loan (%)					
Insured loans	**71**	73	74	76	78
Conventional loans	**29**	27	26	24	22
Total	**100**	100	100	100	100
Mortgage delinquency rate (%)	—	—	0.08	0.09	0.34

At December 31, 2021, the proportion of mortgages secured by multi-unit residential properties was 84%. This number has been above 80% for several years.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Mortgages by Type of Property

	As at December 31	
	2021	2020
Portfolio	**$1.9B**	**$1.9B**
Residential	—	—
Multi-unit residential	84%	86%
Non-residential	16%	14%

In addition to mortgages and other loans, the Company also manages assets for third parties. In total, the Company's portfolio of mortgages and other loans plus assets managed for third parties amounted to $5.3 billion at December 31, 2021 ($5.1 billion at December 31, 2020).

Stock Portfolio

At December 31, 2021, investments in equity securities amounted to $3.9 billion, or 9% of the Company's total investments, compared to $3.3 billion or 7% a year earlier.

Investments in equity securities, as well as the Company's preferred shares, are used to match long-term insurance contract liabilities and to cover the commitments on certain Universal Life policies. The stock portfolio matched to very long-term commitments delivered a return of 19% in 2021, while the Company's preferred shares delivered a return of 12%. Private equities occupy an increasingly large part of the portfolio. This equity category offers opportunities in terms of diversification, returns and matching of very long-term commitments.

Stock Portfolio by Type of Matching

	As at December 31	
	2021	2020
Portfolio	**$3.9B**	**$3.3B**
Very long-term commitments	54%	51%
Universal Life policies	30%	29%
Capital (preferred shares)	15%	20%

The figures do not always add up exactly due to rounding differences.

The management strategy used for the stock portfolio aims to optimize return through investments in preferred shares, common shares, market indices and investment funds. The Company favours a policy of diversification by industrial sector and by issuer to limit its exposure to concentration risk and to participate in the growth of all primary economic sectors.

Stock Portfolio

	As at December 31				
	2021	2020	2019	2018	2017
Book value of the portfolio ($M)	**3,906**	**3,286**	**3,024**	**3,055**	**3,467**
Distribution by category of stock (%)					
Common shares and investment fund units	30	30	27	36	41
Preferred shares	18	23	19	16	18
Market indices	5	2	10	10	14
Private equities	47	45	44	38	26
Total	100	100	100	100	100

Real Estate Portfolio

The Company recognizes investment properties at fair value. The book value of investment properties decreased by $46.2 million in the past year to $1.9 billion at December 31, 2021. Changes in the book value are normally due to the net amount of acquisitions and dispositions, the change in the fair value of investment properties that were reappraised during the year and any capital expenses on the properties. Real estate investments represented 4.2% of the total investment portfolio at December 31, 2021.

The occupancy rate of investment properties was 92% at December 31, 2021, compared to 95% at December 31, 2020. This decrease is mainly driven by the departure of two major tenants in both Montreal and Toronto, which the Company was aware of before the start of the pandemic. The occupancy rate remains at an excellent level and continues to compare very favourably with commercial rental properties in large Canadian cities.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Office buildings account for nearly 87% of the Company's real estate investments.

On October 19, 2021, 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 took effect January 1, 2022.

Investment Properties

	As at December 31				
(In millions of dollars, unless otherwise indicated)	**2021**	**2020**	**2019**	**2018**	**2017**
Book value of the portfolio	**1,870**	**1,916**	**2,077**	**1,721**	**1,341**
Occupancy rate	92%	95%	94%	95%	93%

Investment Properties by Category of Property

	As at December 31	
	2021	**2020**
Portfolio	**$1.9B**	**$1.9B**
Office	87%	86%
Retail	6%	10%
Industrial	2%	4%
Multi-unit residential, land and other	4%	—

The figures do not always add up exactly due to rounding differences.

Derivative Financial Instruments

The Company uses derivative financial instruments in the normal course of managing the risk arising from fluctuations in interest rates, equity markets, currencies and credit. These instruments are primarily made up of interest rate, equity and foreign exchange swaps, as well as options, futures and forward contracts.

Derivative financial instruments are used as part of the Company's hedging program. This program aims to alleviate the sensitivity of the capital guarantees on certain segregated fund products to interest rate and stock market fluctuations.

The Company also uses derivatives in the implementation of strategies to improve the matching of assets backing long-term life insurance liabilities and to hedge the risk associated with the Universal Life policy funds.

The Company uses derivative financial instruments to hedge its exposure to currency risk when investing in assets not denominated in the same currency as the liabilities backed by these assets.

The Company has an investment strategy that uses options to obtain synthetic stock market exposure while reducing its macroeconomic risk profile.

The table below presents certain values pertaining to the Company's financial instruments. For more information, refer to Note 8 of the Company's consolidated financial statements.

Derivative Financial Instruments – Fair Value and Exposure

	As at December 31	
(In millions of dollars)	**2021**	**2020**
Net fair value	391	1,083
Notional amount	30,587	32,318

Other Invested Assets

The *Other invested assets* category is made up of cash and cash equivalents, policy loans (most insurance contracts, except for term insurance contracts, allow policyholders to obtain a loan on the surrender value of their contracts), derivatives, short-term investments and other investments. These investments totalled $4.1 billion at December 31, 2021 ($5.0 billion at December 31, 2020).

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Investment Fund Assets

Investment fund assets for iA Financial Group totalled $53.6 billion at December 31, 2021 ($39.6 billion in segregated funds and $14.0 billion in mutual funds), an increase of $9.4 billion from the previous year. This increase is explained by favourable financial markets as well as strong fund sales.

Segregated Fund and Mutual Fund Assets

	As at December 31				
(In billions of dollars)	2021	2020	2019	2018	2017
Segregated funds	39.6	32.8	27.9	23.8	24.1
Mutual funds	14.0	11.4	11.6	10.8	11.7

Range of Funds

iA Financial Group offers a broad, diverse range of investment funds. As at December 31, 2021, the Company offered more than 200 funds to its clients, and more than half of the assets in these funds were managed by internal investment teams.

The Company continued to adjust its segregated fund offering in 2021 to increase its diversity and complementarity while adjusting to client demand. In the individual segregated fund segment, the Company added two fixed income funds that provide broader diversification, including exposure to foreign fixed income markets. Funds exposed to global innovation themes were also added to further broaden the lineup. In addition, certain smaller or overlapping funds were merged to keep the lineup to a reasonable number of products.

On the mutual fund front, IA Clarington Investments executed twenty fund mergers and two fund terminations in lower-demand or overlapping products. It also added depth to its U.S. equity lineup with the launch of a U.S. all cap growth product and continued to research potential new product offerings to meet evolving client demands.

Lastly, in the Group Savings and Retirement sector, the Company enhanced its lineup with several new funds. These included several Socially Responsible Investment (SRI) funds covering the fixed income and Canadian and global equity markets.

iA Financial Group's Investment Funds

	As at December 31, 2021	
	Assets ($billion)	Distribution of assets
Segregated funds	39.6	74%
Mutual funds	14.0	26%
Total	**53.6**	**100%**

Investment Fund Performance

Despite uncertainty around the evolution of the pandemic, global supply chain disruptions, inflation and how central banks will transition from the accommodative policies of previous years to a more normal policy setting, financial markets performed well in 2021. Equity markets in particular offered good opportunities for investors to buy low and reap the rewards of new highs in the last quarter of the year.

North American equity markets led the way with respective returns of 28.7% and 25.1% for the U.S. and Canadian markets as represented by the S&P500 and the S&P/TSX (local currency results). International equity markets also performed well, as demonstrated by the MSCI World and EAFE indices, with returns of 24.2% and 18.7% for the year (local currencies). Emerging markets—including China—had more difficulty, leading to an MSCI EM index return of 0.1% for the period (local currency). For fixed income, negative results were recorded in several markets, mainly due to interest rate increases from rising inflationary pressures. These results included The FTSE Canada Universe index, which was down 2.5% for the year.

In this context, the returns on the vast majority of our funds were very favourable for our clients. Moreover, compared to the competition, our funds continue to post above-average returns over many periods. The returns on all the Company's investment funds, as well as detailed financial information on these funds, are presented in the investment fund financial reports prepared by iA Financial Group.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Risk Management

The “Risk Management” section of the Management’s Discussion and Analysis contains certain information required under IFRS 7 *Financial Instruments: Disclosures* of the International Financial Reporting Standards (IFRS) regarding the nature and scope of the risks arising from financial instruments. This information, which appears in the shaded sections, is an integral part of the audited consolidated financial statements for the period ended December 31, 2021, given that the standard permits cross-references between the Notes to the Financial Statements and the Management’s Discussion and Analysis. Because of the references made to the financial statements, the terminology used in this section is generally aligned with what is found in the financial statements.

As a financial group, iA Financial Corporation assumes a variety of risks inherent in the development and diversification of its operations. As a result, its risk management approach is attuned to its business expansion strategy. The goal of the Company’s risk management program is to generate maximum sustainable value for its clients, shareholders and employees, and for the community it serves. More specifically, the Company is committed to carrying out sound and prudent risk management through an approach that balances risk and return. This approach is aligned with the Company’s strategic directions, takes risk into account in all decision-making and respects the Company’s risk appetite and tolerance. It also ensures that the Company can meet its commitments to policyholders, creditors and regulatory bodies.

The Company’s risk management program is supported by a strong code of conduct, a sound risk management culture and an effective framework. The Company maintains an overall vision and continuously demonstrates prudence in implementing its strategies and business decisions in order to protect its reputation and the Company’s value. The Company also places particular emphasis on its capital adequacy by maintaining a solvency ratio higher than that required by the regulatory authorities.

Risk Management Principles and Responsibilities

The Company defines risk as the possibility of an event occurring that will have an impact on achieving its objectives. Sound, effective risk management rests on identifying, measuring, assessing, understanding, and communicating the risks the Company is exposed to in the course of its operations.

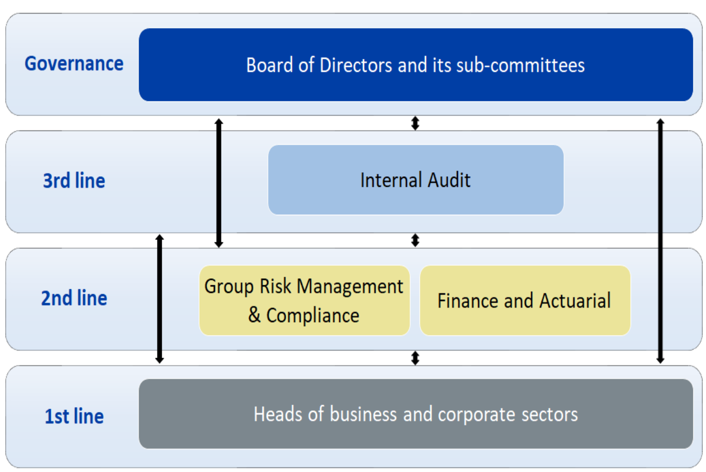
In accordance with this principle, the Company has implemented an enterprise risk management framework that is continually applied and taken into account in developing the Company’s business strategies and in all of its operations.

The goal of the framework is to identify, measure, assess, understand, manage and monitor the risks the Company is exposed to in the course of its operations. The framework also defines the Company’s risk appetite and tolerance, in other words, the amount of risk the Company wants and is willing to take in order to execute its business strategy and achieve its goals. Lastly, compliance with the framework helps ensure that relevant information regarding risks is communicated and shared on a regular and timely basis with the various people involved in risk management.

The enterprise risk management framework therefore provides the Board of Directors with reasonable assurance that all required elements are in place within the Company to ensure effective risk management. Compliance with and application of the framework allow for a sound risk management culture to be maintained and promoted within the Company.

The framework is governed by a global policy designed to classify and define the risks the Company is exposed to, outline the risk management governance and organizational structure, including the roles and responsibilities of the various people involved in the risk management process, and identify the key steps in the process, particularly in terms of identifying, measuring, assessing, communicating and monitoring the risks.

The diagram that follows illustrates the responsibility levels with respect to enterprise risk management within the Company.



¤ This item is a non-IFRS measure; see the “Non-IFRS and Additional Financial Measures” section in this document for relevant information about such measures.

Supported by a strong risk culture, the Company's risk management approach includes a "three lines of defense" governance model. This approach breaks down the responsibilities according to those who take the risk, those who monitor it and those who provide an independent assessment of the overall process.

The first line of defense includes the President and Chief Executive Officer and the heads of the business and corporate sectors. They are responsible for selecting and executing the business strategies in keeping with the Company's defined risk appetite and tolerance and ensuring a good long-term balance between risk and return. They are also responsible for implementing policies and procedures and for identifying, communicating and managing risks that could prevent them from achieving the objectives identified in their respective areas of responsibility.

The second line of defense includes the Finance and Actuarial function, headed up by the Executive Vice-President, Chief Financial Officer and Chief Actuary, and the Risk Management and Compliance function, headed up by the Executive Vice-President and Chief Risk Officer and by the Chief Compliance Officer. The Risk Management and Compliance function also includes the Investment Risk Monitoring, Data Governance and Information Security functions. The second line of defense is responsible for coordinating the application and enforcement of the enterprise risk management framework within the Company and ensuring that appropriate policies and procedures are defined and effectively implemented by the first line of defense. To this end, it coordinates, guides and supports the first line of defense in the rigorous assessment of significant risks to which the Company is exposed. It works together with the first line to ensure prudent and disciplined management in protecting the Company's reputation and long-term sustainability. The first two lines of defense are also responsible for keeping the Board of Directors regularly informed about the Company's main risks and the steps taken to manage them.

The Chief Risk Officer and his team work closely with the other second line functions and with the first line to promote a culture of sound risk management across the organization. Based on a holistic view of the risks and considering the interrelationships that may exist between them, the Chief Risk Officer communicates any pertinent information to senior management and the Board of Directors.

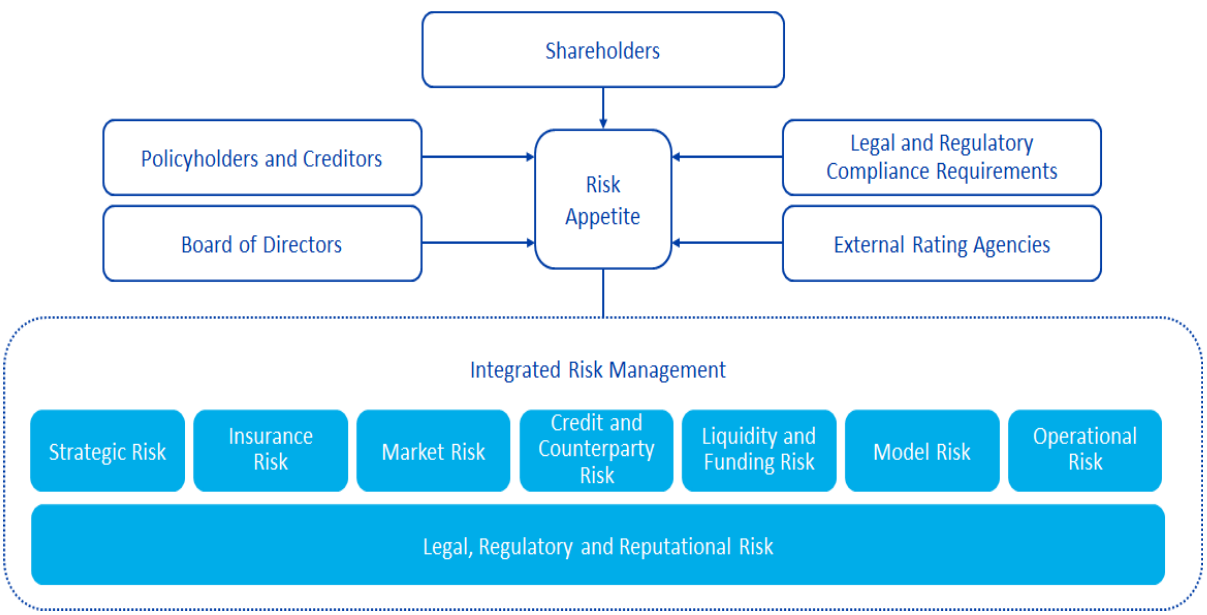
As the third line of defense, Internal Audit assesses the effectiveness of the enterprise risk management framework, recommends improvements to the people involved in the process and reports on the situation to the Board of Directors' Audit Committee.

The Board of Directors verifies and approves the global policy governing the enterprise risk management framework as well as any changes that are made to it. It also approves the overall level of risk the Company is willing to take as well as the tolerance thresholds it is willing to withstand in order to meet its business and growth objectives.

The enterprise risk management framework also applies to the Company's subsidiaries. A functional reporting relationship is established between the risk management and compliance functions and those responsible for risk management and compliance in the subsidiaries.

The boards of directors of the subsidiaries, which are made up of members renowned for their expertise in their respective fields as well as senior executives from the parent company, also play an important role in risk management oversight.

Integrated Risk Management Framework



The diagram above illustrates the categories of risk the Company is exposed to in the course of pursuing its strategic objectives. A summary of these risks and the processes for managing them is outlined in the following pages.

Each of these risk categories can include known or emerging risks. The way in which they are managed across the organization is adjusted accordingly.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Specific management strategies are used for each of the risk categories. The management of these risks is also supported by a strong risk management culture across the organization. This culture can be defined as the behaviours adopted by Company employees, who observe and apply the principles of the enterprise risk management framework to their job and their day-to-day activities. These behaviours are also governed by respect for ethics and transparency in decision-making. This culture and these behaviours make up the solid common foundation for the Company's risk management activities.

Strategic Risk

Senior management lays out the strategies and oversees their execution. This work is supported by various key processes.

- Strategic planning in compliance with defined risk tolerance levels and capital adequacy requirements
- Review of the strategies and risks that apply to the Company's main activities

Strategic risk may arise from poor strategic decisions or not adapting well to changes in the business, normative, political, economic or technological environment.

Risk Associated with the Business Environment – The insurance and wealth management sectors are highly competitive. There is a risk that competitive pressures could lead to increased pressure on the business model and harm the Company's overall profitability. Changes in client needs and spending habits could also have an adverse effect on the Company's results if it doesn't adapt accordingly.

Risk Associated with the Normative Environment – Financial institutions are subject to a vast number of laws and regulations. As a result, legislative and regulatory changes could increase the amount of time and resources needed to ensure ongoing compliance. The Company is also exposed to risk related to changes in accounting and actuarial standards.

Risk Associated with the Political and Social Environment – Political events or decisions could have an adverse impact on the relevance of the Company's products or its profitability.

Risk Associated with the Economic Environment – Changes in the economic environment like increased credit risk or a deterioration in financial market conditions that leads to increased volatility could increase pressure on the business model or adversely affect the Company's profitability, financial strength and access to capital.

Risk Associated with the Technological Environment – Not adapting well to changes in the technological environment could impact the integrity of our information systems and technology infrastructure or generally disrupt the Company's business plan.

Risk Related to Climate Change – Climate change could have adverse impacts on insurance, market and credit risks by increasing the frequency and cost of claims or deteriorating the quality or value of the investment portfolio. The Company has incorporated the fight against climate change in its risk appetite statement and uses the climate-related risks defined by the Task Force on Climate-Related Financial Disclosures (TCFD) as the foundation of its climate change risk assessments. The Company conducted an entity-wide Climate Change Materiality Assessment. The impact and likelihood criteria used were aligned with iA Financial Corporation's internal enterprise risk assessment methodology to ensure that climate-related risks are assessed consistently and proportionately relative to other risks. In continuity with its commitment to the United Nations-supported Principles for Responsible Investment (PRI), the Company has released its Responsible Investment Policy, which includes a section on climate change and commitments to integrate climate change factors into investment decisions. More information on the climate-related risk management and governance framework is available in the Sustainability Report and the TCFD Report.

Main Strategic and Emerging Risks

In addition to continuous monitoring, senior management reassesses known and emerging strategic risks annually or more frequently, at their discretion and according to the circumstances. During the corporate and sector strategic planning exercises carried out across the organization, these risks are analyzed to determine their impact on the Company's strategy and, conversely, to identify whether additional strategies are needed to manage or mitigate the risks.

During the 2021 review of strategic and emerging risks, the identified risks were confirmed and the strategies in place for managing them were renewed.

Changes in Technology and the Client Relationship – The advent of new digital and software technologies coupled with shifts in demographics and client preferences has prompted the Company to make strategic choices in these areas. In this regard, the Company is pursuing its cutting-edge digital strategy, which focuses on the client and partner experience.

Risk Related to Changes in Economic Conditions – Operating in the financial sector, the Company relies in part on the economic and financial conditions of the markets in which it operates. In the complex, globalized environment that characterizes these markets, economic conditions can change suddenly and drastically. To protect itself from these unforeseen changes, the Company relies on a balanced business model and chooses strategies that allow it to shield itself while benefiting from the different economic conditions. This balanced strategy allows the Company to remain solvent and prosperous and to continue its long-term growth despite economic volatility.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Risk Related to the COVID-19 Pandemic – Since March 2020, the COVID-19 pandemic has impacted both society in general and the economy. The duration of this event, the emergence of new variants as well as the effectiveness of government measures to slow its spread and impact on the economy remain uncertain. Therefore, 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 continuing uncertainties.

Nevertheless, the effects of the pandemic on the results for the period ended December 31, 2021, are not significant. Though we do not anticipate additional risks related to the COVID-19 pandemic, we remain vigilant and continue to identify and assess any potential impact through emerging risk surveys and stress-testing exercises.

Data Security and Cyber Risk – The Company pays particular attention to the risk of data theft and other cyber risks by continuously strengthening its cybersecurity risk management framework (see the description of this mechanism in the "Operational Risk" section).

Risk Related to Implementation of New Accounting Standards – New IFRS standards will come into force on January 1, 2023. Though a transition program and dedicated resources are in place to manage the implementation of the new standards, some risks remain. The Company is closely monitoring the operational and model risks generated by IFRS 9 and IFRS 17, as the new standards require a significant change in financial processes and systems and in the actuarial models. Uncertainty remains regarding tax treatments and regulatory capital requirements, as guidelines will only be available over the course of 2022.

Risk Related to Human Resources – Talent shortage risk increases in the context of multiple cross-sector business and regulatory initiatives competing for the same expertise. The Company takes proactive steps to mitigate this risk by enhancing employee measures (wellness days, retention initiatives, training, etc.) and adopting a hybrid, flexible model that combines remote with onsite work.

Insurance Risk

Insurance risk is the risk of loss arising from higher claims than anticipated during product pricing and design. This category is associated with the following risk factors:

Policyholder Behaviour – Risk of decrease (increase) in lapse rates compared to assumptions for lapse-supported products (other products).

Mortality – Risk of unfavourable variability in the level, trend or volatility of mortality rates.

Morbidity – Risk of increase (decrease) in occurrence rates (termination rates) for disability or illness insurance claims.

Longevity – Risk of overestimation of the mortality rate in product pricing and design assumptions.

Expenses – Risk of unfavourable variability in the cost of servicing and maintaining in-force policies and associated indirect expenses.

General Insurance – Risk of loss arising from higher claims than anticipated when designing and pricing general insurance products.

Insurance risk can occur at various stages of a product's life cycle, for example during product design and pricing, during underwriting or claims adjudication or when calculating the provisions for future policy benefits. The Company has put controls and processes in place at each of these stages to ensure appropriate management of these risks.

Product Design and Pricing – The Company has adopted a product design and pricing policy that establishes standards and guidelines on pricing methods, formulation of assumptions, profitability objectives, analysis of profitability sensitivity according to various scenarios, documentation, and the accountability of the various people involved.

Underwriting and Claims Adjudication – The Company has established guidelines pertaining to underwriting and claims adjudication risk that specify the Company's retention limits. These retention limits vary according to the type of protection and the characteristics of the insureds, and are revised regularly according to the Company's capacity to manage and absorb the financial impact associated with unfavourable experience regarding each risk. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

Calculating Provisions for Future Policy Benefits – The Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the Canadian Institute of Actuaries (or any other relevant body), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business.

Every year, the appointed actuary ensures that the valuation of provisions for future policy benefits is carried out in accordance with accepted actuarial practice in Canada and that the selected assumptions and valuation methods are appropriate.

The Company's Sensitivity to Certain Insurance Risks – The table below summarizes the impact on net income attributed to common shareholders of adverse deviations from assumptions for certain insurance risks.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Decrease in Net Income Attributed to Common Shareholders Resulting from Adverse Deviations from the Assumptions

(In millions of dollars)	2021	2020
Insurance risk: adverse deviation of 5%		
Mortality rate[45]	180	179
Lapse rate[46]	205	181
Unit costs[47]	86	64
Morbidity rate[48]	59	65

Favourable variances from the assumptions would have the same impact, but in the opposite direction.

For more information on insurance risk management, refer to notes 13 and 14 of the Company's audited consolidated financial statements.

Market Risk

The Company is exposed to market risk, which is the risk that the fair value/future cash flows of an insurance contract/financial instrument will fluctuate due to variations in market risk factors. This category includes risk factors related to interest rates, stock markets, foreign currency and return on alternative long-term assets.

The Company has established investment policies that contain a variety of quantitative measures designed to limit the impact of these risks. The investment policies are reviewed annually and any modifications are submitted to the Board of Directors for approval. Policy management and compliance is monitored regularly and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Interest Rate Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits. In some cases—for death benefits and annuity payments, for instance—the maturity date may be uncertain and potentially a long time in the future. Interest rate risk is the risk of loss associated with fluctuations in benchmark interest rates and/or rate spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates on the corresponding liabilities, or if an asset needs to be liquidated in order to match the liability cash flows and a loss in market value of the liquidated asset occurs due to rising interest rates. This risk depends on asset allocation as well as external factors that have a bearing on the markets, the nature of the built-in product guarantees, and the policyholder options.

To mitigate this risk, the Company has developed a strict matching process that takes into account the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the matching process include the structure of projected cash flows and the degree of certainty with regard to their maturity, the type of return (fixed or variable), the existence of options or guarantees inherent in the assets and liabilities, and the availability of appropriate assets in the marketplace. Some liabilities can be immunized to a very large degree against interest rate fluctuations because they can be backed by assets offering a similar cash flow structure.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. To illustrate the application of these strategies, the liabilities are divided into three main categories, as presented below, based on the structure of the underlying financial commitments.

Net Liabilities According to Type of Matching

	As at December 31			
	2021		2020	
	$M	%	$M	%
Immunized liabilities				
On a cash flow basis	9,263	26%	8,866	25%
Universal Life policy accounts	1,933	6%	1,664	5%
Subtotal	11,196	32%	10,530	30%
Non-immunized liabilities	24,225	68%	24,938	70%
Total	**35,421**	**100%**	**35,468**	**100%**

45 The adverse deviation is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products.
46 The adverse deviation is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products.
47 Adjusted to reflect the adjustability of certain products.
48 The adverse deviation is expressed assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active, adjusted to reflect the adjustability of certain products.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

1› **Liabilities Immunized on a Cash Flow Basis**

This category represents 26% of the policy liabilities and primarily reflects the commitments with regard to annuity and other insurance contracts with a maturity of less than thirty years.

The Company's main goal in this regard is to minimize its exposure to interest rate sensitivity. With this in mind, for liabilities immunized on a cash flow basis, the objective of the matching strategy is to minimize the volatility of the deviations that can occur between the returns realized on the assets and those expected for the liabilities. In terms of the liabilities, the expected returns include the interest rates credited to client contracts and the fluctuation margins set out in the actuarial valuation of the policy liabilities. To appropriately monitor matching, investments are segmented by blocks based on the cash flow structure of the liabilities, and these blocks are grouped together by line of business. A careful examination of these matching blocks is carried out once a month, and a number of techniques are used to assess the quality of the matching in order to guide the selection of investments.

To measure the sensitivity to interest rate fluctuations, the Company uses metrics recognized by immunization experts, such as duration and dispersion. The investment policies set out maximum spreads between the result of the measures applied to the assets and the corresponding result obtained for the liabilities. These results are provided to the Investment Committee on a quarterly basis.

The Company also carries out sensitivity analyses to assess the financial impact that would result from various types of fluctuations in the interest rate yield curve. These analyses are carried out using stochastic scenarios that are used to quantify the residual risks that may remain in the portfolios. Simulations based on predefined scenarios are also analyzed to measure the impact of specific fluctuations. The sensitivity analyses are also used to assess the behaviour of the future fluctuation margins projected in the actuarial valuation of the policy liabilities.

In addition, in order to minimize the reinvestment risk that can arise when the maturity of the assets does not match the maturity of the corresponding liabilities, the investment policies also require that an effort be made to ensure that the asset cash flows correspond to the liability cash flows. To this end, the policies set relative and absolute limits regarding the size of the cumulative net cash flows, both for all the matching blocks combined and for each individual block.

For this liability category, the use of a very strict immunization approach means that the impact on net income of a decrease or increase in interest rates would be negligible.

2› **Immunized Liabilities Linked to Universal Life Policy Accounts**

This category represents 6% of policy liabilities, and includes all liabilities linked to Universal Life policy accounts. The returns on these liabilities are determined on the basis of a market or portfolio index. For these liabilities, the matching is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, so as to strictly reproduce the returns credited to the underlying accounts.

For accounts where the return varies based on an index, the impact on net income of a change in the stock markets applied to the assets would be negligible, since an equivalent change would be applied to the corresponding liabilities.

3› **Non-Immunized Liabilities**

This category corresponds to 68% of the Company's policy liabilities and primarily encompasses individual insurance products whose cash flows have a specific structure and for which a classic immunization strategy cannot be applied. Therefore, for this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets by using the various types of leverage available to limit its exposure to reinvestment risk.

For this liability category, a widespread decrease in interest rates could have an adverse impact on annual net income to common shareholders, primarily due to the attendant increase in policy liabilities. If interest rates were to decrease, the reinvested cash flows would generate lower investment income for the total duration of the investment. A decrease in interest rates could lead to a downward adjustment of the initial reinvestment rate (IRR) assumption, and a prolonged decrease could lead to a decrease in the ultimate reinvestment rate (URR) assumption used to calculate the policy liabilities.

The Company uses high-quality assets, primarily made up of long term fixed income securities, equity securities (common and preferred shares, market indexes, market index options and investment fund units), and real estate. The asset class allocation aims to achieve an optimal return at maturity, taking into account capital requirements, expectations regarding the interest rate structure and performance of the stock markets. At the same time, the strategy takes into account the constraints imposed by the investment policies, particularly with regard to diversification of the portfolio.

The Company also uses various types of leverage, including an inter segment note program that allows cash flows to be exchanged among activity sectors and various derivative financial instruments to be used to reduce the reinvestment risk (IRR).

During the period ended December 31, 2021, derivative financial instruments were used as part of the Company's strategy to optimize returns. To mitigate its risk related to interest rate fluctuations on these non-liability backing assets and its mortgage securitization activities, the Company used hedge accounting through derivative instruments with a nominal value of $712 million in 2021 ($860 million in 2020). For more information, refer to notes 7 and 8 of the Company's consolidated financial statements as at December 31, 2021.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The following tables summarize the impact of matching and interest rate risk on net income attributed to the common shareholder and on accumulated other comprehensive income.

Decrease in Net Income Attributed to Common Shareholder Resulting from Adverse Deviations

(In millions of dollars)	2021	2020
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[49]	(61)	(10)
10 basis point decrease in the ultimate reinvestment rate (URR)	68	68

Decrease in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

(In millions of dollars)	2021	2020
Interest rate risk		
25 basis point decrease in the initial reinvestment rate (IRR)[50]	(7)	11

Similar increases in the IRR, URR and interest rates would have the same impact as corresponding decreases, but in the opposite direction.

To test for market sensitivity, the Company uses an interest rate variance of 25 basis points for the IRR and 10 basis points for the URR because it believes these interest rate variances to be reasonable given market conditions as at December 31, 2021.

The impact of this variance in interest rates does not take into account the protection for the IRR in the actuarial reserves.

Stock Market Risk – Stock market risk represents the risk of loss resulting from a downturn in the stock markets. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management[¤]; 2) the discounted future revenues on Universal Life policy funds; 3) a strengthening of provisions for future policy benefits; and 4) the income on capital generated by the assets backing the Company's capital. For these items, the Company estimates that a sudden 10% drop in the markets as at December 31, 2021 would have led to a $44 million decrease in net income and a $53 million decrease in other comprehensive income over a twelve-month period. A 25% drop in the markets as at December 31, 2021 would have reduced net income by approximately $109 million, and other comprehensive income by $131 million over a twelve-month period.

If the markets were to drop more than 35% from their levels at December 31, 2021, all other things being equal, the Company would not have the leeway to absorb an additional drop in the markets without a significant impact on its provisions for future policy benefits related to individual insurance.

In addition to the impact on the Company's income, a stock market downturn could also have an impact on the Company's solvency ratio.

Sensitivity of the Solvency Ratio to Variances in the S&P/TSX Index (CARLI)

	2021	2020
Solvency ratio as at December 31[¤]	**134%**	130%
S&P/TSX index as at December 31	**21,223**	17,433
Level of S&P/TSX index for the solvency ratio to be at 110%	**N/A**	2,900
Level of S&P/TSX index for the solvency ratio to be at 100%	**N/A**	N/A

In order to measure its market sensitivity, the Company examined the impact of a 10% market variance at the end of 2021, believing that this kind of variance was reasonable in the current market environment. However, to take into account the possibility that a market variance of more than 10% could have an impact that is not linearly proportional, the Company also measured the impact of a 25% market variance.

Segregated funds expose the Company significantly to the risk of a stock market downturn. In order to mitigate some of the risk associated with this exposure, the Company has set up a dynamic hedging program, which is described a little later in this section.

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Some products may also offer a guarantee for partial withdrawals. Because of the volatility inherent in the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee is applied and that it will then have to compensate the investor for the difference in the form of a benefit. In order to get an overview of its exposure to the risk associated with the segregated fund guarantees, the Company determines the net amount at risk, which is the amount by which the guaranteed minimum value exceeds the market value for all contracts in this situation at a given point in time. The net amount at risk does not constitute a payable benefit as such, since in reality, benefits that might have to be paid in the future will depend on various eventualities, including market performance and contract holder longevity and behaviour.

49 These estimates do not take into account compensatory measures to alleviate the impact of an interest rate decrease. The Company could reconsider the investment allocation for each asset class backing the very long-term commitments.

50 Excluding any downward adjustment of the IRR or URR.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

The following table provides information on the segregated fund assets under management in the Individual Wealth Management sector.

Individual Wealth Management Segregated Fund Assets Under Management

(In millions of dollars)	2021	2020
Assets under management¤	**24,722**	19,240
Guaranteed minimum value	**18,916**	15,709
Value of assets underlying significant guarantees[51]	**7,366**	7,140
Value of assets underlying minimum guarantees[52]	**17,356**	12,100

All contracts with significant guarantees are covered under the hedging program. For some of these contracts issued before the hedging program was in place, the Company assumes 10% of the risk for the guarantees at maturity. There is limited risk for guarantees at death and minimum guarantees, so the Company has decided not to include them in its dynamic hedging program.

The dynamic hedging program involves short selling futures contracts on market indices traded on stock exchanges, as well as signing agreements for forward exchange contracts for currencies traded on stock exchanges, interest rate swaps and internal total-rate-of-return swaps for indices traded on stock exchanges. This program is used to hedge a good portion of the sensitivity of net income to the performance of the bond and equity funds and to the interest rate fluctuations arising from the segregated fund guarantees. In order for the Company's strategy to adequately cover the risks related to the hedged guarantees, a dynamic rebalancing of the hedging instruments is carried out based on changes in financial market conditions. Hence, the variations in the economic worth of the liabilities are largely offset by variations in assets held under the hedging program.

Under the dynamic hedging program, the value of the liabilities associated with the guarantees is updated several times per day to reflect differences between expected experience and actual results. In the process of calculating expected experience, the Company uses certain assumptions regarding policyholder longevity and future redemptions. The redemption assumption, however, has certain limitations. The timing and size of the withdrawals and fund transfers cannot be hedged using derivative financial instruments since these are factors decided by the contract holder, and adverse deviation from expected experience can alter the quality of the hedge.

The dynamic hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss on the income statement. The hedging program itself entails certain risks that may limit the program's effectiveness, in particular:

- The program is based on dynamic rebalancing of the derivative hedging instruments. A decrease in the liquidity of these instruments would have an adverse impact on the effectiveness of the program.
- The use of derivative hedging instruments entails a counterparty risk, which is mitigated by the presence of collateral agreements whose net settlement is carried out on a daily basis.
- There may be a favourable or unfavourable variance between the returns realized on the segregated funds and those realized on the hedge positions held to cover the guarantees associated with these funds.

In the last eight quarters, the quarterly effectiveness of our dynamic hedging program has fluctuated between 86% and 96% depending on the volatility of the financial markets. In addition, it has had an excellent effectiveness rate of 93% since it was implemented in October 2010.

In order to ensure sound management of the risk of a stock market downturn, the Company's investment policies define quantitative and qualitative limits for the use of equity securities. The target asset mix in the form of equity securities is designed to maximize the Company's returns and reduce the potential risk associated with guaranteed minimum returns under long-term commitments.

The investment policies allow the Company to use derivative financial instruments. The use of these instruments, however, must comply with the risk tolerance limits and the prudential requirements set out in the investment policies, including a minimum credit rating for the counterparty financial institution.

During the period ended December 31, 2021, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain exposure to stock markets for assets backing non-immunized liabilities while limiting potential losses. They were also used as part of the hedging program for segregated fund guarantees and to hedge the risk associated with Universal Life policy funds.

Foreign Currency Risk – Foreign currency risk represents the risk that the Company will have to assume losses due to exchange rates on foreign currencies to which the Company is exposed. The Company has adopted a policy to avoid exposing itself to material currency risk. To this end, liabilities are generally matched with assets expressed in the same currency; otherwise, derivative financial instruments are used to reduce net currency exposure. As at December 31, 2021, the Company was not exposed to any material foreign currency risk.

Risk Associated with the Return on Alternative Long-Term Assets – This is the risk of loss arising from fluctuations in the value of private equity, real estate, infrastructure, timberland and farmland.

[51] Represents the value of assets underlying guarantees at maturity with a significant level of risk, or withdrawal guarantees.
[52] Represents the value of assets for which the risk of the guarantees is limited and which the Company has decided not to include in the dynamic hedging program.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

To mitigate this risk, the Company's investment policies authorize prudent investments in the real estate market, private equity and infrastructure within certain clearly defined limits, both globally and by geographic region. Real estate investments are used to back long term commitments for certain lines of business, like Individual Insurance, and help ensure sound diversification of the Company's investments.

Credit and Counterparty Risk

Credit risk represents the risk of loss arising from a deterioration in credit quality (downgrading) or counterparty default. This risk originates mainly from credit granted in the form of loans, private placements and corporate bonds, but also from exposure to derivative financial instruments and to reinsurers that share our policyholder commitments.

The Company uses derivative products under its investment policies, including swaps, futures and options contracts. These contracts are not used for speculation purposes but for matching assets and liabilities and managing financial risk. They are primarily used to mitigate credit risk, as well as risks associated with fluctuations in interest rates, currencies and stock markets.

The derivative products used under the hedging program for segregated fund guarantees expose the Company to credit risk due to the presence of counterparties involved in the program. As indicated earlier, the counterparty financial institutions for derivative products must meet certain well-defined criteria, and collateral exchange agreements to offset daily variation margins have been reached with these institutions in accordance with industry norms and standards in order to minimize and control the credit risk.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. More information about concentration risk is presented in note 7 of the consolidated financial statements as at December 31, 2021.

The Company's investment policies aim to mitigate concentration risk by promoting the sound diversification of investments, limiting exposure to any one issuer and seeking a relatively high quality of issuers. They also impose limits by groups of related issuers, by activity sector and by geographic region. These limits depend on the credit quality of the issuers.

The Company also has a specific credit policy for private placements, commercial loans and personal loans that stipulates the assignment of internal credit ratings for investments that do not have a credit rating assigned by a recognized rating agency. The policy and procedures in place establish certain selection criteria and define the credit authorization limits based on the scope and degree of risk. In order to manage the credit risk associated with these investments, the Company may require collateral, particularly for real estate, residential or commercial mortgages.

Lastly, although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit risk associated with the amounts ceded to reinsurers. This risk category includes residual insurance risk, legal risk, counterparty risk and liquidity risk resulting from reinsurance operations. To limit this risk, the Company applies the processes and criteria prescribed in its reinsurance risk management policy, such as conducting due diligence on the selected reinsurers, limiting the concentration of risks and carrying out sensitivity testing.

Liquidity and Funding Risk

Liquidity risk represents the possibility that the Company will not be able to raise the necessary funds, at the appropriate time and under reasonable conditions, to honour its financial commitments.

This risk is managed through matching of assets with financial liabilities as well as strict cash flow management. Moreover, to maintain an appropriate level of liquidity, the Company ensures that it holds a good proportion of its assets in marketable securities.

The use of derivatives requires that securities be sent as collateral to clearing houses and derivative counterparties in order to mitigate the credit risk. Simulations are carried out to measure the liquidity needs that could arise due to interest rate and stock market turmoil in order to assess the liquidity that needs to be maintained to meet those requirements.

In addition to the requirements mentioned above, the Company needs to have additional liquidity available for possible surrenders, contract terminations and pandemic outbreaks. A number of scenarios are analyzed to ensure that the Company will be able to meet its commitments in various extreme situations.

Given the quality of its investment portfolio, and despite financial market volatility, the Company believes its current liquidity level to be adequate.

Model Risk

While the use of data and models generates value for the Company and offers significant opportunities for the future based on business and artificial intelligence, it also introduces the risk that a loss might occur or inappropriate decisions might be made due to modelling deficiencies or limitations, improper implementation or utilization, inaccurate or inappropriate data, or incorrect assumptions. To reduce this risk, a model design guide is available to the different sectors of the Company. This guide is intended to help model owners identify model risk and to standardize the approach across the Company.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Operational Risk

Operational risk is the risk of loss arising from deficiencies or errors attributable to processes, people, systems or external events.

This risk is present in all the Company's activities. It can be related to financial reporting, human resources, fraud, data protection, information security and technology, process execution, business relationships with clients, external events or contractual agreements with suppliers. The impact of one of these risks occurring can take the form of financial losses, loss of competitive position or injury to reputation. In addition to mitigation measures carried out by Risk Management on all processes and procedures, a continuity plan involving a predefined crisis team reduces this residual risk.

To manage operational risk, the Company emphasizes proactive management practices by ensuring that appropriate and effective internal controls are in place and by utilizing competent, well-trained employees at all levels. The Company also makes it a priority to revise its policies and develop stricter standards, when appropriate, to account for changes in its operations and environment.

In addition, through its enterprise and operational risk management frameworks, the Company makes all managers accountable by asking them to confirm their sector's compliance with procedures, describe the processes in place for ensuring this compliance, and confirm that policies and procedures are up to date. The risks that could arise are also assessed and quantified, as well as the steps taken to manage the most material risks.

Financial Reporting – The Company also maintains an ongoing control evaluation program in order to issue the certification required by the regulatory authorities with respect to the financial information presented in the Company's annual and interim filings (certification under Multilateral Instrument 52-109). Under this program, the managers of each business line evaluate and test the controls in their sector, following which a designated team verifies the quality of the controls and the conclusion of the managers' evaluation. A summary report is submitted annually to the Audit Committee, which then reports the results of the evaluation to the Board of Directors. The certification of the financial information presented in the annual and interim filings is submitted quarterly in the prescribed format. This certification is available on SEDAR and on the Company's website.

Human Resources – The competency of human resources is an essential factor in implementing business and operational risk management strategies. In this regard, the Company follows best practices and has a code of business conduct in addition to well-defined policies and procedures with respect to compensation, recruitment, training, employment equity, diversity and occupational health and safety. These policies are continually kept up to date in order to attract and retain the best candidates at every level of the Company. The Company shows its concern for its employees' quality of life by offering programs that promote a healthy lifestyle and adopting various measures designed to improve the work environment.

Protection of Personal Information – The use of emerging technology entails numerous challenges for the protection of personal information. While data analytics is useful in providing better client service, the increase in available data and the risks associated with it require vigilance by all Company stakeholders. An abundance of privacy risks, ranging from the unethical use of collected data to identity theft, can arise if personal information is hacked or inadvertently disclosed. All of these risks are mitigated by applying sound governance practices throughout the life cycle of all sensitive data. Ensuring the ongoing awareness of all employees and partners also helps to maintain a high level of commitment to privacy, supported by an increased focus on device security. The Company implements policies and directives that regulate data use and governance. It strives to comply with the highest ethical and moral standards while meeting all legal requirements in this regard. It continues to develop new tools and practices to provide optimal protection for all its partners and clients.

Information and Communications Technologies and Cybersecurity – Reliable information and communications technologies (ICTs), protection of information and sophisticated data are essential for the successful execution of the business process, and the Company places special emphasis on this aspect. It has a comprehensive plan in place for reducing and controlling the risk of ICT failure based on best practices and recognized IT standards, protection of information and data management. The management of these risks is reviewed at regular intervals in order to adapt to changing technologies, regulations and Company needs.

Changing business needs in the insurance and financial services industry are accelerating the use of online applications, mobile technologies and cloud computing. Along with this acceleration comes an increase in risks related to information security and cyber threats as it is difficult to develop and implement effective preventive measures to keep up with industry attacks. Cybercrime techniques are sophisticated and continually evolving, and they come from an increasing number of sources: viruses, malware, denial of service, phishing, ransomware, exfiltration, etc.

The potential consequences range from service interruptions and unauthorized access to sensitive or personal information to asset or intellectual property theft. These can lead to reputation damage, lawsuits and other repercussions.

To mitigate information security and cybersecurity risks, the Company has set up and regularly maintains a security risk log for tracking changes in cyber threats, countermeasures and regulatory requirements. In addition, the Company has adopted an information security authority framework outlining roles and responsibilities with respect to information security. The Company continues to roll out the information security investment program, which includes the implementation of a normative framework, a reference model aligned with industry best practices, and technology resources and services for identifying, preventing, detecting and eliminating threats against its assets and operations. These measures are continuously complemented by information security awareness campaigns and training for all Company employees. The Company also subscribes to a cyber risk insurance policy.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Business Continuity – The Company's business continuity management program covers all the potential risks the Company may be exposed to through a consequence-based approach and is adapted to the hybrid operating model that combines remote with onsite work. The Company has implemented extensive business continuity plans throughout its business units to ensure continued service delivery at acceptable predefined levels following events that may disrupt their activities. Business continuity plans and the related procedures are reviewed and tested on a regular basis.

Risk-prone Situations, Incidents and Crisis Management – The Company and each of its business units have a structure and processes in place to ensure that events that could disrupt its activities are quickly identified and managed. Depending on the significance of these events, a multidisciplinary, management-level committee oversees the response and ensures consistency throughout the Company.

The Company has adopted a detailed communication plan designed to protect its corporate image during a crisis and to reassure the public about its ability to manage this kind of situation. The plan outlines the communication strategies to use in a crisis in order to notify the public of its causes and consequences, the procedures in place to resolve it and the measures taken to reduce the risk of recurrence. In addition, the Company continually monitors social media for elements that could have a negative impact on the Company's reputation and produces a report on the subject once a year, while also keeping a log of complaints found on social media.

Legal, Regulatory and Reputational Risk

The Company is regulated by the provinces and territories of Canada and by the various states in the U.S. where it conducts business. It is also supervised by various regulatory bodies.

Regulatory non-compliance risk arises from the possibility of the Company failing to comply with applicable regulatory requirements in the jurisdictions where it operates.

The Company has adopted a *Regulatory Risk Management Policy* that is used as the basis for a regulatory risk management program. The Chief Compliance Officer is responsible for coordinating the program within the Company and ensuring that it is implemented and enforced in the various business lines.

To ensure the sound management of regulatory non-compliance risk, the Company uses a methodology that focuses on identifying, assessing and quantifying risk and putting effective, efficient and appropriate controls in place in its day-to-day activities. The Company's assessment of regulatory non-compliance risk includes the potential impacts on its operations and reputation, among other things.

The Company monitors new regulatory risks and communicates them to the appropriate business lines to ensure that any controls required to comply with new laws or guidelines are put in place in a timely manner. More generally, the Company emphasizes ongoing communication to remind employees of the importance of legal and regulatory compliance issues.

The Company is also exposed to reputation risk. This risk can arise from the occurrence of one or more risks in any of the risk categories. It may result from negligence or unauthorized actions by an employee or other individual affiliated with the Company, inappropriate behaviour by one of its representatives, or some other event that may, rightly or wrongly, have a negative impact on the public's perception of the Company and potentially lead to fewer clients, lost revenues or considerable litigation costs.

¤ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

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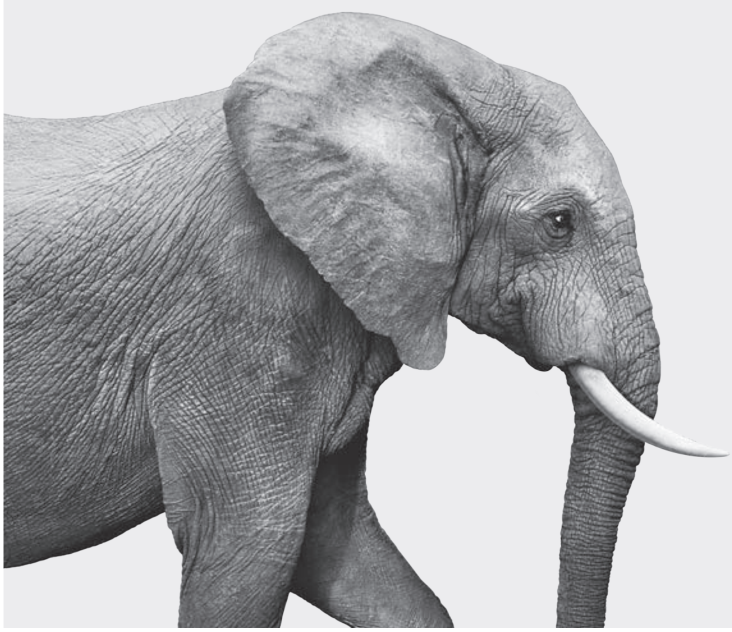

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