

2021 ANNUAL REPORT

WITH YOU

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).

iA Financial Group serves over four million clients and employs more than 8,200 people.

Our Purpose

For our clients to be confident and secure about their future.

Our Mission

To ensure the financial wellbeing of our clients by offering them personal insurance coverage and investment solutions to help them achieve their personal goals.

Our Values

- Teamwork
- High-performance environment
- Continuous improvement
- Respect for individuals and distributors
- Service oriented

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FINANCIAL PERFORMANCE

EPS¹

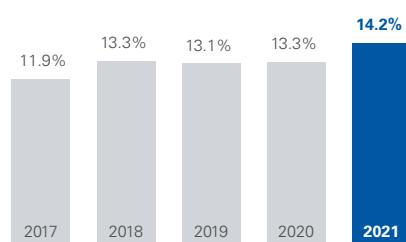
Core earnings per common share (diluted)

+14%/year⁴



ROE¹

Core¹ return on common shareholders' equity (trailing 12 months)

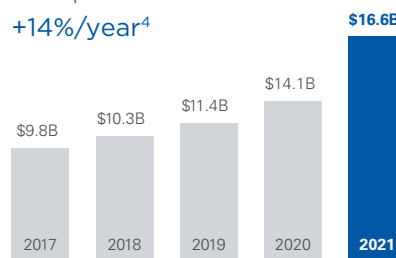


BUSINESS GROWTH

Premiums and deposits¹

Net premiums, premium equivalents and deposits

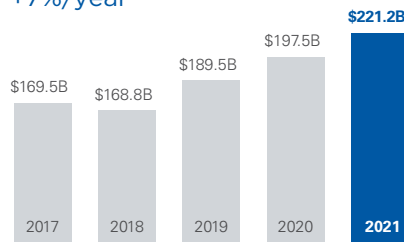
+14%/year⁴



AUM/AUA^{1, 2}

Assets under management and administration

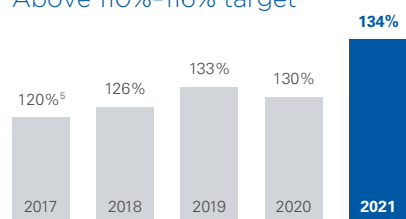
+7%/year⁴



FINANCIAL STRENGTH

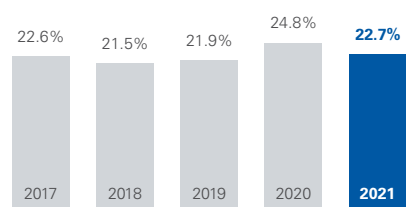
Solvency ratio^{1, 2}

Above 110%–116% target



Debt ratio^{1, 2}

Debentures and preferred shares/capital structure

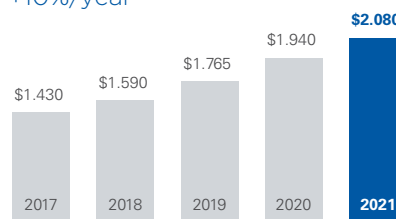


VALUE CREATION

Dividend

Dividend paid per common share

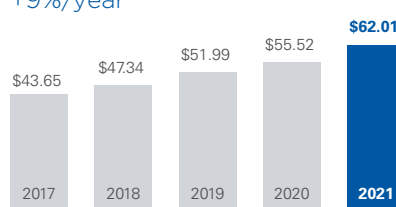
+10%/year⁴



Book value^{2, 3}

Per common share

+9%/year⁴



¹ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

² As at December 31.

³ 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.

⁴ Four-year compound annual growth rate.

⁵ As at January 1, 2018.

BUILDING FOR THE LONG TERM

Our strategic plan for the coming years is based on four strategic axes: growth, client experience, employee experience and operating efficiency. Each of these strategic axes has its own ambition. ESG is another essential component of our development, referring to environmental, social and governance considerations. This area is discussed further on pages 4 and 5.

STRATEGIC AXES

Growth

To be a North American financial institution operating in sectors deemed strategically important where we can be the leader in the mass/mid markets

Client experience

To be the company that best meets client expectations, in partnership with our distributors

Employee experience

To be an employer of choice that offers a rewarding career

Operating efficiency

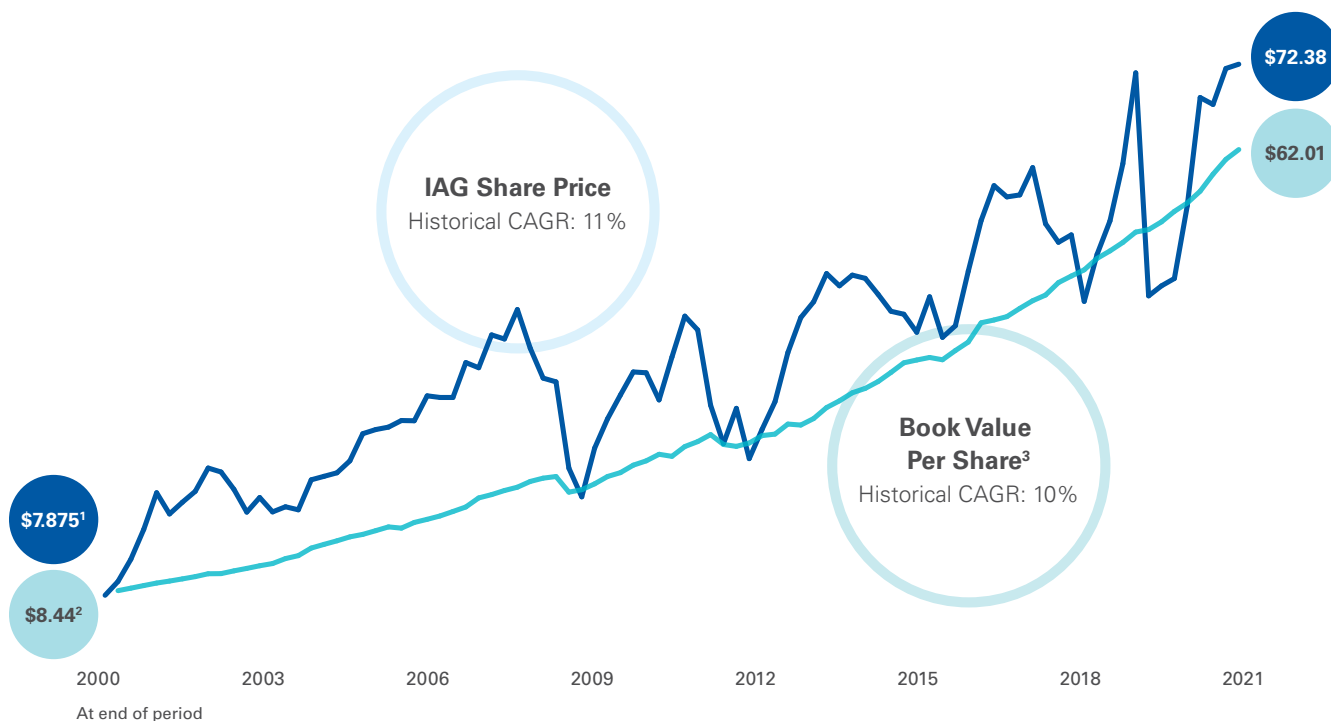
To optimize our operations through technology, processes and skills development

ESG

To contribute to sustainable growth and wellbeing for our clients, employees, partners, investors and communities

STRONG VALUE CREATION FOR SHAREHOLDERS

The increase in the Company's common share price and book value per share³ since early 2000 reflects both the stability and the strength of our business model. In 2021, the common share price and the book value per share³ rose **31%** and **12%**, respectively.



¹ As at February 3, 2000, when iA became a public company, taking into account the 2/1 split on May 16, 2005.

² As at March 31, 2000; first disclosed book value as a public company.

³ 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.

MAIN GROWTH DRIVERS

OUR KEY ACTIONS FOR SUCCESS

Sales

- Remain at the leading edge of digital tools
- Leverage full range of products to meet clients' needs
- Build on our extensive relationships with distributors
- Optimize synergies between business units

Earnings

- Maintain pricing discipline
- Continue growing sales and revenues faster than expenses
- Digital and Lean initiatives for more operational efficiencies
- Accelerate U.S. growth in our distinctive markets

GUIDING TO SOLID GROWTH

2021 was one of the best years in the Company's history, with record business growth in multiple business units, a sustained ability to generate earnings and continued financial strength. Building on this momentum, the Company looks to the future with confidence and remains focused on executing its strategy.

OUR MAIN FINANCIAL OBJECTIVES

Grow core earnings per common share⁴ by at least **10%** on average per year. In 2021, it grew **17%** to a record amount of **\$8.31**.

Generate core return on common shareholders' equity⁴ of **13%** to **15%**. In 2021, it was **14.2%**.

⁴This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

SUSTAINABLE DEVELOPMENT

Our eight guidelines

The iA Financial Group *Sustainable Development Policy* sets out the eight following guidelines:

1. Ensure the financial wellbeing of our clients
2. Effectively manage risks
3. Follow high standards of governance
4. Actively contribute to our communities
5. Manage environmental impact
6. Create a rewarding work environment centred around diversity and inclusion
7. Practice responsible sourcing
8. Incorporate ESG factors in our investment processes



United Nations goals

Our sustainability ambition is to be a company that contributes to sustainable growth and wellbeing for its clients, employees, partners, investors and communities. To achieve this, we actively focus on five of the 17 sustainable development goals (SDGs) defined by the United Nations:

1. Good health and wellbeing
2. Decent work and economic growth
3. Reduced inequalities within and among countries
4. Sustainable cities and communities
5. Climate action

Contribution to sustainable finance

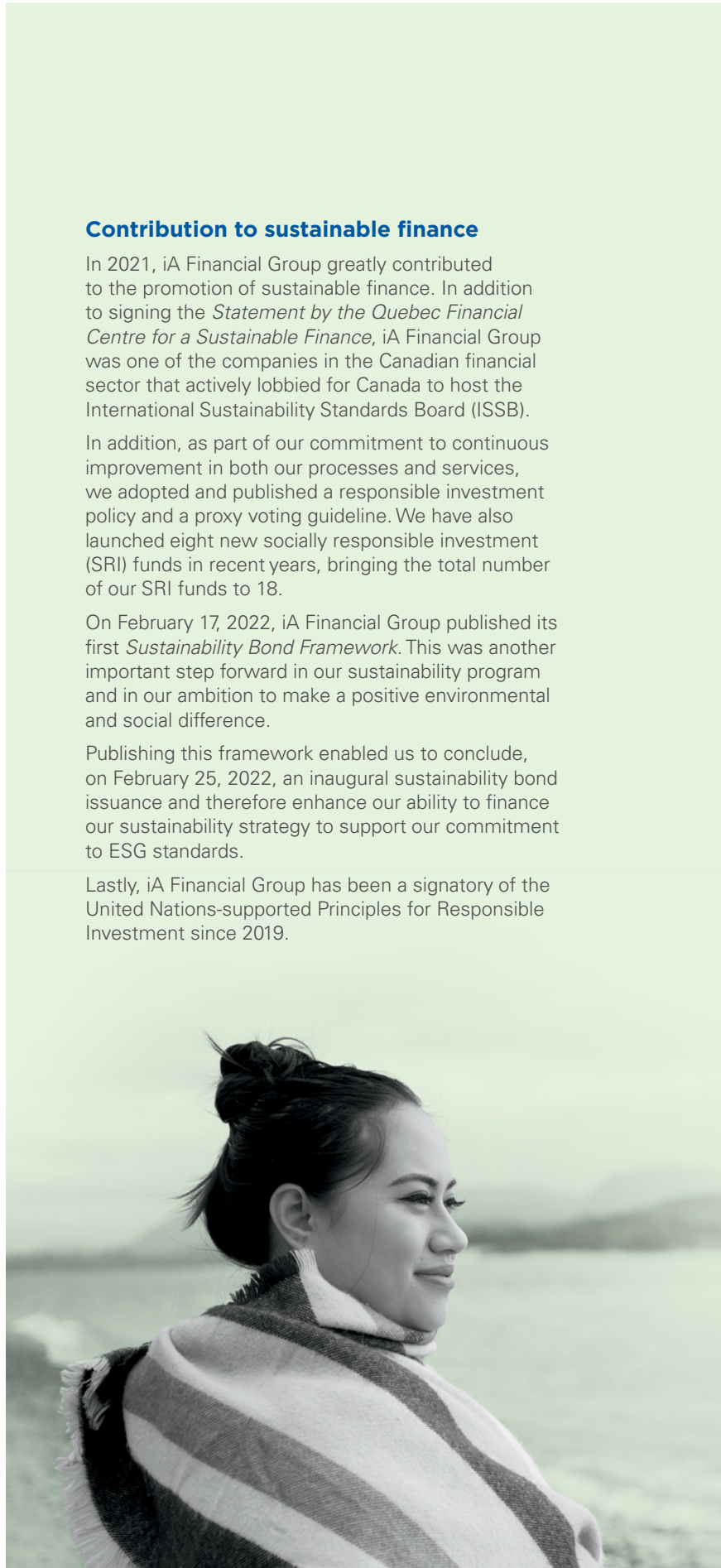
In 2021, iA Financial Group greatly contributed to the promotion of sustainable finance. In addition to signing the *Statement by the Quebec Financial Centre for a Sustainable Finance*, iA Financial Group was one of the companies in the Canadian financial sector that actively lobbied for Canada to host the International Sustainability Standards Board (ISSB).

In addition, as part of our commitment to continuous improvement in both our processes and services, we adopted and published a responsible investment policy and a proxy voting guideline. We have also launched eight new socially responsible investment (SRI) funds in recent years, bringing the total number of our SRI funds to 18.

On February 17, 2022, iA Financial Group published its first *Sustainability Bond Framework*. This was another important step forward in our sustainability program and in our ambition to make a positive environmental and social difference.

Publishing this framework enabled us to conclude, on February 25, 2022, an inaugural sustainability bond issuance and therefore enhance our ability to finance our sustainability strategy to support our commitment to ESG standards.

Lastly, iA Financial Group has been a signatory of the United Nations-supported Principles for Responsible Investment since 2019.



Climate action

Throughout 2021, iA Financial Group worked on developing a strategy to actively support the fight against climate change.

We are proud to have released our *Climate Change Position Statement* in which we have committed to becoming a leader on climate change in North America.

As a long-term investor and insurance provider, our approach is guided by five key pillars:

- Reduce greenhouse gas emissions in our operations and our investment portfolio
- Strive to fully integrate climate-related considerations into our investment process
- Strengthen climate-related disclosure in alignment with the recommendations of the Taskforce on Climate-related Financial Disclosures and facilitate related disclosure from all portfolio companies
- Build resilience to the physical impacts of climate change across our insurance business
- Contribute to advancing understanding of the impacts of climate change on the insurance industry

To support our approach, we set up a climate change task force to implement the Towards a Carbon-Free Future project. The aim of this project is to establish a long-term decarbonization strategy, which means reducing greenhouse gas emissions from our operations and offsetting all remaining emissions.

iA Financial Group has been carbon neutral since 2020 and has set a target of reducing greenhouse gas (GHG) emissions by 20% per employee by 2025.

Diversity and inclusion

Numerous awareness and education activities took place throughout 2021, both for employees and managers. These activities allowed us to:

- Increase our employees' awareness of the importance of diversity and inclusion
- Implement training throughout iA Financial Group on unconscious bias and how to break or eliminate this bias

A large majority of iA Financial Group employees completed this diversity and inclusion training in 2021.

We are actively working to create a diverse and inclusive environment for all. In this regard, iA Financial Group has published a *Human Rights Statement* to ensure respect for this fundamental right.

Sustainability report

For all of our initiatives and achievements, refer to our *Sustainability Report* available at ia.ca, under *About iA*, in the *Sustainable development* section.



MESSAGE FROM THE CHAIR OF THE BOARD



Jacques Martin, B.Com., LL.B., MBA, IDP-C
Chair of the Board

iA Financial Group performed extremely well in 2021, meeting investors' high expectations with outstanding financial results and fulfilling its role as a responsible corporate citizen.

Without a doubt, 2021 was one of the best years in the Company's history. Business growth reached record levels in several business units. Core earnings per share (EPS) and core return on equity (ROE) both ended the year above the Company's target range.

In short, iA Financial Group closed the year on a strong note in terms of both business growth and profitability. I invite you to read the message from the President and CEO in the pages that follow for comments on the Company's performance and main achievements.

Without a doubt,
2021 was one
of the best years
in the Company's
history.

Robust areas of development

I personally want to point out that 2021 was a significant turning point in the Company's development with the launch of a major transformation program. Its objective is clear: to further increase the organization's efficiency on several levels. This innovative program is structured around certain strategic components: the client and employee experience and a solid digital strategy.

In terms of the client experience, iA Financial Group holds itself to high standards regarding the fair treatment of clients. It adheres to best practices in this regard and has a fair treatment of clients policy.

On the employee experience side, the Company considers its employees to be its main driver of success. As a result, its human resources management philosophy is focused on flexibility and openness in order to offer a unique employee experience in line with the Company's values.

In terms of sustainability, iA Financial Group was extremely active on a number of fronts in 2021, including sustainable finance, the fight against climate change and diversity and inclusion.

For example, the Company demonstrated its commitment to environmental, social and governance (ESG) factors by adopting and publishing a number of policies in 2021 on responsible investment, proxy voting, workplace violence prevention and human rights.

The Company is proud to have integrated the recommendations of the Taskforce on Climate-related Financial Disclosures. Along with this work, all employees and managers received training on limiting unconscious bias and being inclusive to all.

At the beginning of 2022, the Company published a sustainability bond framework and a positioning statement on climate change.

About the Board

In 2021, one director—Louis Têtu—informed us of his decision not to seek another term. I want to sincerely thank Mr. Têtu for his active and significant contribution to the Board's work since he arrived in May 2016. Mr. Têtu is a talented entrepreneur and visionary who encouraged all of us to think outside the box. Thank you so much, Louis.

Fifteen director nominees will be proposed for election by shareholders and participating policyholders at the annual meeting to be held on Thursday, May 12, 2022. Two of them are new nominees: Ouma Sananikone and Rebecca Schechter. A third new nominee will also be proposed for election to the Board: Ludwig W. Willisch, who has sat on the Board since July 2021.

Ouma Sananikone is a corporate director with extensive experience in finance, particularly investment management and management of environmental, social and governance (ESG) criteria, covering all asset classes. She was CEO of Aberdeen Asset Management (Australia), CEO of the EquitiLink Group (Australia, New Zealand, USA, Canada and UK) as well as Founding Managing Director of BNP Investment Management (Australia).

Ms. Sananikone is a member of the board of directors of Innergex Renewable Energy and Ivanhoé Cambridge, among others, and served on the board of the Caisse de dépôt et placement du Québec for 10 years.

Rebecca Schechter is the CEO of Optum Behavioral Health, a leader in the information and technology-enabled health services business. She has a proven track record in profitably growing and transforming businesses across group benefits, retirement, financial technology and health care.

Prior to Optum, Ms. Schechter served as executive vice president, Commercial Insurance and president of Liberty Mutual Benefits, where she led a division focused on group insurance, individual life insurance, annuities and employee benefits. Before joining Liberty Mutual, she worked for State Street Corporation as senior vice president, Asset Servicing for corporations, nonprofits and mid-market employers.

Ludwig Willisch is an accomplished senior executive and corporate director with 40 years of success spanning automotive, finance and economics. Mr. Willisch has spent over 20 years holding positions of increasing responsibility with BMW, including Head of BMW Japan, Head of Sales Region Europe of BMW Group, President and CEO of BMW of North America LLC, and Head of BMW Group Region Americas.

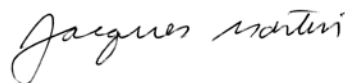
Mr. Willisch is currently a non-executive member of the board of HYDAC Corp. in Bethlehem, Pennsylvania. He is a member of the Automotive Advisory Board of Roehling SE in Mannheim, Germany. Furthermore, he is on the board of the American Council on Germany in New York. He is also a business advisor to the consulting company Accenture.

As of December 31, 2021, the percentage of women serving on the Board was 36% (38% for independent directors). If all the director nominees presented are elected, the percentage of women who will serve on the Board in 2022 will be 47% (50% for independent directors).

The Board of Directors met ten times in 2021, and the Board's various committees held a total of 22 meetings. The participation rate in Board meetings was 99%, and 100% in Board committee meetings.

Because of the pandemic, our annual meeting in May 2022, like the two previous years, will be held virtually. Rest assured that every measure has been planned to preserve shareholders' voting and interaction rights during the event.

On behalf of the Board, I would like to thank all of the Company's clients, shareholders and policyholders for their trust and support. I would also like to congratulate and thank the executive team and all employees of iA Financial Group who, through their conviction and profound sense of commitment, once again did an outstanding job.



Jacques Martin
Chair of the Board

PRESIDENT AND CHIEF EXECUTIVE OFFICER'S REPORT



Denis Ricard, B.Sc., FSA, FCIA
President and Chief Executive Officer

With you

The theme of this year's annual report is both simple and inclusive, and it illustrates our strong commitment to supporting each of our stakeholders through concrete actions and initiatives.

We have created value for our shareholders. We have improved our product and service offering and adapted it to our clients' needs. We have enhanced our digital offering for our distributors. We have made a significant contribution to communities, taken concrete sustainability actions and supported our employees in various ways in the unique context of the pandemic.

We have continued to allow the vast majority of our employees throughout North America to work remotely. We have also ensured that our offices are safe for employees who need to work onsite for business continuity purposes.

In the past year, iA Financial Group has donated more than \$7.5 million to various social and community organizations or organizations working in the health, education and environmental sectors. We also responded to the invitation by the Quebec Government to participate in the COVID-19 vaccination effort by setting up and managing a vaccination centre in cooperation with other Quebec City employers.

A major transformation program

The pandemic has led to disruptions in many areas and the financial industry is no exception. The challenges we've faced and that we will continue to face are both numerous and varied. But they are also opportunities, and we fully intend to seize those opportunities.

In 2021, we launched a major corporate transformation program, which led to the creation of a chief transformation officer role on the executive committee. Through simplification and optimization in execution, this transformation will enable us to increase our efficiency, refocus our priorities, enhance the work environment we offer our employees and the support we offer our distributors, and truly put our clients first.

It's a multi-faceted program aimed at ensuring the continuous evolution of our digital strategy, maximizing operational efficiency, continually developing talent and enhancing our 360 client view.

This dynamic approach is part of the Company's evolution in the strategic areas of client and employee experience and information technology.

An evolving employee experience

The development of the post-COVID employee experience is a priority for iA Financial Group. In 2021, we went public with our vision for the future of post-pandemic work.

The Company's approach will be based on a hybrid and flexible model that combines both remote work and work from the office. This flexible approach is designed to give the majority of our employees the ability to choose where to work on a daily basis to be most effective.

Despite the pandemic, our employees have consistently demonstrated performance, commitment and agility. They have been able to take full advantage of the benefits of remote working. This is why we are moving enthusiastically and confidently towards a hybrid model with undeniable efficiency. We are confident that this new way of working will be a driving force in supporting our continued long-term growth, benefitting all of our stakeholders.

Enhancing the client experience through IT

One of our key success factors in 2021 was the superior client experience provided by our employees and advisors.

iA Financial Group holds itself to high standards regarding the fair treatment of clients and adheres to best practices in this regard. Our digital strategy and our major IT projects in several business units are the cornerstones of an enhanced experience for our clients.

After selecting our partner of choice for our new client relationship management system in July 2021, we worked with stakeholders from all our business units to define a vision and some common goals that are both dynamic and ambitious.

Very solid financial results

With record business growth in several business units and core earnings per share (EPS) and core return on equity (ROE) both above the Company's target range, 2021 was undeniably one of the strongest years in iA Financial Group's history.

In light of these results and the Company's financial strength, we raised the core ROE target range to 13%-15% for 2022, one year earlier than we had announced at our most recent investor event.

In addition to higher than expected earnings and a solid capital position, sales momentum was quite strong throughout the year, particularly in Individual Insurance. According to the most recent industry data, one in four life insurance policies sold in Canada in 2021 was issued by iA Financial Group.

Business growth was excellent again in 2021, primarily due to four factors: the strength and diversification of our distribution networks, the excellent performance of our digital tools, our extensive product lineup and the synergies among our different business units.

Premiums and deposits totalled more than \$16.6 billion, increasing 18% from 2020. Assets under management and administration were up 12% to end the year at \$221.2 billion. Both are record highs for iA Financial Group.

Our solid results in 2021 enabled us to create value for our shareholders, as demonstrated by the 12% growth in book value and the substantial 29% increase in the quarterly dividend per share announced in November.

Our solvency ratio of 134% continues to be well above our 110%-116% target range. This favourable result is primarily due to the Company's capacity to generate capital organically and the positive impact of our risk management initiatives. This once again supports our purpose, which is to assure that our clients feel confident and secure about their future.

On the strength of this performance, we ended the year with a robust capital position, a flexible balance sheet and well-positioned actuarial reserves.

With regard to the transition to the new IFRS 17 and IFRS 9 accounting standards, we expect impacts ranging from near-neutral to favourable for a number of key financial measures, including book value, core EPS and core ROE. However, this outlook is preliminary as the following elements are not finalized or remain uncertain: the tax treatment of the contractual service margin (CSM) at transition, the changes that will be made to the formula for calculating the solvency ratio and the evolution of the macroeconomic environment until transition. We already manage our operations based on the new regime, and we will be transparent and proactive in our communications in this regard throughout 2022.

In this context, I am pleased to share our positive outlook with you and to express our confidence as we continue to prepare for the transition.

Major progress in sustainable development

In 2021, iA Financial Group continued to integrate environmental, social and governance (ESG) factors and rolled out several new sustainable finance initiatives. For example, we adopted and published our responsible investment policy.

We also set up a climate change task force to implement our Towards a Carbon-Free Future project. The goal of this project is to reduce greenhouse gas (GHG) emissions by defining a solid strategy for the future.

iA Financial Group has been carbon neutral since 2020, and we have set a target of reducing our GHG emissions by 20% per employee by 2025.

On February 17, 2022, we published our first *Sustainability Bond Framework*. This is another big step forward in our sustainability program and in our goal to have a positive impact on the environment and society as a whole.

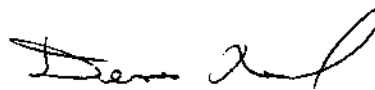
In addition, the vast majority of our employees received training on diversity and inclusion in 2021. We are actively working to create a diverse and inclusive environment for all. To that end, iA Financial Group published a *Human Rights Statement* to ensure respect for this fundamental right.

Lastly, the recommendations of the Taskforce on Climate-related Financial Disclosures were integrated in 2021 and will now be reflected in the Company's non-financial reporting.

Our diverse range of activities has enabled us to create synergies and complementarities, which has in turn created an environment that is extremely conducive to growth.

With everything we have achieved and put in place, and on the strength of our tried and true business model, iA Financial Group is exceptionally well positioned for growth and for long-term value creation for our shareholders and all our stakeholders.

We're solid and steadfast. And we're here with you.



Denis Ricard

President and Chief Executive Officer

EXECUTIVE COMMITTEE



Denis Ricard

B.Sc., FSA, FCIA

President and
Chief Executive Officer



Alain Bergeron

BBA, M.Sc., CFA, CMT

Executive Vice-President
and Chief Investment Officer



François Blais

B.Sc., FCIA, FCAS

Executive Vice-President,
Dealer Services and
Special Risks



Éric Jobin

B.Sc., FSA, FCIA

Executive Vice-President,
Group Benefits and
Retirement Solutions



Renée Laflamme

BBA, FCPA, FCA, CFA

Executive Vice-President,
Individual Insurance,
Savings and Retirement



Pierre Miron

B.A.Sc.

Executive Vice-President
and Chief Transformation Officer



Sean O'Brien

Business Diploma

Executive Vice-President,
Wealth Management



Jacques Potvin

B.Sc., FSA, FCIA

Executive Vice-President,
Chief Financial Officer
and Chief Actuary



Philippe Sarfati

B.Com., MBA

Executive Vice-President
and Chief Risk Officer



Lilia Sham

B.Sc., M.Sc., FSA, FCIA, MAAA

Executive Vice-President,
Corporate Strategy and
Development



Michael L. Stickney

B.Sc., FSA, MBA, MAAA

Executive Vice-President
and Chief Growth Officer

BOARD OF DIRECTORS



Jacques Martin

B.Com., LL.B.,
MBA, IDP-C

- Chair of the Board since 2018
- Board member since 2011
- Corporate Director



Mario Albert

BA, MA

- Board member since 2020
- Corporate Director



William F. Chinery

B.Math. (Hon), FCIA,
FSA, ICD.D

- Board member since 2021
- Corporate Director



Benoit Daignault

BBA, CFA

- Board member since 2019
- Corporate Director



Nicolas Darveau-Garneau

B.Math., MBA

- Board member since 2018
- Chief Growth and Strategy Officer at Coveo Solutions Inc., a leading applied artificial intelligence software company providing digital solutions for companies



Emma K. Griffin

BA (Oxon), MA (Oxon)

- Board member since 2016
- Corporate Director



Ginette Maillé

BBA, CPA, CA, ICD.D

- Board member since 2019
- Vice-President, Finance and Administration and Chief Financial Officer, Aéroports de Montréal



Monique Mercier

LL.B., M.Phil., Ad.E.

- Board member since 2019
- Corporate Director



Danielle G. Morin

B.Sc., ICD.D

- Board member since 2014
- Corporate Director



Marc Poulin

B.Sc., MBA

- Board member since 2018
- Corporate Director



Suzanne Rancourt

BBA, CPA, CGA, ICD.D

- Board member since 2021
- Corporate Director



Denis Ricard

B.Sc., FSA, FCIA

- Board member since 2018
- President and Chief Executive Officer of iA Financial Group
- Actuary



Louis Têtu

B.Eng.

- Board member since 2016
- Chairman and Chief Executive Officer of Coveo Solutions Inc., a leading applied artificial intelligence software company providing digital solutions for companies

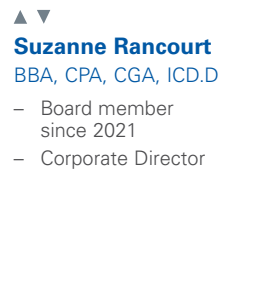


Ludwig W. Willisch

Dipl.-Volksw.

- Board member since 2021
- Corporate Director

- Investment Committee
- ▲ Audit Committee
- ▼ Risk Management, Governance and Ethics Committee
- ◆ Human Resources and Compensation Committee



Amélie Cantin

LL.B.

- Corporate Secretary



2021 MANAGEMENT'S DISCUSSION AND ANALYSIS

for the year ended
December 31, 2021, as
published on February 16, 2022

Notice

Legal Constitution and General Information

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

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

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

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

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

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

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

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

Non-IFRS and Additional Financial Measures

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

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

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

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

Non-IFRS measures published by iA Financial Corporation are:

- Return on common shareholders' equity (ROE):
 - *Category under Regulation 52-112:* Supplementary financial measure.
 - *Definition:* A ratio, expressed as a percentage, obtained by dividing the consolidated net income available to common shareholders by the average common shareholders' equity for the period.
 - *Purpose:* Provides a general measure of the Company's efficiency in using equity.
- Core earnings:
 - *Category under Regulation 52-112:* Non-IFRS financial measures that constitute historical information.
 - *Definition:* Removes from reported earnings (loss) the impacts of the following items that create volatility in the Company's results under IFRS, or that are not representative of its underlying operating performance:
 - a. market-related impacts that differ from management's best estimate assumptions, which include impacts of returns on equity markets and changes in interest rates related to (i) management fees collected on assets under management or administration (MERs), (ii) universal life policies, (iii) the level of assets backing long-term liabilities, and (iv) the dynamic hedging program for segregated fund guarantees;
 - b. assumption changes and management actions;
 - c. charges or proceeds related to acquisition or disposition of a business, including acquisition, integration and restructuring costs;
 - d. amortization of acquisition-related finite life intangible assets;
 - e. non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate; and
 - f. specified items which management believes are not representative of the performance of the Company, including (i) material legal settlements and provisions, (ii) unusual income tax gains and losses, (iii) material impairment charges related to goodwill and intangible assets, and (iv) other specified unusual gains and losses.
 - *Note:* This core earnings definition is applicable as of January 1, 2021. However, the core results for prior periods that are presented for comparison purposes have also been calculated according to this definition.
 - *Purpose:* Used to better understand the Company's capacity to generate sustainable earnings.
 - *Reconciliation:* "Net income attributed to common shareholders" is the most directly comparable IFRS measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core earnings per common share (core EPS):
 - *Category under Regulation 52-112:* Non-IFRS ratio.
 - *Definition:* Obtained by dividing the core earnings by the diluted weighted average number of common shares.
 - *Purpose:* Used to better understand the Company's capacity to generate sustainable earnings and is an additional indicator for evaluating the Company's financial performance.
 - *Reconciliation:* "Earnings per common share (EPS)" is the most directly comparable IFRS financial measure disclosed in the financial statements of the Company to which the measure relates, and a reconciliation with this measure is presented in this document.
- Core return on common shareholders' equity (core ROE):
 - *Category under Regulation 52-112:* Non-IFRS ratio.
 - *Definition:* A ratio, expressed as a percentage, obtained by dividing the consolidated core earnings by the average common shareholders' equity for the period.
 - *Purpose:* Provides a general measure of the Company's efficiency in using equity, based on core earnings, and an additional indicator for evaluating the Company's financial performance.
 - *Reconciliation:* There is no directly comparable IFRS financial measure that is disclosed in the financial statements of the Company to which the measure relates.

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

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

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

Forward-Looking Statements

- This document may contain statements relating to strategies used by iA Financial Group or statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “may”, “will”, “could”, “should”, “would”, “suspect”, “expect”, “anticipate”, “intend”, “plan”, “believe”, “estimate”, and “continue” (or the negative thereof), as well as words such as “objective”, “goal”, “guidance”, “outlook” and “forecast”, or other similar words or expressions. Such statements constitute forward-looking statements within the meaning of securities laws. In this document, forward-looking statements include, but are not limited to, information concerning possible or assumed future operating results. These statements are not historical facts; they represent only expectations, estimates and projections regarding future events and are subject to change, particularly in light of the ongoing and evolving COVID-19 pandemic, its effect on the global economy and its uncertain impact on our operations.
- Although iA Financial Group believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties, and undue reliance should not be placed on such statements. In addition, certain material factors or assumptions are applied in making forward-looking statements, and actual results may differ materially from those expressed or implied in such statements.
 - Material factors and risks that could cause actual results to differ materially from expectations include, but are not limited to: insurance, market, credit, liquidity, strategic and operational risks, such as: general business and economic conditions; level of competition and consolidation; changes in laws and regulations, including tax laws and changes made to capital and liquidity guidelines; risks associated with the political and social environment; risks related to climate change including the transition to a low-carbon economy and iA Financial Group’s ability to satisfy stakeholder expectations on environmental and social issues; data and cyber risks; risks related to human resources; hedging strategy risks; liquidity of iA Financial Group, including the availability of financing to meet existing financial commitments on their expected maturity dates when required; accuracy of information received from counterparties and the ability of counterparties to meet their obligations; the occurrence of natural or man-made disasters, international conflicts, pandemic diseases (such as the current COVID-19 pandemic) and acts of terrorism.
 - Material factors and assumptions used in the preparation of financial outlooks include, but are not limited to: accuracy of accounting policies and best estimate actuarial and economic assumptions used by the Company such as mortality, morbidity, longevity and policyholder behaviour; different business growth rates per business unit; no unexpected material changes in the economic, competitive, insurance, legal or regulatory environment; risks and conditions; and the Company’s recent performance and results, as discussed elsewhere in this document.
- Potential impacts of the COVID-19 pandemic – Since March 2020, the COVID-19 pandemic has had major, unprecedented implications for both society and the economy. The overall impact of the COVID-19 pandemic is still uncertain and depends on many factors, such as the progression of the virus, the emergence of new variants, the duration of the pandemic, potential treatments and therapies, the availability of vaccines, the effectiveness of government measures to slow the virus’s spread and the impact of those measures on the economy. As a result, we cannot accurately predict the total bearing the pandemic will have, but the impact on iA Financial Group’s business and financial results could be material. However, despite the short-term negative impacts of the pandemic on its results, iA Financial Group remains financially solid. In addition, iA Financial Group’s business continuity protocol has continued, ensuring that the quality of service clients receive is similar to or better than before the pandemic and enabling employees and advisors to continue to work safely and securely.
- Additional information about the material factors that could cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements may be found in the “Risk Management” section of this Management’s Discussion and Analysis for 2021, the “Management of Risks Associated with Financial Instruments” note to the audited consolidated financial statements for the year ended December 31, 2021, and elsewhere in iA Financial Group’s filings with the Canadian Securities Administrators, which are available for review at [sedar.com](https://www.sedar.com).
- The forward-looking statements in this document reflect iA Financial Group’s expectations as of the date of this document. iA Financial Group does not undertake to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, except as required by law.

Documents Related to the Financial Results

All documents related to iA Financial Corporation’s financial results are available on the iA Financial Group website at ia.ca, under *About iA*, in the *Investor Relations/Financial Reports* section. More information about the Company can be found on the SEDAR website at [sedar.com](https://www.sedar.com), as well as in the annual information forms for iA Financial Corporation and for iA Insurance, which can be found on the iA Financial Group website or the SEDAR website.

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

Highlights

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

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

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

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

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

Profitability

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

Business Growth

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

Profitability

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

Assets Under Management and Administration

As at December 31

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Assets under management ^a	111,476	101,656	10%
Assets under administration ^a	109,687	95,830	14%
Total	221,163	197,486	12%

Premiums and Deposits^{a,1}

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

Sales by Line of Business²

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

¹ Premiums and deposits include all premiums collected by the Company for its insurance and annuity activities (and posted to the Company's general fund), all amounts collected for segregated funds (which are also considered to be premiums), deposits from the Group Insurance and Group Savings and Retirement sectors and mutual fund deposits.

² Refer to the sections on the Company's different business lines for a definition of sales.

³ Includes creditor insurance, P&C products and car loan originations.

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

Financial Strength

The Company's financial strength continued to be robust throughout 2021, as confirmed by the following indicators. Total capital⁴ increased by 9% during the year to reach nearly \$8.7 billion at December 31, 2021. As of the same date, the solvency ratio⁵ was 134% compared to 130% a year earlier. The increase of four percentage points during the year is essentially due to very strong organic capital generation⁶. The Company's solvency ratio remained well above the 110% to 116% target range throughout 2021 and is expected to remain within or above the target range at all times in 2022. Once the debenture redemption of \$250 million announced on January 20, 2022 is completed, it will reduce the Company's solvency ratio by about three percentage points, for a pro forma ratio of 131% at December 31, 2021. As mentioned above, organic capital generation was very strong throughout the year, with the Company generating approximately \$450 million in additional capital in 2021, exceeding the \$275 million to \$325 million target range for the year. The very good organic capital generation is expected to continue into 2022⁴.

The coverage ratio⁵, which is calculated by dividing the earnings for the last twelve months (before taxes and financing expenses) by the financing expenses, finished the year at 16.1x compared to 11.7x a year earlier. The increase is essentially due to higher earnings as no financial activities, redemptions or issuances were completed in 2021. The debt ratio⁵ including debentures and preferred shares was 22.7% at December 31, 2021, a decrease from 24.8% at December 31, 2020 as the Company's total capital increased but no financial activities were completed in 2021. Lastly, following the lifting of regulatory restrictions on share buyback programs in November 2021, the Company reinstated its Normal Course Issuer Bid (NCIB) program in December 2021 (in effect from December 6, 2021 to December 5, 2022). During the fourth quarter, 112,500 common shares were redeemed and cancelled under this program.

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

Dividends

In 2021, the Company increased its quarterly dividend per common share by 29%. This was announced following the lifting of regulatory restrictions last November. Therefore, the quarterly dividend payable, which was previously \$0.4850, was increased in the fourth quarter to \$0.6250. As a result, the dividend paid in 2021 totalled \$2.0800 per common share, compared to \$1.9400 per common share in 2020, an increase of 7%. The dividend payout ratio⁵ was 27% for the year, which is within the target range guidance given at the beginning of 2021. Note that at the end of 2021, the Company announced that its dividend payout ratio target range would be set to 25% to 35% of core earnings⁵. This target was previously based on reported earnings. Lastly, the Board of Directors approved a quarterly dividend of \$0.6250 per share, the same as in the fourth quarter of 2021, on the outstanding common shares of iA Financial Corporation.

Quality of Investments

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

Financial Strength		
(As as December 31)	2021	2020
Solvency ratio ⁵	134%	130%
Debt ratio ⁵	22.7%	24.8%
Coverage ratio ⁵	16.1x	11.7x

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

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

Sensitivity Analysis⁵

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

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

⁴ Please refer to the "Forward-Looking Statements" section of this document.

⁵ Decrease compared to the actual index values at December 31 of the indicated years.

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.

Acquisitions and Disposition

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

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

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

Sustainable Development

Summary of 2021 results

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

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

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

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

Litigation

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

Changes to Accounting Policies in 2021 and Future Changes in Accounting

The International Accounting Standards Board (IASB) issued a number of amendments and new standards that took effect on January 1, 2021. None of these amendments or standards had an impact on the Company's financial statements. For more information on these amendments and new standards, refer to Note 3 of the consolidated financial statements, entitled "Changes in Accounting Policies." Also, on December 9, 2021, the IASB published a narrow-scope amendment to the transition requirements for entities that first apply IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* at the same time to improve the usefulness of the comparative information at the time of initial application. Lastly, the Company is continuing its work related to the application of IFRS 17 *Insurance Contracts*, which is scheduled to take effect on January 1, 2023. The Company is currently evaluating the impact of this standard on its financial statements.

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

Outlook for 2022

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

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

EPS and ROE^a growth is expected to come from:

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

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

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

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

Market Guidance⁶

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

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

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

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

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

Covid-19 Pandemic

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

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

Profitability, Growth and Financial Strength

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

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

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

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

Community Support

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

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

Employee Health and Wellbeing

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

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

Beyond the Pandemic

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

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

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

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

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

Analysis by business segment



CANADA LINES OF BUSINESS

INDIVIDUAL
INSURANCE

INDIVIDUAL
WEALTH
MANAGEMENT

GROUP
SAVINGS AND
RETIREMENT

GROUP
INSURANCE

Divisions

- Employee Plans
- Dealer Services
- Special Markets

UNITED STATES LINES OF BUSINESS

U.S.
OPERATIONS

Divisions

- Individual Insurance
- Dealer Services

QUEBEC SUBSIDIARY

IA AUTO
AND HOME

Individual Insurance

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

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

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

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

Business Growth

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

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

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

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

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

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

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

Outlook⁸ and Business Focus

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

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

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

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

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

Products and Services

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

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

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

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

Individual Wealth Management

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

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

The sector also has two distribution affiliates working in mutual fund and securities brokerage: iA Private Wealth⁹ and Investia Financial Services.¹⁰

Business Growth

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

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

Driven by the strong performance of all distribution networks, digital tools and the fund portfolio, gross segregated fund sales reached a record high for a second year in a row, increasing 56% year over year to \$4.8 billion. Net segregated fund sales were impressive, totalling \$3.3 billion, an increase of \$1.5 billion over 2020. The Company continued to strengthen its position in the industry, ranking¹¹ first in Canada for net segregated fund sales, second in gross sales and third in terms of assets. The Company continues to offer clients the simplicity of having all their investments (segregated funds, guaranteed interest funds and high interest savings account) combined under one contract, which also contributes to its success.

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

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

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

⁹ As of January 18, 2021, iA Private Wealth is the new brand replacing iA Securities and HollisWealth.

¹⁰ As of July 1, 2021, Investia Financial Services Inc. and FundEX Investments Inc. were merged into one entity under the brand Investia Financial Services.

¹¹ Source: Investor Economics

¹² The Other category of funds under management includes assets from the Company's private wealth management activities.

¹³ Includes assets related to affiliated dealers.

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

Outlook¹⁴ and Business Focus

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

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

Products and Services

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

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

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



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

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

Group Insurance: Employee Plans

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

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

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

Business Growth

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

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

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

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

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

Outlook¹⁹ and Business Focus

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

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

Products and Services

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

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Group benefits brokers
- Actuarial consulting firms

¹⁵ The net premiums presented in the consolidated financial statements are net of reinsurance and include fund entries on both in-force contracts and new business written during the period.

¹⁶ Premium equivalents are income from administrative services only (ASO) contracts.

¹⁷ Premiums from Hold Harmless Agreements.

¹⁸ Source: LIMRA.

¹⁹ Please refer to the "Forward-Looking Statements" section of this document.

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

Group Insurance: Dealer Services

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

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

Business Growth

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

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

Creditor Insurance

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

P&C Products

P&C sales were up 22% from 2020 to reach \$331 million. Increasing Canadian light vehicle sales²¹, which were up 6.6% from 2020, new partnerships, and consumers' affinity for P&C products were the major drivers of sales growth.

Car Loans

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

Outlook²² and Business Focus

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

Products and Services

- Creditor insurance
- P&C products
- Car loans

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

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

²⁰ Includes all creditor insurance business sold by the Company.

²¹ Source: DesRosiers Automotive Consultants Inc., December 2021 year-to-date information.

²² Please refer to the "Forward-Looking Statements" section of this document.

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

Group Insurance: Special Markets

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

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

Business Growth

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

In 2021, Special Markets sales²⁵ increased by 5% to \$215 million. This growth was primarily in non-travel blocks of business, where strong sales were maintained in core AD&D and critical illness products through existing and expanded partnerships. Despite concerns around COVID-19 variants and travel advisories, the travel block of business grew 3% in 2021, driven by the full-year impact of a new partnership effective late in 2020 and increased travel activity towards the end of 2021.

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

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

Outlook²⁵ and Business Focus

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

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

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

Products and Services

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

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

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

²³ Sales (gross premiums) are before reinsurance.

²⁴ Net sales in Special Markets are equivalent to net premiums (IFRS measure). Net premiums for this division are included in the net premiums for the Group Insurance sector, along with those of the other two divisions, Employee Plans and Dealer Services.

²⁵ Please refer to the "Forward-Looking Statements" section of this document.

²⁶ This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Group Savings and Retirement

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

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

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

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

Business Growth

(In millions of dollars, unless otherwise indicated)	2021	2020	Variation
Premiums (sales)²⁶			
Accumulation Products ^a			
Recurring premiums	1,401	1,161	21%
Transfers	766	1,177	(35%)
Premium equivalents	27	38	(29%)
Subtotal	2,194	2,376	(8%)
Insured Annuities ^a	604	707	(15%)
Total	2,798	3,083	(9%)
New plan sales²⁷	1,436	1,902	(25%)

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

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

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

Accumulation Products – Net Fund Entries²⁹

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

Funds Under Management

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

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

²⁶ The net premiums presented in the consolidated financial statements are after reinsurance and exclude premium equivalents.

²⁷ New plan sales are measured by the sum of first-year annualized premiums (which correspond to the total of the initial asset transfer and recurring first-year annualized premiums) plus insured annuities. The prior year figures have been revised due to the new definition of sales.

²⁸ Source: LIMRA.

²⁹ The change in assets under management is important because it determines the management fees recorded in the consolidated financial statements under *Other revenues*.

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

Outlook³⁰ and Business Focus

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

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

Products and Services

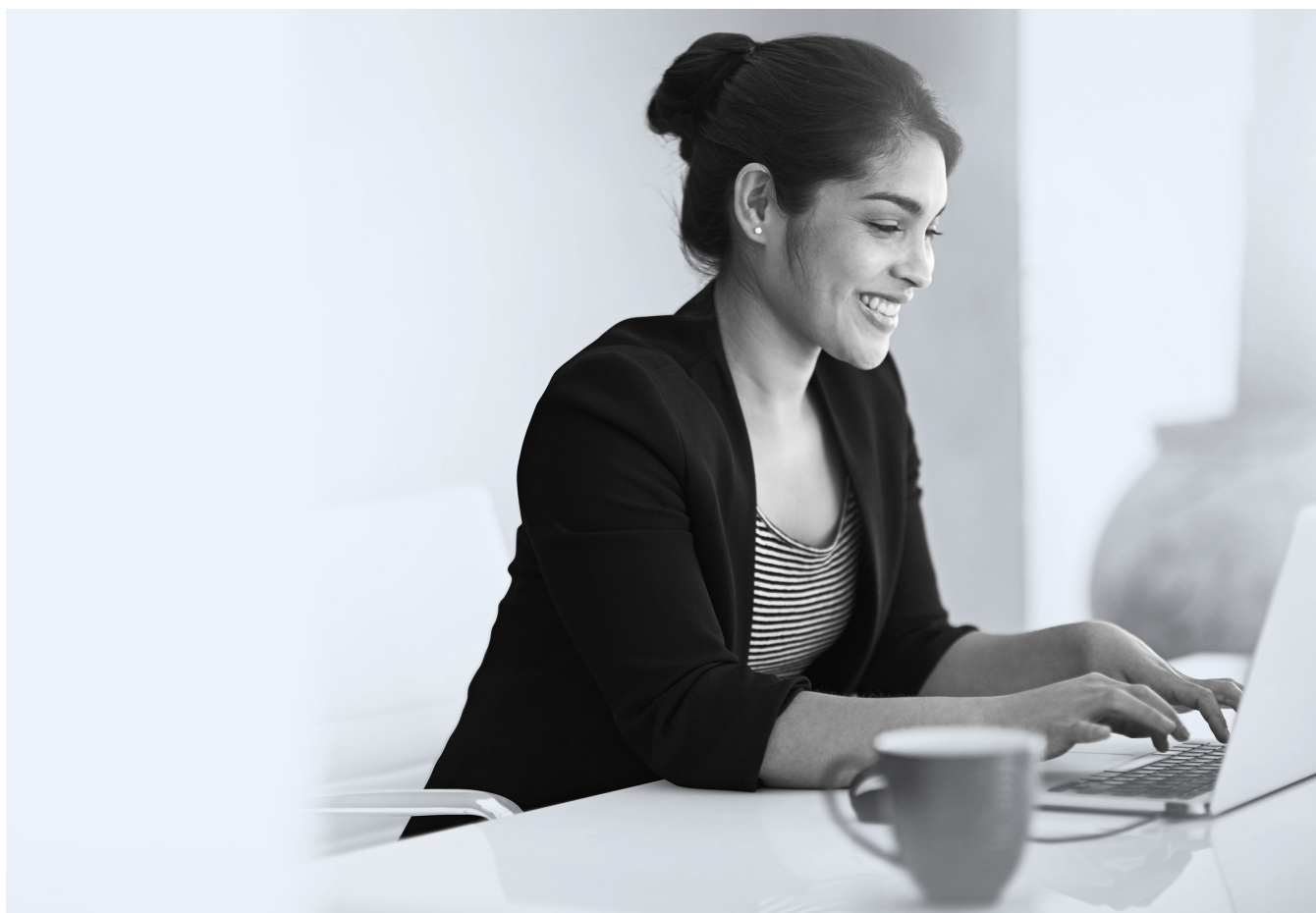
- Capital accumulation products
- Disbursement products (insured annuities)
- Registered savings and disbursement plans (RRSPs, TFSAs and RRIFs)

Manufacturers and Subsidiaries

- iA Insurance

Distribution Affiliates and Networks

- Group benefits and retirement brokers
- Actuarial consulting firms



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

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

US Operations: Individual Insurance

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

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

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

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

Business Growth

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

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

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

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

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

Outlook³¹ and Business Focus

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

Products and Services

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

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

- Independent marketing organizations (22,610 agents)

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

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

US Operations: Dealer Services

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

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

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

Business Growth

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

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

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

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

Outlook³² and Business Focus

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

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

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

Products and Services

- Extended warranties
- Guaranteed asset protection
- Ancillary vehicle protection
- Training services
- Marketing services

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

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

³² Please refer to the "Forward-Looking Statements" section of this document.

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

Auto and Home Insurance

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

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

Business Growth

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

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

Combined Ratio

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

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

Outlook³³ and Business Focus

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

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

Products and Services

- Auto and home insurance

Manufacturers and Subsidiaries

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

Distribution Affiliates and Networks

- Direct sales from advertising
- Preferred partner distribution
- Referrals from iA networks

Acquisition

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

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

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

Profitability

Highlights

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

Profitability

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

Analysis According to Sources of Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Core Earnings

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

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

In particular, these adjustments include market-related impacts, changes in actuarial assumptions, impacts from acquisitions, and non-core pension expense, that represents the difference between the asset return (interest income on plan assets) calculated using the expected return on plan assets and the IFRS prescribed pension plan discount rate.

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

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

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

Reconciliation of Certain Non-IFRS Measures with IFRS Measures

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

Reconciliation of Sources of Earnings with IFRS Measures

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

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

Analysis According to the Financial Statements

Annual Results

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

Consolidated Income Statement

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

Net Income Attributed to Common Shareholders

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

Revenues

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

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

Revenues by Sector

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

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

Policy Benefits and Expenses

Policy benefits and expenses were down \$2.5 billion in 2021 compared to 2020. The main item contributing to this decrease is a \$5.8 billion variation for insurance contract liabilities compared to 2020, essentially due to the increase in interest rates this year, compared to a decrease last year. The variation in this liability during a given period reflects a number of factors, including the variation in the fair value and the return on assets matched to the provisions for future policy benefits, the variation in net policy premiums and benefits, net transfers to segregated funds and variations in the provisions for future policy benefits due to assumption changes.

The decrease in policy benefits and expenses was partially offset by the following:

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

Income Taxes

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

Quarterly Results

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

Net premiums

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

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

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

Investment Income

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

Investment income fluctuates in large part based on the fair value of investments, which is influenced by changes in interest rates, stock markets and issuer spreads, particularly for bonds, equities and derivatives. Investment income also varies based on interest income, dividends, rental income from real estate, and realized profits and losses on the disposition of available-for-sale assets.

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

Other Revenues

Other revenues represent fees earned from the management of segregated funds and mutual funds, income from administrative services only (ASO) contracts, and fee income from the Company's brokerage subsidiaries and assets managed for third parties. Other revenues for the fourth quarter of 2021 were up \$93 million, or 20%, year over year. This variation came mainly from the Individual Wealth Management sector.

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

Net Income Attributed to Common Shareholders

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

Quarterly Results

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

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

Financial Position

Capitalization and Solvency

Capitalization^a

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

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

Capital Structure^a

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

Financial Leverage^a and Coverage Ratio^a

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

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

Debt Ratios and Coverage Ratio

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

Solvency

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

³⁴ Items considered as long-term debt and included in the debt ratio calculation.

³⁵ In the fourth quarter of 2018, the Company made an adjustment to the estimates used to establish income taxes payable in prior periods by decreasing the retained earnings as at January 1, 2017 by \$58 million.

³⁶ In the fourth quarter of 2019, an adjustment retroactive to January 1, 2018 was made transferring \$7 million from retained earnings to participating policyholders' accounts.

³⁷ AOCI: Accumulated other comprehensive income.

³⁸ Calculated by dividing earnings for the past twelve months (before interest and taxes) by the sum of interest, preferred share dividends and preferred share redemption premiums (if applicable).

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

As mentioned above, organic capital generation³⁹ was very strong throughout the year with the Company generating approximately \$450 million in additional capital in 2021, exceeding the \$275 million to \$325 million target range for the year. The very good organic capital generation is expected to continue into 2022 and the Company intends to maintain a solvency ratio within or above the target range of 110% to 116% for iA Financial Corporation.³⁹

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

Equity and Financing

Redemption and Issue of Financial Instruments

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

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

Debentures

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

Outstanding Common Shares

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

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

Common Shares

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

Stock Price and Market Capitalization

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

Stock Price and Market Capitalization

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

Book Value per Common Share⁴⁰

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

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

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

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

Book Value per Common Share

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

Preferred Shares

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

Dividends

In November 2021, the Company increased its quarterly dividend per common share by 29%, from \$0.4850 to \$0.6250, following the lifting of regulatory restrictions on raising dividends to common shareholders due to the pandemic. As a result, the dividend for 2021 totalled \$2.0800 per common share, compared to \$1.9400 per common share in 2020, an increase of 7%. In total, the Company paid out \$224 million in dividends to common shareholders in 2021. The dividend payout ratio⁴¹ for the year was 27% of the net income attributed to common shareholders, which is within the 25% to 35% target range given as guidance at the beginning of 2021. Note that at the end of 2021, the Company announced that its dividend payout ratio target range would be set to 25% to 35% of core earnings⁴². This target was previously based on reported earnings.

Dividends

	2021	2020	2019	2018	2017
Dividends paid per common share	\$2.08	\$1.94	\$1.77	\$1.59	\$1.43
Dividend payout ratio ⁴¹	27%	34%	27%	28%	30%

Declaration of Fourth Quarter Dividends

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

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

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

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

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

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

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

Stock Option Plan

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

Dividend Reinvestment and Share Purchase Plan for Common Shareholders

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

Normal Course Issuer Bid

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

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

⁴² This item is a non-IFRS measure; see the "Non-IFRS and Additional Financial Measures" section in this document for relevant information about such measures.

Preferred Shares and Debentures – iA Financial Corporation Inc.

Subordinated debentures issued on February 21, 2020 and maturing on February 21, 2030

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

Subordinated debentures issued on September 24, 2019 and maturing on September 24, 2031

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

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

Class A Preferred Shares – Series B

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

Class A Preferred Shares – Series G

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

Class A Preferred Shares – Series I

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

Subordinated debentures issued on February 23, 2015 and maturing on February 23, 2027

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

Subordinated debentures issued on September 16, 2016 and maturing on September 15, 2028

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

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

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

Controls and Procedures

Disclosure Controls and Procedures

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

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

Internal Control Over Financial Reporting

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

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

Significant Accounting and Actuarial Policies

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

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

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

Other Items

Related Party Transactions

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

Guarantees, Commitments and Contingencies

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

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

Contractual Obligations – Payments Due by Period

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

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

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

Credit Ratings

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

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

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

Credit Ratings

iA Financial Corporation Inc.

Agency	Type of evaluation	Rating
Standard & Poor's	Issuer Credit Rating	A
	Subordinated Debentures	A-
DBRS Morningstar	Issuer Rating	A
	Subordinated Debentures	A (low)

Industrial Alliance Insurance and Financial Services Inc.

Standard & Poor's	Issuer Credit Rating	AA-
	Financial Strength Rating	AA-
	Subordinated Debentures	A+
	Preferred Shares – Canadian scale	P-1 (Low)
	Preferred Shares – Global scale	A
DBRS Morningstar	Financial Strength	AA (low)
	Issuer Rating	AA (low)
	Subordinated Debentures	A (high)
	Preferred Shares	Pfd-1 (low)
A.M. Best	Financial Strength	A+ (Superior)
	Issuer Credit Rating	aa- (Superior)
	Subordinated Debentures	a
	Preferred Shares	a-

IA American Life Group Entities (IA American Life Insurance Company, American-Amicable Life Insurance Company of Texas, Pioneer Security Life Insurance Company, Pioneer American Insurance Company, Occidental Life Insurance Company of North Carolina)

A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a (Excellent)

Industrial Alliance Pacific General Insurance Corporation

A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a+

Dealers Assurance Company

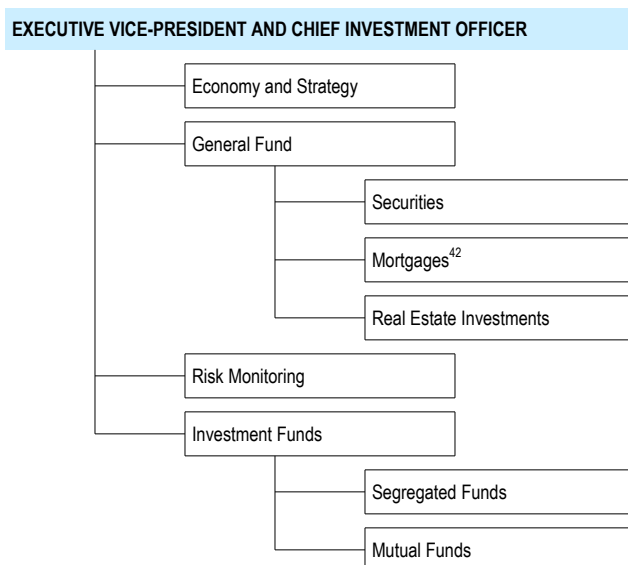
A.M. Best	Financial Strength	A (Excellent)
	Issuer Credit Rating	a

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

Investments

Description of Sector

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



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

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

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

Sustainable Investment Approach

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

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

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

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

Assets Under Management and Administration[□]

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

Assets Under Management and Administration

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

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

Assets under administration of \$109.7 billion at December 31, 2021 increased 14% compared to the previous year. Assets under administration essentially include third-party assets that are administered through the mutual fund brokerage company (Investia Financial Services⁴³), the securities brokerage company (iA Private Wealth⁴⁴) and the trust company (iA Trust).

General Fund

General Fund Investments

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

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

Composition of General Fund Investments

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

General Fund Investments

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

⁴³ As of July 1, 2021, Investia Financial Services Inc. and FundEX Investments Inc. were merged into one entity under the brand Investia Financial Services.

⁴⁴ As of January 18, 2021, iA Private Wealth is the new brand replacing iA Securities and HollisWealth.

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

Investments by Asset Category

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

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

Overall Quality of Investments

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

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

Net Impaired Investments (Excluding Insured Loans)

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

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

Net Impaired Investments as a Percentage of Total Investments

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

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

Bond Portfolio

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

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

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

Bonds by Credit Rating

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

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

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

Bond Portfolio

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

Mortgages and Other Loans Portfolio

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

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

Delinquency Rate as a Percentage of Mortgages

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

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

Mortgages and Other Loans Portfolio

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

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

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

Mortgages by Type of Property

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

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

Stock Portfolio

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

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

Stock Portfolio by Type of Matching

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

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

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

Stock Portfolio

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

Real Estate Portfolio

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

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

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

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

On October 19, 2021, iA Financial Group and Canderel announced the signing of an agreement in the real estate investment sector. The agreement confirms that Canderel has been selected as iA Financial Group's strategic partner and as such will be responsible for the operational management (operations and leasing) and maintenance of iA's real estate assets in Quebec. The agreement covers the operations of 16 properties—five in Montreal and 11 in Quebec City—and took effect January 1, 2022.

Investment Properties

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

Investment Properties by Category of Property

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

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

Derivative Financial Instruments

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

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

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

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

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

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

Derivative Financial Instruments – Fair Value and Exposure

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

Other Invested Assets

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

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

Investment Funds (Segregated Funds and Mutual Funds)

Investment Fund Assets

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

Segregated Fund and Mutual Fund Assets

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

Range of Funds

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

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

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

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

iA Financial Group's Investment Funds

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

Investment Fund Performance

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

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

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

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

Risk Management

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

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

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

Risk Management Principles and Responsibilities

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

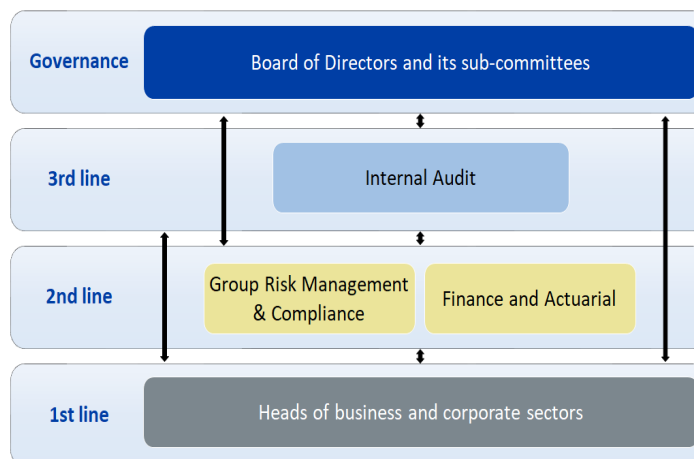
In accordance with this principle, the Company has implemented an enterprise risk management framework that is continually applied and taken into account in developing the Company's business strategies and in all of its operations.

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

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

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

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



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

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

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

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

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

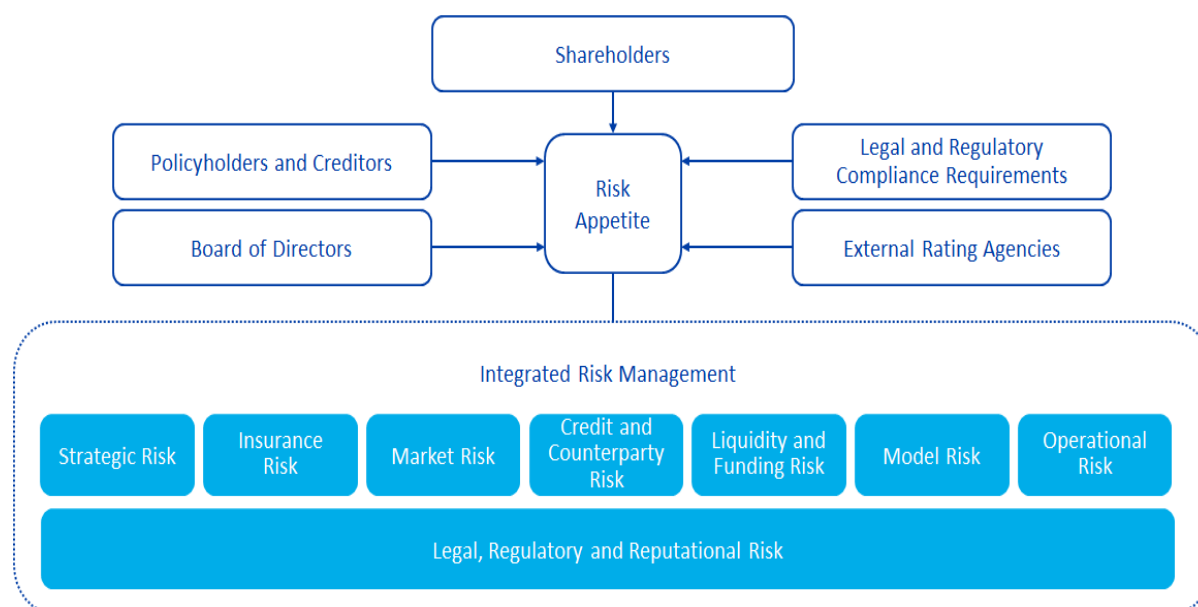
As the third line of defense, Internal Audit assesses the effectiveness of the enterprise risk management framework, recommends improvements to the people involved in the process and reports on the situation to the Board of Directors' Audit Committee.

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

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

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

Integrated Risk Management Framework



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

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

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

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

Strategic Risk

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

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

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

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

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

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

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

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

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

Main Strategic and Emerging Risks

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

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

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

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

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

Risk Related to the COVID-19 Pandemic – Since March 2020, the COVID-19 pandemic has impacted both society in general and the economy. The duration of this event, the emergence of new variants as well as the effectiveness of government measures to slow its spread and impact on the economy remain uncertain. Therefore, it is impossible to reliably assess the duration and extent of the impacts that the pandemic could have on the Company's future financial results, due to continuing uncertainties.

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

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

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

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

Insurance Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Market Risk

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

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

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

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

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

Net Liabilities According to Type of Matching

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

⁴⁵ The adverse deviation is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products.

⁴⁶ The adverse deviation is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products.

⁴⁷ Adjusted to reflect the adjustability of certain products.

⁴⁸ The adverse deviation is expressed assuming 95% of the expected termination rate when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is active, adjusted to reflect the adjustability of certain products.

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

1) Liabilities Immunized on a Cash Flow Basis

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

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

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

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

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

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

2) Immunized Liabilities Linked to Universal Life Policy Accounts

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

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

3) Non-Immunized Liabilities

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

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

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

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

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

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

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

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

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

Decrease in Accumulated Other Comprehensive Income Resulting from Interest Rate Fluctuations

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

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

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

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

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

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

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

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

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

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

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

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

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

⁵⁰ Excluding any downward adjustment of the IRR or URR.

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

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

Individual Wealth Management Segregated Fund Assets Under Management

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

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

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

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

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

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

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

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

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

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

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

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

⁵¹ Represents the value of assets underlying guarantees at maturity with a significant level of risk, or withdrawal guarantees.

⁵² Represents the value of assets for which the risk of the guarantees is limited and which the Company has decided not to include in the dynamic hedging program.

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

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

Credit and Counterparty Risk

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

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

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

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

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

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

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

Liquidity and Funding Risk

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

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

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

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

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

Model Risk

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

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

Operational Risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Legal, Regulatory and Reputational Risk

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

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

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

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

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

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

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

CONSOLIDATED
FINANCIAL
STATEMENTS

Consolidated Financial Statements

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Responsibility for Financial Reporting

The Consolidated Financial Statements of **iA Financial Corporation Inc.**, which have been approved by the Board of Directors, were prepared by Management in accordance with International Financial Reporting Standards and contain certain amounts based on best judgment and estimates as their final determination is dependent upon subsequent events. It is the opinion of Management that the significant accounting policies utilized are appropriate in the circumstances and are adequate to reflect the financial position and the results of operations within reasonable limits of materiality. The financial information presented elsewhere in the Annual Report is consistent with the information contained in the financial statements.

In order to carry out its responsibilities with regard to the financial statements, Management maintains internal control systems that aim to provide a reasonable degree of certainty that transactions are duly authorized, that the assets are well protected, and that adequate records are kept. These internal control systems provide for communication of professional conduct rules and principles, using the Code of Business Conduct prepared by the Company for all organizational members. These internal control systems are reinforced by the work of a team of internal auditors, who make a periodic review of all material departments within the Company.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, ensures that Management assumes its responsibility in terms of financial statements.

The functions of the Audit Committee are to:

- Review the financial statements and recommend them for approval by the Board of Directors;
- Review the internal control systems and security;
- Recommend the appointment of the independent auditor and its fee arrangements to the Board of Directors;
- Review other accounting, financial and security matters as required.

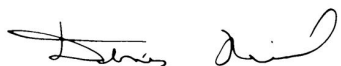
The Audit Committee meets regularly with Management, the internal auditor and the independent auditor. The latter may, as it sees fit, meet with the Audit Committee, with or without Management, to discuss matters affecting the audit and financial information.

The Appointed Actuary of Industrial Alliance Insurance and Financial Services Inc., a subsidiary of the Company, is appointed by the Board of Directors of this subsidiary, pursuant to the *Insurers Act* (Quebec), and is responsible for ensuring that assumptions and methods used in the valuation of insurance contract liabilities are in accordance with the standards of practice of the Canadian Institute of Actuaries (CIA). The Appointed Actuary is required to express an opinion regarding the appropriateness of the insurance contract liabilities net of reinsurance assets at the Statement of Financial Position date to meet all policyholder obligations of the Company. Examination of supporting data for the accuracy and completeness analysis of Company assets for their ability to support the amount of insurance contract liabilities net of reinsurance assets are important elements of the work required to form this opinion.

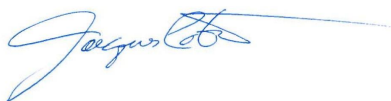
The independent auditor is appointed to report to the shareholders regarding the fairness of presentation of the Company's Consolidated Financial Statements. The independent auditor fulfills this responsibility by carrying out an independent audit of these financial statements in accordance with Canadian generally accepted auditing standards.

The Autorité des marchés financiers (AMF) has the power to perform checks to ensure that the Company respects the *Insurers Act*, preserves the interests of the policyholders and pursues sound capitalization and good solvency.

On behalf of Management,



Denis Ricard
President and Chief Executive Officer
Quebec City, February 16, 2022



Jacques Potvin
Executive Vice-President, CFO and Chief Actuary
Quebec City, February 16, 2022

Independent Auditor's Report

To the Shareholders of
iA Financial Corporation Inc.

Opinion

We have audited the consolidated financial statements of **iA Financial Corporation Inc.** (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated income statements, consolidated comprehensive income statements, consolidated equity statements and consolidated cash flows statements for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Insurance Contract Liabilities – Refer to Notes 2 and 14 to the Financial Statements

Key Audit Matter Description

The Company has significant insurance contract liabilities representing the majority of its total liabilities. Insurance contract liabilities are determined using generally accepted actuarial practices according to standards established by the Canadian Institute of Actuaries. Insurance risk is the risk of loss resulting from higher actual benefit amounts than those expected at the time of product design and pricing.

While there are many assumptions which management makes, the assumptions with the greatest uncertainty are those related to lapse behaviour and mortality. Management has applied a heightened level of judgment to determine the impact, if any, of the COVID-19 pandemic on these assumptions. Lapse and mortality assumptions required significant auditor attention in certain circumstances, including where (i) there is limited Company and industry experience data, (ii) the historical experience may not be a good indicator of the future, and (iii) policyholder behaviour may be irrational. Auditing of certain actuarial models and lapse and mortality assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to actuarial models and lapse behaviour and mortality assumptions included the following, among others:

- With the assistance of actuarial specialists, we tested the reasonableness of lapse behaviour and mortality assumptions, by:
 - Evaluating whether management's methods and assumptions used were determined in accordance with actuarial principles and practices under the Canadian actuarial standards of practice.
 - Testing experience studies and other inputs used in the determination of the lapse and mortality assumptions.
 - Analyzing management's interpretation of its experience study results, evaluating triggers and drivers for revisions of assumptions, assessing reasonably possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
- With the assistance of actuarial specialists, we tested the appropriateness of actuarial models used in the estimation process by:
 - Calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to the Company's results.
 - Testing the accuracy of changes in key assumptions for a sample of actuarial models.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Sophie Fortin.

 ¹

Quebec City, Quebec
February 16, 2022

¹ CPA auditor, CA, public accountancy permit No. A124208

Consolidated Income Statements

Years ended December 31 (in millions of Canadian dollars, unless otherwise indicated)	2021	2020
Revenues		
Premiums		
Gross premiums	\$ 14,199	\$ 12,132
Premiums ceded	(1,035)	(936)
Net premiums (Note 24)	13,164	11,196
Investment income (Note 5)		
Interest and other investment income	1,624	1,439
Change in fair value of investments	(1,418)	3,229
	206	4,668
Other revenues	2,116	1,775
	15,486	17,639
Policy benefits and expenses		
Gross benefits and claims on contracts	7,731	5,871
Ceded benefits and claims on contracts	(740)	(581)
Net transfer to segregated funds	3,278	2,872
Increase (decrease) in insurance contract liabilities (Note 14)	(45)	5,760
Increase (decrease) in investment contract liabilities (Note 14)	(1)	34
Decrease (increase) in reinsurance assets (Note 14)	(76)	(737)
	10,147	13,219
Commissions	2,180	1,788
General expenses (Note 21)	1,823	1,668
Premium and other taxes	141	129
Financing charges (Note 22)	77	73
	14,368	16,877
Income before income taxes	1,118	762
Income taxes (Note 23)	259	130
Net income	\$ 859	\$ 632
Net income attributed to participating policyholders	7	(1)
Net income attributed to shareholders	\$ 852	\$ 633
Dividends on preferred shares issued by a subsidiary (Note 18)	22	22
Net income attributed to common shareholders	\$ 830	\$ 611
Earnings per common share (in dollars) (Note 25)		
Basic	\$ 7.73	\$ 5.71
Diluted	7.70	5.70
Weighted average number of shares outstanding (in millions of units) (Note 25)		
Basic	107	107
Diluted	108	107
Dividends per common share (in dollars) (Note 17)	2.08	1.94

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

Consolidated Comprehensive Income Statements

Years ended December 31 (in millions of Canadian dollars)	2021	2020
Net income	\$ 859	\$ 632
Other comprehensive income, net of income taxes		
Items that may be reclassified subsequently to net income:		
Available for sale financial assets		
Unrealized gains (losses) on available for sale financial assets	(67)	99
Reclassification of losses (gains) on available for sale financial assets included in net income	(26)	(22)
	(93)	77
Net investment hedge		
Unrealized gains (losses) on currency translation in foreign operations	(17)	(103)
Hedges of net investment in foreign operations	13	32
	(4)	(71)
Cash flow hedge		
Unrealized gains (losses) on cash flow hedges	—	21
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	196	(54)
Total other comprehensive income	99	(27)
Comprehensive income	\$ 958	\$ 605
Comprehensive income attributed to participating policyholders	7	(1)
Comprehensive income attributed to shareholders	\$ 951	\$ 606

Income Taxes Included in Other Comprehensive Income

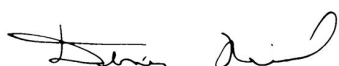
Years ended December 31 (in millions of Canadian dollars)	2021	2020
Income tax recovery (expense) related to:		
Items that may be reclassified subsequently to net income:		
Unrealized losses (gains) on available for sale financial assets	\$ 20	\$ (34)
Reclassification of gains (losses) on available for sale financial assets included in net income	9	8
Hedges of net investment in foreign operations	(2)	(5)
Unrealized losses (gains) on cash flow hedges	—	(5)
	27	(36)
Items that will not be reclassified subsequently to net income:		
Remeasurement of post-employment benefits	(70)	19
Total income tax recovery (expense) included in other comprehensive income	\$ (43)	\$ (17)

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

Consolidated Statements of Financial Position

As at December 31 (in millions of Canadian dollars)	2021	2020
Assets		
Investments (Note 5)		
Cash and short-term investments	\$ 1,546	\$ 1,949
Bonds	32,893	32,099
Stocks	3,906	3,286
Mortgages and other loans	2,922	2,801
Derivative financial instruments (Note 8)	917	1,652
Policy loans	1,040	881
Other invested assets	557	563
Investment properties	1,870	1,916
	45,651	45,147
Other assets (Note 9)	3,850	3,261
Reinsurance assets (Note 14)	2,210	1,981
Fixed assets (Note 10)	369	390
Deferred income tax assets (Note 23)	27	38
Intangible assets (Note 11)	1,708	1,621
Goodwill (Note 11)	1,267	1,224
General fund assets	55,082	53,662
Segregated funds net assets (Note 12)	39,577	32,804
Total assets	\$ 94,659	\$ 86,466
Liabilities		
Insurance contract liabilities (Note 14)	\$ 36,540	\$ 36,527
Investment contract liabilities (Note 14)	577	575
Derivative financial instruments (Note 8)	526	569
Other liabilities (Note 15)	8,303	7,647
Deferred income tax liabilities (Note 23)	441	382
Debentures (Note 16)	1,450	1,449
General fund liabilities	47,837	47,149
Liabilities related to segregated funds net assets (Note 12)	39,577	32,804
Total liabilities	\$ 87,414	\$ 79,953
Equity		
Share capital and contributed surplus	\$ 1,723	\$ 1,694
Preferred shares issued by a subsidiary (Note 18)	525	525
Retained earnings and accumulated other comprehensive income	4,949	4,253
Participating policyholders' accounts	48	41
	7,245	6,513
Total liabilities and equity	\$ 94,659	\$ 86,466

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



Denis Ricard
President and Chief Executive Officer



Danielle G. Morin
Chair of Audit Committee

Consolidated Equity Statements

Years ended December 31 (in millions of Canadian dollars)

	Participating policyholders' accounts	Common shares (Note 17)	Preferred shares issued by a subsidiary (Note 18)	Contributed surplus	Retained earnings	Accumulated other comprehensive income (Note 19)	Total
Balance as at December 31, 2019	\$ 42	\$ 1,666	\$ 525	\$ 18	\$ 3,823	\$ 56	\$ 6,130
Net income attributed to shareholders	—	—	—	—	633	—	633
Net income attributed to participating policyholders' accounts	(1)	—	—	—	—	—	(1)
Other comprehensive income	—	—	—	—	—	(27)	(27)
Comprehensive income for the year	(1)	—	—	—	633	(27)	605
Equity transactions							
Transfer of post-employment benefits (Note 27)	—	—	—	—	(54)	54	—
Stock option plan (Note 26)	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(1)	—	—	(1)
Common shares issued	—	9	—	—	—	—	9
Redemption of common shares	—	(1)	—	—	(3)	—	(4)
Dividends on common shares	—	—	—	—	(208)	—	(208)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	1	—	1
	—	8	—	2	(286)	54	(222)
Balance as at December 31, 2020	41	1,674	525	20	4,170	83	6,513
Net income attributed to shareholders	—	—	—	—	852	—	852
Net income attributed to participating policyholders' accounts	7	—	—	—	—	—	7
Other comprehensive income	—	—	—	—	—	99	99
Comprehensive income for the year	7	—	—	—	852	99	958
Equity transactions							
Transfer of post-employment benefits (Note 27)	—	—	—	—	196	(196)	—
Stock option plan (Note 26)	—	—	—	3	—	—	3
Stock options exercised	—	—	—	(6)	—	—	(6)
Common shares issued	—	34	—	—	—	—	34
Redemption of common shares	—	(2)	—	—	(6)	—	(8)
Dividends on common shares	—	—	—	—	(224)	—	(224)
Dividends on preferred shares issued by a subsidiary	—	—	—	—	(22)	—	(22)
Other	—	—	—	—	(3)	—	(3)
	—	32	—	(3)	(59)	(196)	(226)
Balance as at December 31, 2021	\$ 48	\$ 1,706	\$ 525	\$ 17	\$ 4,963	\$ (14)	\$ 7,245

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

Consolidated Cash Flows Statements

Years ended December 31 (in millions of Canadian dollars)	2021	2020
Cash flows from operating activities		
Income before income taxes	\$ 1,118	\$ 762
Financing charges	77	73
Income taxes paid, net of refunds	(215)	(165)
Operating activities not affecting cash:		
Increase (decrease) in insurance contract liabilities	19	5,899
Increase (decrease) in investment contract liabilities	2	(55)
Decrease (increase) in reinsurance assets	(203)	(837)
Unrealized losses (gains) on investments	1,418	(3,225)
Provisions for losses	28	58
Amortization of premiums and discounts	26	23
Other depreciation	415	287
Goodwill impairment (Note 21)	—	24
Gain on disposals of businesses (Note 4)	(12)	(16)
Other items not affecting cash	89	(400)
Operating activities affecting cash:		
Sales, maturities and repayments on investments	26,344	16,472
Purchases of investments	(28,931)	(16,805)
Realized losses (gains) on investments	(32)	(49)
Other items affecting cash	42	(186)
Net cash from (used in) operating activities	185	1,860
Cash flows from investing activities		
Acquisition of businesses, net of cash	(61)	(1,042)
Disposals of businesses, net of cash	15	79
Sales (purchases) of fixed and intangible assets	(248)	(177)
Net cash from (used in) investing activities	(294)	(1,140)
Cash flows from financing activities		
Issuance of common shares	28	7
Redemption of common shares (Note 17)	(8)	(4)
Issuance of debentures (Note 16)	—	398
Reimbursement of lease liabilities ¹	(22)	(19)
Dividends paid on common shares	(224)	(208)
Dividends paid on preferred shares issued by a subsidiary	(22)	(22)
Interest paid on debentures	(42)	(37)
Interest paid on lease liabilities	(4)	(4)
Net cash from (used in) financing activities	(294)	111
Foreign currency gains (losses) on cash	—	10
Increase (decrease) in cash and short-term investments	(403)	841
Cash and short-term investments at beginning	1,949	1,108
Cash and short-term investments at end	\$ 1,546	\$ 1,949
Supplementary information:		
Cash	\$ 1,334	\$ 1,690
Short-term investments	212	259
Total cash and short-term investments	\$ 1,546	\$ 1,949

¹ For the year ended December 31, 2021, lease liabilities, presented in *Other liabilities* in the Consolidated Statements of Financial Position, include an amount of \$5 (\$23 for the year ended December 31, 2020) of non-affecting cash items, mostly attributable to new liabilities.

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

Notes to Consolidated Financial Statements

Years ended December 31, 2021 and 2020 (in millions of Canadian dollars, unless otherwise indicated)

1 › General Information

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

Publication of these Consolidated Financial Statements (the "Financial Statements") was authorized for issue by the Company's Board of Directors on February 16, 2022.

2 › Significant Accounting Policies

a) Basis of Presentation

The Company's financial statements are established according to International Financial Reporting Standards (IFRS) on December 31, 2021. The IFRS are published by the International Accounting Standards Board (IASB) and are based on International Financial Reporting Standards, International Accounting Standards (IAS), and on interpretations developed by the IFRS Interpretations Committee (IFRS IC).

IFRS does not currently include an insurance contract measurement standard. Therefore, as permitted by IFRS 4 *Insurance Contracts*, insurance contract liabilities are measured in accordance with accepted actuarial practice in Canada using the Canadian Asset Liability Method (CALM).

The financial statements are presented in millions of Canadian dollars. The Canadian dollar is the Company's functional and reporting currency. The presentation order of the items included in the Statements of Financial Position is based on liquidity. Each line item includes both current and non-current balances, if applicable.

b) Important Estimates, Assumptions, Judgments and Impacts of COVID-19 Pandemic

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, net income and complementary information. Management has exercised its judgment, made estimates and established the assumptions described in the notes referred to below:

Determination of control for purposes of consolidation	Note 2, section c) "Basis of Consolidation and Method" Note 7 "Management of Risks Associated with Financial Instruments", section b) iii) "Other Information on Credit Risk - Interests in Non-Consolidated Structured Entities"
Fair value and impairment of financial instruments and fair value of investment properties	Note 2, section d) "Invested Assets and Investment Income" Note 5 "Invested Assets and Investment Income" Note 6 "Fair Value of Financial Instruments and Investment Properties" Note 7 "Management of Risks Associated with Financial Instruments"
Classification of contracts, measurement of insurance contract liabilities and investment contract liabilities and measurement of reinsurance assets	Note 2, section j) "Reinsurance Assets" Note 2, section k) "Insurance Contract Liabilities and Investment Contract Liabilities" Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities"
Goodwill and intangible assets	Note 2, section g) "Intangible Assets" Note 2, section h) "Goodwill" Note 4 "Acquisition and Disposal of Businesses" Note 11 "Intangible Assets and Goodwill"
Income taxes	Note 2, section m) "Income Taxes" Note 23 "Income Taxes"
Post-employment benefits	Note 2, section s) "Post-Employment Benefits" Note 27 "Post-Employment Benefits"
Determination of reporting segments and allocation methodologies in the presentation of segmented information	Note 24 "Segmented Information"

Actual results could differ from management's best estimates. Estimates and assumptions are periodically reviewed according to changing circumstances and facts, and changes are recognized in the period in which the revision is made and future periods affected by this revision. The significant accounting policies, estimates and assumptions are detailed in the following notes when it is meaningful and relevant.

Impacts of COVID-19 Pandemic

Since the beginning of 2020, the spread of the COVID-19 virus, elevated to a pandemic by the World Health Organization (WHO) on March 11, 2020, has caused turbulence in the financial markets, resulted in economic uncertainty and disrupted the activities of the business community and citizens. The COVID-19 pandemic has forced governments to implement exceptional measures to slow the progression of this crisis. Governments and central banks implemented significant monetary and fiscal interventions to stabilize economic conditions. The risk management program established by the Company has made it possible, since the beginning of the pandemic, to mitigate the negative effects of this crisis on its results. The initiatives deployed by the Company help to ensure the continuity of all of its activities, while protecting the health and the safety of its employees.

The significant estimates, assumptions and judgments made by management in the preparation of these Financial Statements take into account these uncertainties.

For the year ended December 31, 2020, changes in methods and assumptions and the impact of exchange rate fluctuations used in the calculation of provisions for future policy benefits and other insurance contract liabilities, as well as the financial assumptions used in the calculation of investment contract liabilities, take into account the economic uncertainties related to COVID-19, such as the temporary increase in mortality and lapse assumptions for certain policies. For the year ended December 31, 2021, the assumptions used in the calculation of provisions for future policy benefits reflect the most recent trends in additional mortality claims due to direct and indirect pandemic impacts. Conversely, insurance contract liabilities have been decreased to take into account the improvement of lapse assumptions for policies targeted by a specific COVID-19 provision in 2020. See Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities".

In 2020, the COVID-19 pandemic and the resulting economic conditions have also created uncertainty in significant assumptions used in determining the fair value of financial instruments and investment properties as well as the net liabilities resulting from the obligation in respect of defined benefits.

During the year ended December 31, 2020, the Company reduced the carrying value of the goodwill of a cash-generating unit (CGU) due to the effects of the pandemic. See Note 11 "Intangible Assets and Goodwill" and Note 21 "General Expenses".

Actual results could differ from best estimates, as mentioned above.

c) Basis of Consolidation and Method

Entities over which the Company exercises control are consolidated. Control is defined as being the exposure or the right to receive variable returns from the involvement with an entity and the ability to affect those returns through the power held over it. The Company holds the power when it has existing rights that give it the current ability to direct the relevant activities, that is, the activities that significantly affect the investee's returns. Management makes judgments in determining whether control exists, particularly in determining the extent to which the Company has the ability to exercise its power to generate variable returns. Entities are consolidated from the date control is obtained and deconsolidated on the date control ceases. The acquisition method is used to account for the acquisition of a subsidiary and the difference between the acquisition cost of the subsidiary and the fair value of the subsidiary's net identifiable assets acquired is recorded as goodwill. The Company uses uniform accounting policies in the Financial Statements for similar transactions and events. Intercompany balances, and revenues and expenses for intercompany transactions, are eliminated on consolidation.

The Company uses the equity method to record joint ventures and entities over which it has significant influence. Significant influence is the power to participate in decisions regarding the financial and operating policies of an entity but is not control over those policies. Significant influence is presumed to exist by holding 20% or more of the voting rights. A joint venture exists when the Company has joint control of a joint arrangement and has rights to the net assets of the arrangement. Joint control is the sharing of control under a contractual agreement and exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company records its share of the entity's net assets and financial results using uniform accounting policies for similar transactions and events.

d) Invested Assets and Investment Income

Invested assets include financial assets such as cash and short-term investments, bonds, stocks, mortgages and other loans, derivative financial instruments, policy loans, other invested assets and investment properties.

Financial assets are classified into one of the following categories:

- assets at fair value through profit or loss, including assets held for trading and assets designated at fair value through profit or loss;
- assets available for sale, carried at fair value, with fair value variations recognized in *Other comprehensive income*;
- assets held to maturity, carried at amortized cost;
- loans and receivables, carried at amortized cost using the effective interest method.

Financial assets are classified according to their nature and use by the Company at the time of initial recognition. The fair value option of designating financial assets in the category assets at fair value through profit or loss is used by the Company for its assets matching the insurance contract liabilities and investment contract liabilities, except for mortgages and other loans and bonds that are not quoted on an active market. Thus, any changes in the fair value of underlying assets matched to the insurance contract liabilities and investment contract liabilities are directly reflected in the insurance contract liabilities and investment contract liabilities. Changes in fair value of assets matching these liabilities and changes in corresponding insurance contract liabilities and investment contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise.

Bonds and stocks that are not matched with insurance contract liabilities and investment contract liabilities are classified as available for sale. Mortgages and other loans, as well as bonds not quoted in an active market are classified as loans and receivables. Bonds quoted in an active market that are related to securitization liabilities are classified as assets held to maturity.

The Company applies the trade date accounting method, which is the date on which the Company commits to purchase or sell assets. Transaction costs related to financial assets classified at fair value through profit or loss are recorded in the Income Statement as incurred. Transaction costs related to financial assets available for sale are capitalized to the asset and, in the case of bonds, these costs are amortized using the effective interest method. Transaction costs related to loans and receivables and to assets held to maturity are capitalized to the asset and amortized in the Income Statement using the effective interest method.

Invested assets are accounted for using the methods described below.

i) Cash and Short-Term Investments

Cash and short-term investments consist of cash, payments in transit and fixed income securities held for short-term commitments. Cash and payments in transit are classified as loans and receivables and accounted for at amortized cost using the effective interest method. Fixed income securities are classified as held for trading and accounted for at fair value.

ii) Bonds

Designated at Fair Value Through Profit or Loss

Bonds designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income*.

Available for Sale

Bonds classified as available for sale are carried at fair value. Unrealized gains and losses are recognized in *Other comprehensive income*, except for the portion related to foreign exchange difference, which is recorded in the Income Statement. Upon realization, gains or losses are reclassified to the Income Statement in *Interest and other investment income*. Interest as well as premiums and discounts are calculated according to the effective interest method and are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as available for sale are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, the cumulative loss recorded in *Accumulated other comprehensive income* is reclassified as an impairment loss in the Income Statement under *Investment income*. Following impairment loss recognition, these bonds continue to be recorded at fair value. Subsequent decreases in fair value are recorded in the Income Statement and they are evaluated at each reporting date to determine whether there is a fair value increase. If there is a fair value increase, impairment loss recorded in the Income Statement could be reversed if the fair value increase can be objectively linked to an event occurring after the impairment loss was recognized.

Held to maturity

Bonds classified as held to maturity are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as held to maturity are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is an impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the asset and the recoverable amount valued according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

Loans and Receivables

Private bonds not traded in an active market are classified as loans and receivables. These bonds are carried at amortized cost using the effective interest method. The interest calculated according to this method and the realized gains or losses on disposal of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, bonds classified as loans and receivables are tested for impairment. The Company considers an impairment loss if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the bond due to objective evidence of impairment, such as the issuer's financial difficulty, a bankruptcy or default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the asset and the recoverable amount valued according to the estimated future cash flows discounted at the initial effective interest rate. This provision is immediately recorded in the Income Statement. When the effects of the cause of the impairment begin to fade and future payments are reasonably assured, the provision is reduced or reversed and the changes related to provisions for losses are recorded in the Income Statement.

iii) Stocks

Designated at Fair Value Through Profit or Loss

Stocks designated at fair value through profit or loss are measured at fair value. Realized and unrealized gains and losses are recognized immediately in *Change in fair value of investments* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

Available for Sale

Stocks classified as available for sale are carried at fair value. Unrealized gains and losses and variations of exchange rates are recognized in *Other comprehensive income*. Upon realization, gains or losses are reclassified in *Interest and other investment income* in the Income Statement. Dividends are recognized in *Interest and other investment income* in the Income Statement from the moment that the Company has the right to receive payment.

At each reporting date, stocks classified as available for sale are tested for impairment. The Company records an impairment loss if objective evidence of impairment exists, such as observable data about the issuer's significant financial difficulty or changes in the economic, legal or technological environment that have a negative effect on the issuer. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. For stocks with similar characteristics and behaviour to debt instruments, the Company records an impairment loss if evidence of impairment exists and considers that the amount invested will not be recovered.

When there is impairment, the cumulative losses previously accounted for in *Accumulated other comprehensive income* are reclassified as impairment losses under *Interest and other investment income* in the Income Statement. These stocks continue to be recorded at fair value. Any decline in value subsequent to impairment is recorded in the Income Statement, while increases are recorded in *Other comprehensive income*. An increase in value of an impaired security is only recorded in the Income Statement when the security is sold or derecognized.

iv) Mortgages and Other Loans

Loans and Receivables

Other loans consist of personal loans. Mortgages and other loans classified as loans and receivables are carried at amortized cost using the effective interest method, net of a provision for credit losses, if applicable. Interest and realized gains or losses on disposition of these securities are accounted for in *Interest and other investment income* in the Income Statement.

At each reporting date, the Company performs an impairment test on each loan. A group test is then performed on groups of assets with similar risks, including loans valued individually and which had no indication of impairment. On a group basis, the Company considers similar risk characteristics such as the type of loan, the activity sector, geographic situation, potential late payment observed and other relevant factors. On an individual basis, the Company considers an impairment loss if it deems it unlikely that it will be able to recover the full amount of principal and interest at maturity due to objective evidence of impairment, including the borrower's financial difficulty, a bankruptcy or a default of payment of principal or interest. When there is impairment, a provision for losses is recorded, which corresponds to the difference between the carrying value of the loan and the recoverable amount valued according to the estimated future cash flows, discounted at the initial effective interest rate. The estimated cash flows consider the fair value of any guarantee underlying the loans, less related costs. When the effects of the cause of the impairment begin to fade, and future payments are reasonably assured, the provision is reduced or reversed. When there is no longer a realistic probability of recovery or when the asset is derecognized after the guarantee is exercised or the asset is sold, the provision is written off and reduced by any recovery. All changes affecting the provision for losses are recorded in the Income Statement.

When an impairment loss is recognized on a loan, the future interest is recognized based on the interest rate used to discount the future cash flows in order to value the fair value loss. When contractual payments are 90 days or more in arrears in the case of mortgages and 120 days or more in the case of other loans, contractual interest is no longer recognized. Contractual interest is resumed once the contractual payments are no longer considered in arrears and are considered current.

Designated at Fair Value Through Profit or Loss

Mortgages and other loans designated at fair value through profit or loss are carried at fair value. Realized and unrealized gains and losses are immediately recognized in the Income Statement in *Change in fair value of investments* and interest income earned is accounted for in *Interest and other investment income*.

Securitization of Mortgages

Residential Mortgages

The Company transferred the risks and rewards related to securitized loans. As part of the securitization of residential mortgages, the asset derecognition criteria are met and, consequently, the Company derecognized these loans. The liability related to the amounts initially securitized remains recorded in *Other liabilities*. Interest expenses on liabilities are recorded in *Financing charges* in the Income Statement.

Multi-residential and Non-residential Mortgages

As part of the securitization of multi-residential and non-residential mortgages, since the Company retains substantially all risks and rewards related to the transferred mortgages, the asset derecognition criteria are not met. The Company continues to recognize multi-residential and non-residential mortgages in the Statement of Financial Position and a liability related to the amounts securitized is recorded in *Other liabilities*. Interest income on securitized loans continues to be recorded in *Interest and other investment income* in the Income Statement according to the effective interest method and interest expenses on liabilities are recorded in *Financing charges* in the Income Statement.

v) Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency, interest rates, credit risk and other market risks associated with specific assets and liabilities. Derivative financial instruments are classified as held for trading. Therefore, they are initially recorded at fair value on the acquisition date and subsequently revalued at their fair value. Derivative financial instruments with a positive fair value are recorded as assets while derivative financial instruments with a negative fair value are recorded as liabilities. Changes in fair value are recorded in *Change in fair value of investments* in the Income Statement unless the derivative financial instruments are part of a qualified hedging relationship, as described below.

Hedge Accounting

When the Company determines that hedge accounting is appropriate, a hedging relationship is designated and documented from inception. Effectiveness of the hedge is valued on inception and at the end of each financial reporting period for the duration of the hedge. Hedge accounting, which recognizes the offsetting effects of hedging instruments and hedged items the same way, can only be applied if the relationship is demonstrated to be effective. If it is established that the hedging instrument is no longer an effective hedge, if the hedging instrument is sold or if the expected transaction has ceased to be highly probable, the Company ceases to apply hedge accounting prospectively.

Fair Value Hedging

Changes in fair value of hedging instruments and changes in fair value of assets arising from the hedged risk are recorded in *Change in fair value of investments* in the Income Statement. At the same time, the gain or loss on the ineffective portion of the hedge is recorded in *Net income*.

Cash Flow Hedging

The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement in *Change in fair value of investments*. When accumulated gains and losses in *Other comprehensive income* in respect of the hedged item have an impact on results during the period, they are reclassified to the Income Statement, whereas when they affect the Statement of Financial Position, they are reclassified to the Statement of Financial Position.

Net Investment Hedge

The Company uses currency forward contracts as hedging items of foreign exchange risk related to net investments in foreign operations. The effective portion of changes in fair value of hedging instruments is recognized in *Other comprehensive income*. Gains or losses on the ineffective portion are immediately recorded in the Income Statement as *Change in fair value of investments*. Cumulative gains and losses in *Other comprehensive income* are reclassified in the Income Statement in the period in which the net investment in foreign operations is subject to a total or partial disposition.

vi) Embedded Derivative Financial Instruments

Embedded derivative financial instruments are separate from the host contract and are accounted for at fair value if the economic characteristics and risks of the embedded derivative financial instruments are not closely linked to the economic characteristics and risks of the host contract, if the terms of the embedded derivative financial instrument are the same as an independent derivative financial instrument, and if the host instrument itself is not accounted for at fair value through profit or loss. Changes in the fair value of embedded derivative financial instruments are recorded in the Income Statement under *Change in fair value of investments*.

vii) Policy Loans

Policy loans, classified as loans and receivables, correspond to the unpaid capital balance and are fully secured by the cash surrender value on the insurance contracts on which the respective loans are made.

viii) Other Invested Assets

Other invested assets include the investment in associates and joint ventures, bonds and investment fund units that are restricted investments and notes receivable. Notes receivable are classified as loans and receivables and are accounted for at amortized cost using the effective interest method. Investments in associates and joint ventures are accounted for according to the equity method as described in section c) "Basis of Consolidation and Method", in the present note. Bonds and investment fund units that are restricted investments are classified as available for sale.

ix) Investment Properties

Investment properties are properties owned by the Company that are not owner-occupied and that are held to earn rental income or capital appreciation. Investment properties are recognized at the transaction price plus transaction costs upon acquisition. These properties are subsequently valued at fair value, except in the case of properties under construction, when the fair value cannot be reliably assessed. These are recorded at unamortized cost until the fair value can be reliably assessed. The fair value excludes the fair value of the linearization of rents, which is recorded in *Other assets*. Changes in fair value are recognized in *Change in fair value of investments* in the Income Statement. Rental income is recognized in the Income Statement linearly according to the term of the lease, and operating expenses of properties are recorded in *General expenses*.

x) Derecognition

A financial asset (or portion of a financial asset) is derecognized when the contractual rights to the cash flows from the financial asset expire, or if the Company transfers to a third party the financial asset and substantially all the risks and rewards of the financial asset. If the Company does not transfer or retain substantially all the risks and rewards of the financial asset and keeps control over the ceded asset, the Company accounts for the part of the asset it kept and recognizes a corresponding liability for the amount payable.

e) Other Assets

Other assets mainly include investment income due and accrued, outstanding premiums, due from reinsurers, due from agents, accounts receivable, deferred sales commissions, income tax receivable and funds deposited in trust. Financial assets included in *Other assets* are classified as loans and receivables and are measured at amortized cost. Real estate held for resale (foreclosed properties) is measured at the lower of fair value less cost to sell and the carrying value of the underlying loans at foreclosure date. Funds deposited in trust represent amounts received from clients held in trust.

The Company purchases securities and, simultaneously, agrees to resell them in the short term, at a set price and date. These reverse repurchase agreements are recorded in the Statement of Financial Position at the consideration paid plus accrued interest. Commitments related to securities purchased under reverse repurchase agreements are recorded at amortized cost using the effective interest method and are classified as loans and receivables. Interest on reverse repurchase operations is recorded in the Income Statement as *Interest and other investment income*.

The Company is involved in a public-private type service agreement, which must be accounted for in accordance with IFRIC 12 *Service Concession Arrangements*. The concession service to be received increases based on the fair value of operational and maintenance services, recovery costs, administrative costs and financing costs, and decreases through payments received. The concession account receivable, included in *Accounts receivable*, is classified as a loan and receivable and is carried at amortized cost using the effective interest rate.

f) Fixed Assets

Fixed assets are recorded at cost less accumulated depreciation and mainly include own-use properties, right-of-use assets and other items classified under fixed assets. Right-of-use assets consist of fixed assets, such as rental space and other assets arising from leases, recognized at the commencement date of the contract, which is when the leased asset is made available to the Company.

The Company calculates depreciation using the straight-line method. The depreciation period is based on the estimated useful life using the following periods:

Own-use property components	10	to	60 years
Right-of-use assets	2	to	30 years
Other	3	to	15 years

At the end of each year, the Company must revise the residual value and useful life of fixed assets. Any change represents a modification of an accounting estimate and must be accounted for prospectively.

g) Intangible Assets

Intangible assets are composed of assets with finite and indefinite useful life. Intangible assets are initially recorded at cost.

Intangible assets with finite useful life primarily include capitalized software applications, distribution networks and customer relationships. These assets are depreciated linearly over their estimated useful life varying between 4 and 30 years. Useful life is reassessed each year and any depreciation expense is adjusted prospectively, if applicable. Finite life intangible assets are subject to impairment testing if there is evidence of impairment and losses in value are calculated and recorded on an individual basis for each asset.

Intangible assets with indefinite useful life primarily include fund management contracts and distribution networks. These assets are not subject to depreciation and are tested for impairment at least annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. An impairment loss is recognized in the Income Statement under *General expenses* when the carrying value exceeds the recoverable value. Intangible assets are considered to have indefinite useful lives when, on the basis for analysis of all relevant factors, there is no foreseeable limit to the period in which the asset is expected to generate net cash inflows for the Company.

h) Goodwill

Goodwill represents the difference between the acquisition cost and the fair value of identifiable assets, assumed liabilities and contingent liabilities of the acquired entities at the acquisition date. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulting from business combinations is presumed to have an indefinite life and is not amortized.

The Company allocates goodwill to a CGU or to a group of CGUs (hereinafter referred to collectively as CGU), which is the smallest group of identifiable assets that generate cash flows that are largely independent of cash flows from other assets or groups of assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets might be impaired. To determine whether there is impairment, the Company compares for each CGU the net carrying value and the recoverable amount. The recoverable amount is the higher of the fair value less costs of sale and the value in use. The value in use of a CGU is the discounted value of expected future cash flows resulting from a CGU. When the assets and liabilities of the CGU have not changed significantly, the recoverable amount substantially exceeds the carrying value of the CGU and impairment is unlikely under current circumstances, the most recent detailed calculation of the recoverable amount of the CGU carried out during a prior period is used in the impairment test for the period considered. Goodwill impairments are recorded as *General expenses* in the Income Statement and cannot be reversed subsequently.

i) Segregated Funds

Funds from group or individual annuities issued by the Company may be invested in segregated portfolios at the option of the policyholders. The underlying assets are registered in the name of the Company and the segregated funds policyholders have no direct access to the specific assets. The policyholders bear the risks and rewards of the funds' investment performance. The Company derives fee income from the management of its segregated funds. These revenues are accounted for in *Other revenues* in the Income Statement. Investment income and changes in fair value of the segregated fund assets are not presented separately in the Income Statement and are offset by a corresponding change in the liabilities related to segregated funds net assets.

Segregated Funds Net Assets

Segregated funds net assets are accounted for separately from the total general fund assets in the Statement of Financial Position and investments constituting segregated funds assets are accounted for at fair value. Fair value is determined according to market prices or, if market prices are not available, according to the estimated fair values that the Company has established. The liabilities included in the segregated funds net assets are accounted for at amortized cost.

Liabilities Related to Segregated Funds Net Assets

Insurance or investment contract liabilities whose financial risk corresponds to the risk assumed by insureds are presented separately from the total general fund liabilities in the Statement of Financial Position and are accounted for at the fair value of segregated funds net assets.

Liabilities related to the segregated funds guarantees granted by the Company are included in *Insurance contract liabilities* in the Statement of Financial Position.

j) Reinsurance Assets

In the normal course of business, the Company uses reinsurance to limit its risk exposure. Reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who share the risks. Reinsurance assets represent the amounts due to the Company for ceded insurance contract liabilities, investment contract liabilities and unearned premiums. The calculation of these amounts is similar to the calculation of the underlying insurance contract liabilities and investment contract liabilities and unearned premiums, in accordance with the contract provisions of reinsurance agreements. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured.

Gains or losses that could occur on buying reinsurance are recognized in net income immediately and are not amortized. The gross amounts of assets and liabilities related to reinsurance are presented separately in the Statement of Financial Position. The amounts due to or from reinsurers for premiums received or claims made are included in *Other assets* and *Other liabilities* in the Statement of Financial Position. Premiums for ceded reinsurance are shown under *Ceded premiums* in the Income Statement. The *Ceded benefits and claims on contracts* item in the Income Statement shows expense recoveries related to reinsurance contracts.

The reinsurance assets are tested for impairment. The Company considers impairment if it deems it unlikely that it will be able to recover all amounts due according to the contractual terms of the reinsurance agreement due to objective evidence of impairment, such as the third party's financial difficulty, a bankruptcy or default of payment of amounts due. This provision is immediately recorded in *General expenses* in the Income Statement.

k) Insurance Contract Liabilities and Investment Contract Liabilities

i) Classification of Contracts

The Company issues contracts that contain an insurance risk, a financial risk or both. Insurance contracts, including reinsurance acceptances, are contracts that contain a significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing are unknown. This risk is assessed by reviewing a portfolio of contracts with similar risk features.

Investment contracts are contracts that contain a financial risk and which do not include a significant insurance risk. The financial risk represents the risk of a possible future change in one or more of the following items: specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract.

Service contracts are contracts that do not contain any significant insurance risk and no financial risk and for which the Company offers administrative services only. Service contracts also include the service components of investment contracts. The accounting policy relating to the fee income earned from these contracts is described in section q) "Other Revenues" in the present note.

Management makes judgments to evaluate the classification of contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts if insurance risk subsequently becomes significant.

Insurance contracts are accounted for in accordance with IFRS 4 *Insurance Contracts*, whereas investment contracts are accounted for according to IAS 39 *Financial Instruments: Recognition and Measurement*, and service contracts according to IFRS 15 *Revenue from Contracts with Customers*.

ii) Insurance Contract Liabilities

The appointed actuary determines the amount of insurance contract liabilities using the CALM, in accordance with the standards of the CIA, and as permitted by IFRS 4 *Insurance Contracts*. Pursuant to the CALM, insurance contract liabilities represent the amount which, added to future premiums and investment income, will be sufficient to cover estimated future benefits, policyholder dividends and experience rating refunds, taxes (other than income taxes), commissions and fees to administer in-force policies. The change in the insurance contract liabilities is included in *Increase (decrease) in insurance contract liabilities* in the Income Statement.

iii) Investment Contract Liabilities

Investment contract liabilities are the amounts that the Company owes to clients since these contracts do not have significant insurance risk. These contracts are initially carried at fair value less transaction costs directly related to the establishment of the contract and are subsequently re-measured at amortized cost. This liability is derecognized when all the obligations relating to this type of contract are performed, extinguished or expire.

l) Other Liabilities

Other liabilities are primarily made up of unearned premiums, post-employment benefits, amounts on deposit on products other than insurance contracts, accounts payable, due to reinsurers, short-selling securities and securitization liabilities.

Financial liabilities included in *Other liabilities* are classified as financial liabilities at amortized cost, except for short-selling securities, which are classified as held for trading. The commitments related to short-selling securities reflect the Company's obligation to deliver securities that it sold without owning them at the time of sale. Short-selling securities are recorded at fair value in the Statement of Financial Position. Realized and unrealized gains and losses are recognized in *Change in fair value of investments* in the Income Statement. A financial liability is derecognized when the obligation related to the financial liability is settled, cancelled or expires.

The Company sells securities and, simultaneously, agrees to repurchase them in the short term, at a set price and date. These repurchase agreements are recorded in the Statement of Financial Position at the consideration received plus accrued interest. Commitments related to securities acquired under repurchase agreements are recorded at amortized cost using the effective interest method. Interest on repurchase operations is recorded in the Income Statement under *Financing charges*.

Lease liabilities are recognized, from the commencement date of the contract, at the discounted value of the lease payments that have not yet been paid, discounted at the interest rate implicit in the lease, or if this rate is not available, at the incremental borrowing rate. Subsequently, lease liabilities are recorded at amortized cost using the effective interest method and the related interest expense is recognized in *Financing charges* in the Income Statement. Lease liabilities exclude amounts relating to variable lease payments or payments for which the Company is reasonably certain not to exercise. The Company has elected to recognize lease payments for short-term and low-value contracts on a straight-line basis over the lease term in *General expenses*.

The purchased businesses in force are initially recorded at fair value. If negative, this fair value is recorded in the Statement of Financial Position in *Other liabilities* for an amount equal to the discounted value of estimated future gains or losses related to purchased businesses in force at the acquisition date. The discounted value of the future gain or loss takes into consideration the cost of capital and is estimated using actuarial assumptions that are similar to the ones used to establish the insurance contract liability purchased and a discount rate integrating a risk premium. The fair value of purchased businesses in force recorded as part of a business combination is amortized over the useful life of the portfolio contracts.

m) Income Taxes

The income tax expense includes current taxes and deferred taxes. The calculation of current income tax expense is based on taxable income for the year. Current tax assets and liabilities for the current and previous periods are measured at the amount expected to be paid to or received from tax authorities using tax rates that have been enacted or substantively enacted at the Statement of Financial Position date. Deferred income taxes result from temporary differences between the assets' and liabilities' carrying value and their value for tax purposes, using those rates enacted or substantively enacted applicable to the periods the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences subject to certain exceptions, carry forward for unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which these assets can be utilized. The Company assesses all available evidence, both positive and negative, to determine the amount of deferred tax assets to be recognized.

Deferred tax liabilities are recognized for all taxable temporary differences, subject to certain exceptions in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset them, for the same legal entity and levied by the same taxation authority, and if the Company intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The current and deferred taxes are presented in the Income Statement except when they relate to items that are recognized in *Other comprehensive income* or directly in equity. In this case, they are presented in the Comprehensive Income Statement and the Statement of Financial Position respectively.

To determine the impact of taxes, the Company must comply with both IFRS and actuarial standards of practice. Consequently, according to the CALM, the determination of insurance contract liabilities must account for all cash flows associated with the insurance contract liabilities provided, including income taxes. Insurance contract liabilities are determined by considering the tax impacts related to these contracts on a discounted basis, adjusted for all related deferred tax assets and liabilities. The net result of this adjustment is to leave the discounting effect of deferred taxes related to temporary differences on tax items related to insurance contracts in *Insurance contract liabilities*.

The Company is subject to income tax laws in Canada and the United States. Tax laws are complex and may be subject to different interpretations by the Company and by the tax authority. The provision for income taxes and deferred income taxes represents the Company's interpretation of the tax laws and estimates of current and future tax consequences of the transactions and events during the period. In addition, future events, such as changes in tax laws, tax regulations or the interpretations of such laws or regulations could have a material effect on the amounts of the tax expense, the deferred income tax and the effective tax rate during the year in which they occur.

n) Debentures

The Company has chosen to classify its debentures as financial liabilities at amortized cost. The fair value, net of related transaction costs, is used to initially recognize the debentures. Debentures are subsequently measured at amortized cost using the effective interest method. Interest calculated according to the effective interest method and premiums paid on redemption of debentures are recognized in the Income Statement and presented as *Financing charges*.

o) Foreign Exchange Conversion

Transactions in foreign currencies are converted into the functional currency at the rate in effect when each transaction takes place. Monetary items in the Statement of Financial Position are converted at the end-of-period exchange rate. Non-monetary items in the Statement of Financial Position that are measured at fair value are converted at the end-of-period exchange rate, while non-monetary items that are measured at historical cost are converted at the exchange rate in effect when each transaction takes place. Gains and losses on foreign currency conversions are recognized in the Income Statement.

The financial statements of certain entities of the group, whose functional currency (the currency of the principal economic environment in which the entity operates) differs from the parent company, are converted into the reporting currency. Assets and liabilities denominated in foreign currency are translated into Canadian dollars at the end-of-period exchange rate. Revenues and expenses are translated at the average rate. Gains and losses on foreign currency and hedge results of some of these investments are accounted for in *Other comprehensive income, net of income taxes*.

p) Premiums and Expenses

Insurance and annuity premiums, including those invested in the general fund and segregated funds, are recognized as revenue when due under contracts in force. Net premiums represent gross premiums, including assumed premiums, net of the share ceded to reinsurers for insuring a part of the risk. When premiums are recognized, provisions for future policy benefits are calculated, with the result that benefits and expenses are matched with such revenue.

General insurance premiums are recorded when written. Premiums are recognized as premiums earned over the contract period. The unrecognized portion is recorded as unearned premiums in *Other liabilities* in the Statement of Financial Position.

Benefits and claims on contracts mainly consist of amounts paid on death, annuities, redemptions and health.

Benefits and claims as well as expenses are recognized when incurred.

q) Other Revenues

Other revenues mainly come from contracts that meet the definition of service contracts and especially include fees earned from the management of the Company's segregated fund and mutual fund assets, commissions from intermediary activities and administrative services only (ASO) income. Revenues are recognized based on the considerations specified in the contract with the customer and exclude any amounts received on behalf of third parties. The nature of the activities included in other revenues represents a single performance obligation (service) which consists of a series of similar services provided to the same customer. The Company recognizes other revenues in the Income Statement on an accrual basis when services are rendered and when it is unlikely that they will be reversed.

r) Net Transfer to Segregated Funds

Net transfer to segregated funds represents the total amount transferred from the general fund to segregated funds less the total amount transferred from the segregated funds to the general fund at the request of policyholders.

s) Post-Employment Benefits

The Company has established defined benefit plans and provides certain post-retirement benefits to eligible employees. In some cases, eligible retirees have to pay a portion of premiums for these benefits. The cost of the retirement plans is determined using the Projected Unit Credit Method and management's best estimate regarding the discount rate, salary increases, mortality and expected health care costs. Defined benefit costs are divided into four components: service cost, net interest and administrative expense, which are shown in the Income Statement as *General expenses*, and revaluations, which are presented in *Other comprehensive income*.

The revaluations of defined benefit net liabilities (assets) includes the actuarial gain or loss, the yield on plan assets (excluding amounts included in net interest on the defined benefit net liabilities (assets)) and the variation of the effect of the asset ceiling, if applicable, and are recognized immediately as *Other liabilities (Other assets)* in the Statement of Financial Position and in *Other comprehensive income* on the other side. The Company decided to transfer the amounts recorded in *Other comprehensive income* to *Retained earnings*. The cost of past service is recognized in *Net income* in the period in which there has been a change, reduction or liquidation of the pension plan. The net interest is calculated by multiplying the defined benefit net liabilities (assets) at the beginning of the period by the discount rate. The difference between defined benefit assets and defined benefit obligations under defined benefit plans is recognized as an asset or liability in the Statement of Financial Position. The discount rate used to determine obligations under defined benefit plans is based on the market interest rate at the valuation date for debt securities with high quality and cash flows in line with forecast benefit payments.

t) Stock-Based Compensation

i) Stock Option Plan

The stock option plan is accounted for as a transaction which is settled in equity. The cost of stock options granted is calculated using the fair value method. Fair value of options is estimated at the grant dates taking into account a forfeiture rate and using the graded vesting method. The cost of stock options is accounted for as a remuneration expense included in *General expenses* in the Income Statement. The corresponding amount is recorded in the Company's contributed surplus in the Statement of Financial Position. For options that are cancelled before vesting, the remuneration expense that has previously been recognized is reversed. When options are exercised, contributed surplus is reversed and the shares issued are credited to share capital. Stock-based compensation is recognized at the grant date for grants to management personnel who are eligible to retire on the grant date and over the period from the date of grant to the date of retirement eligibility for grants to management personnel who will become eligible to retire during the vesting period.

ii) Share Purchase Plan for Employees

The Company's cash contribution is charged to the Income Statement as *General expenses* in the period the common shares are purchased.

iii) Deferred Share Units Plan

Measurement of deferred share units, which are settled in cash, is based on the value of the Company's common shares. When a grant is made, the Company recognizes a remuneration expense in the Income Statement and a liability equivalent to the fair value of the Company's common shares in the Statement of Financial Position. This liability is revalued at the end of each reporting period and on the settlement date according to the value of the Company's common shares and the change in fair value is recorded in *General expenses* in the Income Statement.

iv) Mid-Term Incentive Plan

Measurement of the mid-term incentive plan, which is settled in cash, is based on the value of the Company's common shares. At the end of each reporting period, the Company records a remuneration expense in the Income Statement and a liability in the Statement of Financial Position, equal to the average fair value of the Company's common shares for the reference period. This expense is amortized linearly according to the estimated number of shares expected to be vested at the end of the vesting period. Changes in the fair value of liabilities are recorded in *General expenses* in the Income Statement.

v) Restricted Share Units Plan

The restricted share units plan is accounted for as a share-based payment transaction that is settled in cash. Its valuation is based on the fair value of the common shares of a subsidiary of the Company, which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the group which are not under its control. Fair value is determined using equity valuation models. Based on the estimated number of restricted share units expected to be vested, the Company recognizes the remuneration expense in *General expenses* in the Income Statement and the corresponding liability in the Statement of Financial Position for the vesting period. At the end of each reporting period and on the settlement date, the liability is remeasured based on the fair value of the common shares of the subsidiary and the change is recorded in *General expenses* in the Income Statement.

3 › Changes in Accounting Policies

New Accounting Policies Applied

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

Standards or amendments	Description of the standards or amendments and impacts on financial statements of the Company
IFRS 4 <i>Insurance Contracts</i>	<i>Description:</i> On September 12, 2016, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i>. This amendment, <i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>, provides two options to entities applying IFRS 4: - the deferral approach is an optional temporary exemption from applying IFRS 9 until January 1, 2021 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; - the overlay approach permits entities to adopt IFRS 9 but adjust some of the impacts arising from designated financial assets, those being assets related to the insurance contract liabilities. On June 25, 2020, the IASB published an amendment to IFRS 4 <i>Insurance Contracts</i> to extend the deferral approach until January 1, 2023. <i>Status:</i> The Company met all criteria and chose the deferral approach, as described below in the section “Information on the Deferral of the Application of IFRS 9 <i>Financial Instruments</i>”. The Company will apply IFRS 9 only to financial statements beginning on or after January 1, 2023.
IFRS 16 <i>Leases</i>	<i>Description:</i> On May 28, 2020, the IASB published an amendment to IFRS 16 <i>Leases</i>. The amendment <i>COVID-19-Related Rent Concessions</i> exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021. This amendment applies retrospectively. On March 31, 2021, the IASB published an amendment to IFRS 16 <i>Leases</i>. The amendment <i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> extends the practical relief regarding COVID-19-related rent concessions until June 30, 2022. <i>Impact:</i> No impact on the Company's financial statements.
IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases</i>	<i>Description:</i> On August 27, 2020, the IASB published an amendment to IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, IFRS 7 <i>Financial Instruments: Disclosures</i>, IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases</i>. The amendment, <i>Interest Rate Benchmark Reform – Phase 2</i>, clarifies the requirements related to financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements of financial instruments when an existing interest rate benchmark is replaced. This amendment applies on a modified retrospective basis. <i>Impact:</i> No impact on the Company's financial statements.

Future Changes in Accounting Policies

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

Standards or amendments	Description of the standards or amendments
IFRS 9 <i>Financial Instruments</i>	The Company adopted the amendment to IFRS 4 <i>Insurance Contracts</i> described in the section “New Accounting Policies Applied”. Consequently, even if the provisions of IFRS 9 applied to financial statements beginning on or after January 1, 2018, the Company will apply these provisions simultaneously to the application of the standard IFRS 17. <i>Description:</i> On July 24, 2014, the IASB published the standard IFRS 9 <i>Financial Instruments</i> which replaces the provisions of the standard IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard IFRS 9: - requires financial assets to be measured at amortized cost or at fair value on the basis of the entity's business model for managing assets; - changes the accounting for financial liabilities measured using the fair value option; - proposes a new accounting model related to the recognition of expected credit losses, requiring the entity to recognize expected credit losses on financial assets using current estimates of expected shortfalls in cash flows on those instruments as at the reporting date; - modifies the hedge accounting model, which aims to present in the financial statements the effect of risk management activities. The provisions of the new standard IFRS 9 will apply retrospectively or on a modified retrospective basis. On October 12, 2017, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>. The amendment <i>Prepayment Features with Negative Compensation</i> enables entities to measure at amortized cost some prepayable financial assets with so-called negative compensation. On August 27, 2020, the IASB published an amendment to IFRS 9 <i>Financial Instruments</i>. The amendment, <i>Interest Rate Benchmark Reform – Phase 2</i>, clarifies among other things the requirements related to financial assets, financial liabilities and specific hedge accounting requirements when an existing interest rate benchmark is replaced. <i>Status:</i> The Company is currently evaluating the impact of this standard on its financial statements.

IFRS 17 Insurance Contracts	<i>Description:</i> On May 18, 2017, the IASB published the standard IFRS 17 <i>Insurance Contracts</i> which replaces the provisions of the standard IFRS 4 <i>Insurance Contracts</i>. The standard IFRS 17: • has an objective to ensure that an entity provides relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, income statement and cash flows statement; • establishes the principles for recognition, measurement, presentation and disclosure; • defines a general model and a variable fee approach applicable to all insurance contracts and reinsurance contracts to measure the insurance contract liabilities; • defines a specific model for contracts of one year or less. The provisions of the new standard IFRS 17 will apply retrospectively to each group of insurance contracts and, if and only if impracticable, an entity shall apply the modified retrospective or fair value approach to financial statements beginning on or after January 1, 2021. Early adoption is permitted if IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenue from Contracts with Customers</i> are previously applied. On June 25, 2020, the IASB published an amendment to IFRS 17 <i>Insurance Contracts</i> that clarifies different subjects and that postpones the effective date to financial statements beginning on or after January 1, 2023. On December 9, 2021, the IASB published a narrow-scope amendment to the transition requirements for entities that first apply IFRS 17 <i>Insurance Contracts</i> and IFRS 9 <i>Financial Instruments</i> at the same time to improve the usefulness of the comparative information at the time of initial application. The adoption of IFRS 17 will impact how the Company accounts for its insurance contracts, the timing of revenues recognition and the presentation of its financial performance in the Income Statement. Premiums and policy benefits will no longer be presented in the Income Statement. New items will be presented such as <i>Insurance revenue</i>, <i>Insurance services expenses</i> and <i>Finance income (expenses) from insurance contracts</i>. The insurance revenue will reflect the services rendered during the period. The current presentation of the Statement of Financial Position, under which <i>Outstanding premiums</i>, <i>Due from reinsurers</i> and <i>Deferred sales commissions</i> are included in <i>Other assets</i>, and <i>Unearned premiums</i>, <i>Due to reinsurers</i> and <i>Other insurance contract liabilities</i> are presented in <i>Other liabilities</i>, will be modified. These items will henceforth be included, for each portfolio, as <i>Insurance contract assets</i>, <i>Insurance contract liabilities</i>, <i>Reinsurance assets</i> or <i>Reinsurance liabilities</i>. IFRS 17 introduces three approaches that measure insurance contracts: the premium allocation approach, the variable fee approach and the general model approach. The general model approach, which will be mostly used by the Company, measures insurance contracts based on the Company's estimates of: • fulfilment cash flows which comprise estimates of expected future cash flows, an adjustment to reflect the time value of money and the associated financial risks (discount rate), plus a risk adjustment for non-financial risk; • the contractual service margin (CSM) which represents the unearned profit the Company will recognize as it provides services in the future. The discount rate used to adjust the fulfilment cash flows must be consistent with the readily available quoted price in active markets and reflect the characteristics of the cash flows and liquidity of the insurance contracts. This valuation method is different from the CALM used under IFRS 4 <i>Insurance Contracts</i>, which relied on the invested assets held by the Company and on its investment strategy. The CSM is measured at the initial recognition of the insurance contracts and is then released in the Income Statement as the services are rendered by the Company. If a group of contracts is or becomes onerous, an entity will recognize the loss immediately. IFRS 17 also requires the Company to separately disclose amounts resulting from groups of contracts that are expected to be onerous from those that are expected to be profitable, based on their respective portfolios. The fulfilment cash flows will be measured at each reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. <i>Status:</i> The Company continues its assessment of the impact on measurement, presentation and disclosure of insurance contracts that this standard will have on its financial statements. The Company is also actively monitoring all other potential impacts through its governance and the structure put in place to implement IFRS 17.
IAS 1 Presentation of Financial Statements	<i>Description:</i> On January 23, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i>. The amendment concerns the classification of liabilities as current or non-current and only affects the presentation of liabilities in the statement of financial position, and not the amount or timing of recognition of any asset, liability, income or expense, or the information that entities disclose about those items. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. On July 15, 2020, the IASB published an amendment to IAS 1 <i>Presentation of Financial Statements</i> that postpones the effective date to financial statements beginning on or after January 1, 2023. <i>Status:</i> The Company is currently evaluating the impact of this amendment on its financial statements.
IAS 16 Property, Plant and Equipment	<i>Description:</i> On May 14, 2020, the IASB published an amendment to IAS 16 <i>Property, Plant and Equipment</i>. The amendment clarifies the accounting for the net proceeds from selling any items produced while bringing an item of property, plant and equipment into use. The provisions of this amendment will apply retrospectively to financial statements beginning on or after January 1, 2022. Early adoption is permitted. <i>Status:</i> The Company has completed the analysis of this amendment and does not expect any significant impact on its financial statements.

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

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

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

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

The Company has decided to defer the application of IFRS 9 until IFRS 17 *Insurance Contracts* is adopted. IFRS 17 includes the measurement principles of these policies. If the Company had applied IFRS 9, this would not have had a significant impact on the classification of financial assets designated at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* given the very close relationship between invested assets and insurance contract liabilities. For financial assets classified as loans and receivables, held to maturity or available for sale as at December 31, 2021, an amount of \$906 (\$948 as at December 31, 2020) would not have met the solely payments of principal and interest test in accordance with IFRS 9. In addition, for mortgages, the Company could not have used the low credit risk exemption in the calculation of expected credit losses.

4 › Acquisition and Disposal of Businesses

Acquisition of Businesses

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

The purchase price allocation process should be completed as soon as all relevant available necessary information will have been gathered within a period not to exceed 12 months from the date of acquisition. Once the analysis is finalized, the preliminary allocation of the purchase price could be adjusted to reflect new information obtained about facts and circumstances that existed at the acquisition date.

The preliminary allocation of the purchase price is summarized as follows:

	2021
(in millions of dollars)	Surex
Fair value of identifiable assets and liabilities acquired	\$ 1
Fair value of intangible assets	27
Fair value of deferred income tax liabilities on intangible assets	(4)
Fair value of net identifiable assets acquired	24
Financial liability	(30)
Goodwill	69
	\$ 63

The goodwill reflects the Company's intention to pursue its growth strategy. Goodwill is not deductible for tax purposes. Intangible assets mainly consist of client relationships and technology developed by Surex. As at December 31, 2021, revenues and net income from Surex did not have a significant impact on the Company's financial results.

As part of the transaction, minority shareholders have an option to sell their shares to the Company starting in 2026. The Company also has a call option allowing it to acquire the shares of the minority shareholders starting in 2027. The 30% non-controlling interest is recognized as a financial liability initially measured at fair value and subsequently at amortized cost. Any changes to the carrying value of the financial liability will be recognized in the Income Statement.

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

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

Disposal of Businesses

On October 1, 2021, PPI Management Inc., a subsidiary of the Company, sold its wholly owned subsidiary PPI Benefits Inc. to AGA Benefits Solutions. A gain of \$12 before tax (\$10 after tax) was recognized in the Income Statement in *Other revenues*. The sale reflects the decision of PPI Management Inc. to focus on its core business of individual insurance and support to independent advisors.

On June 1, 2020, the Company sold a subsidiary, iA Investment Counsel Inc., to CWB Financial Group. Goodwill of \$26 and intangible assets of \$41 were disposed of in this transaction. A gain of \$16 before tax (\$8 after tax) was recognized in the Income Statement in *Other revenues*. The sale reflects the Company's decision to focus on serving wealth management needs of high-net-worth Canadians exclusively through its expanding network of independent, entrepreneur-owned investment advisory practices.

5 › Invested Assets and Investment Income

a) Carrying Value and Fair Value

	2021						
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total	Fair value
Cash and short-term investments	\$ 216	\$ —	\$ —	\$ 1,330	\$ —	\$ 1,546	\$ 1,546
Bonds							
Governments	10,763	2,105	255	106	—	13,229	
Municipalities	1,129	240	—	39	—	1,408	
Corporate and other	13,037	2,450	—	2,769	—	18,256	
	24,929	4,795	255	2,914	—	32,893	33,157
Stocks							
Common	2,118	54	—	—	—	2,172	
Preferred	236	479	—	—	—	715	
Stock indexes	169	10	—	—	—	179	
Investment fund units	834	6	—	—	—	840	
	3,357	549	—	—	—	3,906	3,906
Mortgages and other loans							
Insured mortgages							
Multi-residential	—	—	—	1,326	—	1,326	
Non-residential	—	—	—	3	—	3	
	—	—	—	1,329	—	1,329	
Conventional mortgages							
Multi-residential	51	—	—	184	—	235	
Non-residential	38	—	—	264	—	302	
	89	—	—	448	—	537	
Other loans	—	—	—	1,056	—	1,056	
	89	—	—	2,833	—	2,922	2,991
Derivative financial instruments	917	—	—	—	—	917	917
Policy loans	—	—	—	1,040	—	1,040	1,040
Other invested assets	—	92	—	6	459	557	557
Investment properties	—	—	—	—	1,870	1,870	1,901
Total investments	\$ 29,508	\$ 5,436	\$ 255	\$ 8,123	\$ 2,329	\$ 45,651	\$ 46,015

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

The *At fair value through profit or loss* category includes securities held for trading, mainly derivative financial instruments and short-term investments as well as securities designated at fair value through profit or loss. Other invested assets are made up of bonds and investment fund units that represent restricted investments, notes receivable and investments in associates and joint ventures. Bonds and investment fund units are classified as available for sale. Notes receivable are classified as loans and receivables. Investments in associates and joint ventures, accounted for using the equity method, are presented in the *Other* column. Investment fees are presented in Note 21 "General Expenses".

Fair value of investment properties is \$1,901 (\$1,943 in 2020) and is composed of investment properties of \$1,870 (\$1,916 in 2020) and of linearization of rents of \$31 (\$27 in 2020). The linearization of rents is the total rental income under the lease, distributed evenly over the lease term, using an average rate, which considers free rents and other advantages granted to tenants. Amounts related to the linearization of rents are presented in Note 9 "Other Assets". Rental income is presented in the investment income table in section c) of this note and operating expenses for investment properties are shown in Note 21 "General Expenses".

b) Investments in Associates and Joint Ventures

The Company holds interests ranging from 25% to 50% as at December 31, 2021 and 2020. The carrying value of these investments as at December 31, 2021 is \$459 (\$436 as at December 31, 2020). The share of net income and comprehensive income for the year ended December 31, 2021 amounts to \$34 (\$20 for the year ended December 31, 2020).

c) Investment Income

	2021					
(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total
Cash and short-term investments						
Interest	\$ —	\$ —	\$ —	\$ 18	\$ —	\$ 18
Bonds						
Interest	622	99	9	111	—	841
Change in fair value	(1,423)	—	—	—	—	(1,423)
Gains (losses) realized	—	34	(1)	(4)	—	29
Variation in provisions for losses	—	—	—	(3)	—	(3)
Stocks						
Dividends	272	32	—	—	—	304
Change in fair value	312	—	—	—	—	312
Gains (losses) realized	—	1	—	—	—	1
Mortgages and other loans						
Interest	3	—	—	185	—	188
Change in fair value	(2)	—	—	—	—	(2)
Gains (losses) realized	—	—	—	2	—	2
Variation in provisions for losses	—	—	—	(25)	—	(25)
Derivative financial instruments						
Interest	11	—	—	—	—	11
Change in fair value	(279)	—	—	—	—	(279)
Policy loans						
Interest	—	—	—	40	—	40
Other invested assets	(3)	—	—	7	26	30
Investment properties						
Rental income	—	—	—	—	186	186
Change in fair value	—	—	—	—	(24)	(24)
Total investment income	\$ (487)	\$ 166	\$ 8	\$ 331	\$ 188	\$ 206
Interest	625	99	9	354	—	1,087
Dividends	272	32	—	—	—	304
Derivative financial instruments	11	—	—	—	—	11
Rental income	—	—	—	—	186	186
Gains (losses) realized	—	35	(1)	(2)	—	32
Variation in provisions for losses	—	—	—	(28)	—	(28)
Other	(1)	—	—	7	26	32
Interest and other investment income	907	166	8	331	212	1,624
Bonds	(1,423)	—	—	—	—	(1,423)
Stocks	312	—	—	—	—	312
Mortgages and other loans	(2)	—	—	—	—	(2)
Derivative financial instruments	(279)	—	—	—	—	(279)
Investment properties	—	—	—	—	(24)	(24)
Other	(2)	—	—	—	—	(2)
Change in fair value of investments	(1,394)	—	—	—	(24)	(1,418)
Total investment income	\$ (487)	\$ 166	\$ 8	\$ 331	\$ 188	\$ 206

(in millions of dollars)	At fair value through profit or loss	Available for sale	Held to maturity	Loans and receivables	Other	Total
Cash and short-term investments						
Interest	\$ —	\$ —	\$ —	\$ 22	\$ —	\$ 22
Change in fair value	4	—	—	—	—	4
Bonds						
Interest	587	91	1	127	—	806
Change in fair value	2,125	—	—	—	—	2,125
Gains (losses) realized	—	32	—	(2)	—	30
Variation in provisions for losses	—	—	—	(12)	—	(12)
Stocks						
Dividends	131	22	—	—	—	153
Change in fair value	96	—	—	—	—	96
Gains (losses) realized	—	(2)	—	—	—	(2)
Mortgages and other loans						
Interest	3	—	—	194	—	197
Change in fair value	1	—	—	—	—	1
Gains (losses) realized	—	—	—	21	—	21
Variation in provisions for losses	—	—	—	(46)	—	(46)
Derivative financial instruments						
Interest	3	—	—	—	—	3
Change in fair value	1,133	—	—	—	—	1,133
Policy loans						
Interest	—	—	—	41	—	41
Other invested assets						
	(2)	3	—	8	3	12
Investment properties						
Rental income	—	—	—	—	213	213
Change in fair value	—	—	—	—	(129)	(129)
Total investment income	\$ 4,081	\$ 146	\$ 1	\$ 353	\$ 87	\$ 4,668
Interest	590	91	1	384	—	1,066
Dividends	131	22	—	—	—	153
Derivative financial instruments	3	—	—	—	—	3
Rental income	—	—	—	—	213	213
Gains (losses) realized	—	30	—	19	—	49
Variation in provisions for losses	—	—	—	(58)	—	(58)
Other	(1)	3	—	8	3	13
Interest and other investment income	723	146	1	353	216	1,439
Cash and short-term investments	4	—	—	—	—	4
Bonds	2,125	—	—	—	—	2,125
Stocks	96	—	—	—	—	96
Mortgages and other loans	1	—	—	—	—	1
Derivative financial instruments	1,133	—	—	—	—	1,133
Investment properties	—	—	—	—	(129)	(129)
Other	(1)	—	—	—	—	(1)
Change in fair value of investments	3,358	—	—	—	(129)	3,229
Total investment income	\$ 4,081	\$ 146	\$ 1	\$ 353	\$ 87	\$ 4,668

6 › Fair Value of Financial Instruments and Investment Properties

a) Methods and Assumptions Used to Estimate Fair Values

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

Financial Assets

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

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

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

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

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

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

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

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

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

Investment Properties

The fair value of investment properties is determined using various recognized methods and standards of assessment in the real estate sector. Among these methods, the income approach is the most commonly used, as it is based on an investor's behaviour in relation to income expected to be generated by an investment property. Under this approach, discounting of the cash flows generated by an investment property is preferred as it measures the relationship between the market value and the reasonably discounted incomes over an investment horizon. Expected cash flows include contractual and projected income as well as the investment property's operating expenses. These cash flows reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect and estimates of future cash inflows, including revenues projected for future leases, and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, current type and quality of the building, and market data and projections as of the date of the valuation. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness. Highest and best use is one of the possible valuation methods. Highest and best use of a site is an integral part of the process to establish the fair value of an investment property. This use is the one that, at the time of the appraisal, provides the highest fair value for the investment property. As a result, this use is determined by considering possible physical use that is legally admissible, financially feasible and achievable in the short term based on demand, and must be tied to the likelihood of being achieved rather than to the simple possibility. Assessments are carried out by external independent appraisers on an annual basis or by qualified Company personnel quarterly. During the year, 100% of the investment properties portfolio was assessed by independent appraisers (100% in 2020).

Financial Liabilities

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

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

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

The fair value of securitization liabilities and mortgage debt is estimated by discounting cash flows with the interest rates currently prevailing on the market for new debts with substantially the same terms. The fair value of securitization liabilities is disclosed in Note 7 "Management of Risks Associated with Financial Instruments" in section b) iii).

The fair value of the mortgage debt is \$71 (\$76 as at December 31, 2020). The mortgage debt is secured by an investment property with a carrying value of \$169 (\$174 as at December 31, 2020), bearing interest of 3.143% and maturing on May 1, 2022. The interest expense on the mortgage debt is \$2 (\$2 for the year ended December 31, 2020). The carrying value of the mortgage debt is included in Note 15 "Other Liabilities".

Debentures – The fair value of debentures classified as financial liabilities at amortized cost is estimated using a valuation model that takes into account instruments on the market that have substantially the same conditions. This fair value can fluctuate due to interest rates and credit risks associated with these instruments. Fair value of debentures is presented in Note 16 "Debentures".

b) Hierarchy of the Fair Value

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

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

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

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

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

Assets

	2021			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	\$ —	\$ 216	\$ —	\$ 216
Bonds				
Designated at fair value through profit or loss				
Governments	348	10,415	—	10,763
Municipalities	—	1,129	—	1,129
Corporate and other	—	12,879	158	13,037
	348	24,423	158	24,929
Available for sale				
Governments	182	1,923	—	2,105
Municipalities	—	240	—	240
Corporate and other	—	2,450	—	2,450
	182	4,613	—	4,795
	530	29,036	158	29,724
Stocks				
Designated at fair value through profit or loss	1,499	70	1,788	3,357
Available for sale	28	479	42	549
	1,527	549	1,830	3,906
Mortgages and other loans				
Designated at fair value through profit or loss	—	89	—	89
Derivative financial instruments				
Held for trading	196	718	3	917
Other invested assets				
Available for sale	22	70	—	92
Investment properties				
	—	—	1,870	1,870
General fund investments recognized at fair value	2,275	30,678	3,861	36,814
Segregated funds financial instruments and investment properties	30,710	8,054	508	39,272
Total financial assets at fair value	\$ 32,985	\$ 38,732	\$ 4,369	\$ 76,086

(in millions of dollars)	2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Cash and short-term investments				
Held for trading	\$ —	\$ 831	\$ —	\$ 831
Bonds				
Designated at fair value through profit or loss				
Governments	420	12,309	—	12,729
Municipalities	—	1,306	—	1,306
Corporate and other	—	10,783	140	10,923
	420	24,398	140	24,958
Available for sale				
Governments	248	1,607	—	1,855
Municipalities	—	205	—	205
Corporate and other	—	1,952	—	1,952
	248	3,764	—	4,012
	668	28,162	140	28,970
Stocks				
Designated at fair value through profit or loss	1,178	69	1,444	2,691
Available for sale	46	506	43	595
	1,224	575	1,487	3,286
Mortgages and other loans				
Designated at fair value through profit or loss	—	81	—	81
Derivative financial instruments				
Held for trading	433	1,216	3	1,652
Other invested assets				
Available for sale	76	47	—	123
Investment properties	—	—	1,916	1,916
General fund investments recognized at fair value	2,401	30,912	3,546	36,859
Segregated funds financial instruments and investment properties	25,065	7,365	264	32,694
Total financial assets at fair value	\$ 27,466	\$ 38,277	\$ 3,810	\$ 69,553

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

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

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

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

The Company presents the transfers between hierarchy levels at the quarter-end fair value for the quarter during which the transfer occurred.

The Company uses unobservable inputs in the valuation of bonds and stocks classified into Level 3. Regarding bonds, unobservable inputs mainly correspond to credit and liquidity risk premiums ranging from 1.06% to 2.72% as at December 31, 2021 (1.30% to 2.43% as at December 31, 2020). Stocks classified into Level 3 are mainly valued from information available in the financial statements of companies using models based on discounting expected cash flows as well as the use of multiples.

The main unobservable inputs used in the valuation of the investment properties as at December 31, 2021 are the discount rate, which is between 5.25% and 8.00% (5.25% and 8.00% in 2020) and the terminal capitalization rate, which is between 4.25% and 7.00% (4.25% and 7.25% in 2020). The discount rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the next 10 years. The terminal capitalization rate is based on market activity by type of building and by location and reflects the expected rate of return to be realized on investments over the remaining life after the 10-year period. If all other factors remain constant, a decrease (increase) in the discount rate and terminal capitalization rate will lead to an increase (decrease) in fair value of investment properties.

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

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

2021									
	Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2021	Total unrealized gains (losses) included in net income on investments still held	
(in millions of dollars)									
Bonds									
Designated at fair value through profit or loss	\$ 140	\$ (8)	\$ —	\$ 3	\$ (3)	\$ 26	\$ 158	\$ (9)	
Stocks									
Designated at fair value through profit or loss	1,444	204	—	365	(225)	—	1,788	189	
Available for sale	43	—	(1)	5	(5)	—	42	—	
Derivative financial instruments									
Held for trading	3	1	—	—	(1)	—	3	2	
Investment properties	1,916	(24)	—	22	(44)	—	1,870	(24)	
General fund investments recognized at fair value	3,546	173	(1)	395	(278)	26	3,861	158	
Segregated funds financial instruments and investment properties	264	32	—	228	(16)	—	508	31	
Total	\$ 3,810	\$ 205	\$ (1)	\$ 623	\$ (294)	\$ 26	\$ 4,369	\$ 189	

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

For the year ended December 31, 2021, an amount of \$18 (\$28 for the year ended December 31, 2020) presented in *Purchases* for investment properties corresponds to capitalizations to *Investment properties* and an amount of \$4 (none for the year ended December 31, 2020) corresponds to the transfer of fixed assets to *Investment properties*. Also, *Sales and settlements* for investment properties do not include any transfers to fixed assets (none for the year ended December 31, 2020).

Realized and unrealized gains (losses) included in net income and *Total unrealized gains (losses) included in net income on investments still held* are presented in the *Investment income* in the Income Statement, except the value of segregated funds assets, which is not presented in the Income Statement, but is included in the change in segregated funds net assets in Note 12 "Segregated Funds Net Assets". *Realized and unrealized gains (losses) included in other comprehensive income* are presented in Note 19 "Accumulated Other Comprehensive Income" in *Unrealized gains (losses)*.

Fair Value Disclosed in the Notes

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

2021				
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Classified as held to maturity				
Bonds				
Governments	\$ —	\$ 255	\$ —	\$ 255
Total of assets classified as held to maturity	—	255	—	255
Classified as loans and receivables				
Bonds				
Governments	—	7	130	137
Municipalities	—	50	—	50
Corporate and other	—	198	2,793	2,991
	—	255	2,923	3,178
Mortgages and other loans	—	2,902	—	2,902
Total of assets classified as loans and receivables	—	3,157	2,923	6,080
Total of assets whose fair value is disclosed in the notes	\$ —	\$ 3,412	\$ 2,923	\$ 6,335

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

Financial Liabilities

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

	2021			
(in millions of dollars)	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Other liabilities				
Held for trading	\$ 94	\$ 168	\$ —	\$ 262
Derivative financial instruments				
Held for trading	79	418	29	526
Total of liabilities classified as held for trading	173	586	29	788
Classified at amortized cost				
Other liabilities				
Securitization liabilities	—	780	—	780
Mortgage debt	—	71	—	71
Debentures	—	1,484	—	1,484
Total of liabilities classified at amortized cost	\$ —	\$ 2,335	\$ —	\$ 2,335

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

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

2021								
(in millions of dollars)	Balance as at December 31, 2020	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2021	Total unrealized gains (losses) included in net income on financial liabilities
Derivative financial instruments	\$ 39	\$ 1	\$ —	\$ 3	\$ (14)	\$ —	\$ 29	\$ —
2020								
(in millions of dollars)	Balance as at December 31, 2019	Realized and unrealized gains (losses) included in net income	Realized and unrealized gains (losses) included in other comprehensive income	Purchases	Sales and settlements	Transfers into (out of) Level 3	Balance as at December 31, 2020	Total unrealized gains (losses) included in net income on financial liabilities
Derivative financial instruments	\$ 36	\$ 5	\$ —	\$ 1	\$ (3)	\$ —	\$ 39	\$ —

7 › Management of Risks Associated with Financial Instruments

Effective risk management rests on identifying, understanding and communicating all risks the Company is exposed to in the course of its operations. Risk management is comprised of a series of objectives, policies and procedures that are approved by the Board of Directors and enforced by managers. The main risk management policies and procedures are subject to annual reviews. More information regarding the principles, responsibilities and key measures and management practices of the Company's risk management is provided in the shaded portion of the "Risk Management" section of the Management's Discussion and Analysis on pages 57 to 67. The shaded information in these pages is considered an integral part of these Financial Statements. Market risk, credit risk and liquidity risk are the most significant risks that the Company must manage for financial instruments.

a) Market Risk

Market risk represents the risk of fluctuation in the fair value of a financial instrument, which could lead to a loss due to changes in market factors, such as interest rates, stock prices and exchange rates.

Interest Rate Risk

One of an insurer's fundamental activities is to invest client premiums for the payment of future benefits, whose maturity date may be a long-time in the future, such as death benefits and annuity payments. To properly manage the risks of interest rate fluctuations and fund availability, the Company maintains a system to match its assets to its insurance contract liabilities and long-term debts, matches its liabilities until they expire and uses derivative financial instruments as complementary management tools. Consequently, assets are chosen based on amount, cash flow and return in order to correspond to the characteristics of the matched liabilities. The accounting policies for derivative financial instruments used for matching correspond to those used for the underlying items. Therefore, any change in the fair value of assets held for matching purposes will have little impact on the financial position of the Company and on its ability to honour its obligations. One of the strategies used in matching is immunization. This strategy consists in using fixed income securities to immunize a liability against interest rate variations. In the measurement of its insurance contract liabilities, as described in Note 14 "Insurance Contract Liabilities and Investment Contract Liabilities", the Company takes into account the level of matching achieved between assets and liabilities.

Risk of a Market Downturn

The risk of a market downturn represents the risk of losses caused by stock market fluctuations or caused by private equity value fluctuations. The Company is exposed to this risk in various ways as part of its regular operations, through: 1) the fee income collected on the investment funds managed by the Company, which is calculated based on assets under management; 2) the discounted future revenues on Universal Life policy funds; 3) the income on capital generated by the assets backing the Company's capital; and 4) benefits from guarantees on segregated funds.

In its risk management strategy, the Company has implemented a dynamic hedging program for all minimum withdrawal guarantees and almost all maturity guarantees offered by the Individual Wealth Management sector. The value of the assets underlying the hedged guarantees represents \$7,366 as at December 31, 2021 (\$7,140 in 2020). More detailed information on the hedging program is provided in the shaded portion of the "Risk Management" section of the Management's Discussion and Analysis on page 64.

Foreign Currency Risk

Foreign currency risk represents the risk that the Company assumes for losses due to exchange rates related to foreign currencies to which the Company is exposed. The Company has adopted a policy to avoid exposure to currency risk whereby liabilities are generally matched with assets of the same currency; otherwise, derivative financial instruments are used. To protect itself against foreign currency risk, the Company also uses hedge accounting to limit the impact of changes in equity, primarily with respect to a net investment in a foreign operation that has a different functional currency from the Company's functional currency. Disclosure of hedge accounting is presented in Note 8 "Derivative Financial Instruments".

Impairment of Financial Assets Classified as Available for Sale

For the years ended December 31, 2021 and 2020, the Company did not reclassify any unrealized losses of stocks classified as available for sale from *Other comprehensive income* to *Investment income* in the Income Statement.

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

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

(in millions of dollars)	2021			2020		
	Fair value	Unrealized losses	Unrealized gains	Fair value	Unrealized losses	Unrealized gains
Bonds						
Governments	\$ 2,105	\$ (19)	\$ 55	\$ 1,855	\$ (1)	\$ 81
Municipalities	240	(2)	3	205	—	10
Corporate and other	2,450	(24)	31	1,952	—	88
	4,795	(45)	89	4,012	(1)	179
Stocks	549	(2)	29	595	(10)	18
Other invested assets	92	(1)	1	123	—	4
Total	\$ 5,436	\$ (48)	\$ 119	\$ 4,730	\$ (11)	\$ 201

b) Credit Risk

Credit risk corresponds to the possibility that the Company will sustain a financial loss if a counterparty or a debtor does not meet its commitments. This is a material risk for the Company, and it originates mainly from credit granted in the form of mortgages and other loans as well as private placements, exposure to different investment portfolios, derivative financial instruments and reinsurance activities. The maximum credit risk associated with financial instruments corresponds to the carrying value of financial instruments presented in the Statement of Financial Position, except for the investments in associates and joint ventures.

Credit risk can also occur when there is a concentration of investments in entities with similar characteristics or that operate in the same sector or the same geographic region, or when a major investment is made in one entity. This constitutes concentration risk.

The Company's credit risk management policies include the assignment of risk ratings, management of impaired loans, as well as a level of authorization according to the rating and the amount of the financial instrument. The Company establishes investment policies that are regularly reviewed, updated and approved by the Board of Directors. Consequently, the Company manages credit risk in accordance with these investment policies. These policies define the credit risk limits according to the characteristics of the counterparties. The Company requires prudent diversification of its credit portfolios, the use of follow-up mechanisms that rely on pricing procedures and granting of credit and a regular follow-up of its risk measurement after the initial granting of credit. The Company also requires a review and independent audit of its credit risk management program and reports the results of the follow-up, review and audit program to the Board of Directors. The credit risk related to derivative financial instruments is presented in Note 8 "Derivative Financial Instruments".

b) i) Credit Quality Indicators

Bonds by Investment Grade

(in millions of dollars)	2021	2020
AAA	\$ 1,623	\$ 1,916
AA	13,588	15,176
A	11,073	9,459
BBB	6,300	5,231
BB and lower	309	317
Total	\$ 32,893	\$ 32,099

The Company prepares an assessment of the quality of the investment if the evaluation is not available from a credit rating agency. Bonds that have been internally evaluated represent an amount of \$2,133 as at December 31, 2021 (\$2,116 as at December 31, 2020).

Mortgages and Other Loans

(in millions of dollars)	2021	2020
Insured mortgages	\$ 1,329	\$ 1,384
Conventional mortgages	537	507
Other loans	1,056	910
Total	\$ 2,922	\$ 2,801

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

Derivative Financial Instruments

The Company's credit risk exposure is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument. The Company applies the same criteria in selecting counterparties as it does for investing in bonds. As at December 31, 2021, all counterparties to derivative financial instrument contracts have a credit rating of AA- or higher (AA- or higher as at December 31, 2020).

Reinsurance Assets

The Company assesses the financial soundness of reinsurers before signing any reinsurance agreements and monitors their situation on a regular basis. It can eliminate certain risks by using letters of credit and by requiring cash deposits in trust accounts. Reinsurance agreements without security held from reinsurers are with several well-established, highly rated reinsurers. The Company's reinsurance assets are with reinsurers who have a minimum credit rating of A- in a proportion of 99% (99% in 2020).

b) ii) Past Due or Impaired Financial Assets

To manage risk, the Company evaluates, among other things, the ability of the issuer to ensure current and future contractual payments of principal and interest. The Company follows up monthly to ensure that cash flows stipulated in the contract are recovered in a timely manner and takes the necessary action to address the outstanding amounts. In addition, the Company identifies the issuers that may have an unstable financial situation and classifies each of the issuer's assets under one of the following quality lists:

Watch list: The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require monitoring. No impairment loss is recognized in respect of assets of these issuers.

List of securities on the monitor list: The collection of current and future contractual payments of principal and interest is reasonably assured, but changes in the facts and circumstances specific to the issuer require increased monitoring. An asset is moved from the watch list to the list of securities on the monitor list when changes in facts and circumstances of the issuer increase the likelihood that a security suffers a loss-generating event in the near future. No impairment loss is accounted for in respect of assets of these issuers.

List of impaired assets: The collection of current and future contractual payments of principal and interest is no longer assured. For investments classified as available for sale or carried at amortized cost, an impairment loss is recognized in net income.

The Company maintains provisions for potential credit losses, including losses of principal and interest on bonds, mortgages and other loans, and real estate held for resale. Provisions for credit losses consist of specific provisions for loans and debt securities considered to be impaired, as well as amounts for financial assets which have similar credit risks that are subject to a collective impairment test.

The carrying value of loans and debt securities considered by the Company to be impaired is reduced by specific provisions to the value estimated to be realizable. A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more in the case of mortgages and 120 days or more in the case of other loans and which is not subject to a measure deployed by the Company to support its clients or in foreclosure is assumed to be impaired. Any loan in default which is not insured and fully guaranteed is generally impaired. When an asset is classified as impaired, allowances for losses are established to adjust the carrying value of the asset to its net recoverable amount. To determine this amount, several factors are taken into account, including market conditions, evaluations obtained from third parties and/or the discounted value of expected cash flows. A provision for losses on reinsurance assets is established when a reinsurance counterparty is no longer able to meet its contractual commitments to the Company. In addition, a provision, included as a component of insurance contract liabilities, is made for other potential future losses on loans and debt securities matching these liabilities, in compliance with actuarial standards.

Past Due Bonds, Mortgages and Other Loans

Bonds, mortgages and other loans are considered in arrears when the counterparty has not made a payment at a contractual date.

2021					
(in millions of dollars)	Bonds classified as held to maturity	Bonds classified as loans and receivables	Mortgages classified as loans and receivables	Other loans	Total
Gross values					
Not past due and not impaired	\$ 255	\$ 2,897	\$ 1,777	\$ 1,040	\$ 5,969
Past due and not impaired					
30 – 89 days in arrears	—	—	—	37	37
90 – 119 days in arrears	—	—	—	5	5
120 days or more in arrears	—	—	—	2	2
Impaired	—	23	—	—	23
Total of gross values	\$ 255	\$ 2,920	\$ 1,777	\$ 1,084	\$ 6,036
Specific provisions for losses	—	6	—	—	6
	255	2,914	1,777	1,084	6,030
Collective provisions for losses	—	—	—	28	28
Total of net values	\$ 255	\$ 2,914	\$ 1,777	\$ 1,056	\$ 6,002

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

Foreclosed Properties

During the year ended December 31, 2021, the Company did not take possession of any properties it held as collateral on mortgages (less than \$1 for the year ended December 31, 2020). Foreclosed properties that the Company still held at year-end are presented as real estate held for resale in Note 9 "Other Assets".

Specific Provisions for Losses

		2021	2020
(in millions of dollars)		Bonds classified as loans and receivables	Bonds classified as loans and receivables
Balance at beginning		\$ 14	\$ 10
Variation in specific provisions for losses		(8)	4
Balance at end		\$ 6	\$ 14

During the years ended December 31, 2021 and 2020, the specific provisions for losses did not vary for bonds classified as held to maturity, mortgages classified as loans and receivables and other loans.

b) iii) Other Information on Credit Risk

Investment properties

Minimum payments receivable from rental of investment properties in future years are as follows:

(in millions of dollars)	2021	2020
Due in 1 year or less	\$ 83	\$ 84
Due after 1 year to 5 years	281	297
Due after 5 years	389	435
Total	\$ 753	\$ 816

These payments are received under operating leases and are therefore not recorded in the Statement of Financial Position.

Securitization of Mortgages

Securitization of Residential Mortgages

During the year ended December 31, 2020, the Company derecognized the residential mortgages and recognized government bonds as part of its assets. The securitization liability related to the portfolio, presented in *Other liabilities*, was not derecognized because the Company is party to a total return swap agreement and remains responsible for the related liabilities. As at December 31, 2021, the carrying value of the government bonds is \$255 (\$494 in 2020) and their fair value is \$255 (\$497 in 2020).

Securitization of Multi-residential and Non-residential Mortgages

As part of the Canada Mortgage and Housing Corporation (CMHC) program, the Company transferred insured multi-residential and non-residential mortgages to an unrelated counterparty. As part of this transfer, the Company conserved substantially all risks and rewards related to the transferred mortgages. For these multi-residential and non-residential mortgages, the Company is exposed to credit risk in the event of a late payment by the borrower. In this situation, the unrelated counterparty has no obligation to compensate the Company. Additionally, in the event of prepayment, any difference between the return generated by the reinvestment versus the Company's obligations to the counterparty would be assumed by the Company. Consequently, the Company continues to recognize the full carrying value of these multi-residential and non-residential mortgages. As at December 31, 2021, the carrying value of the ceded mortgages is \$485 (\$437 in 2020) and their fair value is \$491 (\$457 in 2020).

The carrying value of the liability related to the securitization of residential, multi-residential and non-residential mortgages is \$770 (\$977 in 2020). Its fair value is \$780 (\$1,009 in 2020).

Securities Lending

The Company engages in securities lending to generate additional income. Certain securities from its portfolio are loaned to other institutions for short periods. Collateral, which represents between 102% and 105% (between 102% and 107% in 2020) of the fair value of the loaned securities according to their nature, is deposited by the borrower with a lending agent, usually a securities custodian, and retained by the lending agent until the underlying security has been returned to the Company. The fair value of the loaned securities is monitored on a daily basis with additional collateral obtained or refunded as the market values fluctuate. It is Company practice to obtain a guarantee from the lending agent against counterparty default, including collateral deficiency. As at December 31, 2021, the Company had loaned securities, which are included in invested assets, with a carrying value of approximately \$254 (\$73 in 2020).

Right of Offset, Collateral Held and Transferred

The Company negotiates financial instruments in accordance with the Credit Support Annex, which forms part of the International Swaps and Derivative Association's (ISDA) Master Agreement, and in accordance with the Supplemental Terms or Conditions Annex, which forms part of the Global Master Repurchase Agreement (GMRA). These agreements require guarantees by the counterparty or by the Company. The amount of assets to pledge is based on changes in fair value of financial instruments. The fair value is monitored daily. The assets pledged as collateral consist of, but are not limited to cash, Treasury bills and Government of Canada bonds. The Company may receive assets as collateral from the counterparty. According to the conditions set forth in the Credit Support Annex, the Company may be authorized to sell or re-pledge the assets it receives. In addition, under the ISDA and the GMRA, the Company has the right to offset in the event of default, insolvency, bankruptcy or other early termination. The following table presents the impact of conditional compensation on the financial situation and that of other similar agreements, namely the GMRA and the Credit Support Appendices (CSA).

As at December 31, 2021

	Financial instruments presented in the Statements of Financial Position	Related amount not offset in the Statements of Financial Position		Net amount
		Financial instruments	Financial collateral received/pledged	
(in millions of dollars)				
Financial assets				
Derivative financial instruments (Note 8)	\$ 917	\$ 430	\$ 279	\$ 208
Financial liabilities				
Derivative financial instruments (Note 8)	\$ 526	\$ 430	\$ 75	\$ 21
Securities sold under repurchase agreements (Note 15)	74	—	74	—
	\$ 600	\$ 430	\$ 149	\$ 21

As at December 31, 2020

	Financial instruments presented in the Statements of Financial Position	Related amount not offset in the Statements of Financial Position		Net amount
		Financial instruments	Financial collateral received/pledged	
(in millions of dollars)				
Financial assets				
Derivative financial instruments (Note 8)	\$ 1,652	\$ 307	\$ 872	\$ 473
Securities purchased under reverse repurchase agreement (Note 9)	20	—	20	—
	\$ 1,672	\$ 307	\$ 892	\$ 473
Financial liabilities				
Derivative financial instruments (Note 8)	\$ 569	\$ 307	\$ —	\$ 262
Securities sold under repurchase agreements (Note 15)	13	—	13	—
	\$ 582	\$ 307	\$ 13	\$ 262

Since the Company does not offset the financial instruments presented in the Statement of Financial Position, the net amount of the financial instruments is identical to the gross amount of the financial position.

Financial collateral received/pledged shown in the table above excludes initial margin on over-the-counter derivatives and forward currency contracts traded on the stock exchange, amounts related to segregated fund assets, overcollateralization as well as overcollateralized derivative financial instruments. The total value of collateral received was \$327 as at December 31, 2021 on the assets of derivative financial instruments (\$782 as at December 31, 2020), and no collateral was received on securities purchased under reverse repurchase agreements (\$20 as at December 31, 2020). As at December 31, 2021, the Company's pledge was \$148 on derivative financial instrument liabilities (none as at December 31, 2020) and \$74 on securities sold under repurchase agreements (\$13 as at December 31, 2020).

Interests in Non-Consolidated Structured Entities

The Company has determined that its investments in asset-backed securities, its investments in investment fund units and its private stocks represent interests held in non-consolidated structured entities.

Asset-backed securities and mortgage securities are managed by entities that combine similar assets and sell them to investors who receive all or a portion of the cash flows generated. These entities are managed by managers who are not related to the Company.

The goal of the investment fund units in which the Company invests is to generate capital growth. These investment fund units are either managed by external managers or by internal managers through Company subsidiaries. The managers apply various investment strategies to meet their respective objectives. The Company also invests in fund units through its segregated funds.

The table below presents the non-consolidated structured entities according to their type in the Statement of Financial Position.

	2021		2020	
(in millions of dollars)	Carrying amount	Maximum risk	Carrying amount	Maximum risk
Government bonds				
Mortgage-backed securities	\$ 295	\$ 295	\$ 555	\$ 555
Corporate and other bonds				
Unsecured mortgage-backed securities	14	14	—	—
Asset-backed securities	3	3	4	4
	312	312	559	559
Stocks				
Investment fund units managed internally	430	430	331	331
Investment fund units managed externally	410	410	324	324
Private stocks	1,830	1,830	1,487	1,487
	2,670	2,670	2,142	2,142
Total	\$ 2,982	\$ 2,982	\$ 2,701	\$ 2,701

The maximum risk represents the risk of total loss that the Company could suffer on investments in non-consolidated structured entities, which equals the carrying amount of these investments in the above table.

The Company develops and sponsors mutual funds to implement investment strategies on behalf of investors, and earns management fees for providing these services. The Company does not control these mutual funds. The Company's interest in mutual funds is limited to the capital invested, if any, and fees earned. The Company's mutual fund assets under management as at December 31, 2021 were \$13,955 (\$11,393 as at December 31, 2020).

b) iv) Concentration Risk

Concentration risk arises when there is a concentration of investments in entities with similar characteristics, or when a substantial investment is made with a single entity. The following tables provide information about the Company's investment concentration risk.

Bonds by sector of activity

2021					
(in millions of dollars)	At fair value through profit or loss	Available for sale	Loans and receivables	Total	
Bonds (corporate and other)					
Financial services	\$ 2,187	\$ 1,390	\$ 568	\$	4,145
Utilities	4,660	270	779		5,709
Consumer cyclical and non-cyclical	2,439	162	385		2,986
Energy	1,108	196	515		1,819
Industry	979	105	183		1,267
Communications	1,110	250	1		1,361
Other	554	77	338		969
Total	\$ 13,037	\$ 2,450	\$ 2,769	\$	18,256

2020					
(in millions of dollars)	At fair value through profit or loss	Available for sale	Loans and receivables	Total	
Bonds (corporate and other)					
Financial services	\$ 1,832	\$ 1,246	\$ 413	\$	3,491
Utilities	3,616	126	779		4,521
Consumer cyclical and non-cyclical	2,337	167	332		2,836
Energy	955	192	404		1,551
Industry	876	32	237		1,145
Communications	896	151	—		1,047
Other	411	38	313		762
Total	\$ 10,923	\$ 1,952	\$ 2,478	\$	15,353

Mortgages and other loans by region and type

	2021											
(in millions of dollars)	Atlantic provinces		Quebec	Ontario	Western provinces		Outside Canada	Total				
Insured mortgages												
Multi-residential	\$	19	\$	837	\$	139	\$	331	\$	—	\$	1,326
Non-residential		—		—		—		3		—		3
		19		837		139		334		—		1,329
Conventional mortgages												
Multi-residential		—		39		49		22		125		235
Non-residential		20		38		79		83		82		302
		20		77		128		105		207		537
Other loans		133		285		319		319		—		1,056
Total	\$	172	\$	1,199	\$	586	\$	758	\$	207	\$	2,922

(in millions of dollars)	2020					
	Atlantic provinces	Quebec	Ontario	Western provinces	Outside Canada	Total
Insured mortgages						
Multi-residential	\$ 28	\$ 839	\$ 166	\$ 346	\$ —	\$ 1,379
Non-residential	—	—	1	4	—	5
	28	839	167	350	—	1,384
Conventional mortgages						
Multi-residential	—	45	48	40	115	248
Non-residential	20	35	55	71	78	259
	20	80	103	111	193	507
Other loans	113	255	273	269	—	910
Total	\$ 161	\$ 1,174	\$ 543	\$ 730	\$ 193	\$ 2,801

Investment properties by type

(in millions of dollars)	2021	2020
Office	\$ 1,622	\$ 1,646
Retail	110	111
Industrial	52	78
Land	86	81
Total	\$ 1,870	\$ 1,916

c) Interest Rate Risk

Interest rate risk arises, among other things, from the uncertainty of the future interest rates at which maturing investments will be reinvested. The following table provides information on the maturity dates of the Company's investments subject to interest rate risk. Policy loans do not have a maturity date.

(in millions of dollars)	2021		2020	
	Bonds	Mortgages and other loans	Bonds	Mortgages and other loans
Due in 1 year or less	\$ 635	\$ 212	\$ 561	\$ 360
Due after 1 year to 5 years	3,254	1,639	3,794	1,331
Due after 5 years to 10 years	3,327	840	2,502	871
Due after 10 years	25,677	231	25,242	239
Total	\$ 32,893	\$ 2,922	\$ 32,099	\$ 2,801

The effective yield is between 0.00% and 12.00% (0.00% and 15.93% in 2020) for bonds, between 0.49% and 34.99% (0.49% and 34.99% in 2020) for mortgages and other loans and between 0.00% and 12.00% (0.00% and 12.00% in 2020) for policy loans.

d) Liquidity Risk

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

The following tables present the maturities of financial liabilities and lease liabilities:

(in millions of dollars)	2021					Total
	Due in 1 year or less	Due in over 1 year to 3 years	Due in over 3 years to 5 years	Due in over 5 years		
Benefits payable	\$ 271	\$ —	\$ —	\$ —	\$ 271	
Other policy liabilities	54	10	3	—	67	
Amounts on deposit related to products other than insurance contracts	1,817	—	—	—	1,817	
Investment contract liabilities	195	81	55	246	577	
Derivative financial instruments	170	41	43	272	526	
Other financial liabilities	1,777	93	17	37	1,924	
Securities sold under repurchase agreements	74	—	—	—	74	
Short-selling securities	262	—	—	—	262	
Securitization liabilities	312	370	81	7	770	
Mortgage debt	73	—	—	—	73	
Lease liabilities	21	42	18	42	123	
Debentures	250	—	—	1,200	1,450	
Total	\$ 5,276	\$ 637	\$ 217	\$ 1,804	\$ 7,934	

(in millions of dollars)	2020					Total
	Due in 1 year or less	Due in over 1 year to 3 years	Due in over 3 years to 5 years	Due in over 5 years		
Benefits payable	\$ 218	\$ —	\$ —	\$ —	\$ 218	
Other policy liabilities	39	8	2	—	49	
Amounts on deposit related to products other than insurance contracts	1,770	8	4	—	1,782	
Investment contract liabilities	159	99	64	253	575	
Derivative financial instruments	248	22	28	271	569	
Other financial liabilities	1,388	58	40	13	1,499	
Securities sold under repurchase agreements	13	—	—	—	13	
Short-selling securities	273	—	—	—	273	
Securitization liabilities	203	505	262	7	977	
Mortgage debt	2	73	—	—	75	
Lease liabilities	22	40	27	52	141	
Debentures	—	—	—	1,449	1,449	
Total	\$ 4,335	\$ 813	\$ 427	\$ 2,045	\$ 7,620	

Annual interest payments are as follows:

(in millions of dollars)	2022	2023	2024	2025	2026
Securitization liabilities	\$ 17	\$ 11	\$ 5	\$ 2	\$ —
Lease liabilities	4	3	3	3	2
Debentures	\$ 42	\$ 42	\$ 42	\$ 42	\$ 42

Information concerning off-Statement of Financial Position commitments is presented in Note 29 "Guarantees, Commitments and Contingencies".

8 › Derivative Financial Instruments

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

Swaps are over-the-counter (OTC) contractual agreements between the Company and a third party to exchange a series of cash flows based on rates applied to a notional amount. Interest rate swaps are contractual agreements in which two counterparties exchange a fixed or a floating interest rate payment based on the notional amount for a specified period, according to a frequency and denominated in the same currency. Currency rate swaps are transactions in which two counterparties exchange cash flows of the same nature and denominated in two different currencies. Total return swaps are contracts that transfer the variations in value of a reference asset, including any returns such as interest earned on these assets, in exchange for a reference return specified in the contract.

Forwards, which are OTC contractual agreements negotiated between counterparties, and futures contracts, which are traded on an organized market, are contractual obligations to buy or to sell a financial instrument at a predetermined future time at a given price.

Options are contractual agreements whereby the holder has the right, but not the obligation, to buy or to sell a financial asset at a predetermined price during a given time period or at a fixed date.

The notional amount represents the amount to which a rate or price is applied to determine the cash flows to be exchanged periodically and does not represent direct credit exposure. Maximum credit risk is the estimated cost of replacing derivative financial instruments that have a positive value should the counterparty default. The maximum credit risk of derivative financial instruments as at December 31, 2021 is \$914 (\$1,648 in 2020). The Company's exposure at the end of each reporting period is limited to the risk that a counterparty does not honour the terms of a derivative financial instrument.

2021						
(in millions of dollars)	Notional amount			Total	Fair value	
	Less than 1 year	1 to 5 years	Over 5 years		Positive	Negative
Equity contracts						
Swap contracts	\$ 914	\$ 243	\$ 95	\$ 1,252	\$ 21	\$ (3)
Futures contracts	474	—	—	474	—	(8)
Options	4,756	—	—	4,756	231	(99)
Currency contracts						
Swap contracts	64	358	4,531	4,953	106	(209)
Forward contracts	3,254	1,199	—	4,453	35	(38)
Options	38	—	—	38	—	—
Interest rate contracts						
Swap contracts	1,430	4,079	5,044	10,553	309	(107)
Forward contracts	2,449	1,407	—	3,856	212	(33)
Other derivative contracts	3	5	244	252	3	(29)
Total	\$ 13,382	\$ 7,291	\$ 9,914	\$ 30,587	\$ 917	\$ (526)

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

2021			
(in millions of dollars)	Notional amount	Fair value	
		Positive	Negative
Derivative financial instruments not designated as hedge accounting	\$ 28,018	\$ 903	\$ (509)
Net investment hedge	1,715	5	(15)
Fair value hedges			
Interest risk	712	5	(1)
Currency risk	27	1	(1)
Cash flow hedges			
Currency risk	115	3	—
Total of derivative financial instruments	\$ 30,587	\$ 917	\$ (526)

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

Embedded Derivative Financial Instruments

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

Net Investment Hedge

Forward contracts, designated as hedges of net investments in foreign operations with a functional currency other than the functional currency of the Company, have maturities of less than 1 year to 3 years as at December 31, 2021 (less than 1 year in 2020). The effective portion of changes in fair value is recorded in *Other comprehensive income*, as is the foreign currency translation of the net investment in a foreign operation. For the years ended December 31, 2021 and 2020, the Company did not recognize any ineffectiveness.

Fair Value Hedges

Interest rate risk hedging

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

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

For the year ended December 31, 2021, the Company has recognized a gain of \$17 on the hedging instruments (loss of \$20 for the year ended December 31, 2020) and a loss of \$21 on the hedged items (gain of \$19 for the year ended December 31, 2020). For the year ended December 31, 2021, the Company has recognized an ineffectiveness of \$4 (\$1 for the year ended December 31, 2020).

Currency rate risk hedging

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

Cash Flow Hedges

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

During the year ended December 31, 2020, the Company ended a cash flow hedging relationship which was entered into in 2019 in order to manage its exposure to changes in currency rate risk on forecasted transactions. The Company was using forward contracts that had maturities of less than 1 year. For the year ended December 31, 2020, the Company did not recognize any ineffectiveness.

9 › Other Assets

(in millions of dollars)	2021	2020
Investment income due and accrued	\$ 255	\$ 203
Outstanding premiums	109	105
Due from reinsurers	194	134
Post-employment benefits	82	—
Due from agents	155	107
Accounts receivable	1,183	1,161
Deferred sales commissions	598	441
Prepaid expenses	69	41
Real estate held for resale	—	1
Linearization of rents	31	27
Income taxes receivable	165	137
Funds deposited in trust	999	877
Securities purchased under reverse repurchase agreements	—	20
Miscellaneous	10	7
Total	\$ 3,850	\$ 3,261

The amount of *Other assets* that the Company expects to receive within the next 12 months is \$2,061 (\$1,847 as at December 31, 2020).

10 › Fixed Assets

	Own-use Property		Right-of-use Assets				
(in millions of dollars)	Land	Real estate	Rental space	Other	Other fixed assets	Total	
Cost							
Balance as at December 31, 2019	\$ 49	\$ 209	\$ 137	\$ 12	\$ 239	\$ 646	
Acquisitions	—	5	14	1	28	48	
Business acquisitions	—	—	13	—	17	30	
Disposals/write-offs	(1)	(14)	(9)	(1)	(40)	(65)	
Effect of changes in exchange rates	—	—	(1)	—	(2)	(3)	
Balance as at December 31, 2020	48	200	154	12	242	656	
Acquisitions	—	5	4	1	37	47	
Business acquisitions	—	1	—	—	1	2	
Disposals/write-offs	—	—	(7)	(1)	(31)	(39)	
Transfer to investment properties	—	(5)	—	—	—	(5)	
Balance as at December 31, 2021	48	201	151	12	249	661	
Accumulated depreciation							
Balance as at December 31, 2019	—	70	15	3	164	252	
Depreciation for the year	—	10	18	3	23	54	
Depreciation on disposals/write-offs	—	(14)	(2)	—	(32)	(48)	
Depreciation acquired through business combinations	—	—	—	—	8	8	
Balance as at December 31, 2020	—	66	31	6	163	266	
Depreciation for the year	—	10	18	3	26	57	
Depreciation on disposals/write-offs	—	—	(4)	—	(26)	(30)	
Depreciation transferred to investment properties	—	(1)	—	—	—	(1)	
Balance as at December 31, 2021	—	75	45	9	163	292	
Net carrying value as at December 31, 2021	\$ 48	\$ 126	\$ 106	\$ 3	\$ 86	\$ 369	
Net carrying value as at December 31, 2020	\$ 48	\$ 134	\$ 123	\$ 6	\$ 79	\$ 390	

During the years ended December 31, 2021 and 2020, no own-use property was transferred to properties held for resale under *Other assets*.

11 › Intangible Assets and Goodwill

	Finite useful life		Indefinite useful life	Total
	Software applications	Other		
Intangible assets (in millions of dollars)				
Cost				
Balance as at December 31, 2019	\$ 539	\$ 547	\$ 370	\$ 1,456
Acquisitions	122	45	—	167
Acquisitions through business combinations	—	561	—	561
Disposals/write-offs	(27)	(1)	—	(28)
Disposal of business	(4)	(40)	(22)	(66)
Effect of changes in exchange rates	(2)	(47)	—	(49)
Balance as at December 31, 2020	628	1,065	348	2,041
Acquisitions	174	46	—	220
Acquisitions through business combinations	11	16	—	27
Transfer ¹	—	26	(26)	—
Disposals/write-offs	(20)	—	—	(20)
Disposal of business	—	(5)	(2)	(7)
Reclassification after allocation of the purchase price	6	(1)	—	5
Effect of changes in exchange rates	—	(4)	—	(4)
Balance as at December 31, 2021	799	1,143	320	2,262
Accumulated depreciation				
Balance as at December 31, 2019	193	153	—	346
Depreciation for the year	46	63	—	109
Depreciation on disposals/write-offs	(7)	—	—	(7)
Disposal of business	(4)	(21)	—	(25)
Effect of changes in exchange rates	(2)	(1)	—	(3)
Balance as at December 31, 2020	226	194	—	420
Depreciation for the year	66	76	—	142
Depreciation on disposals/write-offs	(8)	—	—	(8)
Balance as at December 31, 2021	284	270	—	554
Net carrying value as at December 31, 2021	\$ 515	\$ 873	\$ 320	\$ 1,708
Net carrying value as at December 31, 2020	\$ 402	\$ 871	\$ 348	\$ 1,621
¹ During the year ended December 31, 2021, the Company changed its assessment of the useful life of a \$26 intangible asset from indefinite to finite due to the situation described below under "Combination of cash-generating units".				
Goodwill (in millions of dollars)				
Balance as at December 31, 2019			\$	606
Acquisition of businesses				734
Disposal of business				(26)
Impairment				(24)
Effect of changes in exchange rates				(66)
Balance as at December 31, 2020				1,224
Acquisition of businesses				69
Disposal of business				(6)
Reclassification after allocation of the purchase price				(16)
Effect of changes in exchange rates				(4)
Balance as at December 31, 2021			\$	1,267

Impairment of Goodwill

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

(in millions of dollars)	2021		2020	
	Indefinite useful life intangible assets	Goodwill	Indefinite useful life intangible assets	Goodwill
Cash generating unit				
Individual Wealth Management	\$ 308	\$ 280	\$ 310	\$ 283
Individual Insurance	6	143	6	123
Group Insurance	1	144	1	144
General Insurance	2	80	2	11
US Operations	3	620	3	643
Other activities	—	—	26	20
Total	\$ 320	\$ 1,267	\$ 348	\$ 1,224

Goodwill and intangible assets with indefinite useful life are tested for impairment annually, or more frequently if events or changes in circumstances occur that may cause the recoverable amount of a CGU or CGU group to decrease to below its carrying value. The recoverable amount is the higher of the fair value less costs of sale and the value in use. Fair value less costs of sale is assessed by using a valuation multiples methodology. Under this methodology, fair value is assessed with reference to multiples or ratios of comparable businesses or previous business acquisition transactions. The value in use is based on the best estimates of future earnings and the level and cost of capital estimated on contract duration. The value attributed to new business is based on the business plans, on reasonable assumptions about growth and the levels of profitability of this new business. The discount rates reflect the nature and environment of the CGU.

When estimating the recoverable amount of the CGU or CGU group, the Company makes judgments and various assumptions and estimates that could result in material adjustments to the recoverable amount. Any significant change in a key assumption, such as the discount rate, growth rates, the value of new sales and any significant change in projected cash flows could result in significant changes in the recoverable amounts. As at December 31, 2021, management has determined that no reasonably possible change in the assumptions used would lead to a recoverable amount of a CGU or CGU group less than its carrying amount.

Individual Wealth Management, General Insurance and Other Activities

The recoverable amount of CGUs in the Individual Wealth Management sector is determined according to calculations of the value in use or according to the fair value less costs of sale. The recoverable amount of CGUs in the General Insurance and Other activities sectors has been determined according to calculations of the value in use, which were higher than the fair value less costs of sale.

The calculations of the recoverable amount of CGUs call upon cash flow projections before tax based on financial budgets approved by management and which cover a five-year period. Cash flows that go beyond this period are extrapolated using estimated growth rates. The calculation of the fair value less costs of sale is based on price-to-assets-under-management or price-to-assets-under-administration measures. The fair value measurements are categorized in Level 3 of the fair value hierarchy.

The Company uses several key assumptions in determining the recoverable amount. The assumed discount rate for determining the value of the CGUs is between 13% and 15% before tax (between 12% and 14% before tax in 2020). The assumptions used in the calculation are set for the medium-term growth rate between 4% and 6% (between 2% and 5% in 2020) and the long-term growth rate between 1% and 4% (between 1% and 4% in 2020).

Management determined the gross margin forecast according to past returns and its expectations in terms of market development. The growth rates used are in line with forecasts published in industry reports. The long-term growth rates used are projected industry growth rates. The discount rate is the interest rate used to establish the present value of future cash flows, and the rates used are before tax, which take into account specific risks in relation to relevant activity sectors.

Combination of cash-generating units

During the year ended December 31, 2021, the Company combined the totality of the *Other activities* CGU with the *Individual Insurance* CGU to reflect the way in which management now manages these businesses.

Individual Insurance, Group Insurance and US Operations

The recoverable amount of CGUs in the Individual Insurance, Group Insurance and US Operations sectors was determined according to calculations of the value in use or according to the fair value less costs of sale. The calculation of the fair value less costs of sale is based on measures such as multiple based on results. The calculations of the recoverable amount call upon discounted cash flow projections and represent estimated actuarial amounts which take into account the present value of net shareholder assets, future profitability of in-force business and profitability of new business where insurance companies are concerned. Cash flow projections before tax based on financial budgets approved by management and which cover a five-year period are used for other kinds of businesses. Cash flows that go beyond this period are extrapolated using estimated growth rates.

The Company uses several key assumptions in delivering the recoverable amount. The assumed discount rate for determining the value of CGUs is between 11% and 13% before tax (between 11% and 12% before tax in 2020).

The key assumptions of the valuation take into account the discount rate, expected business growth, expected return of the financial markets, fees and, when applicable, mortality and improved mortality as well as lapses.

12 Segregated Funds Net Assets

Policyholders can select from a variety of segregated funds. Although the underlying assets are registered in the name of the Company and the segregated funds policyholder has no direct access to the specific assets, the contractual arrangements are such that the segregated funds policyholder bears the risk and rewards of the funds' investment performance. However, the Company offers guarantees on some contracts and is exposed to equity market risk and interest rate risk as a result of these guarantees. The Company's exposure to loss from segregated fund products is limited to the value of these guarantees and the related liabilities are recorded in *Insurance contract liabilities*.

(in millions of dollars)	2021	2020
Assets		
Cash and short-term investments	\$ 1,448	\$ 1,077
Bonds	6,794	6,481
Stocks and investment funds	31,235	25,207
Mortgages	42	27
Investment properties	15	16
Derivative financial instruments	12	26
Other assets	450	155
	39,996	32,989
Liabilities		
Accounts payable and accrued expenses	419	185
Net assets	\$ 39,577	\$ 32,804

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

(in millions of dollars)	2021	2020
Balance at beginning	\$ 32,804	\$ 27,868
Add:		
Amounts received from policyholders	8,004	5,875
Interest, dividends and other investment income	1,416	913
Net realized gains	1,464	791
Net increase (decrease) in fair value	1,419	920
	45,107	36,367
Less:		
Amounts withdrawn by policyholders	4,864	3,039
Operating expenses	666	524
	5,530	3,563
Balance at end	\$ 39,577	\$ 32,804
	2021	2020
Type of funds		
Equity	48%	45%
Balanced	34%	34%
Fixed income	17%	20%
Money market	1%	1%
Total	100%	100%

Money market funds consist of investments that have a term of maturity of less than one year. Fixed income funds primarily consist of investments in fixed income securities and, for some funds, a small proportion in high-yield bonds. The balanced funds consist of fixed income securities and a larger equity investment component. The equity funds, which range from low volatility equity funds to aggressive equity funds, invest in a varying mix of Canadian, U.S. and global equities.

13 › Management of Insurance Risk

Insurance risk is the risk of loss resulting from higher actual benefit amounts than those expected at the time of product design and pricing. It may arise at different stages in a product's life, either during product design and pricing, during underwriting or claims settlement, or when establishing provisions for future policy benefits.

When designing and pricing products, insurance risk may result from inappropriate pricing resulting in insufficient returns as compared to the Company's profitability objectives. This risk may be due to a poor estimate of the future experience regarding several factors, such as mortality, morbidity, lapse, expenses and taxes. Insurance risk may also arise when the selection of the risks to be insured or the settlement of claims is inconsistent with the design and pricing of the product. When calculating provisions for future policy benefits, a financial loss could arise in the event of inadequate use of experience results to establish assumptions.

The Company has controls and processes in place at each of these stages to ensure that these risks are adequately managed.

Product Design and Pricing

For certain types of contracts, insurance risk may be shared with or transferred to the policyholder through a dividends and experience refunds policy, or through the fact that the Company can adjust the premiums or future benefits if experience turns out to be different than expected. For other types of contracts, the Company assumes the entire risk, thus the need to carry out a proper valuation of the commitments in this regard.

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

At this stage in the life of a product, risk is primarily managed through a regular analysis of the pricing adequacy of Company products as compared to recent experience. The pricing assumptions are revised as needed or the various options offered by the reinsurance market are utilized.

Underwriting and Claims Adjudication

Given the geographic diversity of its clients, the Company is not heavily exposed to concentration risk with respect to individuals or groups. The largest portion of the Company's mortality risk is in Canada.

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

Calculation of Provisions for Future Policy Benefits

In any insurance company, calculating the provisions for future policy benefits is a complex process that relies on financial projection models and assumptions to determine the value of the amounts that will be paid in the future to policyholders and beneficiaries. Internal reviews of changes in technical results and external sources of information are monitored for the purpose of revising the assumptions, which may result in revisions of provisions for future policy benefits.

The Company has developed a policy that outlines the documentation and the control rules needed to ensure that the actuarial valuation standards defined by the CIA (or another relevant organization), as well as the Company's standards, are followed and applied consistently in all sectors and in all territories where the Company conducts business.

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

Reinsurance

In the normal course of business, the Company uses reinsurance agreements to limit its risk on every life insured. The Company adopted a reinsurance risk management policy whereby maximum benefit amounts, which vary by line of business, are established for life and health insurance.

Although reinsurance agreements provide for the recovery of claims arising from the liabilities ceded, the Company retains primary responsibility to its policyholders, and is therefore exposed to the credit associated with the amounts ceded to reinsurers in the event that the reinsurers are unable to meet their obligations.

14 › Insurance Contract Liabilities and Investment Contract Liabilities

A) Insurance Contract Liabilities

Insurance contract liabilities are determined according to the CALM described in Note 2 "Significant Accounting Policies", section k) ii) "Insurance Contract Liabilities". Insurance contract liabilities are determined using generally accepted actuarial practices according to standards established by the CIA. An explicit projection of the cash flows using the most probable assumptions for each cash flow component and each significant contingency is used to calculate the provisions for future policy benefits.

a) Composition

(in millions of dollars)	2021	2020
Provisions for future policy benefits	\$ 35,679	\$ 35,729
Other insurance contract liabilities		
Benefits payable and provisions for unreported claims	414	350
Policyholders' amounts on deposit	424	384
Provisions for dividends to policyholders and experience rating refunds	23	64
	861	798
Total	\$ 36,540	\$ 36,527

	2021						
	Individual		Group				
		Wealth		Savings	US		
(in millions of dollars)	Insurance	Management	Insurance	Retirement	Operations	Other	Total
Insurance contract liabilities (gross)							
Canada	\$ 25,759	\$ 1,924	\$ 1,691	\$ 5,392	\$ —	\$ —	\$ 34,766
United States	—	—	—	—	1,878	(106)	1,772
Other countries	2	—	—	—	—	—	2
	25,761	1,924	1,691	5,392	1,878	(106)	36,540
Reinsurance assets							
Canada	144	—	122	116	—	—	382
United States	—	—	—	—	828	(91)	737
	144	—	122	116	828	(91)	1,119
Net insurance contract liabilities	\$ 25,617	\$ 1,924	\$ 1,569	\$ 5,276	\$ 1,050	\$ (15)	\$ 35,421

	2020						
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Insurance contract liabilities (gross)							
Canada	\$ 25,659	\$ 2,246	\$ 1,697	\$ 5,030	\$ —	\$ —	\$ 34,632
United States	—	—	—	—	2,003	(110)	1,893
Other countries	2	—	—	—	—	—	2
	25,661	2,246	1,697	5,030	2,003	(110)	36,527
Reinsurance assets							
Canada	(36)	—	139	130	—	—	233
United States	—	—	—	—	923	(97)	826
	(36)	—	139	130	923	(97)	1,059
Net insurance contract liabilities	\$ 25,697	\$ 2,246	\$ 1,558	\$ 4,900	\$ 1,080	\$ (13)	\$ 35,468

b) Changes in Insurance Contract Liabilities and Reinsurance Assets

	2021			
(in millions of dollars)	Provisions for future policy benefits	Other insurance contract liabilities	Insurance contract liabilities	Reinsurance assets
Balance at beginning	\$ 35,729	\$ 798	\$ 36,527	\$ 1,059
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	(707)	—	(707)	232
On new policies	673	—	673	(148)
Changes in methods and assumptions	(11)	—	(11)	(7)
	(45)	—	(45)	77
Changes in methods and assumptions	—	(2)	(2)	(1)
Effect of change in exchange rates	(16)	(1)	(17)	(7)
Other	11	66	77	(9)
	(5)	63	58	(17)
Balance at end	\$ 35,679	\$ 861	\$ 36,540	\$ 1,119

	2020			
(in millions of dollars)	Provisions for future policy benefits	Other insurance contract liabilities	Insurance contract liabilities	Reinsurance assets
Balance at beginning	\$ 30,002	\$ 663	\$ 30,665	\$ 338
Increase (decrease) of insurance contract liabilities and reinsurance assets				
Normal changes – provisions for future policy benefits				
On in-force	4,240	—	4,240	313
On new policies	928	—	928	(43)
Changes in methods and assumptions	592	—	592	464
	5,760	—	5,760	734
Changes in methods and assumptions	—	(3)	(3)	(2)
Effect of change in exchange rates	(40)	(3)	(43)	(17)
Other	7	141	148	6
	(33)	135	102	(13)
Balance at end	\$ 35,729	\$ 798	\$ 36,527	\$ 1,059

The variation of insurance contract liabilities and reinsurance assets include the amounts related to participating contracts.

Gains and Losses on New Reinsurance Treaties

During the year ended December 31, 2021, the Company did not conclude any new reinsurance agreements for which a gain or a loss should be recorded in the Income Statement. During the year ended December 31, 2020, the Company concluded new reinsurance agreements for which a gain of \$126 was recorded in the Income Statement.

c) Risk Management and Assumptions for Valuation of Insurance Contract Liabilities

Best estimate assumptions represent current and objective estimates of the expected outcomes. Their selection takes into consideration current circumstances, historical data from the Company, the industry or the sector, the relationship between the historical and anticipated future results as well as other relevant factors. The use of actuarial assumptions in the valuation of insurance contract liabilities requires significant judgment. The margins for adverse deviation assumptions and methods used to establish the most significant assumptions are described below.

Mortality and Morbidity

Mortality represents the occurrence of death in a given population. The mortality assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative. For Individual Insurance, the Company's mortality experience has exhibited a gradually declining trend. The calculation of insurance contract liabilities for this operating segment takes into account an improvement in future mortality rates. For Individual Wealth Management and Group Savings and Retirement, annuity mortality improvement has been projected to occur throughout the future. For the Group Insurance segment, the expected future mortality experience is incorporated into the calculation of insurance contract liabilities for this block, but no future mortality improvement is assumed.

Morbidity represents the occurrence of accident or illness among insured risks. The morbidity assumptions are based on recent technical results of the Company. The Company also uses the technical results of the industry if those of the Company are not sufficiently representative.

To manage mortality and morbidity risk, the Company uses detailed and uniform underwriting procedures that assess the insurability of the candidate and control exposure to large claims. The Company conducts monthly monitoring of technical results relating to claims and fixes retention limits that vary across markets and regions. Once the retention limits have been reached, the Company turns to reinsurance to cover the excess risk.

As at December 31, 2021, the Company estimates that a 5% permanent deterioration in mortality rates would result in a \$180 reduction in net income attributed to common shareholders due to the strengthening of the insurance contract liabilities (reduction of \$179 as at December 31, 2020). The 5% deterioration is expressed assuming 105% of the expected mortality rates, adjusted to reflect the adjustability of certain products. An improvement of the same percentage in mortality rates would have a similar impact, but in the opposite direction.

As at December 31, 2021, the Company estimates that a 5% deterioration in morbidity rates would result in a \$59 reduction in net income attributed to common shareholders (reduction of \$65 as at December 31, 2020). The 5% deterioration is expressed assuming 95% of the termination rate of disability when the insured is or becomes disabled and 105% of the expected occurrence rate when the insured is not disabled. An improvement of the same percentage in morbidity rates would have a similar impact, but in the opposite direction.

Investment Return and Interest Rate Risk

The Company segments assets to sustain liabilities by sector and by geographic market and establishes appropriate investment strategies for each liability.

CALM is the method prescribed by the standards of the CIA to ensure the adequacy of assets backing the insurance contract liabilities. By closely matching the asset cash flows with those of the corresponding liabilities, the Company reduces its sensitivity to future variations. These cash flows related to the assets and liabilities are projected based on a number of scenarios, some of which are prescribed by the CIA. The disinvestment or reinvestment occurs according to the specifications of each scenario and the insurance contract liabilities are determined based on the range of possible outcomes. Changes in fair value of assets matching these liabilities and changes in insurance contract liabilities are directly recognized in the Income Statement in order to avoid a mismatch that would otherwise arise. A description of the CALM is found in Note 2 "Significant Accounting Policies", section k) ii) "Insurance Contract Liabilities".

Interest rate risk is the risk of loss due to future changing interest rates. The investment returns are projected from the current investment portfolios as well as the planned reinvestment strategies. The uncertainty related to interest rate fluctuation is that economic losses or gains can occur following the disinvestment or reinvestment of future cash flows. The Company manages interest rate risk through an asset and liability matching policy that is updated periodically. The primary objective of this policy is to minimize the volatility of profit margins caused by fluctuations between the realized returns and those credited to existing contracts. To monitor matching, investments are segmented by matching blocks established based on the cash flow structure of the liabilities, with blocks of business being grouped together by line of business. For non-immunized liabilities, primarily individual insurance products that have very long-term commitments, the Company favours an investment strategy that tends to achieve a balance between optimizing after-tax return and capital protection since it is impossible to apply a complete immunization strategy due to a lack of availability of fixed income securities for such maturities. However, the Company has taken several initiatives to improve the short-term flows of non-immunized liabilities.

As at December 31, 2021, the Company estimates that a 0.1% decrease in the initial reinvestment rate would lead to a decrease in the insurance contract liabilities of approximately \$25 after tax (decrease of \$4 after tax as at December 31, 2020). A 0.1% decrease in the ultimate reinvestment rate would lead to an increase in the insurance contract liabilities of about \$68 after tax (increase of \$68 after tax as at December 31, 2020). The Company estimates that a 0.1% increase in the initial reinvestment rate and in the ultimate reinvestment rate would have a similar impact to a decrease, but in the opposite direction.

Also, the Company estimates that if the markets suddenly decreased by 10% as at December 31, 2021, net income attributed to common shareholders would be about \$44 lower than expected for its regular operations (\$34 as at December 31, 2020). The Company estimates that a sudden 10% increase at the beginning of the period, followed by market growth in line with expectations, would have a similar impact but in the opposite direction.

Expenses

Administration expenses include costs of servicing and maintaining in-force policies and associated overhead expenses. Policy administration expenses were calculated using the Company's internal expense allocation studies. These studies consider investments in improvement projects for which productivity gains are planned. These gains are only recognized up to the cost of the project that generates them. Unit expense factors projected for the coming years vary according to the investments planned in improvement projects, productivity that they will generate and the inflation assumption, which is established coherently with the interest rate assumption.

The risk related to expenses is the risk that the costs of future expenses are greater than the estimated costs in the measurement of liabilities or used in the design and pricing of products. A rigorous budget process is implemented annually. The budget is monitored on an ongoing basis throughout the year to assess the differences between budgeted costs and actual costs. To manage the risk, the Company prices its products to cover expected costs.

As at December 31, 2021, the Company estimates that a 5% increase in unit costs would result in a \$86 reduction in net income attributed to common shareholders (\$64 as at December 31, 2020). A decrease of the same percentage would have a similar impact, but in the opposite direction.

Lapse

Cancellation of contracts includes lapses and surrenders. Lapse means that the policyholder has stopped paying premiums. Surrender means that the policyholder voluntarily cancelled the contract. Long-term lapse rate assumptions take into account the usually lower contract cancellation rates with respect to lapse-supported products compared to other products. Expected lapse rate assumptions are generally based on the Company's recent lapse experience and are adjusted to take into account industry experience where the Company's experience is limited.

The Company reduces its exposure to lapse and surrender risk as much as possible through the way it develops its products. The contracts are built with modalities having a positive impact on the lapse rate. These modalities may result in charges for surrenders, limitations on the amounts surrendered or limitations regarding the moment when surrenders may be made. Finally, the Company has established a monthly method to follow up on lapses and surrenders.

As at December 31, 2021, the Company estimates that a 5% deterioration in lapse rates would result in a \$205 reduction in net income attributed to common shareholders (\$181 as at December 31, 2020). The 5% deterioration is expressed assuming 95% of the expected lapse rates for lapse-supported products and 105% of the expected lapse rates for other products, adjusted to reflect the adjustability of certain products. An improvement of the same percentage would have a similar impact, but in the opposite direction.

Premium Payment Patterns

For Universal Life contracts, assumptions must be established with respect to premium payment patterns. The Company has studied the payment pattern experience of Universal Life contracts. When this experience is not sufficiently representative, it is adjusted to take into consideration the industry experience. The premium payment patterns can vary depending on the payment frequency, the level of the target premium compared to the minimum premium, the type of policy insurance costs (level or annually increasing costs), the type of product and the year of issue.

Currency Risk

Currency risk results from a difference between the currency of liabilities and the currency of the assets they are backing. Generally speaking, the Company's strategy to manage exposure to currency risk consists of matching assets to the corresponding liabilities according to the currency. The Company implements a hedging strategy when the liabilities are matched to assets of a different currency.

Guarantees on Segregated Funds

A segregated fund is a type of investment similar to a mutual fund, but which generally includes a guarantee in the event of death and a guarantee at maturity. Because of the volatility inherent in the stock markets, the Company is exposed to the risk that the market value of the segregated funds will be lower than their guaranteed minimum value at the time the guarantee is applied and that it will then have to compensate the investor for the difference in the form of a benefit. The Company has set up a dynamic hedging program. In this program, a large part of the variations in the economic value of liabilities is offset by variations in assets held. The hedging program is not designed to completely eliminate the risks associated with the hedged guarantees. A number of factors can alter the quality of the hedge and potentially lead to a gain or loss in the Income Statement.

A liability related to the segregated fund guarantees granted by the Company is maintained in the general fund. The amount of the liability is at least as great as the amount determined using the methodology defined by the CIA.

Margins for Adverse Deviations

Assumptions that rely on best estimates are used to calculate the insurance contract liabilities. According to CIA standards, the appointed actuary must adjust these assumptions to include margins for adverse deviations and to take into account the uncertainty related to the establishment of these best estimates and a potential deterioration of the expected experience. These margins increase insurance contract liabilities and provide reasonable assurance that the amount of assets backing the insurance contract liabilities is sufficient to cover the impact of adverse experience.

The range of margins for adverse deviations is set out in standards issued by the CIA. The factors considered in the selection of appropriate ranges include the degree of uncertainty with respect to the expected experience and the relative volatility of potential losses over the remaining term of the policies. Provisions for adverse deviations that are not required to offset future adverse experience will be released back as an increase in *Net income*.

d) Impact of Changes in Methodologies and Assumptions on Net Insurance Contract Liabilities

A review of the methods and assumptions is performed annually to reflect changing experience and to reduce the uncertainty risk related to the insurance contract liabilities and the assets backing the liabilities.

The following table presents the impact of changes in methodologies and assumptions as well as their explanation:

(in millions of dollars)	2021	2020	
Mortality and morbidity	\$ 39	\$ 222	Mainly explained by the annual update of mortality and morbidity studies 2021: Including an increase of \$13 to reflect the most recent trends in additional mortality for direct and indirect COVID-19 pandemic impacts 2020: Including the revision of assumptions to take into account the temporary rise in mortality caused by the pandemic for an amount of \$58
Policyholder behaviour	10	390	Mainly explained by the annual update of lapse rate studies 2021: Including a decrease of \$49 to reflect the evolution of the portfolio of policies for which a specific provision related to the COVID-19 pandemic was set up in 2020 2020: Including the revision of lapse assumptions for certain policies to take into account the temporary uncertainty caused by the pandemic for an amount of \$69
Investment returns	(47)	(396)	Mainly explained by the annual update of investment return assumptions 2020: Also explained by gains from transactions improving asset-liability matching, offset by strengthening related to the decline in the interest rate used for long-term projections (ultimate reinvestment rate)
Expenses, models and other	(4)	(96)	Mainly explained by the update of the expense assumption and model refinements
Impact on net non-participating insurance contract liabilities	(2)	120	
Impact on net participating insurance contract liabilities	(3)	7	
Impact on net insurance contract liabilities	\$ (5)	\$ 127	

For the year ended December 31, 2020, the total change in net insurance contract liabilities other than changes in methods and assumptions included a gain of \$126 presented in the normal change in policy liabilities on in-force. This gain came from the signing of new reinsurance treaties considering the opportunities arising from competition in this market. A similar situation does not exist on December 31, 2021.

B) Investment Contract Liabilities

a) Composition

Non-participating deficit reimbursement agreement group insurance contracts are classified as investment contracts. Under deficit reimbursement agreements, the policyholder reimburses any deficit to the Company at the end of the contract.

The fair value of these investment contracts is determined using the parameters of the agreement concluded between the Company and the policyholder for this type of contract. Investment contract liabilities represent the balance that is due to the policyholder. Transactions involving deposits, withdrawals and earned interest correspond to the variation in investment contract liabilities.

Group Insurance

(in millions of dollars)	2021	2020
Investment contract liabilities (gross)		
Canada	\$ 577	\$ 575
Reinsurance assets		
Canada	49	83
Net investment contract liabilities	\$ 528	\$ 492

b) Variations in Net Investment Contract Liabilities

	2021		2020	
	Investment contract liabilities	Reinsurance assets	Investment contract liabilities	Reinsurance assets
(in millions of dollars)				
Balance at beginning	\$ 575	\$ 83	\$ 630	\$ 79
Deposits	180	15	109	17
Withdrawals	(159)	(49)	(185)	(15)
Increase (decrease) in investment contract liabilities and reinsurance assets	(1)	1	34	3
Other	(18)	(1)	(13)	(1)
Balance at end	\$ 577	\$ 49	\$ 575	\$ 83

C) Assets Backing Liabilities and Equity

The carrying value of total assets backing insurance contract liabilities, investment contract liabilities, other liabilities and equity is as follows:

	2021									
	Individual			Group						
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Insurance contract liabilities total	Investment contract liabilities	Other liabilities and equity	Total
(in millions of dollars)										
Cash and short-term investments	\$ (103)	\$ (1)	\$ 7	\$ (22)	\$ —	\$ —	\$ (119)	\$ 11	\$ 1,654	\$ 1,546
Bonds	18,756	1,741	1,430	4,778	970	(16)	27,659	449	4,785	32,893
Mortgages and other loans	97	59	128	422	25	—	731	65	2,126	2,922
Stocks	3,201	2	4	70	—	—	3,277	2	627	3,906
Policy loans	897	88	—	—	55	—	1,040	—	—	1,040
Other invested assets	456	—	—	—	—	—	456	—	101	557
Derivative financial instruments ¹	358	35	—	29	—	—	422	—	(31)	391
Investment properties	1,863	—	—	—	—	—	1,863	—	7	1,870
Reinsurance assets	144	—	122	116	828	(91)	1,119	49	1,042	2,210
Other	92	—	—	(1)	—	1	92	1	7,128	7,221
Total	\$ 25,761	\$ 1,924	\$ 1,691	\$ 5,392	\$ 1,878	\$ (106)	\$ 36,540	\$ 577	\$ 17,439	\$ 54,556

	2020									
	Individual			Group						
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Insurance contract liabilities total	Investment contract liabilities	Other liabilities and equity	Total
(in millions of dollars)										
Cash and short-term investments	\$ 484	\$ 48	\$ 23	\$ 57	\$ —	\$ —	\$ 612	\$ 5	\$ 1,332	\$ 1,949
Bonds	18,503	1,868	1,414	4,341	989	(13)	27,102	430	4,567	32,099
Mortgages and other loans	116	72	117	411	28	—	744	57	2,000	2,801
Stocks	2,502	2	4	69	8	—	2,585	1	700	3,286
Policy loans	754	71	—	—	55	—	880	—	1	881
Other invested assets	432	—	—	—	—	—	432	—	131	563
Derivative financial instruments ¹	896	185	—	22	—	—	1,103	(1)	(19)	1,083
Investment properties	1,909	—	—	—	—	—	1,909	—	7	1,916
Reinsurance assets	(36)	—	139	130	923	(97)	1,059	83	839	1,981
Other	101	—	—	—	—	—	101	—	6,433	6,534
Total	\$ 25,661	\$ 2,246	\$ 1,697	\$ 5,030	\$ 2,003	\$ (110)	\$ 36,527	\$ 575	\$ 15,991	\$ 53,093

¹ In its matching process, the Company considers the net value of derivative financial instruments, therefore, both assets and liabilities. Derivative financial instruments liabilities of an amount of \$395 (\$438 in 2020) for Individual Insurance, \$44 (\$47 in 2020) for Individual Wealth Management, none for Group Insurance (none in 2020) and \$33 (\$8 in 2020) for Group Savings and Retirement were considered in the matching process.

The fair value of assets backing net insurance contract liabilities as at December 31, 2021 was estimated at \$35,737 (\$35,937 as at December 31, 2020). Insurance contract liabilities are measured at fair value as per the CALM, except for liabilities backed by assets that are measured at amortized cost, such as mortgages, and bonds classified as loans and receivables.

The fair value of assets backing net investment contract liabilities as at December 31, 2021 represents approximately \$536 (\$504 as at December 31, 2020).

15 Other Liabilities

(in millions of dollars)	2021	2020
Unearned premiums	\$ 2,690	\$ 2,096
Other insurance contract liabilities	109	91
Post-employment benefits	228	380
Income taxes payable	126	96
Amounts on deposit on products other than insurance contracts	1,817	1,782
Accounts payable	1,669	1,316
Due to reinsurers	293	204
Securities sold under repurchase agreements	74	13
Short-selling securities	262	273
Securitization liabilities	770	977
Mortgage debt	73	75
Lease liabilities	123	141
Fair value of purchased business in force	10	11
Miscellaneous	59	192
Total	\$ 8,303	\$ 7,647

16 Debentures

(in millions of dollars)	2021		2020	
	Carrying value	Fair value	Carrying value	Fair value
Subordinated debentures bearing interest at 2.64%	\$ 250	\$ 251	\$ 250	\$ 255
Subordinated debentures bearing interest at 3.30%	399	411	399	423
Subordinated debentures bearing interest at 3.072%	398	414	398	431
Subordinated debentures bearing interest at 2.40%	399	404	398	415
Floating rate surplus notes based on LIBOR plus 4.25%	4	4	4	4
Total	\$ 1,450	\$ 1,484	\$ 1,449	\$ 1,528

Subordinated debentures represent direct unsecured obligations of the Company that are subordinate to the Company's policyholders and other creditors.

Subordinated Debentures Bearing Interest at 2.64%

Subordinated debentures maturing February 23, 2027, bearing interest of 2.64%, payable semi-annually from August 23, 2015 to February 23, 2022, and a variable interest rate equal to the three-month Canadian Dollar Offered Rate (CDOR) plus 1.08%, payable quarterly commencing May 23, 2022 until February 23, 2027. These subordinated debentures are redeemable by the Company starting February 23, 2022, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes amortized transaction costs and an issue discount for less than \$1.

Subordinated Debentures Bearing Interest at 3.30%

Subordinated debentures maturing September 15, 2028, bearing interest of 3.30%, payable semi-annually from March 15, 2017 to September 15, 2023, and a variable interest rate equal to the three-month CDOR plus 2.14%, payable quarterly commencing December 15, 2023 until September 15, 2028. These subordinated debentures are redeemable by the Company starting September 15, 2023, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes amortized transaction costs and an issue discount for a total of \$1.

Subordinated Debentures Bearing Interest at 3.072%

Subordinated debentures maturing September 24, 2031, bearing interest of 3.072%, payable semi-annually from March 24, 2020 to September 24, 2026, and a variable interest rate equal to the three-month CDOR plus 1.31%, payable quarterly commencing December 24, 2026 until September 24, 2031. These subordinated debentures are redeemable by the Company starting September 24, 2026, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes amortized transaction costs and an issue discount for a total of \$2.

Subordinated Debentures Bearing Interest at 2.40%

Subordinated debentures maturing February 21, 2030, bearing interest of 2.40%, payable semi-annually from August 21, 2020 to February 21, 2025, and a variable interest rate equal to the three-month CDOR plus 0.71%, payable quarterly commencing May 21, 2025 until February 21, 2030. These subordinated debentures are redeemable by the Company starting February 21, 2025, in whole or in part, subject to approval by the AMF. The carrying value of the debentures includes amortized transaction costs and an issue discount for a total of \$1.

Floating Rate Surplus Notes Based on LIBOR plus 4.25%

Floating rate surplus notes, bearing interest equal to the LIBOR 3-month rate plus 4.25%, payable quarterly, maturing in May 2034.

17 Share Capital

The Company's authorized share capital consists of the following:

Common Shares

Unlimited number of common shares without par value, with one voting right.

Class A Preferred Shares

Class A preferred shares, without par value, issuable in series. The number that may be issued is limited to not more than one-half of the number of common shares issued and outstanding at the time of the proposed issue of such Class A preferred shares.

The share capital issued by the Company is as follows:

	2021		2020	
(in millions of dollars, unless otherwise indicated)	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Common shares				
Balance at beginning	107,064	\$ 1,674	106,966	\$ 1,666
Shares issued on exercise of stock options	606	34	185	9
Shares redeemed	(113)	(2)	(87)	(1)
Balance at end	107,557	\$ 1,706	107,064	\$ 1,674

Normal Course Issuer Bid Redemption

With the approval of the Toronto Stock Exchange, the Board of Directors has authorized the Company to purchase, in the normal course of its activities, from December 6, 2021 to December 5, 2022, up to 5,382,503 common shares, representing approximately 5% of its 107,650,077 common shares issued and outstanding as at November 23, 2021. For the year ended December 31, 2021, a total of 112,500 common shares were purchased and cancelled for a net cash amount of \$8, of which \$2 was recorded against share capital and \$6 against retained earnings.

Pursuant to the Normal Course Issuer Bid redemption approved in 2019, which was in effect until March 13, 2020, date on which redemptions were suspended in accordance with instructions from regulatory authorities, 86,872 common shares were purchased and cancelled for a net cash amount of \$4, of which \$1 was recorded against share capital and \$3 against retained earnings as at December 31, 2020.

Dividends

	2021		2020	
(in millions of dollars, unless otherwise indicated)	Total	Per share (in dollars)	Total	Per share (in dollars)
Common shares	\$ 224	\$ 2.08	\$ 208	\$ 1.94

Dividends Declared and Not Recognized on Common Shares

A dividend of 0.625 dollars per share was approved by the Board of Directors of the Company on February 16, 2022. This dividend was not recorded as a liability in these Financial Statements. This dividend will be paid on March 15, 2022 to the shareholders of record as of March 4, 2022, date on which it will be recognized in the equity of the Company.

Dividend Reinvestment and Share Purchase Plan

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

18 Preferred Shares Issued by a Subsidiary

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

An unlimited number of Class A – Series B preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash of 0.2875 dollars per share, redeemable in whole or in part at the option of the Company commencing on March 31, 2011, subject to approval by the AMF, for an amount between 26 dollars and 25 dollars per share according to the year and convertible at the option of the shareholders, subject to approval by the AMF, into new Class A preferred shares.

An unlimited number of Class A – Series G preferred shares, without par value, without voting rights, with a non-cumulative quarterly dividend in cash with an initial annual rate equal to 1.0750 dollars per share, redeemable in whole or in part at the option of the Company on June 30, 2017 and on June 30 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series H preferred shares on June 30, 2017 and thereafter on June 30 every 5 years. On June 30, 2017, the Company modified the non-cumulative quarterly dividend to an annual rate equal to 0.94425 dollars in cash per share.

An unlimited number of Class A – Series I preferred shares, without par value, without voting rights, with a fixed non-cumulative quarterly dividend in cash with an annual rate equal to 1.20 dollars per share for a period of five years beginning on March 7, 2018 and ending on March 31, 2023, excluding this date, redeemable in whole or in part at the option of the Company on March 31, 2023 and on March 31 every 5 years thereafter for a cash value of 25 dollars, subject to approval by the AMF, and convertible at the option of the shareholders into Class A – Series J preferred shares on March 31, 2023 and thereafter on March 31 every 5 years.

Preferred shares issued by iA Insurance are as follows:

(in millions of dollars, unless otherwise indicated)	2021		2020	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Preferred shares, Class A, issued by iA Insurance				
Balance at beginning and at end	21,000	\$ 525	21,000	\$ 525

Dividends

(in millions of dollars, unless otherwise indicated)	2021		2020	
	Total	Per share (in dollars)	Total	Per share (in dollars)
Preferred shares, issued by iA Insurance				
Class A – Series B	\$ 6	\$ 1.15	\$ 6	\$ 1.15
Class A – Series G	9	0.94	9	0.94
Class A – Series I	7	1.20	7	1.20
Total	\$ 22		\$ 22	

19 Accumulated Other Comprehensive Income

(in millions of dollars)	Bonds	Stocks	Other invested assets	Currency translation	Hedging	Total
Balance as at December 31, 2019	\$ 73	\$ (8)	\$ —	\$ 73	\$ (82)	\$ 56
Unrealized gains (losses)	118	15	—	—	—	133
Income taxes on unrealized gains (losses)	(31)	(3)	—	—	—	(34)
Other	—	—	—	(103)	63	(40)
Income taxes on other	—	—	—	—	(10)	(10)
	87	12	—	(103)	53	49
Realized losses (gains)	(32)	2	—	—	—	(30)
Income taxes on realized losses (gains)	8	—	—	—	—	8
	(24)	2	—	—	—	(22)
Balance as at December 31, 2020	136	6	—	(30)	(29)	83
Unrealized gains (losses)	(105)	21	(3)	—	—	(87)
Income taxes on unrealized gains (losses)	24	(5)	1	—	—	20
Other	—	—	—	(17)	15	(2)
Income taxes on other	—	—	—	—	(2)	(2)
	(81)	16	(2)	(17)	13	(71)
Realized losses (gains)	(34)	(1)	—	—	—	(35)
Income taxes on realized losses (gains)	9	—	—	—	—	9
	(25)	(1)	—	—	—	(26)
Balance as at December 31, 2021	\$ 30	\$ 21	\$ (2)	\$ (47)	\$ (16)	\$ (14)

20 › Capital Management

As part of its capital management, the Company pursues sound capitalization and good solvency objectives to ensure capital protection, to respect the requirements established by the organization that regulates its operations, the AMF, to favour its development and growth, to enhance shareholder returns and to maintain favourable credit ratings.

To reach its objectives, the Company has an enterprise risk management framework that aims to describe the relationship between the Company's appetite, risk tolerance and capital requirements. This framework includes a capital management policy that describes the key processes related to capital management, including the process for determining the target operating level of the solvency ratio. The framework also comprises reporting on the Company's risk profile and an own risk and solvency assessment (ORSA) report. These reports enable the identification of risks and the evaluation of required capital to support these risks and contain proposals for possible risk management actions. These documents are revised annually and filed with the Board of Directors.

Considering the various items that can influence the Company's capital, including the contribution of net income and the features of assets underlying the capital, the Company adjusts its management strategy to enable it to optimize the structure and cost of its capital according to needs and regulatory requirements. For example, the Company may issue or redeem participating shares or subordinated debt securities.

Regulatory Requirements and Solvency Ratio

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

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

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

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

Tier 2 capital is primarily composed of subordinated debentures.

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

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

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

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

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

The Company manages its capital on a consolidated basis. As at December 31, 2021 and 2020, the Company maintains a ratio that satisfies the regulatory requirements.

(in millions of dollars, unless otherwise indicated)	2021	2020
Available capital		
Tier 1 capital	\$ 2,985	\$ 2,767
Tier 2 capital	1,997	1,601
Surplus allowance and eligible deposits	5,261	5,055
Total	\$ 10,243	\$ 9,423
Base solvency buffer	\$ 7,640	\$ 7,267
Total ratio	134%	130%

21 › General Expenses

(in millions of dollars)	2021	2020
Salaries, benefits and stock-based compensation	\$ 885	\$ 786
Professional fees	251	212
Depreciation of fixed assets (Note 10)	57	54
Depreciation of intangible assets (Note 11)	142	109
Impairment of goodwill (Note 11)	—	24
Real estate operating expenses	94	117
Other administrative expenses	394	366
Total	\$ 1,823	\$ 1,668

General expenses include investment fees for an amount of \$65 (\$69 in 2020). These investment fees exclude real estate operating expenses.

22 › Financing Charges

(in millions of dollars)	2021	2020
Interest on debentures	\$ 43	\$ 41
Interest on securitization liabilities	21	23
Interest on lease liabilities	4	5
Other	9	4
Total	\$ 77	\$ 73

23 › Income Taxes

a) Income Tax Expense (Recovery) for the Year

Income tax

(in millions of dollars)	2021	2020
Current income tax		
Current year	\$ 202	\$ 158
Adjustments of previous years	28	13
	230	171
Deferred income tax		
Creation and reversal of temporary differences	42	(7)
Adjustments of previous years	(14)	(33)
Variation in tax rates	1	(1)
	29	(41)
Income tax expense (recovery)	\$ 259	\$ 130

Income tax recognized directly in equity

(in millions of dollars)	2021	2020
Recognized in other comprehensive income		
Current income tax expense (recovery)	\$ (7)	\$ 9
Deferred income tax expense (recovery)	50	8
Total	\$ 43	\$ 17

(in millions of dollars)	2021	2020
Recognized in share capital and retained earnings		
Deferred income tax expense (recovery)	\$ —	\$ —

b) Reconciliation of Income Tax Expense

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

(in millions of dollars, unless otherwise indicated)	2021		2020	
Income before income taxes	\$ 1,118		\$ 762	
Income tax expense at Canadian statutory tax rate	295	26%	202	26%
Increase (decrease) in income taxes due to:				
Differences in tax rates on income not subject to tax in Canada	(7)	(1)%	(3)	—%
Tax-exempt investment income	(49)	(4)%	(63)	(8)%
Non-deductible (non-taxable) portion of the change in fair value of investment properties	—	—%	6	1%
Adjustments of previous years	14	2%	(20)	(3)%
Variation in tax rates	1	—%	(1)	—%
Other	5	—%	9	1%
Income tax expense (recovery) and effective income tax rate	\$ 259	23%	\$ 130	17%

c) Deferred Income Taxes
i) Recognized deferred income tax assets and liabilities

(in millions of dollars)	2021	2020
Deferred income tax assets	\$ 27	\$ 38
Deferred income tax liabilities	(441)	(382)
Net deferred income tax assets (liabilities)	\$ (414)	\$ (344)

Deferred income tax assets and deferred income tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities for the same taxable entity and the same taxation authority and if the Company intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously.

ii) Changes in net deferred tax assets (liabilities) for the year are as follows:

	2021							
(in millions of dollars)	Balance as at December 31, 2020	Recognized in net income	Recognized in other comprehensive income	Acquisition and disposal of businesses	Effect of changes in exchange rates	Recognized as goodwill	Other	Balance as at December 31, 2021
Bonds	\$ (86)	\$ 19	\$ 7	\$ —	\$ 1	\$ —	\$ 13	\$ (46)
Stocks	(36)	(11)	—	—	—	—	(16)	(63)
Real estate	(113)	(15)	—	—	—	—	(1)	(129)
Right-of-use assets	(34)	6	—	—	—	—	(1)	(29)
Intangible assets	(289)	(9)	—	(4)	—	9	9	(284)
Insurance contract liabilities	(6)	(3)	14	—	—	—	1	6
Post-employment benefits	102	(11)	(70)	—	—	—	—	21
Lease liabilities	37	(5)	—	—	—	—	—	32
Losses available for carry-forward	114	(5)	—	1	(1)	—	3	112
Other	(33)	5	(1)	—	—	—	(5)	(34)
Total	\$ (344)	\$ (29)	\$ (50)	\$ (3)	\$ —	\$ 9	\$ 3	\$ (414)

2020

(in millions of dollars)	Balance as at December 31, 2019	Recognized in net income	Recognized in other comprehensive income	Acquisition and disposal of businesses	Effect of changes in exchange rates	Recognized as goodwill	Other	Balance as at December 31, 2020
Bonds	\$ (40)	\$ (39)	\$ (2)	\$ (1)	\$ 2	\$ —	\$ (6)	\$ (86)
Stocks	(33)	(3)	—	—	—	—	—	(36)
Real estate	(144)	31	—	—	—	—	—	(113)
Right-of-use assets	(33)	(1)	—	—	—	—	—	(34)
Intangible assets	(167)	4	—	(141)	12	—	3	(289)
Insurance contract liabilities	9	(1)	(16)	2	(1)	—	1	(6)
Post-employment benefits	77	7	19	—	—	—	(1)	102
Lease liabilities	35	2	—	—	—	—	—	37
Losses available for carry-forward	17	24	—	84	(8)	—	(3)	114
Other	20	17	(9)	(77)	7	—	9	(33)
Total	\$ (259)	\$ 41	\$ (8)	\$ (133)	\$ 12	\$ —	\$ 3	\$ (344)

Non-capital carryforward tax losses for which a deferred tax asset has not been recognized amount to \$7 (\$7 in 2020). These losses will expire between the years 2024 and 2041.

The Company recognizes a deferred tax liability on all temporary differences associated with investments in subsidiaries, branches, associates and joint ventures unless the Company is able to control the timing of the reversal of these differences and it is probable that these differences will not reverse in the foreseeable future. As at December 31, 2021, temporary differences associated with investments in subsidiaries, branches, associates and joint ventures for which a deferred tax liability has not been recognized amount to \$964 (\$722 in 2020).

24 Segmented Information

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

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

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

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

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

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

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

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

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

Segmented Income Statements

	2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
(in millions of dollars)							
Revenues							
Net premiums	\$ 1,758	\$ 5,709	\$ 1,728	\$ 2,746	\$ 828	\$ 395	\$ 13,164
Investment income	56	(149)	114	29	(16)	172	206
Other revenues	142	1,780	77	118	351	(352)	2,116
	1,956	7,340	1,919	2,893	1,163	215	15,486
Operating expenses							
Gross benefits and claims on contracts	951	2,432	1,205	2,451	631	61	7,731
Ceded benefits and claims on contracts	(369)	—	(50)	(24)	(406)	109	(740)
Net transfer to segregated funds	—	3,312	—	(34)	—	—	3,278
Increase (decrease) in insurance contract liabilities	23	(319)	2	356	(113)	6	(45)
Increase (decrease) in investment contract liabilities	—	—	(1)	—	—	—	(1)
Decrease (increase) in reinsurance assets	(176)	—	3	14	89	(6)	(76)
Commissions, general and other expenses	1,040	1,618	622	140	832	(108)	4,144
Financing charges	9	2	33	—	2	31	77
	1,478	7,045	1,814	2,903	1,035	93	14,368
Income before income taxes and allocation of other activities	478	295	105	(10)	128	122	1,118
Allocation of other activities	105	21	5	10	(19)	(122)	—
Income before income taxes	583	316	110	—	109	—	1,118
Income taxes	122	86	31	—	20	—	259
Net income	461	230	79	—	89	—	859
Net income attributed to participating policyholders	7	—	—	—	—	—	7
Net income attributed to shareholders	\$ 454	\$ 230	\$ 79	\$ —	\$ 89	\$ —	\$ 852

2020							
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Revenues							
Net premiums	\$ 1,625	\$ 3,916	\$ 1,603	\$ 3,018	\$ 694	\$ 340	\$ 11,196
Investment income	3,592	149	194	387	192	154	4,668
Other revenues	118	1,501	72	105	176	(197)	1,775
	5,335	5,566	1,869	3,510	1,062	297	17,639
Operating expenses							
Gross benefits and claims on contracts	813	1,887	1,146	1,397	589	39	5,871
Ceded benefits and claims on contracts	(251)	—	(63)	(26)	(351)	110	(581)
Net transfer to segregated funds	—	1,779	—	1,093	—	—	2,872
Increase (decrease) in insurance contract liabilities	4,168	392	62	889	265	(16)	5,760
Increase (decrease) in investment contract liabilities	—	—	34	—	—	—	34
Decrease (increase) in reinsurance assets	(664)	—	2	3	(94)	16	(737)
Commissions, general and other expenses	928	1,355	579	115	597	11	3,585
Financing charges	12	2	33	—	1	25	73
	5,006	5,415	1,793	3,471	1,007	185	16,877
Income before income taxes and allocation of other activities	329	151	76	39	55	112	762
Allocation of other activities	88	15	1	5	3	(112)	—
Income before income taxes	417	166	77	44	58	—	762
Income taxes	67	42	15	9	(3)	—	130
Net income	350	124	62	35	61	—	632
Net income attributed to participating policyholders	(1)	—	—	—	—	—	(1)
Net income attributed to shareholders	\$ 351	\$ 124	\$ 62	\$ 35	\$ 61	\$ —	\$ 633

Segmented Premiums

2021							
	Individual		Group				
(in millions of dollars)	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	Total
Gross premiums							
Invested in general fund	\$ 2,199	\$ 891	\$ 1,842	\$ 697	\$ 1,552	\$ 126	\$ 7,307
Invested in segregated funds	—	4,818	—	2,074	—	—	6,892
	2,199	5,709	1,842	2,771	1,552	126	14,199
Premiums ceded							
Invested in general fund	(441)	—	(114)	(25)	(724)	269	(1,035)
Net premiums	\$ 1,758	\$ 5,709	\$ 1,728	\$ 2,746	\$ 828	\$ 395	\$ 13,164

(in millions of dollars)	2020						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Gross premiums							
Invested in general fund	\$ 2,035	\$ 836	\$ 1,734	\$ 813	\$ 1,302	\$ 100	\$ 6,820
Invested in segregated funds	—	3,080	—	2,232	—	—	5,312
	2,035	3,916	1,734	3,045	1,302	100	12,132
Premiums ceded							
Invested in general fund	(410)	—	(131)	(27)	(608)	240	(936)
Net premiums	\$ 1,625	\$ 3,916	\$ 1,603	\$ 3,018	\$ 694	\$ 340	\$ 11,196

Segmented Assets and Liabilities

(in millions of dollars)	2021						
	Individual		Group				Total
	Insurance	Wealth Management	Insurance	Savings and Retirement	US Operations	Other	
Assets							
Invested assets	\$ 25,761	\$ 1,859	\$ 2,082	\$ 5,214	\$ 1,473	\$ 9,262	\$ 45,651
Segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Reinsurance assets	144	—	171	116	2,049	(270)	2,210
Other	100	1,201	—	—	108	5,812	7,221
Total assets	\$ 26,005	\$ 27,782	\$ 2,253	\$ 20,185	\$ 3,630	\$ 14,804	\$ 94,659
Liabilities							
Insurance contract liabilities and investment contract liabilities	\$ 25,761	\$ 1,924	\$ 2,268	\$ 5,392	\$ 1,878	\$ (106)	\$ 37,117
Liabilities related to segregated funds net assets	—	24,722	—	14,855	—	—	39,577
Other	398	44	3	33	—	10,242	10,720
Total liabilities	\$ 26,159	\$ 26,690	\$ 2,271	\$ 20,280	\$ 1,878	\$ 10,136	\$ 87,414

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

25 › Earnings Per Common Share

Basic Earnings Per Share

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

(in millions of dollars, unless otherwise indicated)	2021	2020
Net income attributed to common shareholders	\$ 830	\$ 611
Weighted average number of outstanding shares (in millions of units)	107	107
Basic earnings per share (in dollars)	\$ 7.73	\$ 5.71

Diluted Earnings Per Share

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

The dilutive effect of stock options considers the number of shares presumed issued without consideration, calculated as the difference between the number of shares deemed to have been issued (by assuming the outstanding stock option grants are exercised) and the number of shares that would have been issued at the average market price for the year (the number of shares that would have been issued using the issuance proceeds, using the average market price of the Company's common shares for the year). In 2021, an average of 34,147 antidilutive stock options (253,078 in 2020) were excluded from the calculation.

(in millions of dollars, unless otherwise indicated)	2021	2020
Net income attributed to common shareholders	\$ 830	\$ 611
Weighted average number of outstanding shares (in millions of units)	107	107
Add: dilutive effect of stock options granted and outstanding (in millions of units)	1	—
Weighted average number of outstanding shares on a diluted basis (in millions of units)	108	107
Diluted earnings per share (in dollars)	\$ 7.70	\$ 5.70

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

26 › Stock-Based Compensation

Stock Option Plan

The Company grants a certain number of common stock options to management and to senior management and determines the exercise price of the options, the expiry date and the date on which the options can be exercised. Once they are exercised, these options involve the issuance of new shares of the Company.

The exercise price of each option is equal to the weighted average price of the shares traded on the Toronto Stock Exchange during the five days of trading preceding the option grant date. The options are generally valid for 10 years. They can be exercised at a maximum rate of 25% per year for the first four anniversaries of the grant. In certain cases, the Human Resources and Compensation Committee can modify the number of options purchased following an event, moving up the expiration date of the option.

The Board can grant options for a total of 11,350,000 common shares and cannot grant more than 1.4% of the issued and outstanding common shares of the Company per person eligible for the plan.

The following table presents the activities of the plan:

	2021		2020	
(in dollars, unless otherwise indicated)	Number of stock options (in thousands)	Weighted average exercise price	Number of stock options (in thousands)	Weighted average exercise price
Balance at beginning	1,965	\$ 51.15	1,965	\$ 47.34
Options granted	310	58.55	285	73.93
Options exercised	(606)	46.00	(185)	40.24
Options cancelled	—	—	(100)	61.26
Balance at end	1,669	54.39	1,965	51.15
Exercisable at end	955	\$ 49.69	1,240	\$ 45.61

The stock options outstanding as at December 31, 2021 by exercise price are as follows:

Exercise price (in dollars, unless otherwise indicated)	Number of stock options (in thousands)	Weighted average exercise price	Average remaining contractual life (in years)
23.45 - 28.72	10	\$ 26.03	0.11
32.09 - 43.51	420	40.59	2.93
43.52 - 55.85	477	52.67	6.32
55.86 - 58.43	497	58.10	7.86
58.44 - 73.93	265	73.51	8.21
Total	1,669	\$ 54.39	6.19

Fair value of options is estimated at the grant dates using the Black-Scholes option pricing model. The weighted average fair value of the options granted in 2021 is 10.02 dollars (12.72 dollars in 2020). The pricing model assumes the following information:

	2021	2020
Risk-free interest rate	0.58%	1.38%
Expected volatility	27.70%	22.61%
Expected life (in years)	5.4	5.4
Expected dividends	3.50%	2.59%
Exercise price (in dollars)	58.55	73.93

The stock-based compensation expense during the year ended December 31, 2021 is \$3 (\$3 in 2020), and an equivalent amount was accounted for in *Contributed surplus* in the Equity Statements.

The Black-Scholes option pricing model estimates the fair value of traded options that have no vesting restrictions and are fully transferable. Option pricing models also use assumptions that are highly subjective, including expected volatility of the underlying stocks. The expected volatility is based on historical volatility of the common shares as well as comparable market data analysis. Changes in assumptions can materially affect estimates of fair values.

Share Purchase Plan for Employees

The Company adopted an employee share purchase plan in which employees can contribute up to 5% of their salary to a maximum of 3,000 dollars per year. The Company matches 50% of the employee's contribution amount up to a maximum of 1,000 dollars per year. The share purchase plan for employees does not involve the issuance of new shares. The shares purchased by employees are already outstanding common shares of the Company and they are purchased on the market. The shares purchased by the employees under the share purchase plan must be kept by the employees for a minimum period of two years. During the year, the remuneration expense for this plan was \$3 (\$3 in 2020).

Deferred Share Units Plan

This plan is offered to the Company's directors, management and senior management. Under this plan, each member may choose to receive all or a percentage of their annual directors' remuneration, or management or senior management incentive bonus, in the form of deferred share units (DSUs). The election to participate must be made on an annual basis and rights issued are vested immediately. Each DSU is equivalent to one common share and earns dividend equivalents in the form of additional DSUs at the same rate as the dividends on common shares. The value at the time of the settlement will be based on the fair market value of the common shares. To manage the risk of cash flow variation of its common share quoted price fluctuation, the Company uses derivative financial instruments. The amount of outstanding deferred share units is 215,522 (190,740 in 2020). The variation related to the fluctuation of the Company's common share quoted price, excluding adjustments arising from derivative financial instruments which are accounted for in *Interest and other investment income*, generated a charge of \$4 in 2021 (a gain of \$2 in 2020) recorded in *General expenses*. The liability for this plan is \$16 (\$10 in 2020).

Mid-Term Incentive Plan

This plan was created for the Company's management and senior management. Under this plan, each member may receive performance share units (PSUs), a compensation based on the Company's performance over three years. Performance is measured based on the Company's total net income attributed to common shareholders and the common share price. Each PSU is equivalent to one common share and earns dividend equivalents in the form of additional PSUs at the same rate as the dividends on common shares. The value at the time of settlement will be based on the fair market value of common shares for the last 20 working days of the period, increased by a vesting factor based on the Company's net income attributed to common shareholders return on equity over the three-year period. Settlement is made in cash. As at December 31, 2021, 153,710 (118,298 in 2020) performance share units are outstanding. The compensation expense recognized in respect of this plan is \$4 (\$1 in 2020) and the liabilities are \$7 (\$4 in 2020).

Restricted Share Units Plan

This plan was created for certain members of management of the Company. Under this plan, each member receives restricted share units (RSUs), which vest over a period of 5 years from the effective date of the plan, at a rate of 20% per year. RSUs whose rights are not ultimately vested, where applicable, may be reallocated. Each RSU is equivalent to one common share of a subsidiary of the Company which, for the purposes of the plan, is deemed to wholly own certain other subsidiaries of the Company which are not under its control. These units give the right to dividend equivalents cumulated in favour of the participant until the plan settlement date. Settlement of RSUs and dividend equivalents will be made in cash at the end of the 5-year vesting period. As at December 31, 2021, 35,000,000 (28,000,000 in 2020) restricted share units are outstanding. The compensation expense recognized in respect of this plan is \$10 (\$5 in 2020) and the liability is \$15 (\$5 in 2020).

Stock-Based Compensation Expense

(in millions of dollars)	2021	2020
Expense arising from equity-settled stock-based payment transactions	\$ 3	\$ 3
Expense arising from cash-settled stock-based payment transactions	21	7
Total of stock-based compensation expense	\$ 24	\$ 10

These expenses are recorded in the Income Statement as *General expenses*.

27 Post-Employment Benefits

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

Defined Benefit Plans

The Company provides defined benefit plans to eligible employees. The defined benefit plans are end-of-career plans based on the average of the best five years of salary. No indexation clause is included in the plan. The funded defined benefit plan is administered separately from the Company by a retirement fund that is a legally distinct entity. The retirement committee of the funded retirement plan is made up of members from the Company, members of retirement plan and non-members of retirement plan. The laws and regulations that the retirement plan is subject to require that the retirement committee act in the interests of the retirement fund and stakeholders, such as active, inactive and retired members. The retirement committee is responsible for the investment policy for retirement plan assets.

The plans are exposed to investment risks, such as credit risk, market risk, concentration risk and interest rate risk, and actuarial risks, such as risk related to mortality, rate of compensation increase and discount rate. The Company measures by extrapolation its accrued benefit obligation for the current year from the December 31, 2020 actuarial valuation. The most recent actuarial valuation of the pension plans for funding purposes was completed on December 31, 2020. The next required valuation will be performed as at December 31, 2021 and will be available later in 2022.

Other Post-Retirement Benefits

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

Variation in the discounted value of the assets and liabilities in respect of the defined benefits of plans during the year is as follows:

	2021		2020	
(in millions of dollars)	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit plan obligation				
Balance at beginning	\$ 1,719	\$ 56	\$ 1,467	\$ 48
Current service cost	68	3	62	4
Interest cost	47	2	48	2
Employee contributions	27	—	24	—
Actuarial losses (gains) following remeasurement				
Actuarial losses (gains) on demographic assumption changes	—	(2)	(8)	(1)
Actuarial losses (gains) on financial assumption changes	(199)	(7)	167	5
Actuarial losses (gains) arising from members' experience	(5)	4	10	—
Benefits paid	(54)	(2)	(51)	(2)
Balance at end	\$ 1,603	\$ 54	\$ 1,719	\$ 56

	2021		2020	
(in millions of dollars)	Pension plans	Other plans	Pension plans	Other plans
Defined benefit plan assets				
Fair value at beginning	\$ 1,395	\$ —	\$ 1,241	\$ —
Interest income	38	—	40	—
Actuarial gains (losses) following remeasurement				
Return on assets (excluding the amount included in the net interest)	57	—	100	—
Administrative expense	(1)	—	(1)	—
Employee contributions	27	—	24	—
Employer contributions	49	—	42	—
Benefits paid	(54)	—	(51)	—
Fair value at end	\$ 1,511	\$ —	\$ 1,395	\$ —

Amounts Recognized in the Statement of Financial Position

	2021		2020	
(in millions of dollars)	Pension plans	Other plans	Pension plans	Other plans
Obligation in respect of capitalized defined benefit plans ¹	\$ 1,442	\$ —	\$ 1,551	\$ —
Obligation in respect of non-capitalized defined benefit plans	161	54	168	56
Accrued benefit plan obligation	1,603	54	1,719	56
Fair value of plan assets ¹	1,511	—	1,395	—
Net liabilities (assets) resulting from the obligation in respect of defined benefits	\$ 92	\$ 54	\$ 324	\$ 56

¹ As at December 31, 2021, there is a pension plan surplus of \$69 (deficit of \$156 in 2020).

As at December 31, 2021, Note 9 “Other Assets” presents an amount of \$82 (none as at December 31, 2020) related to pension plans.

The amounts presented in Note 15 “Other Liabilities” are:

(in millions of dollars)	2021	2020
Pension plans	\$ 174	\$ 324
Other plans	54	56
Post-employment benefits	\$ 228	\$ 380

Amounts Recognized in Net Income and Other Comprehensive Income

	2021		2020	
(in millions of dollars)	Pension plans	Other plans	Pension plans	Other plans
Current service cost	\$ 68	\$ 3	\$ 62	\$ 4
Net interest	9	2	8	2
Administrative expense	1	—	1	—
Components of the cost of defined benefits recognized in the net income	78	5	71	6
Remeasurement of net liabilities (assets) as defined benefits				
Rate of return on assets (excluding amounts included in the net interest above)	(57)	—	(100)	—
Actuarial losses (gains) on demographic assumption changes	—	(2)	(8)	(1)
Actuarial losses (gains) on financial assumption changes	(199)	(7)	167	5
Actuarial losses (gains) arising from members' experience	(5)	4	10	—
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income	(261)	(5)	69	4
Total of defined benefit cost components	\$ (183)	\$ —	\$ 140	\$ 10

Items that will not be reclassified subsequently to net income

	2021		2020	
(in millions of dollars)	Pension plans	Other plans	Pension plans	Other plans
Losses (gains) on components of the cost of defined benefits recognized in other comprehensive income				
Remeasurement of post-employment benefits	\$ (261)	\$ (5)	\$ 69	\$ 4
Income taxes on remeasurement of post-employment benefits	69	1	(18)	(1)
Total of other comprehensive income	\$ (192)	\$ (4)	\$ 51	\$ 3

Plan members make contributions to their retirement plan varying from 0% to 9% (0% to 9% in 2020). The Company makes the necessary residual contributions to plans. The Company finances plans in such a way as to constitute defined benefits according to the plan provisions. The value of these benefits is established using an actuarial valuation method. The weighted average duration of the obligation in respect of defined benefits at the end of the year is 19.0 years (21.6 years in 2020) for pension plans and 10.4 years (11.3 years in 2020) for the other plans. The Company estimates that it will have to contribute an amount of \$51 to its defined benefit plans in 2022.

As at December 31, 2021 and 2020, the plan assets are 100% invested in diversified fund units.

The retirement committee adopted, under the recommendation of the investment committee, an investment policy that takes into account the characteristics specific to the plan, the laws and regulations that the plan is subject to, and the investment orientations favoured by the retirement committee. The investment policy defines the target allocation of assets used as a benchmark portfolio. The main objectives of the investment policy, which are dictated by the financing policy, are to maintain a stable and sustainable cost of the plan, as well as an appropriate level of funding to ensure the security of the plan's commitments. The plan is exposed to various investment risks, namely the risks that the investments suffer losses or do not produce the expected return. The investment policy contains several quantitative and qualitative measures that aim to limit the impact of these risks. All fund units have prices listed on active markets and are classified as Level 1.

The effective return of plan assets is positive 7% (positive 11% in 2020). The plan assets are managed by a subsidiary of the Company. The pension plan assets did not include any common shares of the Company in 2021 and 2020.

Significant Assumptions

Significant judgments and assumptions are made by management in determining the expense and benefits obligations for the Company's defined benefit pension plans and other post-employment benefits. The significant actuarial assumptions made are detailed as follows:

	2021		2020	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit plan obligation				
Discount rate	3.3%	3.3%	2.7%	2.7%
Rate of compensation increase	3.3%	—	3.3%	—
Rate of mortality (table)	CPM-2014Publ	CPM-2014Publ	CPM-2014Publ	CPM-2014Publ
Benefit plan expenses				
Discount rate	2.9%	2.9%	3.2%	3.2%
Rate of compensation increase	3.3%	—	3.3%	—

	2021		
	Other plans		
	Drug	Dental	Other
Assumed health care cost trend rates			
Initial health care cost trend rates	5.4%	3.0%	4.8%
Cost trend rate declines to	3.9%	3.0%	4.8%
Number of years required to stabilize the rate	7	—	—

	2020		
	Other plans		
	Drug	Dental	Other
Assumed health care cost trend rates			
Initial health care cost trend rates	5.6%	4.5%	4.8%
Cost trend rate declines to	3.9%	4.5%	4.8%
Number of years required to stabilize the rate	9	—	—

Sensitivity Analysis

Retirement Plan

The significant assumptions used to determine the accrued benefit plan obligation are the discount rate, the rate of compensation increase and the mortality rate. Each sensitivity analysis below is done with a variation of only one assumption with other assumptions unchanged.

Sensitivity of Key Assumptions of Benefit Plan Obligation

(in millions of dollars)	2021		2020	
	Pension plans		Pension plans	
	Increase	Decrease	Increase	Decrease
Discount rate assumption				
Impact of an absolute change of 1.0%	\$ (255)	\$ 355	\$ (309)	\$ 435
Rate of compensation increase				
Impact of an absolute change of 1.0%	\$ 82	\$ (98)	\$ 104	\$ (89)
Rate of mortality				
Impact of a relative change of 10.0%	\$ (26)	\$ 29	\$ (27)	\$ 29
			2021	2020
Sample life expectancies based on mortality assumptions (in years)				
Male				
Age 65 in fiscal year			23.4	23.3
Age 65 in fiscal year + 30 years			25.4	25.3
Female				
Age 65 in fiscal year			25.3	25.2
Age 65 in fiscal year + 30 years			27.2	27.1

Other Post-Retirement Benefits

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

(in millions of dollars)	2021		2020	
	Increase	Decrease	Increase	Decrease
Accrued benefit obligation	\$ 7	\$ (5)	\$ 8	\$ (6)

The impact of the one percentage-point fluctuation in the assumed health care cost trend on the total of service and interest cost is less than \$1 for 2021 (less than \$1 in 2020).

The Company could expect interrelations between the assumptions, especially between the discount rate and expected growth of salaries since they are both influenced by the expected inflation rate. The above analysis excludes these interrelations between assumptions.

Defined Contribution Plan

A defined contribution plan, providing pension benefits, is maintained by the Company. These amounts are not included in the cost recognized for the defined benefit plans above. The total cost recognized for the Company's defined contribution plan is \$4 (\$4 in 2020). The liability related to this plan is presented in Note 15 "Other Liabilities" included in *Accounts payable* for an amount of \$1 (\$1 in 2020).

28 › Related Party Transactions

The Company eliminates transactions carried out with its subsidiaries and carried out between the various subsidiaries of the group on consolidation. The Company provides investment management services to its pension plans. These services are offered by the Company in the normal course of business and are subject to normal market conditions. The Company concludes transactions with associates. These transactions are concluded in the normal course of business and are subject to normal market conditions.

Key Management Personnel

The Company's key management personnel are members of senior management who have the power and responsibility to plan, manage and control the Company's operations. Senior executives are likely to purchase insurance, wealth management and other products and services offered by the Company as part of its regular operations. The terms and conditions of these operations are essentially the same as those granted to clients or employees.

The compensation of directors and key management personnel for the year was as follows:

(in millions of dollars)	2021	2020
Salaries and other short-term benefits	\$ 9	\$ 8
Post-retirement benefits	2	2
Stock-based compensation	4	3
Total	\$ 15	\$ 13

29 › Guarantees, Commitments and Contingencies

In the normal course of its operations, the Company frequently concludes several types of contracts or agreements which, in certain cases, can be considered as guarantees, commitments or contingencies.

Contractual Commitments

The Company currently has contracts covering various products and services, such as outsourced computer services, which, due to their nature, are difficult to cancel. The minimum commitment amounts for the coming years represent \$90 in 2022, \$73 in 2023, \$56 in 2024, \$49 in 2025 and \$73 in 2026 and beyond.

Lease Commitments

The Company is also involved in short term leases and leases for which the underlying asset is of low value, including equipment. The minimum commitment for the next 12 months represents less than \$1.

In the normal course of business, the Company is involved in lease agreements that will come into effect shortly. These leases are not reflected in the financial statements.

Commitments

The Company is committed to third parties to ensure the funds offered by one of its subsidiaries.

Investment Commitments

In the normal course of the Company's business, various outstanding contractual commitments related to offers for commercial loans, private placements, joint ventures and real estate are not reflected in the financial statements and may not be fulfilled. There were \$599 (\$773 as at December 31, 2020) of outstanding commitments as at December 31, 2021, of which the estimated disbursements will be \$22 (\$72 as at December 31, 2020) in 30 days, \$166 (\$308 as at December 31, 2020) in 31 to 365 days and \$411 (\$393 as at December 31, 2020) in more than one year.

Letters of Credit

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

Indemnifications

In the normal course of business, the Company enters into several types of agreements that could include indemnities in favour of third parties. Under certain unusual circumstances, the Company could be called upon to pay specific indemnifications. These indemnifications could vary based upon the nature and terms of the agreements. The primary indemnifications would concern the Company's directors, among others, in case of an event not covered by the liability insurance on the directors. The amount of these indemnifications cannot be determined. The Company has not had to pay out significant indemnities in the past and considers the likelihood of such payment being made to be low.

Lines of Credit

As at December 31, 2021, the Company had operating lines of credit totalling \$57 (\$56 as at December 31, 2020). As at December 31, 2021 and 2020, no lines of credit were used. The purpose of these lines of credit is to facilitate financing of the Company's operations and meet its temporary working capital requirements.

Legal and Regulatory Proceedings

The Company is regularly involved in legal actions, both as defendant and as a plaintiff. In addition, government and regulatory bodies in Canada and in the United States, from time to time, make inquiries and require the production of information or conduct examinations or investigations concerning the Company's compliance with insurance, securities and other laws. Management makes judgments to evaluate the possible outcomes and does not believe that the conclusion of any current legal or regulatory matters, either individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

30 › Subsidiaries

The following is a list of directly and indirectly held major operating subsidiaries.

As at December 31, 2021	Ownership (%)	Address	Description
Industrial Alliance Insurance and Financial Services Inc. ^{1,2}	100	Quebec City, Canada	Life and health insurance company that distributes life and health insurance products, savings and retirement plans, mortgages and other financial products and services
Michel Rhéaume et associés ltée	100	Montreal, Canada	Life insurance broker
PPI Management Inc. ¹	100	Toronto, Canada	Insurance broker
IA Clarington Investments Inc. ¹	100	Toronto, Canada	Fund management firm that markets investment products, including mutual funds and segregated funds
Investia Financial Services Inc. ³	100	Quebec City, Canada	Mutual fund broker
iA Private Wealth Inc. ^{1,4}	100	Montreal, Canada	Securities broker
Industrial Alliance Investment Management Inc.	100	Quebec City, Canada	Investment advisor that oversees the management of the Company's general fund, segregated fund and mutual fund portfolios
Industrial Alliance Trust Inc.	100	Quebec City, Canada	Trust services
Industrial Alliance Auto and Home Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Prysm General Insurance Inc.	100	Quebec City, Canada	Property and casualty insurance company
Industrial Alliance Pacific General Insurance Corporation	100	Quebec City, Canada	Property and casualty insurance, and other ancillary products company
SAL Marketing Inc.	100	Vancouver, Canada	Extended warranty and other ancillary products company
National Warranties MRWV Limited	100	Laval, Canada	Extended warranty and other ancillary products company
iA Auto Finance Inc. ¹	100	Oakville, Canada	Auto finance company
IA American Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer Security Life Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
American-Amicable Life Insurance Company of Texas	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Pioneer American Insurance Company	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Occidental Life Insurance Company of North Carolina	100	Waco, Texas, United States	Life and health insurance company that offers life insurance, health and annuity products in the United States
Dealers Alliance Corporation ¹	100	Addison, Texas, United States	Extended warranty/service contracts and other ancillary products company
Dealers Assurance Company	100	Addison, Texas, United States	Property and casualty insurer providing liability insurance coverage to companies offering extended warranty/service contracts and other ancillary products
iA American Warranty Corp. ⁵	100	Albuquerque, New Mexico, United States	Administrator of extended warranty/service contracts and other ancillary products
Ecoblock, Inc.	100	Albuquerque, New Mexico, United States	Provider of ancillary automotive products
First Automotive Service Corporation	100	Albuquerque, New Mexico, United States	Extended warranty/service contracts and other ancillary products company
Lubrico Warranty Inc.	100	London, Canada	Automobile warranty company
WGI Service Plan Division Inc.	100	Vancouver, Canada	Automobile warranties and ancillary products company
WGI Manufacturing Inc.	100	Scarborough, Canada	Manufacturer and distributor of automobile protection products
IAS Parent Holdings, Inc. ¹	100	Austin, Texas, United States	Vehicle warranties and related software and services company
Surexdirect.com Ltd	70	Magrath, Canada	Digital property and casualty insurance distribution company

¹ These subsidiaries hold directly or indirectly other subsidiaries with essentially a 100% ownership.

² On January 1, 2020, Industrial Alliance Insurance and Financial Services Inc. and its subsidiary The Excellence Life Insurance Company merged.

³ On July 1, 2021, the subsidiaries Investia Financial Services Inc. and FundEX Investments Inc. merged.

⁴ Since January 18, 2021, iA Private Wealth Inc. is the new brand replacing Industrial Alliance Securities Inc. and HollisWealth.

⁵ On January 1, 2021, Southwest Reinsure Inc. changed its corporate name to iA American Warranty Corp.

31 › Event After the Reporting Period

Redemption of Subordinated Debentures

On January 20, 2022, following the prior approval of the AMF, the Company announced that, on February 23, 2022, it will proceed with the redemption of all of its subordinated debentures maturing February 23, 2027, in the amount of \$250 and bearing interest of 2.64%. The subordinated debentures will be redeemed at nominal value plus accrued and unpaid interest. Consequently, the Company will pay a total of \$253.

32 › Comparative Figures

Certain comparative figures have been reclassified to comply with the current presentation. The reclassifications had no impact on the net income of the Company.

Management of iA Financial Group

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Denis Ricard – B.Sc., FSA, FCIA
President and Chief Executive Officer

Alain Bergeron – BBA, M.Sc., CFA, CMT
Executive Vice-President and Chief Investment Officer

François Blais – B.Sc., FCIA, FCAS
Executive Vice-President
Dealer Services and Special Risks

Éric Jobin – B.Sc., FSA, FCIA
Executive Vice-President
Group Benefits and Retirement Solutions

Renée Laflamme – BBA, FCPA, FCA, CFA
Executive Vice-President
Individual Insurance, Savings and Retirement

Pierre Miron – B.A.Sc.
Executive Vice-President and Chief Transformation Officer

Sean O'Brien – Business Diploma
Executive Vice-President
Wealth Management

Jacques Potvin – B.Sc., FSA, FCIA
Executive Vice-President, Chief Financial Officer and Chief Actuary

Philippe Sarfati – B.Com., MBA
Executive Vice-President and Chief Risk Officer

Lilia Sham – B.Sc., M.Sc., FSA, FCIA, MAAA
Executive Vice-President
Corporate Strategy and Development

Michael L. Stickney – B.Sc., FSA, MBA, MAAA
Executive Vice-President and Chief Growth Officer

Senior Vice-Presidents

Alain Bergeron (IT)
Senior Vice-President
Information Technology (CIO)

Gwen Gareau
Senior Vice-President
Dealer Services

Manon Gauthier – CPA, CA, CFA
Senior Vice-President, Administration
Individual Insurance, Savings and Retirement

Paul R. Grimes – CFP, CLU, ChFC
Senior Vice-President
Distribution Independent Advisor Network
Individual Insurance, Savings and Retirement

Alnoor Jiwani – FLMI
Senior Vice-President
Business Development and Finance
Dealer Services

Pierre Vincent – FSA, FCIA
Senior Vice-President
Distribution and Products Development
Individual Insurance, Savings and Retirement

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Joe W. Dunlap – CLU, ChFC, FLMI
President

iA American Warranty Group Dealers Assurance Company

Kristen Gruber – MBA, CPCU
President

iA Auto and Home Insurance

Isabelle Blackburn – CFA, CIA
President and Chief Operating Officer

iA Clarington

Adam Elliott – BA (Hons)
President and Chief Executive Officer

iA Auto Finance

Charles Parent
President

iA Private Wealth

Stéphan Bourbonnais – MBA
President and Chief Executive Officer

Investia Financial Services

Louis H. DeConinck – FCSI®, CIM®
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David Chapman – B.Sc., FLMI, ACS
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**iA Financial Group
does its part to respect
and protect the environment.**

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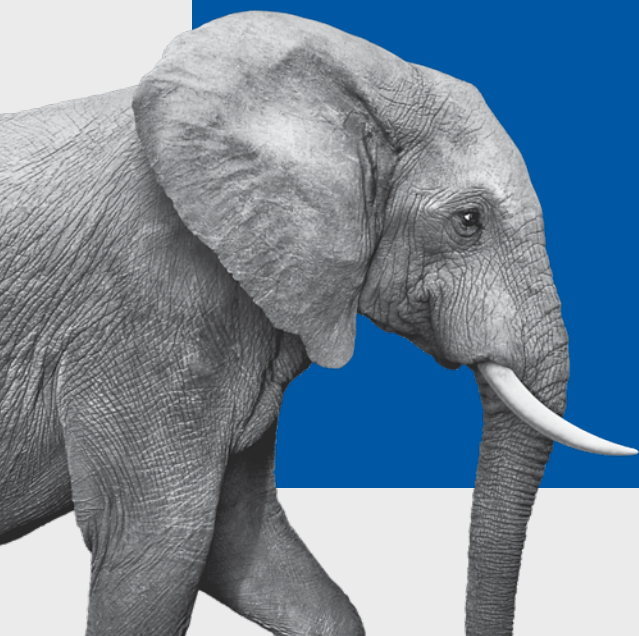
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General Information

This annual report was jointly produced by the iA Financial Group Actuarial; Accounting; Investor Relations and Public Affairs; Legal Department; and Digital Marketing and Brand Management departments.

For information on upcoming earnings releases, investor conferences and disclosure documents, consult our website at ia.ca, under *About iA*, in the *Investor Relations* section.

For questions regarding iA Financial Group products and services, contact your advisor or consult pages 144 to 146 of this annual report to find the office nearest you.



Shareholder Information

Head Office

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Toll-free: 1-800-463-6236

ia.ca

Stock Exchange Listing

The common shares of iA Financial Corporation Inc. are listed on the Toronto Stock Exchange under the stock symbol IAG.

The preferred shares of Industrial Alliance Insurance and Financial Services Inc. are listed on the Toronto Stock Exchange under the stock symbol IAF.

Annual Meeting of Shareholders

Thursday, May 12, 2022 at 2:00 PM

Shareholder Services and Dividend Reinvestment and Share Purchase Plan

For questions regarding share accounts, dividends, changes of address and ownership and other related matters, contact our transfer agent:

Computershare Investor Services Inc.
1500 Robert-Bourassa Boulevard, 7th Floor
Montreal, QC H3A 3S8

Telephone: 514-982-7555

Toll-free: 1-877-684-5000

ia@computershare.com

Investor Relations

For analysts, portfolio managers and investors requesting financial information, contact our Investor Relations and Public Affairs Department:

Telephone: 418-684-5000, ext. 105862

Toll-free: 1-800-463-6236, ext. 105862

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