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iA Financial Corporation Inc.

Management's Discussion and Analysis for the Second Quarter of 2023

August 3, 2023

iA Financial Group

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis for iA Financial Corporation Inc. ("iA Financial Corporation" or the "Company") is dated August 3, 2023. This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2023 and 2022. It should also be read with the Management's Discussion and Analysis and the audited consolidated financial statements for the year ended December 31, 2022. The Supplemental Information Package for the last six quarters may contain additional data that complements the information in this Management's Discussion and Analysis.

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

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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.

A. Highlights

Note regarding 2022 restated results – The Company's 2022 annual results have been restated for the adoption of IFRS 17 *Insurance Contracts* and the related IFRS 9 *Financial Instruments* overlay ("the new accounting standards"). Figures for 2022 are not audited and could change. Additionally, the restated 2022 results are not fully representative of the Company's future market risk profile and future reported and core earnings profile, as the transition of the Company's invested asset portfolio for asset/liability management purposes under the new accounting standards was not fully completed until 2023. Accordingly, analysis based on 2022 comparative results may not be indicative of future trends and should be interpreted within this context. For additional information about risk management under the new accounting standards, refer to the "Risk Management" section of the Management's Discussion and Analysis for the year 2022 as well as the "Risk Management – Update" section of this document.

HIGHLIGHTS

Profitability

	Second quarter			Year-to-date at June 30		
	2023	2022[1]	Variation	2023	2022[1]	Variation
Net income attributed to common shareholders (in millions)	$196	$152	29%	$466	$127	267%
Weighted average number of common shares (diluted) (in millions)	103	108	(5%)	104	108	(4%)
Earnings per common share (EPS) (diluted)	$1.89	$1.41	34%	$4.48	$1.18	280%
Core earnings per common share (EPS)[†] (diluted)	$2.39	$2.32	3%	$4.47	$4.26	5%

Return on common shareholders' equity (ROE)[†,2]	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Reported ROE (trailing twelve months)	9.7%	9.0%	4.7%	N/A
Core ROE[†] (trailing twelve months)	14.5%	14.6%	14.5%	N/A

The Company ended the second quarter of 2023 with net income to common shareholders of $196 million, up 29% compared to $152 million in the second quarter of 2022.[1] Diluted earnings per common share (EPS) of $1.89 in the second quarter of 2023 increased by 34% compared to $1.41 a year earlier.[1] Return on common shareholders' equity (ROE)[†] on a trailing-twelve-month basis was 9.7% at June 30, 2023.[2]

Diluted core EPS[†] of $2.39 in the second quarter is 3%[1] higher than 2022 second quarter restated results under IFRS 9 and IFRS 17. Core ROE[†] for the last twelve months is 14.5%[2] at June 30, 2023.

Business growth – Premiums[†] and deposits were up 12% compared to last year and total assets under management and administration[†] increased by 10% year over year, amounting to $210.9 billion at June 30, 2023. In the Insurance, Canada business segment, the Company continues to lead the Canadian market in Individual Insurance in number of policies sold,[3] and all divisions recorded strong sales.[†] For the Wealth Management sector, the Company recorded total net fund inflows of $49 million in Individual Wealth Management and it continued to rank number one in gross and net segregated fund sales.[4,†] Group Savings and Retirement also had good sales[†] performance in the second quarter. In the US Operations segment, sales[†] growth continued its positive momentum in the Individual Insurance division, while the Dealer Services division showed slower growth, largely from reduced affordability due to higher consumer financing costs and persisting inventory constraints.

Financial position – The solvency ratio[†] was 154% at June 30, 2023, compared with 149%[5] at the end of the previous quarter and 130%[5] a year earlier. This result is well above the Company's operating target of 120%. The five percentage point increase in the second quarter is explained by the $400 million debenture issuance (mentioned below), the contribution of organic capital generation, and the impacts of adjustments to the investment portfolio. These favourable items were partly offset by the $86 million in share buybacks (NCIB), unfavourable macroeconomic variations and the impact of changes in actuarial assumptions (mentioned below). The Company's financial leverage ratio[†] at June 30, 2023 was 17.3%.[6]

1 Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
2 The calculation of these values includes 2022 results, which must be considered with caution (see the *Note regarding 2022 restated results* on page 2).
3 According to the Canadian data published by LIMRA for the first three months of the year.
4 Source: Investor Economics, June 2023.
5 2022 figures calculated according to the IFRS 4 accounting standard and with the capital standard applicable in 2022.
6 Calculated as Debentures, preferred shares issued by a subsidiary and other equity instruments/(Capital structure + post-tax contractual service margin (CSM)†)

Organic capital generation† – The Company organically generated $150 million in additional capital during the second quarter.

Actuarial assumption changes – Model improvements and projection refinements were implemented during the second quarter, mostly in the Investment segment, and the impact of these changes in actuarial assumptions had a positive impact on earnings and a negative impact on the CSM and the solvency ratio.

Capital issuance – On June 20, 2023, iA Financial Group completed the closing of its offering of $400 million aggregate principal amount of 5.685% fixed/floating unsecured subordinated debentures due June 20, 2033. The Company intends to use the net proceeds from the sale of the debentures for general corporate purposes, which may include investments in subsidiaries and repayment of indebtedness.

Book value – The book value per common share[7] was $65.39 at June 30, 2023, up 4% year over year and up 1% during the quarter.

Normal Course Issuer Bid – In the second quarter of 2023, the Company redeemed and cancelled 988,700 outstanding common shares for a total value of $86 million.

Dividend – The Company paid a quarterly dividend of $0.7650 to common shareholders in the second quarter of 2023. The Board of Directors approved a quarterly dividend of $0.7650 per share for the third quarter of 2023. This dividend is payable on September 15, 2023 to the shareholders of record at August 25, 2023.

Dividend Reinvestment and Share Purchase Plan – Registered shareholders wishing to enrol in iA Financial Corporation's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on September 15, 2023 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on August 18, 2023. Enrolment information is provided on iA Financial Group's website at http://ia.ca/investorrelations, under the *Dividends* section. Common shares issued under iA Financial Corporation's DRIP will be purchased on the secondary market and no discount will be applicable.

Credit ratings – During the second quarter, the A.M. Best rating agency confirmed, with a stable outlook, all ratings of iA Financial Corporation's related entities, including Industrial Alliance Insurance and Financial Services Inc.

Annual shareholder meeting – On Wednesday, May 10, 2023, the Annual Shareholder Meeting of the Company was held virtually. At the meeting, all fourteen directors proposed for re-election were elected by shareholders.

Distinctions – On May 25, 2023, iA Financial Group subsidiary iA Auto Finance (iAAF) ranked second in dealer satisfaction, for the third year in a row, in the retail non-captive non-prime segment according to the J.D. Power 2023 Canada Dealer Financing Satisfaction Study. iAAF achieved an overall score of 791 on a 1,000-point scale, only 10 points behind the first place finish and 42 points ahead of the third place finish.

Executive Committee – On May 10, 2023, the Company announced changes to its Executive Committee. Please refer to the May 10, 2023 news release for more information.

Subsequent to the second quarter:

- **Awards** – On July 17, 2023, Auto Dealer Today announced the winners of the 2023 Dealers' Choice Awards, which recognize the industry's best vendors, suppliers and finance partners. For a second consecutive year, the US Dealer Services division led the awards recipients with a total of eight honours, including first place in the digital marketing category.

OUTLOOK

Medium-Term Guidance and Update on 2023 Core EPS Growth Outlook – The transition to the new IFRS 17 and IFRS 9 accounting standards, which came into effect on January 1, 2023, was favourable for the Company on most metrics, including core EPS. In particular, profit recognition for long-term business and acquisition expenses for segregated funds under the new accounting standards, as well as the higher return expected from the total portfolio management approach adopted by the Company, support a higher level of core EPS. Added to this was the impact on core profitability of the favourable interest rate environment at the end of 2022. As a result, the Company expected its 2023 core EPS to grow by 10%, plus an additional one-time mid-single-digit growth (i.e., for a total of 13% to 18%) over 2022 IFRS 4 core EPS, subject to certain factors, notably the macroeconomic environment.

[7] 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.

Since the beginning of 2023, the Company has observed a number of changes in some of these factors, including slower recovery in US Dealer Services profitability, unfavourable mortality experience in Canada, higher P&C claims due to inflation and weather events, and unfavourable macroeconomic variations such as the recent worsening of the yield curve inversion. Given these developments, unless positive changes occur during the second half of the year, the Company now considers it less likely to grow 2023 core EPS by more than 13% over 2022 IFRS 4 core EPS.

As the Company's fundamentals, business model and strategy remain intact and robust, all medium-term market guidance is maintained, including the expected average core EPS annual growth of 10%+ and the organic capital generation target of over $600 million for 2023.

Medium-term guidance for iA Financial Corporation, as disclosed on March 28, 2023

- Core earnings per common share: target of 10%+ annual average growth
- Core return on common shareholders' equity (ROE): target of 15%+
- Solvency ratio operating target: target of 120%
- Organic capital generation: target of $600+ million in 2023
- Dividend payout ratio based on core earnings: target range of 25% to 35%

The Company's outlook, including the market guidance provided, constitutes forward-looking information within the meaning of securities laws. Although the Company believes that its outlook 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, including but not limited to: accuracy of estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document. The Company's outlook serves to provide shareholders, market analysts, investors, and other stakeholders with a basis for adjusting their expectations with regard 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.

† 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.

B. Business Growth

Business growth is measured by growth in sales,† premiums† and assets under management and administration.† Sales measure the Company's ability to generate new business and are defined as fund entries on new business written during the period. Assets under management and administration measure the Company's ability to generate fees, particularly for investment funds and funds under administration. Net premiums include both fund entries from new business written and from in-force contracts.

Sales Growth by Business Segment

(In millions of dollars, unless otherwise indicated)	Second quarter 2023	Second quarter 2022	Second quarter Variation	Year-to-date at June 30 2023	Year-to-date at June 30 2022	Year-to-date at June 30 Variation
INSURANCE, CANADA						
Individual Insurance						
Minimum premiums	79	86	(8%)	161	178	(10%)
Excess premiums	10	12	(17%)	17	21	(19%)
Total	89	98	(9%)	178	199	(11%)
Group Insurance						
Employee Plans	13	12	8%	34	23	48%
Special Markets	86	69	25%	177	143	24%
Total	99	81	22%	211	166	27%
Dealer Services						
Creditor Insurance	58	63	(8%)	100	106	(6%)
P&C Insurance	132	109	21%	233	186	25%
Total	190	172	10%	333	292	14%
General Insurance						
iA Auto and Home	163	145	12%	261	233	12%
WEALTH MANAGEMENT						
Individual Wealth Management						
Gross sales						
Segregated funds	829	924	(10%)	1,861	2,424	(23%)
Mutual funds	370	375	(1%)	849	1,066	(20%)
Insured annuities and other savings products	646	230	181%	1,362	469	190%
Total	1,845	1,529	21%	4,072	3,959	3%
Net sales						
Segregated funds	188	390	(202)	556	1,399	(843)
Mutual funds	(139)	(237)	98	(227)	(154)	(73)
Total	49	153	(104)	329	1,245	(916)
Group Savings and Retirement	747	695	7%	1,534	1,320	16 %
US OPERATIONS ($US)						
Individual Insurance	43	38	13%	84	71	18%
Dealer Services	246	266	(8%)	476	509	(6%)

† 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.

INSURANCE, CANADA

Individual Insurance – Second quarter sales totalled $89 million, a solid result that compares to a strong quarter of $98 million a year earlier and that is 22% higher than the second quarter of 2021. This good result is attributable to the strength of our extensive distribution networks, the performance of our digital tools as well as our comprehensive and competitive range of products. Sales were notably strong for participating and living benefit products. Also in the second quarter, the Company launched a new Universal Life product for the high-end market which was well received. The Company continues to lead the Canadian market in terms of the number of policies issued.[1]

Group Insurance – For Employee Plans, second quarter premiums grew by 6% year over year, while sales† of $13 million were up 8% compared to the same period last year. Special Markets sales† reached $86 million, up 25% year over year, mainly driven by accidental death and dismemberment and travel medical product sales.

Dealer Services – For the second quarter, total sales† continued to grow well and amounted to $190 million, up 10% over the same period last year. Sales† of P&C products (including extended warranties and replacement insurance) were up 21% from the same period in 2022, while creditor insurance sales† of $58 million compare to $63 million a year ago.

General Insurance (iA Auto and Home) – Direct written premiums reached $163 million for the quarter, a strong increase of 12% compared to the same period last year, supported by good retention of in-force business.

WEALTH MANAGEMENT

Individual Wealth Management – Segregated fund gross sales† amounted to $829 million in the second quarter compared to $924 million for the same period last year, and net sales resulted in inflows of $188 million for the quarter. The Company continued to rank first in gross and net segregated fund sales† for the first five months of 2023.[2] Mutual fund gross sales† totalled $370 million, a result similar to last year's, and net sales resulted in outflows of $139 million during the quarter. In spite of volatile market conditions, total net fund entries amounted to $49 million in the second quarter. Insured annuities and other savings product sales† in the second quarter reached $646 million and were nearly triple last year's results as most customers continue to favour cash equivalent products as they offer safety and attractive yields.

Group Savings and Retirement – Sales† of $747 million in the second quarter were up 7% year over year, supported by strong insured annuities sales† thanks to a large transaction recorded during the quarter.

US OPERATIONS

Individual Insurance – Sales† in the second quarter reached US$43 million, up 13% from a year earlier, driven by the strong performance from the middle/family and final expense markets.

In the **Dealer Services** division, second quarter sales† amounted to US$246 million compared to US$266 million a year earlier. In the context of reduced affordability from higher financing costs for consumers and the persisting supply constraints, the division's sales were lower than the same period last year.

ASSETS UNDER MANAGEMENT AND ADMINISTRATION

Assets Under Management and Administration†

(In millions of dollars)	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Assets under management†				
General fund[3]	50,547	49,705	47,785	46,961
Segregated funds	40,016	39,343	37,334	35,625
Mutual funds	12,008	11,963	11,611	11,737
Other	4,095	3,942	3,670	3,113
Subtotal	106,666	104,953	100,400	97,436
Assets under administration†	104,216	102,891	97,717	94,236
Total	210,882	207,844	198,117	191,672

1 According to the Canadian data published by LIMRA for the first three months of the year.
2 Source: Investor Economics, June 2023.
3 All general fund assets, including insured annuities, other savings products and other accumulation contracts.

† 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† ended the second quarter at $210.9 billion, up 1% during the quarter and up 10% from the previous year. The year-over-year increase is mostly due to favourable market conditions.

NET PREMIUMS, PREMIUM EQUIVALENTS AND DEPOSITS

Net Premiums, Premium Equivalents and Deposits†,4

	Second quarter			Year-to-date at June 30		
(In millions of dollars)	2023	2022	Variation	2023	2022	Variation
Insurance, Canada						
Individual Insurance	494	469	25	977	945	32
Group Insurance	464	425	39	932	842	90
Dealer Services	144	122	22	247	201	46
General Insurance[5]	111	101	10	218	204	14
Wealth Management						
Individual Wealth Management	1,845	1,529	316	4,072	3,959	113
Group Savings and Retirement	740	689	51	1,520	1,307	213
US Operations						
Individual Insurance	158	141	17	312	276	36
Dealer Services	149	175	(26)	301	346	(45)
Total	4,105	3,651	454	8,579	8,080	499

Premiums and deposits totalled more than $4.1 billion in the second quarter, an increase of 12% compared to the same period a year ago. Almost all business units contributed to this strong performance, in particular those in the Wealth Management segment.

4 Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits† from the Group Insurance, Group Savings and Retirement and US Operations sectors and mutual fund deposits.
5 Includes iAAH and some minor consolidation adjustments.

† 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.

C. Analysis of Earnings

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

REPORTED AND CORE EARNINGS

Second quarter reported earnings, or net income to common shareholders, increased by 29% year over year[1] to total $196 million, while core earnings amounted to $247 million. Core earnings is a non-IFRS measure that represents management's view of the Company's ongoing capacity to generate earnings. Core earnings per common share was $2.39 for the second quarter, compared to $2.32 during the same period in 2022 (a restated result under IFRS 9 and IFRS 17[1]). An analysis of these results is presented in the following sections.

Earnings

(In millions of dollars, unless otherwise indicated)	Second quarter			Year-to-date at June 30		
	2023	2022[1]	Variation	2023	2022[1]	Variation
Net income to common shareholders	196	152	29%	466	127	267%
Earnings per common share (EPS) (diluted)	$1.89	$1.41	34%	$4.48	$1.18	280%
Core earnings	247	250	(1%)	464	460	1%
Core EPS (diluted)	$2.39	$2.32	3%	$4.47	$4.26	5%

Return on common shareholders' equity (ROE)[†,2]	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Reported ROE (trailing twelve months)	9.7%	9.0%	4.7%	N/A
Core ROE[†] (trailing twelve months)	14.5%	14.6%	14.5%	N/A

REPORTED EARNINGS AND CORE EARNINGS RECONCILIATION

The following table presents net income to common shareholders and the adjustments, divided into six categories, that account for the difference between reported and core earnings.

Core earnings for the second quarter are $51 million higher than net income to common shareholders. The impact of market variations in the second quarter was unfavourable by $72 million. This amount includes the impact of interest rate and credit spread variations (-$60 million), mainly resulting from interest rate variations during the quarter, and the impact of equity and investment property market variations (-$12 million). Assumption changes in the second quarter led to a post-tax net reserve release of $43 million as model improvements and projection refinements were implemented, mostly in the Investment segment. Other adjustments include the amortization of acquisition-related intangible assets ($16 million), the non-core pension expense ($4 million) and a charge for the Surex minor shareholders' sell option ($2 million). On a year-to-date basis, net income to common shareholders is $2 million higher than core earnings.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[2] The calculation of these values includes 2022 results, which must be considered with caution (see the *Note regarding 2022 restated results* on page 2).

[†] 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.

Reported earnings and core earnings reconciliation						
	Second quarter			Year-to-date at June 30		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[3]**	**Variation**	**2023**	**2022[3]**	**Variation**
Net income to common shareholders	**196**	**152**	**29%**	**466**	**127**	**267%**
Core earnings adjustments (post tax)						
Market-related impacts	72	98		2	309	
Assumption changes and management actions	(43)	—		(43)	—	
Charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs	2	5		3	9	
Amortization of acquisition-related finite life intangible assets	16	16		32	31	
Non-core pension expense	4	6		4	11	
Other specified unusual gains and losses	—	(27)		—	(27)	
Total	51	98		(2)	333	
Core earnings	**247**	**250**	**(1%)**	**464**	**460**	**1%**

CORE EARNINGS BY BUSINESS SEGMENT

The second quarter core earnings result of $247 million is described in the following paragraphs by business segment.

Core earnings by business segment						
	Second quarter			Year-to-date at June 30		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[3]**	**Variation**	**2023**	**2022[3]**	**Variation**
Insurance, Canada	91	97	(6%)	165	160	3%
Wealth Management	76	66	15%	141	125	13%
US Operations	26	40	(35%)	43	76	(43%)
Investment	106	74	43%	214	158	35%
Corporate	(52)	(27)	93%	(99)	(59)	68%
Total	**247**	**250**	**(1%)**	**464**	**460**	**1%**

Insurance, Canada – This operating business segment includes all Canadian insurance activities offering a wide range of life, health, auto and home insurance coverage, as well as vehicle warranties, to individuals and groups. Second quarter core earnings for this business segment were $91 million. This compares to a very strong result of $97 million for the same period in 2022,[3] which recorded insurance and non-insurance experience gains, namely in Dealer Services and Individual Insurance. A solid 12% year-over-year growth in expected earnings was recorded, which includes a 27% increase in the CSM recognized for services provided (see the "Analysis of CSM Movement" section of this document for more details). Insurance experience was neutral on this quarter's result as favourable long-term disability experience in Employee Plans and other smaller experience gains were offset by unfavourable mortality in Individual Insurance and increased claims severity at iA Auto and Home, mainly for auto coverages due to inflation, but also as a result of weather events.

Wealth Management – This operating business segment includes all the Company's wealth management activities offering a wide range of savings and retirement solutions to individuals and groups. In this business segment, core earnings of $76 million for the second quarter were 15% higher than a year earlier.[3] This performance is the result of the 12% year-over-year growth in expected earnings for segregated funds, lower expenses and a solid result once again from the distribution affiliates, arising mainly from better margins amid the higher interest rate environment.

US Operations – This operating business segment includes all the Company's U.S. activities offering individuals a range of life insurance and vehicle warranty products. Second quarter core earnings for this business segment were $26 million, which compares to $40 million for the same period in 2022.[3] Results in the Individual Insurance divisions were good, supporting the core insurance service result, which is 15% higher than a year ago. The result for non-insurance activities was lower due to an unfavourable business mix and lower sales in the Dealer Services division, a consequence of reduced affordability and persistent inventory issues. Finally, investments in digital technology to improve efficiency and client experience continued.

[3] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† 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 – This accounting business segment includes the Company's investment and financing activities, except for the investment activities of wealth distribution affiliates. In this business segment, core earnings of $106 million for the second quarter were 43% higher than a year earlier.[4] This performance is essentially attributable to the investment portfolio optimization that occurred mainly throughout 2022 to support higher investment returns and improve asset/liability management, and to the rise in interest rates in 2022, as well as the lower income tax charge as mentioned in the next section of this document.

Corporate – This accounting business segment reports all expenses that are not allocated to other segments, such as expenses for certain corporate functions. This segment recorded after-tax expenses of $52 million resulting from the accelerated digital transformation, the enhanced employee experience to support talent retention, and regulatory compliance projects, including with regard to Quebec's Law 25 on privacy.

[4] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† 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.

D. Analysis of Results According to Drivers of Earnings†

The analysis of results according to drivers of earnings, presented below on a core basis, discusses the main items that had an impact on the financial results. 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.

Drivers of Earnings – Core Basis – Consolidated

	Second quarter			Year-to-date at June 30		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[1]**	**Variation**	**2023**	**2022[1]**	**Variation**
Core insurance service result						
Risk adjustment release	59	57	4%	118	114	4%
CSM recognized for services provided	153	130	18%	300	255	18%
Expected earnings on PAA insurance business[2]	34	35	(3%)	58	60	(3%)
Expected insurance earnings	246	222	11%	476	429	11%
Impact of new insurance business	(15)	(14)	7%	(29)	(24)	21%
Core insurance experience gains (losses)	3	6	(50%)	(7)	(6)	17%
Total - Core insurance service result	234	214	9%	440	399	10%
Core net investment result	133	117	14%	272	244	11%
Core non-insurance activities	73	98	(26%)	143	164	(13%)
Core other expenses	(128)	(93)	38%	(255)	(194)	31%
Core income taxes	(57)	(80)	(29%)	(125)	(141)	(11%)
Dividends/distributions on equity instruments	(8)	(6)	33%	(11)	(12)	(8%)
Core earnings	**247**	**250**	**(1%)**	**464**	**460**	**1%**

Expected insurance earnings† – Expected insurance earnings represent the recurring insurance-related earnings on business in force during the reporting period and is the sum of the risk adjustment release, the CSM recognized for services provided and the expected earnings on PAA[2] insurance business. At $246 million in the second quarter, this result is 11% higher than in the same quarter of 2022[1] and is explained by the increase of the CSM recognized for services provided as a result of good business growth in the last 12 months (see the "Analysis of CSM Movement" section of this document for more details). Expected insurance earnings increased by a strong 12% year over year in both the Insurance, Canada and Wealth Management segments, while the US Operations segment posted a 5% growth.

Impact of new insurance business† – Impact of new insurance business is the point-of-sale losses of writing new insurance business identified as onerous under IFRS 17 during the period. The expected profit to be realized in the years after a contract is issued is expected to cover the loss incurred at the time of issue. Note that the point-of-sale gains of writing new insurance business are recorded in the contractual service margin instead of immediately benefiting net income. The impact of new insurance business was $15 million during the three-month period ended June 30, 2023. This result is essentially explained by the level of sales in Employee Plans.

Core insurance experience gains (losses)† – Core insurance experience gains (losses) are composed of differences between expected and actual insurance claims and expenses as measured by IFRS 17, and of other specific experience items. During the second quarter, a $3 million gain was recorded from the Wealth Management segment, while both Insurance, Canada and US Operations segments posted neutral net results. The experience by segment is described in the previous section of this document.

Core insurance service result† – This measure is the sum of the expected insurance earnings, the impact of new insurance business and the core insurance experience gains or losses. At $234 million in the second quarter, this measure was 9% higher than a year earlier.[1] The variance is explained by the results of the three aforementioned components.

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
[2] Premium Allocation Approach.

† 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 net investment result† – The core net investment result corresponds to net investment income net of finance expenses from contract liabilities and net of investment-related expenses that are part of core earnings. It includes all material credit-related experience impacts. At $133 million in the second quarter, this result is 14% higher than in the same quarter of 2022.[3] This performance is essentially attributable to the investment portfolio optimization that occurred mainly throughout 2022 to support higher investment returns and improve asset/liability management, and to the rise in interest rates in 2022.

Core non-insurance activities† – Core non-insurance activities are revenues net of expenses for non-insurance activities, including but not limited to mutual funds, wealth distribution, insurance distribution, group insurance administrative services only (ASO) business and non-insurance dealer services activities. Core non-insurance activities amounted to $73 million during the second quarter, compared to $98 million in same period in 2022.[3] This decrease is partly explained by the non-recurring non-insurance experience gain recorded in the second quarter of 2022. Also, the solid result from the wealth distribution affiliates was more than offset by the lower result from the Dealer Services division in the U.S.

Core other expenses† – Core other expenses are expenses not attributable to either insurance contracts or non-insurance activities, including but not limited to corporate expenses and financing charges on debentures. Core other expenses amounted to $128 million in the second quarter and are the result of the accelerated digital transformation, the enhanced employee experience to support talent retention, and regulatory compliance projects, including with regard to Quebec's Law 25 on privacy.

Core income taxes† – Core income taxes represent the value of amounts payable under the tax laws and include both tax payable and deferred income taxes. A life insurer's investment income taxes and premium taxes are not included in these amounts. The tax charge included in core earnings during the second quarter was $57 million, for an effective tax rate of 18.3%. The tax charge was lower in the second quarter due to tax filing adjustments (true-up) recognized annually in June.

Dividends/distributions on equity instruments† – Dividends and distributions on equity instruments amounted to $8 million in the second quarter and correspond to dividends on preferred shares issued by a subsidiary and distributions on other equity instruments.

All of these elements together constitute the core earnings result of $247 million for the second quarter of 2023.

[3] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† 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.

E. Analysis According to the Financial Statements

The following analysis should be read in conjunction with the consolidated income statement presented in the last pages of this document and Note 19 "Segmented Information" in the Company's unaudited interim condensed consolidated financial statements.

REVENUES

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

Revenues by Business Segment

(In millions of dollars)	Second quarter											
	Insurance revenue			Net investment income			Other revenues			Total		
	2023	2022	Variation	2023	2022	Variation	2023	2022	Variation	2023	2022	Variation
Insurance, Canada	860	761	99	—	—	—	51	50	1	911	811	100
Wealth Management	223	200	23	27	7	20	298	298	—	548	505	43
US Operations	293	289	4	—	—	—	43	65	(22)	336	354	(18)
Investment	—	—	—	608	(4,002)	4,610	7	8	(1)	615	(3,994)	4,609
Total	1,376	1,250	126	635	(3,995)	4,630	399	421	(22)	2,410	(2,324)	4,734

Revenues increased by $4,734 million for the second quarter of 2023 compared to the same period in 2022,[1] mainly due to the increase in net investment income. The $4,630 million increase in net investment income for the second quarter of 2023 compared to the second quarter of 2022[1] is largely due to a lower decrease (-$326 million in the second quarter of 2023 vs. -$3,160 million for the same period in 2022[1]) in fair value of bonds and an increase in fair value of derivative financial instruments supporting the insurance contract liabilities, mainly attributable to a lower increase in interest rates in 2023 than in 2022.[1] For the same period of 2022,[1] a significant rise in interest rates decreased the fair value of these assets.

INCOME TAXES

For the second quarter of 2023, the Company recorded an income tax expense of $41 million versus $14 million for the same period in 2022.[1] These amounts are consistent with the variation in income before income taxes and adjustments for current and prior years, as disclosed in Note 18 "Income Taxes" in the Company's unaudited interim condensed consolidated financial statements.

NET INCOME ATTRIBUTED TO COMMON SHAREHOLDERS

Net income attributed to common shareholders totalled $196 million for the second quarter of 2023, compared to $152 million for the same period last year. The variation is primarily explained by the factors mentioned below:

- Business growth over the last 12 months, which had a favourable impact on insurance results
- Market-related impacts

The $196 million for the second quarter of 2023 is generated mainly by the insurance service result of $238 million resulting from higher insurance revenue and net expenses from reinsurance contracts, mostly offset by higher insurance service expenses, and by $138 million from the net investment result due to favourable variations in equity markets and interest rates.

The following table presents a summary of iA Financial Corporation's financial results for the last eight quarters.

Selected Financial Data

	IFRS 17 and IFRS 9						IFRS 4 and IAS 39					
	2023		2022[1]				2022				2021	
(In millions of dollars, unless otherwise indicated)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenues (Insurance revenue, net investment income and other revenues)	2,389	3,235	2,031	1,822	(2,348)	(3,101)	4,354	3,848	241	152	5,977	3,834
Net income attributed to common shareholders	196	270	181	1	152	(25)	229	215	222	151	209	217
Earnings per common share (in dollars)												
Basic	$1.90	$2.59	$1.72	$0.01	$1.41	($0.23)	$2.18	$2.03	$2.07	$1.40	$1.95	$2.01
Diluted	$1.89	$2.58	$1.71	$0.01	$1.41	($0.23)	$2.17	$2.03	$2.06	$1.40	$1.94	$2.01

[1] Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

RELATED PARTY TRANSACTIONS

There are no material related party transactions outside the normal course of business to report for the second quarter of 2023.

ACCOUNTING POLICIES AND MAIN ACCOUNTING ESTIMATES

The Company's second quarter unaudited interim condensed consolidated financial statements were prepared as outlined in Note 1 "General Information" of these 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 "Material Accounting Policy Information" in section b) "Important Estimates, Assumptions and Judgments" of the unaudited interim condensed consolidated financial statements for the second quarter of 2023.

More information on new accounting policies applied and future changes in accounting policies is presented in Note 3 "Changes in Accounting Policies" and in Note 4 "Impact of IFRS 17 and IFRS 9 Adoption" of the unaudited interim condensed consolidated financial statements for the second quarter of 2023.

F. Analysis of CSM Movement

The contractual service margin, or CSM, is an IFRS 17 metric that gives an indication of future profits and that is factored as available capital in the calculation of the solvency ratio.[1] However, this metric is not comprehensive as it does not consider required capital, as well as non-insurance and PAA[2] insurance businesses. Organic CSM growth is a component of organic capital generation, a more comprehensive metric.

The following table presents the evolution of the CSM.

At June 30, 2023, the CSM was $5.7 billion.

During the second quarter, the CSM increased organically by $75 million. The organic CSM movement represents the ongoing CSM value creation calculated before the impact of non-organic items that add undue volatility to the total CSM, such as market variations. This quarter, the CSM was supported organically by:

- the positive impact of new insurance business of $147 million;
- insurance experience gains of $21 million from a favourable shift in segregated fund business mix and a small reserve-related mortality gain, partly offset by unfavourable policyholder behaviour; and
- organic financial growth of $60 million.[3]

During the second quarter, the following non-organic items had a negative impact on the CSM:

- the impact of changes in assumptions, which had a positive impact on earnings but a negative impact on the CSM, as model improvements and projection refinements were implemented;
- the small net impact of macroeconomic variations, mainly from interest rate movement; and
- the impact of currency variations.

As a result of organic and non-organic items, the CSM decreased by $16 million during the second quarter of 2023.

CSM Movement Analysis - Consolidated

	Second quarter			Year-to-date at June 30		
(In millions of dollars, unless otherwise indicated)	**2023**	**2022[4]**	**Variation**	**2023**	**2022[4]**	**Variation**
CSM - Beginning of period	5,756	5,591	3%	5,574	5,507	1%
Organic CSM movement						
Impact of new insurance business	147	172[5]		315	375[4]	
Organic financial growth[6]	60[3]	65		131	128	
Insurance experience gains (losses)[7]	21	24		3	27	
CSM recognized for services provided	(153)	(130)		(300)	(255)	
Sub-total - Organic CSM movement	75	131	(43%)	149	275	(46%)
Non-organic CSM movement						
Impact of change in assumptions and management actions	(76)	6		(16)	11	
Impact of markets	(3)	(157)		46	(217)	
Currency impact	(12)	15		(13)	10	
Sub-total - Non-organic CSM movement	(91)	(136)		17	(196)	
Total - CSM movement	(16)	(5)		166	79	
CSM - End of period	5,740	5,586	3%	5,740	5,586	3%

1 The CSM, excluding the CSM for segregated funds, counts as Tier 1 capital in the solvency ratio calculation.
2 PAA: Premium Allocation Approach.
3 For the calculation of organic financial growth, an improved methodology has been applied starting from the second quarter of 2023.
4 Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).
5 In the second quarter of 2022, the impact of new insurance business is overstated since some reclassifications were made in 2023 but not in 2022.
6 Organic financial growth is the movement of the CSM from expected asset returns and from interest accreted based on locked-in discount rates at initial recognition.
7 Insurance experience gains and losses correspond to non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.

† 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.

G. Financial Position

Capitalization†

(In millions of dollars)	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Equity				
Share capital and contributed surplus	1,665	1,678	1,692	1,714
Preferred shares issued by a subsidiary and other equity instruments	375	375	525	525
Retained earnings and accumulated other comprehensive income	5,044	5,024	4,910	4,981
Total shareholders' equity	7,084	7,077	7,127	7,220
Debentures	1,898	1,500	1,500	1,499
Total capital structure	8,982	8,577	8,627	8,719

The Company's capital amounted to nearly $9.0 billion at June 30, 2023, up $405 million from March 31, 2023. The quarterly variation is primarily due to the $400 million (book value of $398 million) debenture issuance, as outlined in the "Highlights" section of this document, and to a lesser extent, to the increase in retained earnings.

Solvency

(In millions of dollars, unless otherwise indicated)	June 30, 2023	March 31, 2023	December 31, 2022[1]	June 30, 2022[1]
Available capital				
Tier 1	5,078	5,109	2,013	2,407
Tier 2	3,724	3,337	2,364	2,130
Surplus allowance and eligible deposits	2,358	2,379	4,621	4,538
Total	11,160	10,825	8,998	9,075
Base solvency buffer	7,256	7,279	7,481	7,158
Solvency ratio†	154%	149%	126%	130%

The Company ended the second quarter of 2023 with a solvency ratio† of 154%, compared with 149% at the end of the previous quarter and 130%[1] a year earlier. This result is well above the Company's operating target of 120%. The five percentage point increase in the second quarter is explained by the $400 million debenture issuance, the contribution of organic capital generation and the impacts of adjustments to the investment portfolio. These favourable items were partly offset by the $86 million in share buybacks (NCIB), unfavourable macroeconomic variations and the impact of changes in actuarial assumptions. The debenture issuance and the changes in actuarial assumptions are outlined in the "Highlights" section of this document.

During the second quarter, the Company organically generated $150 million in additional capital, for a total of $275 million in organic capital generation in the first six months of the year. As disclosed at the Investor Session held on March 28, 2023, the Company's organic capital generation target for 2023 is $600+ million. Good, ongoing organic capital generation is the result of core earnings performance, continuous improvement in risk management practices and pricing discipline.

Financial Leverage

	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Financial leverage ratio†,2	17.3%	14.7%	16.0%	15.7%
Coverage ratio†	12.3x	11.8x	5.7x[3]	N/A

The financial leverage ratios increased during the second quarter largely due to the debenture issuance outlined in the "Highlights" section of this document. The coverage ratio was 12.3x on June 30, 2023. Note that the calculation of this metric includes profits from the last six months of 2022.[3]

1 2022 figures calculated according to the IFRS 4 accounting standard and with the capital standard applicable in 2022.
2 Calculated as: Debentures, preferred shares issued by a subsidiary and other equity instruments/(Capital structure + post-tax contractual service margin (CSM)†)
3 Caution should be used when comparing 2023 results with 2022 restated results under IFRS 17 and IFRS 9 (see the *Note regarding 2022 restated results* on page 2).

† 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[4] and Market Capitalization	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Book value per common share[4]	$65.39	$64.69	$63.00	$62.86
Number of common shares outstanding	102,624,809	103,568,109	104,772,775	106,468,863
Value per share at close	$90.25	$85.66	$79.27	$64.02
Market capitalization	$9,262M	$8,872M	$8,305M	$6,816M

Book value per common share[4] was $65.39 at June 30, 2023, up 1% from March 31, 2023, and up 4% over the last twelve months. The quarterly change is mostly attributable to the contribution of retained earnings for the period.

The number of common shares outstanding decreased by 943,300 during the quarter. This decrease is due to the Company's redemption and cancellation of 988,700 outstanding common shares under the NCIB program, which was partly offset by the exercise of stock options under the stock option plan for senior managers.

The Company's market capitalization was nearly $9.3 billion at June 30, 2023, up 4% in the second quarter and up 36% in the previous 12-month period, primarily due to the change in the Company's common stock price, which more than offset the impact of the aforementioned decrease in the number of shares outstanding.

Under the current Normal Course Issuer Bid (NCIB), the Company can redeem, between November 14, 2022 and November 13, 2023, up to 5,265,045 common shares, representing approximately 5% of the 105,300,913 issued and outstanding common shares as at November 1, 2022. As mentioned earlier, a total of 988,700 shares were redeemed and cancelled during the quarter, for a total value of $86 million. A total of 2,947,454 shares, or approximately 2.8% of the issued and outstanding common shares as at November 1, 2022, were redeemed between November 14, 2022 and June 30, 2023.

[4] 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.

H. Investments

Investment Mix

(In millions of dollars, unless otherwise indicated)	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Book value of investments	41,660	40,662	39,255	38,470
Allocation of investments by asset class				
Bonds	68.5%	68.3%	68.2%	68.2%
Stocks	9.4%	9.5%	10.3%	10.0%
Loans (including mortgages)	8.9%	9.2%	9.4%	10.0%
Investment properties	4.2%	4.4%	4.6%	4.9%
Cash and short-term investments	4.7%	4.8%	3.5%	3.6%
Other	4.3%	3.8%	4.0%	3.3%
Total	100.0%	100.0%	100.0%	100.0%

The total value of the investment portfolio was nearly $42 billion at June 30, 2023, up 2% from March 31, 2023 and up 8% year over year, reflecting, among other things, the favourable impact of macroeconomic and market conditions on the value of the bond portfolio. The above table shows the main asset classes that make up the Company's investment portfolio.

Quality of Investments

(In millions of dollars, unless otherwise indicated)	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Bonds – Proportion rated BB or lower	0.7%	0.8%	0.9%	1.0%
Mortgages – Proportion of securitized and insured loans[1]	23.0%	23.0%	23.3%	25.3%
Mortgages – Proportion of insured loans	48.2%	48.0%	47.5%	45.8%
Investment properties – Occupancy rate	85.8%	85.7%	88.3%	91.0%
Car loans – Net Impaired loans as a percentage of gross loans	0.33%	0.33%	0.35%	0.29%
Car loans – Total allowance for credit losses (ACL) as a percentage of gross loans	4.75%	4.89%	4.93%	3.52%

The indicators in the above table confirm the quality of the investment portfolio. For investment properties, the occupancy rate rose marginally this quarter and stands at a decent level, above that of the Canadian office market.

Derivative Financial Instruments

(In millions of dollars, unless otherwise indicated)	June 30, 2023	March 31, 2023	December 31, 2022	June 30, 2022
Total notional amount ($B)	41	42	38	31
Company's credit risk				
AA - or higher	100%	100%	100%	100%
A +	—	—	—	—
Positive fair value	1,265	985	990	738
Negative fair value	832	1,250	1,465	1,740

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.

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

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 6 and Note 9 of the Company's unaudited interim condensed consolidated financial statements.

I. Declaration of Dividend

The Board of Directors of iA Financial Corporation approved a quarterly dividend of $0.7650 per share on the Company's outstanding common shares, the same as that announced the previous quarter.

The Board of Directors of iA Insurance approved a quarterly dividend of $0.2875 per Non-Cumulative Class A Preferred Share – Series B. In the second quarter of 2023, iA Insurance paid a dividend of $200 million to its sole common shareholder, iA Financial Corporation. In the third quarter of 2023, 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 third quarter of 2023.

Following are the amounts and dates of payment and closing of registers for the iA Financial Corporation common shares and iA Insurance preferred shares.

Declaration of Dividend

	Amount	Payment date	Closing date	
Common share – iA Financial Corporation	$0.7650	September 15, 2023	August 25, 2023	
Class A Preferred Share – Series B – iA Insurance	$0.2875	October 2, 2023	August 25, 2023	Non-cumulative dividend

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

Reinvestment of Dividends

Registered shareholders wishing to enrol in the Company's Dividend Reinvestment and Share Purchase Plan (DRIP) so as to be eligible to reinvest the next dividend payable on September 15, 2023 must ensure that the duly completed form is delivered to Computershare no later than 4:00 p.m. on August 18, 2023. Enrolment information is provided on iA Financial Group's website at ia.ca under *About iA,* in the *Investor Relations/Dividends* section. Common shares issued under the Company's DRIP will be purchased on the secondary market and no discount will apply.

† 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.

J. Risk Management - Update

The "Risk Management – Update" section of this 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 Unaudited Interim Condensed Consolidated Financial Statements for the period ended June 30, 2023, 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 at June 30, 2023, the Company updated some portions of its 2022 Annual Report "Risk Management" section. Considering the Unaudited Interim Condensed Consolidated Financial Statements are prepared in accordance with IAS 34 *Interim Financial Reporting* and therefore do not contain all the information required in complete annual financial statements, they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022 as well as the 2022 Annual Report, which were prepared in accordance with IFRS 4 and IAS 39. Thus, the Risk Management disclosure found in the 2022 Annual Report is relevant for the Unaudited Interim Condensed Consolidated Financial Statements as at June 30, 2023, except for the sections below, which have been updated. The Company's risk profile has not changed significantly with respect to strategic risk, credit risk, liquidity risk, model risk, operational risk, and legal, regulatory and reputational risk.

INSURANCE RISK

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

Policyholder Behaviour – Risk of unfavourable variability in the level, trend or volatility of lapse rates or premium payment pattern compared to assumptions.

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

Morbidity – Risk of unfavourable variability in the level, trend or volatility which represents an increase in occurrence rates or a decrease in termination rates for disability or illness insurance claims.

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

Other Insurance Risks – The Company is also exposed to other insurance risks, which do not have a significant impact on the Company's financial statements.

Insurance risk can occur at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when calculating the insurance contract liabilities (assets). The Company has put controls and processes in place at each of these stages to ensure appropriate management of insurance risk.

Every year, the appointed actuary values the policy liabilities for the Company's financial statements prepared in accordance with IFRS. He also ensures that the valuation conforms to accepted actuarial practice in Canada and that the Company's financial statements fairly present the results of the valuation.

Sensitivity Analysis – The significant assumptions used in the valuation of insurance contracts are policyholder behaviour, mortality, morbidity and expenses. The following December 31, 2022 sensitivity analysis, updated to consider the application of the IFRS 17 and IFRS 9 standards, shows the immediate impact on net income and equity, as well as on the contractual service margin of a reasonably possible permanent deterioration in these assumptions, which have the greatest impact on the estimates of future cash flows with all other assumptions unchanged. This analysis presents the sensitivities both before and after risk mitigation by reinsurance contracts. An improvement of the same percentage in those assumptions would have a similar impact, but in the opposite direction.

† 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.

Immediate Sensitivity of Significant Assumptions Used For the Valuation of Insurance Contract Liabilities (Assets) Gross and Net of Reinsurance[1]

	As at December 31, 2022			
	Net income and Equity		Contractual service margin	
(In millions of dollars)	Gross	Net	Gross	Net
Policyholder behaviour				
Impact of 10% deterioration[2]	30	30	(535)	(570)
Mortality				
Impact of 2% deterioration for insurance products[3]	(15)	(25)	(270)	(90)
Impact of 2% deterioration for annuity products[4]	5	5	(35)	(30)
Morbidity				
Impact of 5% deterioration[5]	(25)	(25)	(90)	(50)
Expenses				
Impact of 5% deterioration[6]	—	—	(100)	(100)

For more information on the management of insurance risk, refer to Note 11 of the Company's June 30, 2023 Unaudited Consolidated Financial Statements.

MARKET RISK

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of an insurance contract or a financial instrument will fluctuate due to variations in market risk factors. This category includes, among other things, interest rate and credit spread risk, equity risk and exchange rate risk.

The Company has established a risk appetite and tolerance statement along with investment policies that contain a variety of quantitative measures designed to limit the impact of these risk factors. These policies are reviewed periodically, and any modifications are submitted to the Board of Directors for approval. Investment management policy and investment policy compliance are monitored regularly, and the results are reported to the Board of Directors' Investment Committee at least quarterly.

Interest Rate and Credit Spread Risk – One of an insurer's fundamental activities is to invest client premiums for the purpose of paying future benefits, whose maturity date may be uncertain and potentially a long time in the future, such as death benefits and annuity payments. Interest rate and credit spread risk is the risk of financial loss associated with fluctuations in interest rates or credit spreads. It can occur if the asset cash flows cannot be reinvested at high enough interest rates compared to the interest rates and implied credit spreads on the corresponding liabilities, or if an asset needs to be liquidated in order to replicate the liability cash flows and therefore a loss in market value of the liquidated asset occurs due to rising interest rates or rising credit spreads. This risk depends on the Company's asset allocation, asset/liability positioning, 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 these risks, the Company has developed a liability replicating process that considers the characteristics of the financial liabilities associated with each type of annuity and insurance product. Some of the important factors considered in the replicating 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. This replication process then allows the Company to determine and select investment strategies to meet its overall risk-adjusted return objectives within its various risk appetite and tolerance limits.

Investment strategies are defined based on the characteristics of the financial liabilities associated with each product. Two of the Company's key strategies are described below.

[1] These sensitivities are rounded to the nearest 5 million dollars and represent immediate impacts of a change in assumptions. They are also adjusted to reflect the adjustability of products, when applicable.
[2] Assuming 90% of the expected lapse rates for lapse-supported products and 110% of the expected lapse rates for other products.
[3] Assuming 102% of expected mortality rates for products where an increase in mortality rates increases insurance contract liabilities (assets).
[4] Assuming 98% of expected mortality rates for products where a decrease in mortality rates increases insurance contract liabilities (assets).
[5] 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.
[6] Assuming 105% of expected expenses for servicing and maintaining in-force policies.

1- Total Portfolio Management (TPM) Strategy

This strategy relates to the vast majority of the Company's general fund insurance contract liabilities (assets) and investment contract liabilities and deposits. It encompasses, among other things, individual and group insurance products, annuities, and guaranteed interest accounts. It mainly covers liabilities of all maturity types and liability cash flow structures. For this category, the Company advocates an investment management strategy designed to optimize the long-term returns on the assets while maintaining strict asset/liability replicating criteria. Among other things, liability replicating portfolio techniques are used and combined with key rate and credit spread duration replicating limits to mitigate overall risk exposures. The Company has established interest rate risk and credit spread risk limits in its Risk Appetite and Tolerance Statement. Diversification is a key principle and belief guiding the overall asset allocation and exposure limits.

The Company uses high-quality assets, primarily made up of long-term fixed income securities (government, corporate and private debt) and non-fixed income assets (private equity, investment property, infrastructure, common and preferred shares, market indexes, market index options and investment fund units), to optimize the risk and return of this liability category. The asset allocation aims to achieve an optimal return, 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 Risk Appetite and Tolerance Statement and investment policies.

Derivatives can also be utilized to improve the portfolio's asset/liability positioning or its risk-adjusted return.

2- Universal Life Policy Accounts Strategy

This strategy relates to the Company's general fund insurance contract liabilities (assets) 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 replicating process is carried out using assets whose characteristics correspond to those of the liabilities, or to those of the benchmark index, to strictly replicate the returns credited to the underlying accounts.

For managed index accounts and managed accounts where the return varies based on a fund or 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.

Ultimate Discount Rate Risk – The Company estimates interest rates beyond 30 years since these data are not observable on the market. To establish a discount rate curve, an ultimate discount rate is set and a grading methodology is applied between the last point of the observable data and the ultimate discount rate. An ultimate discount rate represents the sum of two assumptions: an ultimate risk-free rate and an ultimate illiquidity premium. Both assumptions may change from time to time and such variations have an effect on the net income of the Company.

Equity Risk – Equity risk represents the risk of financial loss resulting from a change in equity market values. The Company is exposed to this risk in various ways as part of its regular operations, through: a) the income on assets held in the general fund; b) the effects on insurance contract liabilities (assets) of Universal Life policy funds and of segregated fund products; and c) net revenues on assets under management and on assets under administration.

In order to ensure sound management of the market exposure, the Company's Risk Appetite and Tolerance Statement and investment policies define quantitative and qualitative limits for the use of non-fixed income assets. The target asset mix in the form of non-fixed income assets is designed to maximize the Company's risk-adjusted returns.

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

During the period ended June 30, 2023, derivative financial instruments were used as part of yield enhancement strategies. The use of market index options allows the Company to maintain an exposure to stock markets while limiting potential financial 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.

MARKET RISK IMMEDIATE SENSITIVITIES

Caution Regarding Immediate Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Sensitivities include the impact of rebalancing equity and interest rate hedges as expected with the Company's dynamic hedging program used for guarantees on segregated funds. They exclude any subsequent actions on the Company's investment portfolio.

For solvency ratio sensitivities, it is assumed that no scenario switch occurs when estimating the impact on the interest rate risk under CARLI (CARLI interest rate risk is assessed under four different interest rate scenarios, and the scenario leading to the highest capital requirement is chosen as the worst scenario for each geographic region).

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one changes: changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

† 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.

Immediate sensitivities refer to the instantaneous effects on asset and liability values, ignoring any effects on future revenues and expenses. They should be used with caution to estimate financial impacts from market variations for a quarter. Immediate sensitivities assume an immediate market variation followed by a normally expected market evolution for the rest of the quarter. In other words, immediate sensitivities could be roughly interpreted as the difference between an actual market variation for a quarter versus the expectation for this quarter. For example, for public equity markets where growth is normally expected, flat market values for a quarter would be equivalent to an immediate decline in market values.

Interest Rate and Credit Spread Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in risk-free interest rates, corporate bond credit spreads and provincial government bond credit spreads is presented below. Each sensitivity assumes that all other assumptions remain unchanged. Considering that the Company manages these risks by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivities on a net basis.

Immediate Impact of an Immediate Parallel Shift of Interest Rates

	As at June 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	**50 basis point decrease**	**50 basis point increase**	**50 basis point decrease**	**50 basis point increase**
Net income[8]	75	(75)	50	(75)
Equity[8,9]	75	(75)	50	(50)
Contractual service margin[8,10]	(25)	25	(25)	25
Solvency ratio[11]	1.0% points	(1.0% points)	N/A[12]	N/A[12]

Immediate Impact of an Immediate Parallel Shift of Corporate Bond Credit Spreads

	As at June 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	**50 basis point decrease**	**50 basis point increase**	**50 basis point decrease**	**50 basis point increase**
Net income[8]	25	(25)	—	(25)
Equity[8,9]	25	(25)	—	(25)
Contractual service margin[8,10]	—	—	—	—
Solvency ratio[11]	(1.0% points)	0.5% points	N/A[12]	N/A[12]

Immediate Impact of an Immediate Parallel Shift of Provincial Government Bond Credit Spreads

	As at June 30, 2023		As at December 31, 2022[7]	
(In millions of dollars, unless otherwise indicated)	**50 basis point decrease**	**50 basis point increase**	**50 basis point decrease**	**50 basis point increase**
Net income[8]	—	—	(25)	—
Equity[8,9]	—	—	(25)	—
Contractual service margin[8,10]	(100)	75	(100)	75
Solvency ratio[11]	0.5% points	(0.5% points)	N/A[12]	N/A[12]

Ultimate Discount Rate Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in the ultimate discount rate assumption used to establish insurance contract liabilities (assets) is presented below. Each sensitivity assumes that all other assumptions remain unchanged.

7 Sensitivities as at December 31, 2022 are not fully representative of the 2023 risk profile as the transition of the Company's invested asset portfolio for asset/liability management purposes under IFRS 17 and IFRS 9 was not fully completed until 2023.
8 These sensitivities are rounded to the nearest 25 million dollars.
9 The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
10 The impact on contractual service margin is before tax.
11 These sensitivities are rounded to the nearest 0.5 percentage point.
12 The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

Immediate Impact of an Immediate Change in Ultimate Discount Rate Assumption Used For the Valuation of Insurance Contract Liabilities (Assets)

(In millions of dollars, unless otherwise indicated)	As at June 30, 2023		As at December 31, 2022	
	10 basis point decrease	10 basis point increase	10 basis point decrease	10 basis point increase
Net income[13]	(60)	50	(50)	60
Equity[13]	(60)	50	(50)	60
Contractual service margin[13,14]	—	—	—	—

Public Equity Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in public equity market values is presented below and assumes that all other assumptions remain unchanged. Considering that the Company manages this risk by looking jointly at financial instruments and insurance contracts, it analyzes and discloses its sensitivity on a net basis.

Immediate Impact of an Immediate Change in Public Equity Market Values[15]

(In millions of dollars, unless otherwise indicated)	As at June 30, 2023			
	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(125)	(75)	75	200
Equity[16,17]	(125)	(75)	75	200
Contractual service margin[14,16]	(450)	(200)	150	400
Solvency ratio[18]	1.0% points	1.0% points	(1.0% points)	(2.0% points)

(In millions of dollars, unless otherwise indicated)	As at December 31, 2022			
	25% decrease	10% decrease	10% increase	25% increase
Net income[16]	(75)	(25)	25	75
Equity[16,17]	(75)	(25)	25	75
Contractual service margin[14,16]	(425)	(175)	200	500
Solvency ratio[18]	N/A[19]	N/A[19]	N/A[19]	N/A[19]

In order to measure its public equity sensitivity, the Company examined the impact of a 10% market variance at the end of the period, believing that this kind of variance was reasonable in the current market environment. A 25% market change is also disclosed to provide a wider range of potential impacts due to significant changes in public equity market levels.

Private Non-Fixed Income Asset Immediate Sensitivities – An analysis of the Company's sensitivity to an immediate change in private non-fixed income assets' market values is presented below and assumes that all other assumptions remain unchanged. These impacts are only on financial instruments as insurance contracts are insensitive to these market values. Non-fixed income assets include private equity, investment property and infrastructure.

Immediate Impact of an Immediate Change in Private Non-Fixed Income Assets' Market Values (Private Equity, Investment Property and Infrastructure)

(In millions of dollars, unless otherwise indicated)	As at June 30, 2023		As at December 31, 2022	
	10% decrease	10% increase	10% decrease	10% increase
Net income[16]	(300)	300	(300)	300
Equity[16,17]	(300)	300	(300)	300
Contractual service margin[14,16]	—	—	—	—
Solvency ratio[18]	(1.5% points)	1.0% points	N/A[19]	N/A[19]

[13] These sensitivities are rounded to the nearest 10 million dollars.
[14] The impact on contractual service margin is before tax.
[15] Preferred shares are excluded from the scope of these sensitivities' analysis.
[16] These sensitivities are rounded to the nearest 25 million dollars.
[17] The impact on equity includes the impact on net income and the remeasurement impact of post-employment benefits.
[18] These sensitivities are rounded to the nearest 0.5 percentage point.
[19] The new CARLI capital guideline adapted to IFRS 17 and IFRS 9 was only effective starting January 1, 2023.

MARKET RISK CORE EARNINGS SENSITIVITIES

Caution Regarding Core Earnings Sensitivities – Sensitivities are provided in this section for certain risks. The sensitivities are projected using internal models at the reporting date and reflect the Company's assets and liabilities at that date. These sensitivities measure the impact of changing one factor at a time and assume that all other factors remain unchanged. Also, they exclude any subsequent actions on the Company's investment portfolio.

Actual results can differ significantly from these estimates for a variety of reasons, including the interaction among these factors when more than one changes: changes in business mix, changes in actuarial and investment assumptions, changes in investment strategies, actual experience differing from assumptions, the effective tax rate, market factors, the fact that sensitivities represent simplified scenarios (e.g., parallel shift of interest rates versus non-parallel movements) and limitations of our internal models. Also, changes in factors that are less than or more than the changes tested may not be linear. For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined below.

Market Risk Core Earnings Sensitivities – An analysis of the Company's sensitivity to an immediate change in various factors is presented below. Each sensitivity assumes that all other assumptions and factors remain unchanged.

Impacts estimated below are mainly attributable to the following revenues and expenses that are directly impacted by the level of market indicators:

- expected return on non-fixed income asset investments;
- CSM recognition in earnings for segregated fund products;
- net revenues on assets under management (mutual funds) and on assets under administration (wealth management distribution affiliates); and
- expected return on fixed income assets and on expected liability finance expense.

Impacts on Future Quarter Core Earnings as at June 30, 2023

Risk factors	Description of shock	Impact on future core earnings in millions of dollars (after tax)
Public equity[20]	Immediate +5% change in market values	4
	Immediate -5% change in market values	(4)
Private non-fixed income assets (private equity, investment property and infrastructure)	Immediate +5% change in market values	3
	Immediate -5% change in market values	(3)
Interest rates	Immediate parallel shift of +10 bps on all rates	1
	Immediate parallel shift of -10 bps on all rates	(2)
Credit and swap spreads[21]	Immediate parallel shift of +10 bps on all rates	1
	Immediate parallel shift of -10 bps on all rates	(2)

These impacts represent impacts on core earnings for the next quarter. Impacts on the level of core earnings will be similar for future quarters if future equity market returns are as expected and if interest rates are stable. Moreover, core earnings for the current quarter would also be impacted by market movements during the current quarter, but only for these two effects: effect on CSM recognition in earnings for segregated fund products and effect on net revenues on assets under management (mutual funds) and on assets under administration (wealth distribution affiliates).

These core earnings sensitivities should be used with caution to estimate impacts of market movements as they do not reflect diversification between these risk factors, potential future management actions and investment portfolio re-optimization.

[20] Preferred shares are excluded from the scope of this sensitivity analysis.
[21] Credit spreads include corporate bond credit spreads and provincial government bond credit spreads.

K. Notice and General Information

INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes were made to the Company's internal control over financial reporting during the interim period ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-IFRS AND ADDITIONAL FINANCIAL MEASURES

iA Financial Corporation and iA Insurance (hereinafter referred to individually in this section as the "Company") 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 Group:

– *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 in this document 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 (IFRS 4):
  ◦ *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. The changes to the definition of core earnings at the beginning of 2021 are consistent with the ongoing evolution of the business and help to better reflect and assess the underlying operating business performance, while maintaining consistency with the general concept of the metric and continuity with the previous definition.

- *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.
- *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 (IFRS 17):
- *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. Each of these items is classified as a supplementary financial measure and has no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, nor are reconciliations available:

a. market-related impacts that differ from management's expectations, which include the impacts of equity and investment property markets, interest rates and exchanges rate variations on the net investment result (including impacts on net investment income and on finance expenses from insurance and reinsurance contracts) and on the insurance service result (i.e., on losses and reversal of losses on onerous contracts accounted for using the variable fee approach measurement model). Management's expectations include:
   i. an expected long-term annual return (between 8% and 9% on average) on non-pass-through non-fixed income asset investments (public and private equity, investment properties, infrastructure and preferred shares);
   ii. that interest rates (including credit spreads) that are observable on the markets at the beginning of the quarter will remain unchanged during the quarter and that liability discount rates for the non-observable period will change as implied in the discount rate curve at the beginning of the quarter; and
   iii. that exchange rates at the beginning of the quarter will remain unchanged during the quarter;
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.

Income taxes on items listed above are also removed from reported earnings. Core earnings include all credit-related experience impacts on reported earnings.

- *Purpose*: The core earnings definition provides a supplementary measure to understand the underlying operating business performance compared to IFRS net earnings. Also, core earnings helps in explaining results from period to period by excluding items that are simply non-representative of the business performance from period to period. In addition, core earnings, along with net income attributed to common shareholders, is used as a basis for management planning and strategic priority setting. Therefore, this measure is useful in understanding how management views the underlying operating business performance of the Company and also helps in better understanding the long-term earnings capacity and valuation of the business.

- *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 drivers of earnings (DOE), on a reported and core basis:
    - *Category under Regulation 52-112*: Supplementary financial measures.
    - *Definition*: Presents earnings broken down by the following key drivers:
        a. *Insurance service result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
            1. *Expected insurance earnings*, which represent the recurring insurance-related earnings on business in force during the reporting period. It is the sum of the following components:
                - Risk adjustment release, which is the change in risk adjustment for non-financial risk for risk expired.
                - CSM recognized for services provided, which is the contractual service margin recognized in net income for services provided during the period.
                - Expected earnings on PAA insurance business, which is the insurance service result (insurance revenue, net of insurance service expenses) for insurance contracts measured under the premium allocation approach, excluding estimated experience gains (losses).
            2. *Impact of new insurance business*, which is point-of-sale loss of writing new insurance business identified as onerous as per IFRS 17 during the period. The expected profit realized in the years after a contract is issued should cover the loss incurred at the time of issue. The gain of writing new insurance business identified as non-onerous as per IFRS 17 is recorded in the contractual service margin (not in net income).
            3. *Experience gains (losses)*, which are differences between expected and actual insurance claims and expenses as measured by IFRS 17. Also included are: 1) estimated experience gains (losses) on insurance claims and expenses for contracts measured under the premium allocation approach, 2) adjustments related to current and past services, 3) insurance experience that relates to future services for onerous contracts, and 4) market experience for onerous contracts measured under the variable-fee approach. Insurance experience gains (losses) correspond to experience gains (losses), excluding market experience for onerous contracts measured under the variable-fee approach.
            4. *Insurance assumption changes and management actions*, which is the impact on pre-tax net income resulting from changes, on onerous contracts, in non-financial methods and assumptions that relate to future services or other management actions. Changes in non-financial assumptions result from the Company ensuring the adequacy of its liabilities given the Company's own experience in terms of mortality, morbidity, lapse rates, expenses, 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.
        b. *Net investment result*, which is the sum of the following components (on a net-of-reinsurance basis when applicable):
            1. *Core net investment result,* which is net investment income, net of finance expenses from contract liabilities and net of investment-related expenses that are part of core earnings. It includes all material credit-related experience impacts. It excludes financing charges on debentures.

2. *Market experience gains (losses)*, which are impacts on net investment income and on finance expenses from contract liabilities of actual market variations (e.g. equity markets, interest rates and exchanges rates) that differ from expectations.
3. *Financial assumption changes and other*, which is the impact on pre-tax net income resulting from changes in financial methods and assumptions. Changes in financial assumptions result from the Company ensuring the adequacy of its liabilities.

c. *Non-insurance activities*, which are revenues net of expenses for non-insurance activities such as, but not limited to, mutual funds, wealth distribution, insurance distribution, group insurance administrative services only (ASO) business and non-insurance dealer services activities.

d. *Other expenses*, which are expenses not attributable to either insurance contracts or non-insurance activities, such as, but not limited to, corporate expenses, amortization of acquisition-related intangible assets, financing charges on debentures and intangible asset and goodwill writedowns.

e. *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.

f. *Dividends/distributions on equity instruments*, which are dividends on preferred shares issued by a subsidiary and distributions on other equity instruments.

- *Purpose*: Provides additional information for evaluating the Company's financial performance and is an additional tool to help investors better understand the drivers of shareholder value creation.
- *Reconciliation*: There is no directly comparable IFRS financial measure for components of the DOE that is disclosed in the financial statements of the Company to which the measure relates.
  - "Insurance service result": Equal to the "Insurance service result" IFRS measure disclosed in the Company's financial statements.
  - "Net investment result": The "Net investment result" disclosed in the Company's financial statements is the most directly comparable IFRS financial measure. A reconciliation with this measure is presented in this document.

- CSM movement analysis:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Presents the movement of the contractual service margin (CSM) on a net-of-reinsurance basis, broken down as follows:

a. *Organic CSM movement*, which excludes the impacts of items that create undue volatility or are non-representative of the underlying business performance from period to period and helps in better understanding the ongoing CSM value creation, in an approach similar to that of core earnings. It is the sum of the following components:

1. *Impact of new insurance business*, which is the CSM established from non-onerous insurance contracts initially recognized in the period. It includes the impact of policy cancellations that are accounted for as insurance experience and it excludes the impacts of unusual new reinsurance contracts on in-force business that are categorized as management actions.
2. *Organic financial growth*, which is the movement of the CSM from 1) expected asset returns on underlying items (for insurance contracts measured under the variable-fee approach); and 2) interest accreted based on locked-in discount rates at initial recognition (for insurance contracts measured under the general measurement model).
3. *Insurance experience gains (losses)*, which is non-financial experience that relates to future services (e.g., policyholder behaviour that differs from expectations) on non-onerous contracts.
4. *CSM recognized for services provided*, which is the CSM recognized in net income for services provided during the period.

b. *Non-organic CSM movement*, which is the sum of the following components:

1. *Impact of changes in assumptions and management actions*, which is the impact on non-onerous contracts of changes in methods and assumptions that relate to future services or other management actions. Changes in assumptions result from the Company ensuring the adequacy of its liabilities. 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.
2. *Impact of markets*, which represents the market experience for non-onerous contracts measured under the variable-fee approach. It is the impact on fulfilment cash flows of actual market variations (e.g., equity markets and interest rates) that differ from expectations.
3. *Currency impact*, which is the impact of variations in exchange rates on the CSM, presented in Canadian dollars.

- *Purpose*: Provides additional information to better understand the drivers of the changes in contractual service margin from one period to another.

- *Reconciliation*: The total CSM movement equals the sum of the variation of the CSM for insurance contracts and the variation of the CSM for reinsurance contracts disclosed in the note titled "Insurance Contracts and Reinsurance Contracts" in the Company's financial statements.

- Net impaired loans as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of impaired loans net of allowance for credit losses expressed as a percentage of gross loans.
  - *Purpose*: An indicator of the quality of the loan portfolio.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- Total allowance for credit losses (ACL) as a percentage of gross loans:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: The ratio of ACL expressed as a percentage of gross loans.
  - *Purpose*: Provides a measure of the expected credit experience of the loan portfolio.
  - *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.

- Post-tax contractual service margin (CSM):
  - *Category under Regulation 52-112*: Non-IFRS financial measures that constitute historical information.
  - *Definition*: Calculated as the difference between the contractual service margin (CSM) balance and the product obtained by multiplying the contractual service margin (CSM) balance for each legal entity by the applicable statutory tax rate.
  - *Purpose*: Provides a measure of the Company's capacity to deploy capital for transactions.
  - *Reconciliation*: "Contractual service margin (CSM)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- 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 and other equity instruments/Capital:
  - *Category under Regulation 52-112*: Supplementary financial measures.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity.
  - *Purpose*: Provides a measure of the Company's financial leverage.

- Financial leverage measure – Financial leverage ratio:
  - *Category under Regulation 52-112*: Non-IFRS ratio.
  - *Definition*: Calculated by dividing the total debentures plus preferred shares issued by a subsidiary and other equity instruments by the sum of total debentures plus shareholders' equity and post-tax contractual service margin (CSM).
  - *Purpose*: Provides a measure of the Company's financial leverage.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

- 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 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 2023 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 management.
  - *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*: 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, Dealer Services P&C sales, Group Savings and Retirement sales of accumulation contracts and insured annuities, US Operations Dealer Services sales, iA Auto & Home sales and Dealer Services Creditor 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. Individual Wealth Management total sales (or gross sales) for general fund and segregated fund products correspond to the net premiums. Sales for mutual funds are defined as deposits and include primary market sales of ETFs. Individual Wealth Management net sales for segregated funds and mutual funds correspond to net entries (gross mutual fund sales less withdrawals and transfers). Group Insurance Employee Plans sales are defined as first-year annualized premiums, including premium equivalents (administrative services only).
    b. US Operations Individual Insurance sales are defined as first-year annualized premiums.
    c. Group Insurance Special Markets sales are defined as premiums before reinsurance.
    d. Dealer Services P&C sales are defined as direct written premiums (before reinsurance and cancellations).
    e. Group Savings and Retirement sales of accumulation contracts and insured annuities include gross premiums (before reinsurance) and premium equivalents, or deposits.
    f. US Operations Dealer Services sales are defined as direct written premiums (before reinsurance) and premium equivalents.
    g. iA Auto & Home sales are defined as direct written premiums.
    h. Dealer Services Creditor Insurance sales are defined as premiums before insurance and cancellations.
  - *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.

- Net Premiums:
  - *Category under Regulation 52-112*: Supplementary financial measures
  - *Definition*:
    a. Individual Insurance net premiums, Group Insurance Employee Plans net premiums and US Operations Individual Insurance net premiums are defined as premiums reduced by premiums ceded to reinsurers and include both fund entries on new business written during the period and on in-force contracts.
    b. Dealer Services P&C net premiums, US Operations Dealer Services net premiums and iA Auto & Home net premiums are defined as direct written premiums less amounts ceded to a reinsurer.
    c. Group Insurance Special Markets net premiums and Dealer Services Creditor Insurance net premiums refer to gross premiums less amounts ceded to a reinsurer.
    d. Group Savings and Retirement net premiums refer to net premium after reinsurance and exclude premium equivalents.
  - *Purpose*: Premiums are one of many measures used to assess the Company's ability to generate income from in-force and new business.
  - *Reconciliation*: There is no directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates.

RECONCILIATION OF SELECT NON-IFRS FINANCIAL MEASURES

Net investment result

	Second quarter			Year-to-date at June 30		
(in millions of dollars, unless otherwise indicated)	**2023**	**2022**	**Variation**	**2023**	**2022**	**Variation**
Net investment result – IFRS Income Statements	138	19	119	416	(106)	522
Investment income of wealth distribution affiliates *Income statements: Net investment result* *DOE: Non-insurance activities*	(19)	(7)	(12)	(38)	(20)	(18)
Investment expenses *Income statements: Other operating expenses* *DOE: Net investment result*	(9)	(8)	(1)	(23)	(18)	(5)
Other revenues and other operating expenses of iA Auto Finance *Income statements: Other revenues and other operating expenses* *DOE: Net investment result*	(19)	(17)	(2)	(37)	(22)	(15)
Net investment result – non-IFRS Drivers of Earnings (DOE)	**91**	**(13)**	**104**	**318**	**(166)**	**484**

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.

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, operational and regulatory risks, such as: general business and economic conditions; level of inflation; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; actions by regulatory authorities that may affect the business or operations of iA Financial Group or its business partners; risks associated with the regional or global 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, social and governance 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 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 estimates, assumptions and judgments under applicable accounting policies, and no material change in accounting standards and policies applicable to the Company; no material variation in interest rates; no significant changes to the Company's effective tax rate; no material changes in the level of the Company's regulatory capital requirements; availability of options for deployment of excess capital; credit experience, mortality, morbidity, longevity and policyholder behaviour being in line with actuarial experience studies; investment returns being in line with the Company's expectations and consistent with historical trends; different business growth rates per business unit; no unexpected changes in the economic, competitive, insurance, legal or regulatory environment or actions by regulatory authorities that could have a material impact on the business or operations of iA Financial Group or its business partners; no unexpected change in the number of shares outstanding; and the non-materialization of risks or other factors mentioned or discussed elsewhere in this document or found in the "Risk Management" section of the Company's Management's Discussion and Analysis for 2022 and the "Risk Management – Update" section of the Management's Discussion and Analysis for the periods ended March 31 and June 30, 2023 that could influence the Company's performance or results.

Economic and financial instability in a context of geopolitical tensions – Unfavourable economic conditions and financial instability are causing some concern. Central banks have hiked interest rates to combat last year's high inflation. The war in Ukraine and tension in China are also causing instability in global markets. These events could result in significant financial volatility and test the Company's ability to anticipate and mitigate headwinds in its markets and negatively affect the Company's financial outlook, results and operations.

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 2022, the "Management of Risks Associated with Financial Instruments" note to the audited consolidated financial statements for the year ended December 31, 2022, the "Risk Management – Update" section of the Management's Discussion and Analysis for the periods ended March 31 and June 30, 2023 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 and iA Insurance's financial results are available on the iA Financial Group website at ia.ca under *About iA,* in the *Investor Relations/Financial Reports* section. More information about the companies can also be found on the SEDAR website at sedar.com, as well as in the Annual Information Form for iA Financial Corporation and for iA Insurance, which can also be found on the iA Financial Group website or the SEDAR website.

CONFERENCE CALL

Management will hold a conference call to present iA Financial Group's second quarter results on Friday, August 4, 2023 at 8:00 a.m. (ET). The dial-in number is 416-981-9030 or 1-800-908-8370 (toll-free within North America). A replay of the conference call will be available for a one-week period, starting at 10:30 a.m. on Friday, August 4, 2023. To access the conference call replay, dial 1-800-558-5253 (toll-free) and enter access code 22027246. A webcast of the conference call (listen-only mode) will also be available on the iA Financial Group website at ia.ca.

ABOUT iA FINANCIAL GROUP

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

L. Consolidated Income Statements

	Quarters ended June 30		Six months ended June 30	
(unaudited, in millions of Canadian dollars, unless otherwise indicated)	**2023**	2022[1]	**2023**	2022[1]
Insurance service result				
Insurance revenue	**$ 1,376**	$ 1,250	**$ 2,735**	$2,480
Insurance service expenses	**(1,143)**	(938)	**(2,262)**	(1,895)
Net expenses from reinsurance contracts	**5**	(98)	**(29)**	(186)
	238	214	**444**	399
Net investment result				
Net investment income				
Interest and other investment income	**512**	415	**945**	832
Change in fair value of investments	**123**	(4,410)	**1,197**	(9,552)
	635	(3,995)	**2,142**	(8,720)
Finance income (expenses) from insurance contracts	**(498)**	4,020	**(1,744)**	8,634
Finance income (expenses) from reinsurance contracts	**39**	(6)	**85**	(22)
(Increase) decrease in investment contract liabilities and interest on deposits	**(38)**	—	**(67)**	2
	138	19	**416**	(106)
Investment income (expenses) from segregated funds net assets	**830**	(3,617)	**2,505**	(5,379)
Finance income (expenses) related to segregated funds liabilities	**(830)**	3,617	**(2,505)**	5,379
	—	—	**—**	—
	138	19	**416**	(106)
Other revenues	**378**	397	**747**	791
Other operating expenses	**(495)**	(445)	**(976)**	(922)
Other financing charges	**(14)**	(14)	**(32)**	(26)
Income before income taxes	**245**	171	**599**	136
Income tax (expense) recovery	**(41)**	(14)	**(122)**	2
Net income	**204**	157	**477**	138
Dividends on preferred shares issued by a subsidiary and distributions on other equity instruments	**(8)**	(5)	**(11)**	(11)
Net income attributed to common shareholders	**$ 196**	$ 152	**$ 466**	$ 127

Earnings per common share (in dollars)				
Basic[1]	**$ 1.90**	$ 1.41	**$4.49**	$1.18
Diluted[1]	**1.89**	1.41	**4.48**	1.17
Weighted average number of shares outstanding (in millions of units)				
Basic	**103**	107	**104**	107
Diluted	**103**	108	**104**	108
Dividends per common share (in dollars)	**0.77**	0.63	**1.44**	1.25

M. Consolidated Statements of Financial Position

(unaudited, in millions of Canadian dollars, unless otherwise indicated)	As at June 30 2023	As at December 31 2022[1]	As at January 1 2022[1]
Assets			
Investments			
Cash and short-term investments	**$ 1,973**	$ 1,358	$ 1,546
Bonds	**28,549**	26,833	33,157
Stocks	**3,884**	4,028	3,877
Loans	**3,695**	3,679	3,840
Derivative financial instruments	**1,265**	990	917
Other invested assets	**544**	563	557
Investment properties	**1,750**	1,804	1,870
	41,660	39,255	45,764
Other assets	**2,886**	2,716	2,812
Insurance contract assets	**195**	215	123
Reinsurance contract assets	**2,216**	2,048	1,890
Fixed assets	**323**	337	369
Deferred income tax assets	**113**	112	111
Intangible assets	**1,831**	1,784	1,708
Goodwill	**1,323**	1,318	1,267
General fund assets	**50,547**	47,785	54,044
Segregated funds net assets	**40,016**	37,334	39,577
Total assets	**$ 90,563**	$ 85,119	$ 93,621
Liabilities			
Insurance contract liabilities	**$ 31,837**	$ 29,685	$ 37,072
Reinsurance contract liabilities	**169**	233	129
Investment contract liabilities and deposits	**5,119**	4,350	4,150
Derivative financial instruments	**832**	1,465	497
Other liabilities	**3,277**	3,063	3,013
Deferred income tax liabilities	**331**	362	526
Debentures	**1,898**	1,500	1,450
General fund liabilities	**43,463**	40,658	46,837
Insurance contract liabilities related to segregated funds	**28,852**	26,901	28,692
Investment contract liabilities related to segregated funds	**11,164**	10,433	10,885
Total liabilities	**$ 83,479**	$ 77,992	$ 86,414
Equity			
Share capital and contributed surplus	**$ 1,665**	$ 1,692	$ 1,723
Preferred shares issued by a subsidiary and other equity instruments	**375**	525	525
Retained earnings and accumulated other comprehensive income	**5,044**	4,910	4,959
	7,084	7,127	7,207
Total liabilities and equity	**$ 90,563**	$ 85,119	$ 93,621

N. Segmented Information

Until December 31, 2022, the Company's operating segments reported were Individual Insurance, Individual Wealth Management, Group Insurance, Group Savings and Retirement, US Operations and Other. As at January 1, 2023, the Company revised its segmented information to reflect the evolution of its organizational structure for decision making. Comparative figures have been adjusted to reflect these changes along with the effects of the adoption of IFRS 17 and IFRS 9 on January 1, 2022. Business units are grouped into reportable operating segments based on their similar economic characteristics.

The Company offers its products and services to retail customers, businesses and groups and primarily operates in Canada and in the United States. The Company's reportable operating segments are described below, according to their main products and services or to other similar characteristics:

Insurance, Canada – Life and health insurance products, auto and home insurance products, creditor insurance, replacement insurance and warranties, extended warranties and other ancillary products for dealer services, and specialized products for special markets.

Wealth Management – Products and services for savings plans, retirement funds and segregated funds, in addition to securities brokerage (including cross-border services), trust operations and mutual funds.

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

Investment – Investment and financing activities of the Company, except the investment activities of wealth distribution affiliates.

Corporate – All expenses that are not allocated to other operating segments, such as expenses for certain corporate functions.

Consolidation adjustments – Inter-segment transactions as well as some adjustments related to consolidation.

The Company makes judgments and uses assumptions and methodologies to allocate operating expenses that are not directly attributable to an operating segment.

In connection with the Company's Total Portfolio Management, most of the Company's investments are allocated to the *Investment* segment. When assessing segmented performance, management allocates *Finance income (expenses) from insurance contracts*, *Finance income (expenses) from reinsurance contracts* and *(Increase) decrease in investment contract liabilities and interest on deposits* to this operating segment.

Inter-segment transactions consist primarily of activities carried out in the normal course of business for those operating segments and are subject to normal market conditions.

Asset and liability balances for insurance contracts and reinsurance contracts are presented by segment in Note 12 "Insurance Contracts and Reinsurance Contracts" under section A) a) "Carrying Amount of Portfolios of Insurance Contracts and Reinsurance Contracts".

Segmented Results

	Quarter ended June 30, 2023						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	$860	$223	$293	$—	$—	$—	$1,376
Insurance service expenses and net expenses from reinsurance contracts	(731)	(154)	(253)	—	—	—	(1,138)
	129	69	40	—	—	—	238
Net investment result							
Net investment income	—	27	—	608	—	—	635
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(7)	—	(490)	—	—	(497)
	—	20	—	118	—	—	138
Other revenues	51	298	43	7	—	(21)	378
Other expenses	(68)	(289)	(57)	(46)	(70)	21	(509)
Income before income taxes	112	98	26	79	(70)	—	245
Income tax (expense) recovery	(29)	(28)	(6)	4	18	—	(41)
Net income	83	70	20	83	(52)	—	204
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(8)	—	—	(8)
Net income attributed to common shareholders	$83	$70	$20	$75	($52)	$—	$196

	Quarter ended June 30, 2022[1]						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	$761	$200	$289	$—	$—	$—	$1,250
Insurance service expenses and net expenses from reinsurance contracts	(639)	(141)	(256)	—	—	—	(1,036)
	122	59	33	—	—	—	214
Net investment result							
Net investment income	—	7	—	(4,002)	—	—	(3,995)
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(1)	—	4,015	—	—	4,014
	—	6	—	13	—	—	19
Other revenues	50	298	65	8	—	(24)	397
Other expenses	(54)	(282)	(59)	(48)	(40)	24	(459)
Income before income taxes	118	81	39	(27)	(40)	—	171
Income tax (expense) recovery	(31)	(21)	(9)	34	13	—	(14)
Net income	87	60	30	7	(27)	—	157
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(5)	—	—	(5)
Net income attributed to common shareholders	$87	$60	$30	$2	($27)	$—	$152

[1] Presentation and figures have been adjusted to reflect changes in reportable operating segments and the effect of the adoption of IFRS 17 and IFRS 9 on January 1, 2022.

	Six months ended June 30, 2023						
(in millions of dollars)	**Insurance, Canada**	**Wealth Management**	**US Operations**	**Investment**	**Corporate**	**Consolidation adjustments**	**Total**
Insurance service result							
Insurance revenue	**$1,703**	**$442**	**$590**	**$—**	**$—**	**$—**	**$2,735**
Insurance service expenses and net expenses from reinsurance contracts	**(1,466)**	**(311)**	**(514)**	**—**	**—**	**—**	**(2,291)**
	237	**131**	**76**	**—**	**—**	**—**	**444**
Net investment result							
Net investment income	**—**	**54**	**—**	**2,088**	**—**	**—**	**2,142**
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	**—**	**(15)**	**—**	**(1,711)**	**—**	**—**	**(1,726)**
	—	**39**	**—**	**377**	**—**	**—**	**416**
Other revenues	**99**	**592**	**85**	**14**	**—**	**(43)**	**747**
Other expenses	**(129)**	**(575)**	**(119)**	**(96)**	**(132)**	**43**	**(1,008)**
Income before income taxes	**207**	**187**	**42**	**295**	**(132)**	**—**	**599**
Income tax (expense) recovery	**(55)**	**(57)**	**(12)**	**(31)**	**33**	**—**	**(122)**
Net income	**152**	**130**	**30**	**264**	**(99)**	**—**	**477**
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	**—**	**—**	**—**	**(11)**	**—**	**—**	**(11)**
Net income attributed to common shareholders	**$152**	**$130**	**$30**	**$253**	**($99)**	**$—**	**$466**

	Six months ended June 30, 2022[1]						
(in millions of dollars)	Insurance, Canada	Wealth Management	US Operations	Investment	Corporate	Consolidation adjustments	Total
Insurance service result							
Insurance revenue	$1,514	$398	$568	$—	$—	$—	$2,480
Insurance service expenses and net expenses from reinsurance contracts	(1,297)	(280)	(504)	—	—	—	(2,081)
	217	118	64	—	—	—	399
Net investment result							
Net investment income	—	13	—	(8,733)	—	—	(8,720)
Finance income (expenses) from insurance and reinsurance contracts and change in investment contracts and interest on deposits	—	(1)	—	8,615	—	—	8,614
	—	12	—	(118)	—	—	(106)
Other revenues	91	615	116	16	—	(47)	791
Other expenses	(117)	(592)	(113)	(91)	(82)	47	(948)
Income before income taxes	191	153	67	(193)	(82)	—	136
Income tax (expense) recovery	(50)	(40)	(10)	79	23	—	2
Net income	141	113	57	(114)	(59)	—	138
Dividends on preferred shares issued by a subsidiary and distribution on other equity instruments	—	—	—	(11)	—	—	(11)
Net income attributed to common shareholders	$141	$113	$57	($125)	($59)	$—	$127

[1] Presentation and figures have been adjusted to reflect changes in reportable operating segments and the effect of the adoption of IFRS 17 and IFRS 9 on January 1, 2022.