

## QUARTERLY REPORT TO THE SHAREHOLDERS

### January 1 to September 30, 2020 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 2020 were approved by the Board of Directors at a meeting held today.

Great-West Lifeco Inc. (Lifeco or the Company) today announced its third quarter 2020 results.

Net earnings attributable to common shareholders (net earnings) were \$826 million, or \$0.89 per common share (EPS), for the third quarter of 2020 compared to \$730 million, or \$0.79 per common share, for the same quarter last year. Base earnings for the third quarter of 2020 of \$679 million or \$0.73 per common share compared to \$677 million or \$0.73 per common share a year ago.

Common Shareholders	Q3 2020	Q3 2019
<b>Base earnings<sup>(1)</sup></b>		
Canada	\$270	\$355
United States	83	79
Europe	182	161
Capital and Risk Solutions	156	86
Lifeco Corporate	(12)	(4)
<b>Total base earnings<sup>(1)</sup></b>	<b>\$679</b>	<b>\$677</b>
<b>Items excluded from base earnings<sup>(2)</sup></b>	<b>147</b>	<b>53</b>
<b>Net earnings</b>	<b>\$826</b>	<b>\$730</b>
<b>Base EPS<sup>(1)</sup></b>	<b>\$0.73</b>	<b>\$0.73</b>
<b>Net EPS</b>	<b>\$0.89</b>	<b>\$0.79</b>
<b>Base return on equity<sup>(1)(3)</sup></b>	<b>13.5%</b>	<b>12.1%</b>
<b>Return on equity<sup>(1)(3)</sup></b>	<b>12.4%</b>	<b>12.4%</b>

<sup>(1)</sup>Represents a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of the Company's third quarter of 2020 interim MD&A for additional details.

<sup>(2)</sup>Items excluded from base earnings are actuarial assumption changes and other management actions, market-related impacts on liabilities, the net gain on the sale of Irish Progressive Services International Limited, transaction costs incurred to date related to the acquisitions of Personal Capital Corporation and the retirement services business of Massachusetts Mutual Life Insurance Company and the net charge on sale of the U.S. Individual Markets business. Refer to the "Non-IFRS Financial Measures" section of the Company's third quarter of 2020 interim MD&A for additional details.

<sup>(3)</sup>Base return on equity and return on equity are calculated using the trailing four quarters of applicable earnings and common shareholders' equity.

Base EPS for the third quarter of 2020 of \$0.73 was comparable with the prior year primarily due to strong business results in the Capital and Risk Solutions segment and favourable experience in the Europe segment, offset by a lower impact from investment experience and new business in the Canada segment.

Reported net EPS for the third quarter of 2020 was \$0.89, up from \$0.79 in 2019. The increase was primarily due to a net gain of \$94 million related to the sale of Irish Progressive Services International Limited (IPSI) and favourable market-related impacts, partially offset by transaction costs incurred to date of \$31 million related to U.S. segment acquisitions, in addition to the items discussed for base earnings.

## Highlights – In Quarter

### Key strategic transactions advanced in quarter

- On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. The Company will receive net cash consideration of \$145 million on the transaction and expects to recognize a gain. The transaction is expected to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals.
- On August 4, 2020, Irish Life completed the previously announced sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary, whose principal activity is the provision of outsourced administration services for life assurance companies. The net gain resulting from the transaction was \$94 million post-tax.
- On August 17, 2020, the Company's subsidiary, Great-West Life & Annuity, through its Empower Retirement business, completed the acquisition of Personal Capital Corporation (Personal Capital), a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. The combination brings together Empower Retirement's leading retirement plan services and integrated financial tools, and Personal Capital's rapidly growing, digitally oriented personal wealth management platform. The upfront consideration of US\$825 million was funded with cash on hand and US\$500 million in debt financing with additional deferred consideration of up to US\$175 million subject to achievement of target growth objectives.
- On September 8, 2020, the Company's subsidiary, Great-West Life & Annuity, through its Empower Retirement business, announced it had entered into an agreement to purchase the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Empower Retirement anticipates realizing cost synergies through the migration of the MassMutual's retirement services business onto Empower Retirement's recordkeeping platform. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.
- On September 17, 2020, the Company announced the strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. (Northleaf) to expand and enhance its private markets capabilities. Mackenzie and Lifeco will jointly acquire a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investments industry. This transaction was completed on October 29, 2020.

### Capital strength and financial flexibility maintained

- The Company's capital position remained strong at September 30, 2020, with a LICAT Ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 131% which is well above the Company's internal target range and the supervisory target.
- During the third quarter of 2020, the Company issued \$500 million of 2.981% debentures maturing on July 8, 2050 and repaid \$500 million of debentures which matured on August 13, 2020.
- On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, issued \$663 million (US\$500 million) aggregate principal amount of 0.904% senior notes due August 12, 2025 to support the acquisition of Personal Capital. In addition, on September 17, 2020, Empower Finance 2020, LP, a

subsidiary of the Company, issued three tranches of senior notes totalling \$1,973 million (US\$1,500 million) to support the announced acquisition of the retirement services business of MassMutual.

**Consolidated assets under administration of \$1.7 trillion**

- Assets under administration were \$1.7 trillion at September 30, 2020, an increase of 2% from December 31, 2019.

**SEGMENTED OPERATING RESULTS**

For reporting purposes, Lifeco's consolidated operating results are grouped into five reportable segments – Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate – reflecting the management and corporate structure of the Company. For more information, refer to the Company's third quarter of 2020 interim Management's Discussion and Analysis (MD&A).

**CANADA**

- **Q3 Canada segment base earnings of \$270 million and net earnings of \$266 million** – Base earnings for the third quarter of 2020 were \$270 million compared to \$355 million in the third quarter of 2019, a decrease of 24%. The decrease was primarily due to lower contributions from investment experience and lower impact of new business. Net earnings for the third quarter of 2020 were \$266 million, down from \$300 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings partially offset by the impact of unfavourable insurance contract liability basis changes in 2019, including the impact of actuarial standards updates.
- **Delivering new products and services to Canadians** – Canada Life became the first Group provider in Canada to launch an employer sponsored Registered Education Savings Program (RESP). The Company also introduced a newly rebranded Canada Life mutual fund shelf, featuring 18 new mutual funds that provides a curated selection of competitive investment strategies across a range of managers, asset classes and styles.

**UNITED STATES**

- **Q3 U.S. Financial Services base earnings of US\$56 million and net earnings of US\$84 million** – U.S. Financial Services (primarily Empower Retirement) base earnings for the third quarter of 2020 were US\$56 million, or US\$61 million excluding the net loss of US\$5 million from the Personal Capital business, up from US\$50 million in the third quarter of 2019. The increase was primarily due to strong investment experience and net business growth. Net earnings for the third quarter of 2020 were US\$84 million, up from US\$49 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings and higher contributions from the impact of updated economic assumptions on insurance contract liabilities.
- **Q3 Putnam net earnings of US\$10 million** – Putnam net earnings for the third quarter of 2020 were US\$10 million compared to US\$9 million in the third quarter of 2019. The increase in net earnings was primarily due to higher net investment income on seed capital investments driven by in-period market recoveries, partially offset by higher sales and compensation related expenses. For Putnam, there were no differences between net and base earnings.
- **Q3 Putnam net asset inflows of US\$2.1 billion** – Putnam net asset inflows in the third quarter of 2020 were US\$2.1 billion compared to net asset outflows of US\$1.5 billion for the same quarter last year, driven by mutual fund net asset inflows of US\$0.7 billion and institutional net asset inflows of US\$1.4 billion. Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2020, approximately 82% and 90% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively.

#### EUROPE

- **Q3 Europe segment base earnings of \$182 million and net earnings of \$316 million** – Base earnings for the third quarter of 2020 were \$182 million, up 13% compared to \$161 million in the third quarter of 2019. The increase was primarily due to favourable mortality and morbidity experience partially offset by lower impact of new business. Net earnings for the third quarter of 2020 were \$316 million, up from \$282 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings as well as the net gain on the sale of IPSI and favourable market-related impacts driven by higher property valuations. These items were partially offset by lower contributions from insurance contract liability basis changes.

#### CAPITAL AND RISK SOLUTIONS

- **Q3 Capital and Risk Solutions segment base earnings of \$156 million and net earnings of \$167 million** – Base earnings for the third quarter of 2020 were \$156 million, up 81% compared to \$86 million in the third quarter of 2019. The increase was primarily due to growth in the underlying business, gains on new business and favourable claims experience in the longevity business, partially offset by less favourable claims in the life business. Net earnings for the third quarter of 2020 were \$167 million, up from \$75 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings as well as the market-related impact on a legacy block of business.

#### QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of \$0.4380 per share on the common shares of Lifeco payable December 31, 2020 to shareholders of record at the close of business December 3, 2020.

In addition, the Directors approved quarterly dividends on Lifeco's preferred shares, as follows:

First Preferred Shares	Record Date	Payment Date	Amount, per share
Series F	December 3, 2020	December 31, 2020	\$0.36875
Series G	December 3, 2020	December 31, 2020	\$0.3250
Series H	December 3, 2020	December 31, 2020	\$0.30313
Series I	December 3, 2020	December 31, 2020	\$0.28125
Series L	December 3, 2020	December 31, 2020	\$0.353125
Series M	December 3, 2020	December 31, 2020	\$0.3625
Series N	December 3, 2020	December 31, 2020	\$0.1360
Series O	December 3, 2020	December 31, 2020	\$0.0913068
Series P	December 3, 2020	December 31, 2020	\$0.3375
Series Q	December 3, 2020	December 31, 2020	\$0.321875
Series R	December 3, 2020	December 31, 2020	\$0.3000
Series S	December 3, 2020	December 31, 2020	\$0.328125
Series T	December 3, 2020	December 31, 2020	\$0.321875

For purposes of the Income Tax Act (Canada), and any similar provincial legislation, the dividends referred to above are eligible dividends.



P. A. Mahon  
President and Chief Executive Officer

November 4, 2020