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Industrial Alliance Insurance and Financial Services Inc.

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

May 6, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for Industrial Alliance Insurance and Financial Services Inc. ("iA Insurance" or the "Company") is dated May 6, 2021. iA Financial Corporation Inc. ("iA Financial Corporation") became the parent company of iA Insurance on January 1, 2019, as a result of a plan of arrangement (the "arrangement"). This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months ended March 31, 2021 and 2020. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2020. The Rolling Nine Quarters Financial Information Package may contain additional data that complements the information in this Management's Discussion and Analysis.

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HIGHLIGHTS¹

Profitability – In the first quarter of 2021, iA Insurance recorded net income attributed to its sole common shareholder, iA Financial Corporation, of \$171.0 million, compared to \$40.6 million in the first quarter of 2020, a quarter marked by the onset of the COVID-19 pandemic and major market fluctuations.

Business growth – Premiums and deposits totalled nearly \$4.4 billion for the quarter, significantly up from first quarter 2020 (+24%). Sales results for the first quarter were good across all lines of business. In Canada, we continue to strengthen our market position in individual insurance and wealth management. In particular, sales were quite good for Individual Insurance (+29%), segregated funds (+58%) and mutual funds (+36%). Net segregated and mutual funds recorded strong net inflows of \$972.3 million and \$377.8 million, respectively. Sales were also excellent for Employee Plans (+53%) and iAAH (+14%). In the U.S., Individual Insurance sales were up year over year (+6%) and Dealer Services posted significant growth (+44%), supported by several new dealer group enrolments during the quarter. Finally, total assets under management and administration were up 14% from the previous year, amounting to \$198.1 billion at March 31, 2021.

Financial position – The solvency ratio was 116% at March 31, 2021, compared with 122% at the end of the previous quarter and at the same level as a year earlier. This is above the minimum required by regulatory authorities and at the upper end of the Company's target range of 110% to 116%. The decrease during the quarter is the result of the dividend payment to the Company's sole common shareholder, combined with market-related variations.

Dividend – iA Insurance declared a dividend of \$250.0 million in the first quarter of 2021, which was paid in full during the same quarter. For the second quarter of 2021, the Board of Directors of iA Insurance approved that there will be no dividend to its sole common shareholder, iA Financial Corporation, and therefore no dividend will be paid by iA Insurance to iA Financial Corporation.

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

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

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

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

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

Unless otherwise indicated, the results presented in this document are compared with those from the corresponding period last year.

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

ANALYSIS ACCORDING TO THE FINANCIAL STATEMENTS

The following analysis should be read in conjunction with Note 16 “Segmented Information” in the Company’s unaudited interim condensed consolidated financial statements.

Consolidated Income Statements			
(In millions of dollars)	First quarter		
	2021	2020	Variation
Revenues			
Net premiums	3,323.4	2,746.1	577.3
Investment income	(3,555.3)	(857.5)	(2,697.8)
Other revenues	467.1	437.8	29.3
Total	235.2	2,326.4	(2,091.2)
Less: policy benefits and expenses	6.5	2,280.4	(2,273.9)
Income before income taxes	228.7	46.0	182.7
Less: income taxes	56.7	(1.5)	58.2
Net income	172.0	47.5	124.5
Less: net income attributed to participating policyholders	(4.7)	1.3	(6.0)
Net income attributed to shareholders	176.7	46.2	130.5
Less: dividends on preferred shares	5.7	5.6	0.1
Net income attributed to common shareholder	171.0	40.6	130.4

Revenues

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

Revenues by Line of Business							
(In millions of dollars)	First quarter						
	Individual Insurance	Individual Wealth Management	Group Insurance	Group Savings and Retirement	US Operations	Other	Total
Net premiums	418.7	1,605.7	399.5	659.8	145.5	94.2	3,323.4
<i>Variation vs. 2020</i>	<i>21.2</i>	<i>527.7</i>	<i>(15.4)</i>	<i>26.8</i>	<i>7.3</i>	<i>9.7</i>	<i>577.3</i>
Investment income	(3,055.9)	(184.8)	(18.3)	(208.0)	(120.3)	32.0	(3,555.3)
<i>Variation vs. 2020</i>	<i>(1,809.4)</i>	<i>(511.8)</i>	<i>(36.9)</i>	<i>(159.8)</i>	<i>(174.3)</i>	<i>(5.6)</i>	<i>(2,697.8)</i>
Other revenues	29.2	414.1	10.8	30.2	33.0	(50.2)	467.1
<i>Variation vs. 2020</i>	<i>(0.2)</i>	<i>38.3</i>	<i>(7.8)</i>	<i>3.4</i>	<i>0.8</i>	<i>(5.2)</i>	<i>29.3</i>
Total	(2,608.0)	1,835.0	392.0	482.0	58.2	76.0	235.2
<i>Variation vs. 2020</i>	<i>(1,788.4)</i>	<i>54.2</i>	<i>(60.0)</i>	<i>(129.6)</i>	<i>(166.2)</i>	<i>(1.2)</i>	<i>(2,091.2)</i>

Net premiums – The \$577.3 million increase over the first quarter of 2020 is mainly explained by:

- Segregated fund premium growth in Individual Wealth Management.
- To a lesser extent, an increase in premiums in Group Savings and Retirement, Individual Insurance and US Operations.

Other factors that can cause premiums to fluctuate from one quarter to another are generally as follows:

- The tendency of clients to concentrate their deposits in registered retirement savings products during the first 60 days of the year.
- Stock market fluctuations and the signing of new agreements with large groups in the group business lines.

Note that net premiums include amounts invested by insureds in segregated funds, but do not include those invested by clients in mutual funds.

Investment income – The \$2,697.8 million decrease in investment income compared to first quarter 2020 is largely due to the decrease in the fair value of bond investments, mainly caused by variations in interest rates.

Note that investment income mostly fluctuates based on variations in the fair value of investments due to changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate and realized profits and losses on the disposition of available-for-sale assets.

From an accounting standpoint, the majority of stocks and bonds are classified as “Designated at fair value through profit or loss” and are used as underlying assets for the provisions for future policy benefits. The variation in the fair value of these assets is therefore reflected in the increase (decrease) in insurance contract liabilities.

Other revenues – Other revenues generally represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues were up \$29.3 million year over year in the first quarter, essentially due to business growth in Individual Wealth Management.

Policy Benefits and Expenses

Policy benefits and expenses decreased by \$2,273.9 million in the first quarter compared to the same period last year. This decrease is explained by:

- A decrease in insurance contract liabilities, essentially due to the significant increase in interest rates. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.
- A decrease in net transfers to segregated funds in the Group Savings and Retirement sector.

The decrease in policy benefits and expenses was mitigated by:

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

Income Taxes

For the first quarter of 2021, the Company recorded an income tax expense of \$56.7 million, compared to an income tax recovery of \$1.5 million in 2020. These amounts represent the Company's tax expense net of adjustments for prior years, if applicable.

Net Income Attributed to Common Shareholder

Net income attributed to the sole common shareholder, iA Financial Corporation, totalled \$171.0 million for the first quarter of 2021, compared to \$40.6 million for the same period last year. In addition to the items mentioned above, recall that net income attributed to the common shareholder in the first quarter of 2020 was negatively affected by the impacts of the COVID-19 pandemic and the resulting macroeconomic changes.

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

Selected Financial Data									
(in millions of dollars, unless otherwise indicated)	2021	2020				2019			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues	235.2	4,444.1	3,987.2	6,676.7	2,326.4	2,541.4	3,715.2	4,078.5	4,927.2
Net income attributed to common shareholder	171.0	182.4	222.0	193.1	40.6	174.8	183.4	181.2	151.3
Basic earnings per common share (in dollars)	\$1.57	\$1.68	\$2.04	\$1.78	\$0.37	\$1.61	\$1.69	\$1.67	\$1.39

Related Party Transactions

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

Liquidity

To honour its commitments, the Company maintains a sufficient level of liquidity by holding a proportion of marketable high-quality securities and strictly managing cash flows and matching.

Given the volatility of the financial markets, the Company carries out simulations to measure its liquidity needs under various scenarios, some of which can be qualified as extreme. In light of the simulations carried out, and given the quality of its investment portfolio, the Company believes its current level of liquidity is not an issue.

For more information on liquidity risk and how this risk is managed, refer to the "Risk Management" section of iA Financial Group's Management's Discussion and Analysis for 2020.

The Company also has certain investment commitments as well as a line of credit. Its investment commitments correspond to various contractual commitments related to commercial and residential loan offers, private placements, joint ventures and real estate which are not reflected in the financial statements and may not be fulfilled.

For more information on the Company's commitments, refer to Note 19 of the Company's unaudited interim condensed consolidated financial statements.

Accounting Policies and Main Accounting Estimates

The Company's first quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of the financial statements.

The preparation of financial statements requires management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities, net income and additional information. Actual results could differ from management's best estimates. Management has exercised its judgment and made estimates and assumptions as outlined in Note 2 b) of the consolidated financial statements for the year ended December 31, 2020.

More information on new accounting policies applied and future changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" of the unaudited interim condensed consolidated financial statements.

INVESTMENTS

Investment Mix			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Book value of investments	41,405.5	44,224.7	40,748.8
Allocation of investments by asset class			
Bonds	71.9%	71.8%	67.9%
Stocks	8.0%	7.2%	6.7%
Mortgages and other loans	7.0%	6.3%	9.4%
Investment properties	4.6%	4.3%	5.0%
Policy loans	2.3%	2.0%	2.3%
Cash and short-term investments	3.1%	3.6%	5.4%
Other	3.1%	4.8%	3.3%
Total	100.0%	100.0%	100.0%

The total value of the investment portfolio was \$41.4 billion at March 31, 2021, down from December 31, 2020. The favourable impact of the equity market during the quarter was more than offset by the negative impact of rising interest rates on the bond portfolio. The above table shows the main asset classes that make up the Company's investment portfolio. The decrease in mortgages and other loans over 12 months is explained by the sale of the residential mortgage portfolio in the second quarter of 2020, which is therefore no longer part of the investment portfolio. Under this transaction, the Company received monetary consideration and recognized bonds under its assets, explaining the increase in this asset class over the year.

Quality of Investments			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Gross impaired investments	23.1	45.2	5.3
Provisions for impaired investments	5.6	14.1	2.6
Net impaired investments	17.5	31.1	2.7
Net impaired investments as a % of total investments	0.04%	0.07%	0.01%
Bonds – Proportion rated BB or lower	0.98%	1.00%	0.75%

The indicators in the above table confirm the quality of the investment portfolio. The increase over twelve months in impaired investments is the result of a provision taken on a certain asset in the first quarter. However, the decrease during Q1 is related to the disposal of another asset that was impaired. In addition, given the pandemic environment, the Company continues to strictly monitor its bond downgrade risk exposure.

Derivative Financial Instruments			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Total notional amount (\$B)	30.6	32.1	30.8
Company's credit risk			
AA - or higher	100%	100%	100%
A +	—	—	—
Positive fair value	840.5	1,651.1	911.9
Negative fair value	967.7	569.1	1,734.3

The Company uses derivative financial instruments in the normal course of managing the risks associated with fluctuations in interest rates, stock markets, currencies and the fair value of invested assets. These instruments are composed of various types of contracts, including interest rate swaps, market index and exchange rate contracts, forward agreements, futures contracts, and market index and currency options.

Derivative financial instruments are used as part of the Company's hedging program designed to alleviate the sensitivity of segregated fund guarantees to interest rate and stock market fluctuations. They are also used to hedge the Company's foreign exchange and interest rate risks and as part of investment strategies to reduce the Company's risk profile.

The positive fair value represents the amounts payable to the Company by the different counterparties. This amount fluctuates from one period to another according to changes in interest rates, equity markets and exchange rates. Conversely, negative fair value represents the amount payable by the Company to the different counterparties.

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

FINANCIAL POSITION

Capital			
(In millions of dollars)	March 31, 2021	December 31, 2020	March 31, 2020
Equity			
Common shares	1,655.5	1,655.4	1,655.5
Preferred shares	525.0	525.0	525.0
Contributed surplus	—	—	—
Retained earnings	2,898.7	2,864.4	2,900.5
Accumulated other comprehensive income	92.7	149.5	(30.5)
Subtotal	5,171.9	5,194.3	5,050.5
Debentures	653.0	652.5	652.5
Participating policyholders' accounts	36.0	40.7	43.3
Total	5,860.9	5,887.5	5,746.3

The Company's capital totalled nearly \$5.9 billion at March 31, 2021, slightly lower than at December 31, 2020 and up from \$5.7 billion at March 31, 2020. The variation during the first quarter is mainly explained by the decrease in accumulated other comprehensive income, mostly offset by the increase in retained earnings. Note that the increase in retained earnings is attributable to the earnings contribution and to the impact of market-related variations on the Company's pension plan, offset by the dividend payment made to the Company's sole common shareholder, iA Financial Corporation.

Solvency²			
(In millions of dollars, unless otherwise indicated)	March 31, 2021	December 31, 2020	March 31, 2020
Available capital, surplus allowance and eligible deposits	8,316.1	8,829.1	8,077.4
Base solvency buffer	7,197.8	7,246.3	6,941.5
Solvency ratio	116%	122%	116%

iA Insurance ended the first quarter of 2021 with a solvency ratio of 116%, compared to 122% at the the end of the previous quarter and the same level a year earlier. The decrease of six percentage points during the first quarter is the result of the dividend payment to the Company's sole common shareholder as well as market-related variations. Those items were partially offset by the favourable impact of organic capital generation. The current ratio remains above the minimum required by regulatory authorities and is at the top of the Company's target range of 110% to 116%.

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

DECLARATION OF DIVIDEND

The Board of Directors of iA Insurance approved a quarterly dividend of \$0.2875 per Non-Cumulative Class A Preferred Share – Series B, \$0.2360625 per Non-Cumulative Class A Preferred Share – Series G, and \$0.3000 per Non-Cumulative Class A Preferred Share – Series I. During the first quarter of 2021, iA Insurance paid a dividend of \$250.0 million to its sole common shareholder, iA Financial Corporation. For the second quarter of 2021, no dividend will be paid by iA Insurance to iA Financial Corporation.

² This table uses non-IFRS measures to assess the Company's ability to meet regulatory capital requirements.

Following are the amounts and dates of payment and closing of registers for the various categories of iA Insurance's preferred shares.

Declaration of Dividend				
	Amount	Payment date	Closing date	
Class A Preferred Share – Series B	\$0.2875	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series G	\$0.2360625	June 30, 2021	May 28, 2021	Non-cumulative dividend
Class A Preferred Share – Series I	\$0.3000	June 30, 2021	May 28, 2021	Non-cumulative dividend

For the purposes of the *Income Tax Act* (Canada) and any corresponding provincial or territorial tax legislation, all dividends paid by iA Insurance on its common and preferred shares are considered to be eligible dividends.

NOTICE AND GENERAL INFORMATION

Internal Control Over Financial Reporting

No changes were made to the Company's internal control over financial reporting during the interim period ended March 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Non-IFRS Financial Information

iA Insurance reports its financial results and statements in accordance with International Financial Reporting Standards (IFRS). It also publishes certain financial measures that are not based on IFRS (non-IFRS). A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with the generally accepted accounting principles used for the Company's audited financial statements. These non-IFRS financial measures are often accompanied by and reconciled with IFRS financial measures. For certain non-IFRS financial measures, there are no directly comparable amounts under IFRS. The Company believes that these non-IFRS financial measures provide additional information to better understand the Company's financial results and assess its growth and earnings potential, and that they facilitate comparison of the quarterly and full-year results of the Company's ongoing operations. Since non-IFRS financial measures do not have standardized definitions and meaning, they may differ from the non-IFRS financial measures used by other institutions and should not be viewed as an alternative to measures of financial performance determined in accordance with IFRS. The Company strongly encourages investors to review its financial statements and other publicly filed reports in their entirety and not to rely on any single financial measure.

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

Sales is a non-IFRS measure used to assess the Company's ability to generate new business. They are defined as fund entries on new business written during the period. Net premiums, which are part of the revenues presented in the financial statements, include fund entries from both in-force contracts and new business written during the period. Assets under management and administration is a non-IFRS measure used to assess the Company's ability to generate fees, particularly for investment funds and funds under administration. An analysis of revenues by sector is presented in the "Analysis According to the Financial Statements" section of the Management's Discussion and Analysis.

Forward-Looking Statements

This Management's Discussion and Analysis may contain statements relating to strategies used by iA Insurance or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "may", "will", "could", "should", "would", "suspect", "expect", "anticipate", "intend", "plan", "believe", "estimate", and "continue" (or the negative thereof), as well as words such as "objective", "goal", and "forecast" or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this Management's Discussion and Analysis, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change, particularly in light of the ongoing and evolving COVID-19 pandemic, its effect on the global economy and its uncertain impact on our operations.

Although iA Insurance believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. Certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements. Factors that could cause actual results to differ materially from expectations include, but are not limited to: general business and economic conditions; level of competition and consolidation; changes in laws and regulations

including tax laws; liquidity of iA Insurance including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; accuracy of accounting policies and actuarial methods used by iA Insurance; insurance risks including mortality, morbidity, longevity and policyholder behaviour including the occurrence of natural or man-made disasters, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.

Potential impacts of the COVID-19 pandemic – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. The overall impact of the COVID-19 pandemic is still uncertain and depends on many factors, such as the progression of the virus, the emergence of new variants, the duration of the pandemic, potential treatments and therapies, the availability of vaccines, the effectiveness of government measures to slow the virus's spread and the impact of those measures on the economy. As a result, we cannot accurately predict the total bearing the pandemic will have, but the impact on iA Financial Corporation's business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Corporation remains financially solid. In addition, iA Financial Corporation's business continuity protocol has continued, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely.

Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the "Risk Management" section of the Management's Discussion and Analysis for 2020, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2020 and elsewhere in iA Insurance's filings with Canadian Securities Administrators, which are available for review at sedar.com.

The forward-looking statements in this Management's Discussion and Analysis reflect the Company's expectations as of the date of this document. iA Insurance does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Documents Related to the Financial Results

All documents related to the Company's financial results are available on the iA Financial Group website at ia.ca under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can also be found on the SEDAR website at sedar.com, as well as in the Company's Annual Information Form, which can also be found on the iA Financial Group website or the SEDAR website.

Conference Call

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

Annual Meeting

iA Insurance is holding its Annual Meeting virtually at 2:00 p.m. (ET) on Thursday, May 6, 2021, at the following web address: <https://www.icastpro.ca/eia210506b>. An audio webcast of the meeting as well as a copy of management's presentation will be available on the Company's website at ia.ca under *About iA*, in the *Investor Relations/Events and Presentations* section.

About iA Financial Group

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

CONSOLIDATED INCOME STATEMENTS

(unaudited, in millions of dollars, unless otherwise indicated)	Three months ended March 31	
	2021	2020
Revenues		
Premiums		
Gross premiums	\$ 3,538	\$ 2,941
Premiums ceded	(215)	(195)
Net premiums	3,323	2,746
Investment income		
Interest and other investment income	348	439
Change in fair value of investments	(3,903)	(1,297)
	(3,555)	(858)
Other revenues	467	438
	235	2,326
Policy benefits and expenses		
Gross benefits and claims on contracts	2,610	1,610
Ceded benefits and claims on contracts	(171)	(134)
Net transfer to segregated funds	411	688
Increase (decrease) in insurance contract liabilities	(3,820)	(702)
Increase (decrease) in investment contract liabilities	(14)	1
Decrease (increase) in reinsurance assets	54	(75)
	(930)	1,388
Commissions	500	439
General expenses	391	407
Premium and other taxes	32	33
Financing charges	13	13
	6	2,280
Income before income taxes	229	46
Income taxes	57	(2)
Net income	\$ 172	\$ 48
Net income attributed to participating policyholders	(5)	1
Net income attributed to shareholders	\$ 177	\$ 47
Dividends attributed to preferred shares	6	6
Net income attributed to common shareholder	\$ 171	\$ 41
Basic earnings per common share (in dollars)	\$ 1.57	\$ 0.37

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at March 31 2021	As at December 31 2020
(in millions of dollars)	(unaudited)	
Assets		
Investments		
Cash and short-term investments	\$ 1,269	\$ 1,593
Bonds	29,803	31,762
Stocks	3,312	3,168
Mortgages and other loans	2,901	2,801
Derivative financial instruments	840	1,651
Policy loans	953	881
Other invested assets	442	453
Investment properties	1,885	1,916
	41,405	44,225
Other assets	4,176	2,897
Reinsurance assets	1,781	1,808
Fixed assets	363	371
Deferred income tax assets	20	23
Intangible assets	769	773
Goodwill	557	556
General fund assets	49,071	50,653
Segregated funds net assets	33,449	32,815
Total assets	\$ 82,520	\$ 83,468
Liabilities		
Insurance contract liabilities	\$ 32,705	\$ 36,527
Investment contract liabilities	552	575
Derivative financial instruments	968	569
Other liabilities	8,710	6,846
Deferred income tax liabilities	275	248
Debentures	653	653
General fund liabilities	43,863	45,418
Liabilities related to segregated funds net assets	33,449	32,815
Total liabilities	\$ 77,312	\$ 78,233
Equity		
Share capital and contributed surplus	\$ 2,180	\$ 2,180
Retained earnings and accumulated other comprehensive income	2,992	3,014
Participating policyholders' accounts	36	41
	5,208	5,235
Total liabilities and equity	\$ 82,520	\$ 83,468

SEGMENTED INFORMATION

The Company operates and manages its activities according to five main reportable operating segments, which reflect its company structure for decision making. Management makes judgments in the aggregation of business units into the Company's operating segments. Its products and services are offered to retail customers, businesses and groups. The Company primarily operates in Canada and the United States. The main products and services offered by each segment are the following:

Individual Insurance – Life, health, disability and mortgage insurance products.

Individual Wealth Management – Individual products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage, trust operations and mutual funds.

Group Insurance – Life, health, accidental death and dismemberment, dental care and short and long-term disability insurance products for employee plans; creditor insurance, replacement insurance, replacement warranties, extended warranties and other ancillary products for dealer services; and specialized products for special markets.

Group Savings and Retirement – Group products and services for savings plans, retirement funds and segregated funds.

US Operations – Miscellaneous insurance products sold in the United States such as life insurance products and extended warranties relating to dealer services.

Other – Auto and home insurance products, services supporting the activities that have no link with key segments such as asset management and financing, Company capital and some adjustments related to consolidation.

The Company makes judgments and uses assumptions and methodologies to allocate general expenses that are not directly attributable to a business segment. The allocation of other activities is mainly performed according to a formula based on equity and is uniformly applied to each operating segment.

The other assets and other liabilities, except mainly for derivative financial instruments, are classified in their entirety in the *Other* column since they are used for the operational support of the Company's activities.

Segmented Income Statements

	Three months ended March 31, 2021						
	Individual		Group				Total
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Revenues							
Net premiums	\$ 419	\$ 1,606	\$ 399	\$ 660	\$ 145	\$ 94	\$ 3,323
Investment income	(3,056)	(185)	(18)	(208)	(120)	32	(3,555)
Other revenues	29	414	11	30	33	(50)	467
	(2,608)	1,835	392	482	58	76	235
Operating expenses							
Gross benefits and claims on contracts	244	627	303	1,288	136	12	2,610
Ceded benefits and claims on contracts	(88)	—	(11)	(6)	(93)	27	(171)
Net transfer to segregated funds	—	975	—	(564)	—	—	411
Increase (decrease) in insurance contract liabilities	(3,065)	(229)	(43)	(284)	(200)	1	(3,820)
Increase (decrease) in investment contract liabilities	—	—	(14)	—	—	—	(14)
Decrease (increase) in reinsurance assets	(23)	—	1	3	74	(1)	54
Commissions, general and other expenses	234	400	135	35	123	(4)	923
Financing charges	1	—	8	—	1	3	13
	(2,697)	1,773	379	472	41	38	6
Income before income taxes and allocation of other activities	89	62	13	10	17	38	229
Allocation of other activities	23	8	3	1	3	(38)	—
Income before income taxes	112	70	16	11	20	—	229
Income taxes	30	17	3	3	4	—	57
Net income	82	53	13	8	16	—	172
Net income attributed to participating policyholders	(5)	—	—	—	—	—	(5)
Net income attributed to shareholders	\$ 87	\$ 53	\$ 13	\$ 8	\$ 16	\$ —	\$ 177

(in millions of dollars)	Three months ended March 31, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Revenues							
Net premiums	\$ 397	\$ 1,078	\$ 415	\$ 633	\$ 138	\$ 85	\$ 2,746
Investment income	(1,246)	327	18	(48)	54	37	(858)
Other revenues	29	376	19	27	32	(45)	438
	(820)	1,781	452	612	224	77	2,326
Operating expenses							
Gross benefits and claims on contracts	229	557	292	386	125	21	1,610
Ceded benefits and claims on contracts	(63)	—	(13)	(6)	(74)	22	(134)
Net transfer to segregated funds	—	425	—	263	—	—	688
Increase (decrease) in insurance contract liabilities	(1,235)	476	10	(68)	115	—	(702)
Increase (decrease) in investment contract liabilities	—	—	1	—	—	—	1
Decrease (increase) in reinsurance assets	(12)	—	3	1	(67)	—	(75)
Commissions, general and other expenses	244	351	146	28	112	(2)	879
Financing charges	5	—	8	—	—	—	13
	(832)	1,809	447	604	211	41	2,280
Income before income taxes and allocation of other activities	12	(28)	5	8	13	36	46
Allocation of other activities	26	2	2	1	5	(36)	—
Income before income taxes	38	(26)	7	9	18	—	46
Income taxes	(3)	(3)	(1)	1	4	—	(2)
Net income	41	(23)	8	8	14	—	48
Net income attributed to participating policyholders	1	—	—	—	—	—	1
Net income attributed to shareholders	\$ 40	\$ (23)	\$ 8	\$ 8	\$ 14	\$ —	\$ 47

Segmented Premiums

(in millions of dollars)	Three months ended March 31, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 518	\$ 229	\$ 425	\$ 39	\$ 285	\$ 38	\$ 1,534
Invested in segregated funds	—	1,377	—	627	—	—	2,004
	518	1,606	425	666	285	38	3,538
Premiums ceded							
Invested in general fund	(99)	—	(26)	(6)	(140)	56	(215)
Net premiums	\$ 419	\$ 1,606	\$ 399	\$ 660	\$ 145	\$ 94	\$ 3,323

(in millions of dollars)	Three months ended March 31, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 487	\$ 206	\$ 446	\$ 48	\$ 257	\$ 33	\$ 1,477
Invested in segregated funds	—	872	—	592	—	—	1,464
	487	1,078	446	640	257	33	2,941
Premiums ceded							
Invested in general fund	(90)	—	(31)	(7)	(119)	52	(195)
Net premiums	\$ 397	\$ 1,078	\$ 415	\$ 633	\$ 138	\$ 85	\$ 2,746

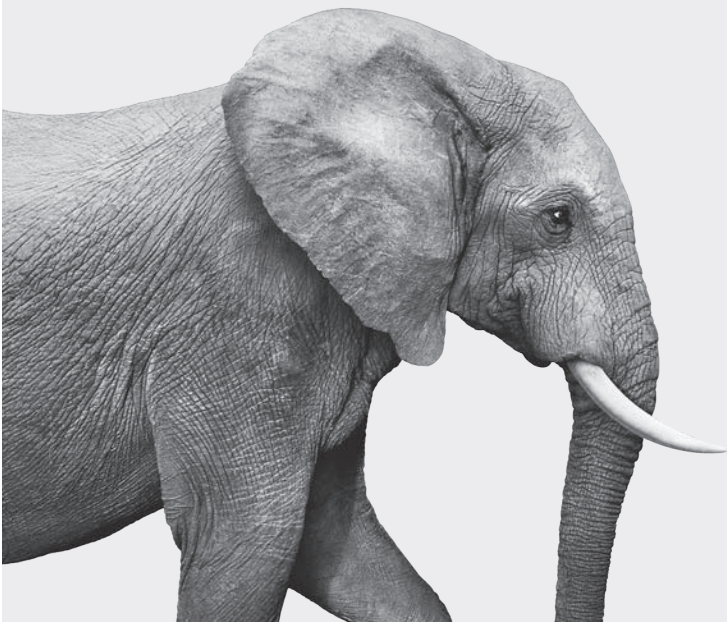
Segmented Assets and Liabilities

(in millions of dollars)	As at March 31, 2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Assets							
Invested assets	\$ 23,921	\$ 2,007	\$ 1,960	\$ 4,684	\$ 1,125	\$ 7,708	\$ 41,405
Segregated funds net assets	—	20,423	—	13,026	—	—	33,449
Reinsurance assets	(13)	—	223	127	1,572	(128)	1,781
Other	111	1,205	—	—	29	4,540	5,885
Total assets	\$ 24,019	\$ 23,635	\$ 2,183	\$ 17,837	\$ 2,726	\$ 12,120	\$ 82,520
Liabilities							
Insurance contract liabilities and investment contract liabilities	\$ 22,583	\$ 2,032	\$ 2,225	\$ 4,746	\$ 1,779	\$ (108)	\$ 33,257
Liabilities related to segregated funds net assets	—	20,423	—	13,026	—	—	33,449
Other	845	60	3	10	—	9,688	10,606
Total liabilities	\$ 23,428	\$ 22,515	\$ 2,228	\$ 17,782	\$ 1,779	\$ 9,580	\$ 77,312

(in millions of dollars)	As at December 31, 2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Assets							
Invested assets	\$ 25,922	\$ 2,145	\$ 1,969	\$ 4,949	\$ 1,211	\$ 8,029	\$ 44,225
Segregated funds net assets	—	19,240	—	13,575	—	—	32,815
Reinsurance assets	(36)	—	222	130	1,615	(123)	1,808
Other	109	1,096	—	—	32	3,383	4,620
Total assets	\$ 25,995	\$ 22,481	\$ 2,191	\$ 18,654	\$ 2,858	\$ 11,289	\$ 83,468
Liabilities							
Insurance contract liabilities and investment contract liabilities	\$ 25,661	\$ 2,246	\$ 2,272	\$ 5,030	\$ 2,003	\$ (110)	\$ 37,102
Liabilities related to segregated funds net assets	—	19,240	—	13,575	—	—	32,815
Other	441	47	3	8	—	7,817	8,316
Total liabilities	\$ 26,102	\$ 21,533	\$ 2,275	\$ 18,613	\$ 2,003	\$ 7,707	\$ 78,233

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