

POWER CORPORATION OF CANADA

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	7,747	6,805
Investments [Note 4]		
Bonds	127,396	115,245
Mortgage and other loans	32,634	31,775
Shares	11,458	11,549
Investment properties	5,853	5,887
Loans to policyholders	8,899	8,601
	186,240	173,057
Funds held by ceding insurers	8,273	8,714
Reinsurance assets [Note 7]	22,335	20,707
Derivative financial instruments	823	474
Investments in jointly controlled corporations and associates [Note 5]	5,716	5,893
Owner-occupied properties and capital assets	3,234	3,063
Other assets	11,890	10,546
Deferred tax assets	834	802
Intangible assets	5,957	5,843
Goodwill	11,401	10,324
Investments on account of segregated fund policyholders [Note 6]	236,943	231,022
Total assets	501,393	477,250
Liabilities		
Insurance contract liabilities [Note 7]	184,379	174,521
Investment contract liabilities [Note 7]	4,047	1,656
Obligations to securitization entities	6,526	6,914
Debentures and other debt instruments [Note 8]	13,522	9,938
Derivative financial instruments	1,734	1,410
Other liabilities	15,155	13,707
Deferred tax liabilities	1,301	1,497
Insurance and investment contracts on account of segregated fund policyholders [Note 6]	236,943	231,022
Total liabilities	463,607	440,665
Equity		
Stated capital [Note 9]		
Non-participating shares	957	960
Participating shares	9,526	726
Retained earnings	8,304	10,780
Reserves	2,617	1,708
Total shareholders' equity	21,404	14,174
Non-controlling interests [Note 11]	16,382	22,411
Total equity	37,786	36,585
Total liabilities and equity	501,393	477,250

Condensed Consolidated Statements of Earnings

(unaudited) [in millions of Canadian dollars, except per share amounts]	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues				
Premium income				
Gross premiums written	11,185	10,655	34,834	32,496
Ceded premiums	(1,214)	(1,336)	(3,577)	(17,479)
Total net premiums	9,971	9,319	31,257	15,017
Net investment income				
Regular net investment income	1,549	1,519	4,664	4,936
Change in fair value through profit or loss	785	2,110	3,719	8,731
Net investment income	2,334	3,629	8,383	13,667
Fee income	2,259	2,252	6,577	7,796
Other revenues	118	222	445	632
Total revenues	14,682	15,422	46,662	37,112
Expenses				
Policyholder benefits				
Gross	9,542	8,878	29,354	27,256
Ceded	(646)	(762)	(2,241)	(2,051)
Total net policyholder benefits	8,896	8,116	27,113	25,205
Changes in insurance and investment contract liabilities				
Gross	1,879	3,399	7,820	12,558
Ceded	(366)	(427)	(1,131)	(13,648)
Total net changes in insurance and investment contract liabilities	1,513	2,972	6,689	(1,090)
Policyholder dividends and experience refunds	259	352	1,130	1,207
Total paid or credited to policyholders	10,668	11,440	34,932	25,322
Commissions	812	830	2,507	2,562
Operating and administrative expenses [Note 19]	2,166	1,994	6,201	6,152
Financing charges	137	139	414	411
Total expenses	13,783	14,403	44,054	34,447
Earnings before investments in jointly controlled corporations and associates, and income taxes	899	1,019	2,608	2,665
Share of earnings of investments in jointly controlled corporations and associates [Note 5]	48	30	171	178
Earnings before income taxes	947	1,049	2,779	2,843
Income taxes [Note 15]	49	78	224	370
Net earnings	898	971	2,555	2,473
Attributable to				
Non-controlling interests	380	599	1,145	1,505
Non-participating shareholders	13	13	39	39
Participating shareholders	505	359	1,371	929
	898	971	2,555	2,473
Earnings per participating share [Note 17]				
Net earnings attributable to participating shareholders				
- Basic	0.75	0.84	2.15	2.11
- Diluted	0.75	0.84	2.15	2.10

Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net earnings	898	971	2,555	2,473
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net earnings				
Net unrealized gains (losses) on available-for-sale investments				
Unrealized gains (losses)	156	90	559	511
Income tax (expense) benefit	(19)	(8)	(74)	(64)
Realized (gains) losses transferred to net earnings	(25)	(36)	(264)	(168)
Income tax expense (benefit)	2	1	16	7
	114	47	237	286
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	18	(1)	(2)	(5)
Income tax (expense) benefit	(2)	(1)	4	(2)
Realized (gains) losses transferred to net earnings	(8)	-	(7)	-
	8	(2)	(5)	(7)
Net unrealized foreign exchange gains (losses) on translation of foreign operations				
Unrealized gains (losses) on translation	134	(197)	441	(924)
Income tax (expense) benefit	(4)	-	(7)	-
Realized (gains) losses on translation transferred to net earnings	-	(4)	-	(13)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	(40)	50	(100)	120
Income tax (expense) benefit	6	(7)	14	(16)
	96	(158)	348	(833)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	210	(22)	(40)	178
Income tax (expense) benefit	(3)	4	(8)	11
	207	(18)	(48)	189
Total - items that may be reclassified	425	(131)	532	(365)
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) on defined benefit plans [Note 14]	(38)	(125)	(409)	(548)
Income tax (expense) benefit	4	27	89	107
Revaluation surplus on transfer to investment properties [Note 18]	11	-	11	-
Income tax (expense) benefit	(1)	-	(1)	-
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	-	-	2	(4)
Total - items that will not be reclassified	(24)	(98)	(308)	(445)
Other comprehensive income (loss)	401	(229)	224	(810)
Comprehensive income	1,299	742	2,779	1,663
Attributable to				
Non-controlling interests	401	483	1,192	1,076
Non-participating shareholders	13	13	39	39
Participating shareholders	885	246	1,548	548
	1,299	742	2,779	1,663

Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2020 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total	Non-controlling interests	Total equity
Balance, beginning of year	960	726	10,780	212	1,496	1,708	22,411	36,585
Net earnings	-	-	1,410	-	-	-	1,145	2,555
Other comprehensive income	-	-	-	-	177	177	47	224
Comprehensive income	-	-	1,410	-	177	177	1,192	2,779
Acquisition of non-controlling interests in Power Financial and issue of subordinate voting shares [Notes 9 and 11]	-	8,687	(2,847)	66	647	713	(6,555)	(2)
Related transaction costs [Note 11]	-	-	(46)	-	-	-	-	(46)
Effects of changes in ownership on Parjointco's interest in Pargesa [Note 5]	-	-	54	-	10	10	-	64
Related Corporation's share of Parjointco's transaction costs [Note 5]	-	-	(26)	-	-	-	-	(26)
Issue of participating preferred shares [Note 9]	-	206	-	-	-	-	-	206
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 9]	-	(110)	(83)	-	-	-	-	(193)
Repurchase of shares of the Corporation for cancellation	(3)	-	-	-	-	-	-	(3)
Dividends to shareholders	-	-	(39)	-	-	-	-	(39)
Non-participating shares	-	-	(908)	-	-	-	-	(908)
Participating shares	-	-	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	(698)	(698)
Expense for share-based compensation [Note 10]	-	-	-	37	-	37	16	53
Stock options exercised	-	17	-	(36)	-	(36)	34	15
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	9	8	-	8	(18)	(1)
Balance, end of period	957	9,526	8,304	287	2,330	2,617	16,382	37,786

Condensed Consolidated Statements of Changes in Equity (continued)

Nine months ended September 30, 2019 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves			Non- controlling interests	Total equity
	Non- participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 16]	Total		
Balance, beginning of year	962	766	11,674	184	1,480	1,664	22,865	37,931
Net earnings	-	-	968	-	-	-	1,505	2,473
Other comprehensive loss	-	-	-	-	(381)	(381)	(429)	(810)
Comprehensive income (loss)	-	-	968	-	(381)	(381)	1,076	1,663
Substantial issuer bid on subordinate voting shares [Note 9]	-	(73)	(1,277)	-	-	-	-	(1,350)
Repurchase of shares of the Corporation for cancellation	(1)	-	-	-	-	-	-	(1)
Dividends to shareholders								
Non-participating shares	-	-	(39)	-	-	-	-	(39)
Participating shares	-	-	(523)	-	-	-	-	(523)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,013)	(1,013)
Expense for share-based compensation [Note 10]	-	-	-	19	-	19	18	37
Stock options exercised	-	25	-	(17)	-	(17)	14	22
Effects of changes in capital and ownership of subsidiaries, and other ^[1]	-	-	145	14	(33)	(19)	(885)	(759)
Balance, end of period	961	718	10,948	200	1,066	1,266	22,075	35,968

[1] Effects of changes in capital and ownership of subsidiaries relate to the impact of the purchase for cancellation of common shares by Lifeco and Power Financial under their substantial issuer bids and the issuance and the repurchase of common and preferred shares by subsidiaries.

Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Nine months ended September 30,	
	2020	2019
Operating activities		
Earnings before income taxes	2,779	2,843
Income tax paid, net of refunds	(385)	(391)
Adjusting items		
Change in insurance and investment contract liabilities	10,331	12,201
Change in funds held by ceding insurers	556	292
Change in reinsurance assets	(1,079)	(1,279)
Change in fair value through profit or loss	(3,719)	(8,731)
Other	(364)	345
	8,119	5,280
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(804)	(1,034)
Non-participating shares	(39)	(39)
Participating shares	(778)	(523)
	(1,621)	(1,596)
Issue of subordinate voting shares by the Corporation [Note 9]	15	22
Issue of participating preferred shares by the Corporation [Note 9]	206	-
Repurchase of subordinate voting shares for cancellation under normal course issuer bid [Note 9]	(193)	-
Repurchase of subordinate voting shares for cancellation under substantial issuer bid [Note 9]	-	(1,350)
Repurchase of non-participating shares by the Corporation	(3)	(1)
Issue of common shares and limited-life fund units by subsidiaries	397	284
Repurchase of common shares by subsidiaries	-	(618)
Redemption of preferred shares by subsidiaries	-	(150)
Cash consideration for acquisition of Power Financial non-controlling interests and transaction costs paid [Note 1 1]	(48)	-
Issue of debentures and senior notes [Note 8]	3,713	250
Repayment of debentures [Note 8]	(500)	-
Increase in other debt instruments	475	249
Decrease in other debt instruments	(321)	(198)
Repayment of lease liabilities	(87)	(89)
Increase in obligations to securitization entities	1,148	1,186
Repayments of obligations to securitization entities and other	(1,640)	(1,520)
	1,541	(3,531)
Investment activities		
Bond sales and maturities	17,045	18,919
Mortgage and other loan repayments	3,350	3,170
Sale of shares	4,188	3,035
Sale of investment properties	70	8
Change in loans to policyholders	(170)	(17)
Investment in bonds	(23,577)	(19,240)
Investment in mortgage and other loans	(3,972)	(4,474)
Investment in shares	(4,444)	(2,596)
Investments in jointly controlled corporations and associates [Note 5]	(50)	(82)
Business acquisitions, net of cash and cash equivalents acquired [Note 3]	(884)	(45)
Sale of business, net of cash and cash equivalents in subsidiary [Note 3]	108	-
Cash derecognized on deconsolidation of a subsidiary [Note 3]	(22)	-
Change in cash and cash equivalents classified as held for sale	-	39
Investment in investment properties and other	(445)	(639)
	(8,803)	(1,922)
Effect of changes in exchange rates on cash and cash equivalents	85	(185)
Increase (decrease) in cash and cash equivalents	942	(358)
Cash and cash equivalents, beginning of year	6,805	6,441
Cash and cash equivalents, end of period	7,747	6,083
Net cash from operating activities includes		
Interest and dividends received	3,910	4,366
Interest paid	487	487

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

(ALL TABULAR AMOUNTS ARE IN MILLIONS OF CANADIAN DOLLARS, UNLESS OTHERWISE NOTED.)

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The following abbreviations are used in these Consolidated Financial Statements:

CALM	Canadian Asset Liability Method	Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation
Canada Life	The Canada Life Assurance Company	Pargesa	Pargesa Holding SA
China AMC	China Asset Management Co., Ltd.	Parjointco	Parjointco N.V.
GBL	Groupe Bruxelles Lambert	Personal Capital	Personal Capital Corporation
Great-West Life	The Great-West Life Assurance Company	Portag3 I	Portag3 Ventures Limited Partnership
Great-West Life & Annuity	Great-West Life & Annuity Insurance Company	Portag3 II	Portag3 Ventures II Limited Partnership
IFRS	International Financial Reporting Standards	Potentia	Potentia Renewables Inc.
IGM or IGM Financial	IGM Financial Inc.	Power Corporation or the Corporation	Power Corporation of Canada
IG Wealth Management	Investors Group Inc.	Power Energy	Power Energy Corporation
IntegraMed	IntegraMed America, Inc.	Power Financial	Power Financial Corporation
Irish Life	Irish Life Group Limited	Putnam	Putnam Investments, LLC
Lifeco	Great-West Lifeco Inc.	Wealthsimple	Wealthsimple Financial Corp.
London Life	London Life Insurance Company		
Lumenpulse	Lumenpulse Group Inc.		

NOTE 1 Corporate Information

Power Corporation of Canada is a publicly listed company (TSX: POW; POW.PR.E) incorporated and domiciled in Canada and located at 751 Victoria Square, Montréal, Québec, Canada, H2Y 2J3.

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months and nine months ended September 30, 2020 were approved by its Board of Directors on November 11, 2020.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at September 30, 2020 have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (IAS 34) using the same accounting policies, which are consistent with IFRS, as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2019 except as described in the section Change in Accounting Policies below.

The financial statements include the accounts of Power Corporation and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances and certain consolidation adjustments.

SUBSIDIARIES

Subsidiaries are entities the Corporation controls when: (i) the Corporation has power over the entity; (ii) it is exposed or has rights to variable returns from its involvement; and (iii) it has the ability to affect those returns through its use of power over the entity. Subsidiaries of the Corporation are consolidated from the date of acquisition, being the date on which the Corporation obtains control, and continue to be consolidated until the date such control ceases. The Corporation reassesses whether or not it controls an entity if facts and circumstances indicate there are changes to one or more of the elements of control listed above.

The principal operating subsidiaries of the Corporation are:

Corporations	Primary business operation	% equity interest	
		September 30, 2020	December 31, 2019
Great-West Lifeco Inc. ^{[1][2]}	Financial services holding company with interests in insurance and wealth management companies	70.9	70.9
IGM Financial Inc. ^{[3][4]}	Wealth and asset management	66.0	66.0
Power Sustainable Capital Inc.	Holding company	100.0	100.0
Power Energy Corporation	Holding company with interests in sustainable and renewable energy	100.0	100.0
Sagard Holdings Inc.	Alternative asset manager	100.0	100.0
Wealthsimple Financial Corp. ^[5]	Technology-driven investment manager	83.4	84.9

[1] Power Financial holds a 66.9% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (same at December 31, 2019).

[2] Lifeco's principal operating subsidiary companies are Canada Life, Great-West Life & Annuity and Putnam. As of January 1, 2020, Great-West Life, London Life and Canada Life, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., amalgamated into a single company: Canada Life.

[3] Power Financial holds a 62.1% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (same at December 31, 2019).

[4] IGM's principal operating subsidiary companies are IG Wealth Management and Mackenzie.

[5] Power Financial, Portag3 1 and IGM Financial hold an equity interest of 20.8%, 16.5% and 46.1%, respectively, in Wealthsimple (21.2%, 16.8% and 46.9%, respectively, at December 31, 2019).

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Power Financial, Lifeco and IGM Financial, all as at and for the three and nine months ended September 30, 2020. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Power Financial.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Reorganization**

On December 13, 2019, the Corporation and Power Financial announced the execution of a definitive agreement to effect a reorganization transaction (Reorganization) pursuant to which each common share of Power Financial held by holders other than the Corporation and certain of its affiliates would be exchanged for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 in cash.

On February 13, 2020, the Corporation successfully completed the Reorganization. The Corporation acquired 238,693,580 Power Financial Common Shares and issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share, representing a consideration of \$8.7 billion. Subsequent to the Reorganization, the Corporation holds 100% of the issued and outstanding Common Shares of Power Financial (Note 9).

In accordance with the Pre-emptive Right in favour of holders of Participating Preferred Shares included in the Corporation's articles (the Pre-emptive Right), the Corporation provided a notice of offer (the Offer) dated January 10, 2020 to the holders of the Participating Preferred Shares. The Offer provided for, among other things, the right of such holders to acquire from the Corporation, on a pro rata basis, such number of Participating Preferred Shares that is equal to 12% of the number of Subordinate Voting Shares expected to be issued in connection with the Reorganization for a consideration per Participating Preferred Share that is equal to the stated capital amount per share for which any such Subordinate Voting Shares were issued.

On February 12, 2020, in connection with the Reorganization, and in accordance with the Pre-emptive Right, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, 6 million of which were purchased by the Corporation's controlling shareholder.

JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES

Jointly controlled corporations are entities in which unanimous consent is required for decisions relating to relevant activities. Associates are entities in which the Corporation exercises significant influence over the entity's operating and financial policies, without having control or joint control. Investments in jointly controlled corporations and associates are accounted for using the equity method. Under the equity method, the Corporation recognizes its share of net earnings (losses), other comprehensive income (loss), the changes in equity of the jointly controlled corporations and associates, and dividends received.

The principal jointly controlled corporations and associates of the Corporation are:

Corporations	Classification	Primary business operation	% equity interest	
			September 30, 2020	December 31, 2019
Parjointco N.V. ^{[1][2]}	Joint control	Holding company	50.0	50.0
China Asset Management Co., Ltd. ^[3]	Associate	Asset management company	27.8	27.8

[1] Held by Power Financial.

[2] Parjointco N.V. holds a 97.4% (55.5% at December 31, 2019) equity interest in Pargesa Holding SA (Note 5).

[3] Power Corporation and IGM Financial each hold an equity interest of 13.9% in China AMC (same at December 31, 2019).

CHANGE IN ACCOUNTING POLICIES

The Corporation adopted the narrow-scope amendment to IFRS for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 39, *Financial Instruments: Recognition and Measurement*; and IFRS 7, *Financial Instruments: Disclosures*, effective January 1, 2020. The adoption of these narrow-scope amendments did not have a significant impact on the Corporation's financial statements.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)

USE OF SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the preparation of the financial statements, management of the Corporation and management of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments have been made by the management of the Corporation and the management of its subsidiaries are further described in the relevant accounting policies as described in the Corporation's consolidated financial statements and notes thereto for the year ended December 31, 2019.

Impact of COVID-19 on significant judgments, estimates and assumptions

The outbreak of the novel strain of coronavirus, specifically identified as the "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have responded with significant monetary and fiscal interventions designed to stabilize economic conditions. Equity markets in particular have been volatile, experiencing material and rapid declines in the first quarter of 2020; however, following March 31, 2020, the markets have experienced recoveries.

The duration and impact of the COVID-19 pandemic is unknown at this time. Economic damage and market weakness are being felt across the global economy. Significant economic headwinds are expected to continue into the fourth quarter of 2020 and beyond as a result of anticipated negative credit experiences, impairment of valuations in certain sectors of the economy and asset classes, and uncertainties in the durability and effectiveness of government and central bank interventions, among others. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing global credit, equity and foreign exchange market conditions.

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating. Given rapid market changes, third-party credit rating changes may lag developments in the current environment.

The fair value of investments (Note 18), the valuation of goodwill and other intangible assets, and the recoverability of deferred tax asset carrying values reflect the judgments of the managements of the Corporation and its subsidiaries.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in the preparation of these financial statements.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**FUTURE ACCOUNTING CHANGES**

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the IASB and analyze the effect that changes in the standards may have on the consolidated financial statements when they become effective. The following sets out standards released and updates to the Corporation and subsidiaries' analysis since December 31, 2019:

Standard	Summary of future changes
IFRS 17 – Insurance Contracts (IFRS 17)	<p>In June 2020, the IASB issued amendments to IFRS 17, <i>Insurance Contracts</i>. The amended standard confirmed the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, <i>Financial Instruments</i> (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the consolidated statement of earnings, in particular the timing of earnings recognition for insurance contracts. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. Lifeco continues to assess all these impacts through its global implementation plan.</p>
IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (IAS 37)	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IFRS 16 – Leases (IFRS 16)	<p>In May 2020, the IASB published amendments to IFRS 16, <i>Leases</i> amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification.</p> <p>The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation and its subsidiaries do not anticipate a significant impact from the adoption of these amendments.</p>
IAS 39 – Financial Instruments: Recognition and Measurement (IAS 39); IFRS 7 – Financial Instruments: Disclosures (IFRS 7); IFRS 4 – Insurance Contracts (IFRS 4); and IFRS 16 – Leases (IFRS 16)	<p>In August 2020, the IASB published <i>Interest Rate Benchmark Reform – Phase 2</i> (with amendments relevant to the Corporation under IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.</p> <p>The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>

NOTE 3 Business Acquisitions, Disposals and Other Transactions

LIFECO

Acquisition of Personal Capital Corporation

On August 17, 2020, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital, a hybrid wealth manager that combines a digital experience with personalized advice delivered by human advisors. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM.

The investment in Personal Capital was accounted for by IGM using the equity method. Upon completion of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital and a gain of \$37 million was recorded in share of earnings (losses) of investments in jointly controlled corporations and associates, as a result of the derecognition of the previous investment in Personal Capital at fair value on the date control was attained (Note 5).

As at September 30, 2020, the accounting for the acquisition is not finalized, pending completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 2020 reflect management's current best estimate of the purchase price allocation. The valuation of the assets acquired and liabilities assumed, and completion of the purchase price allocation are expected to be finalized by Lifeco during the fourth quarter of 2020. As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$954 million on the date of acquisition, will be adjusted in future periods.

The initial amounts assigned to the assets acquired, goodwill, and liabilities assumed on August 17, 2020, reported as at September 30, 2020, are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	36
Goodwill	954
Deferred tax assets	106
Other assets	39
	<u>1,135</u>
Liabilities assumed	<u>38</u>
Net assets acquired	<u>1,097</u>

The estimated purchase consideration has not been finalized as at September 30, 2020. The current estimate of the purchase consideration, when combined with the fair value of the previous investment held by IGM in Personal Capital, is \$1,097 million (US\$825 million). In addition, there is a contingent consideration earn-out up to \$233 million (US\$175 million) based on the achievement of growth in assets under management metrics defined in the Merger Agreement, payable following measurements through December 31, 2021 and December 31, 2022.

Revenue and net earnings of Personal Capital were not significant to the results of the Corporation.

During the three and nine months ended September 30, 2020, Lifeco and IGM incurred transaction expenses of \$31 million, included with operating and administrative expenses in the statements of earnings.

Sale of Irish Progressive Services International Limited

On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited, a wholly owned subsidiary of Lifeco whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The transaction was completed on August 4, 2020. Lifeco recognized a net gain of \$94 million after tax in the statements of earnings that includes a curtailment gain and other restructuring and transaction costs. The carrying value and earnings of the business are immaterial to the Corporation.

NOTE 3 Business Acquisitions, Disposals and Other Transactions (continued)

Acquisition of MassMutual Retirement Services Business

On September 8, 2020, Great-West Life & Annuity announced that it had entered into an agreement to purchase, via indemnity reinsurance, the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual). Lifeco will assume the economics and risks associated with the reinsured business, and MassMutual will continue to retain the obligation to the contract holders. Lifeco will pay a ceding commission of US\$2,350 million to MassMutual, and intends to fund the transaction with existing cash, short-term debt and US\$1,500 million in long-term debt issued on September 17, 2020 (Note 8). Lifeco expects the transaction to close in the fourth quarter of 2020 or the first quarter of 2021, subject to regulatory and customary closing conditions.

U.S. individual life insurance and annuity business reinsurance agreement

On January 24, 2019, Great-West Life & Annuity announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in the United States. The transaction was completed on June 1, 2019.

The liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. In October 2019, Protective Life provided Lifeco with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, Lifeco formally objected to these proposed adjustments. The Master Transaction Agreement requires the parties to attempt to resolve these differences in an informal manner and that process is ongoing. Based on the information presently known, it is difficult to predict the outcome of this matter with certainty, but this matter is not expected to materially impact the financial position of the Corporation. Lifeco expects this matter to be resolved in the fourth quarter of 2020.

LIFECO AND IGM**GLC Asset Management Group Ltd.**

On August 4, 2020, IGM's subsidiary, Mackenzie, entered into a definitive agreement to acquire all of the common shares of GLC Asset Management Group Ltd. (GLC) for cash consideration of \$175 million. GLC is a wholly owned subsidiary of Lifeco. Its principal activity is the provision of investment management services to Canada Life.

As part of the transaction, Canada Life will acquire the fund management contracts relating to the private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of \$30 million. Mackenzie is currently the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie will continue to provide investment and administration services to the QGOF.

This is a related party transaction, and the board of directors of Lifeco established a committee of independent directors to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to its board of directors. The proposed transaction will be subject to customary closing conditions, including receipt of required regulatory approvals, and Lifeco and IGM expect the transaction to be completed in the fourth quarter of 2020.

The Corporation currently consolidates GLC, through Lifeco, and therefore the transaction will not have an impact on the statements of earnings and balance sheets.

Subsequent event**Northleaf Capital Partners Ltd.**

On October 29, 2020, IGM's subsidiary, Mackenzie, and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Partners Ltd. (Northleaf), a premier global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The interest was acquired for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years, subject to the business achieving certain exceptional growth in performance measures over the period. Mackenzie and Lifeco have an obligation and right to purchase an additional equity and voting interest in Northleaf commencing in approximately five years and extending into future periods. Lifeco and IGM together have committed as part of the transaction to make a minimum investment over the next 18 to 24 months in Northleaf's product offerings.

The net earnings of Northleaf are not expected to be significant to the results of the Corporation.

NOTE 3 Business Acquisitions, Disposals and Other Transactions (continued)**POWER ENERGY CORPORATION**

On June 10, 2020, Potentia, a wholly owned subsidiary of the Corporation, acquired a controlling interest in a portfolio of operating renewable energy projects from Firelight Infrastructure Partners LP consisting of three Ontario ground-mount solar projects totalling 43 megawatts (MW) and four Nova Scotia operating wind farms totalling 24 MW.

As at September 30, 2020, the accounting for the acquisition has not yet been completed pending completion of a comprehensive valuation of the net assets acquired. The comprehensive valuation of the assets acquired and liabilities assumed as well as the completion of the purchase price allocation are expected to be finalized in the fourth quarter of 2020. The following table summarizes the aggregate amounts preliminarily assigned to the assets acquired and liabilities assumed:

Assets acquired	
Owner-occupied properties and capital assets	127
Intangible assets	114
Other assets	11
	<u>252</u>
Less: liabilities assumed	
Other debt instruments	145
Other liabilities	6
Deferred tax liabilities	29
	<u>180</u>
Net assets acquired	<u>72</u>
Consideration	
Cash, net of cash and cash equivalents acquired	63
Non-controlling interests, at fair value	9
	<u>72</u>

Revenues and net earnings were not significant to the results of the Corporation.

INTEGRAMED AMERICA, INC.

The Corporation, through its wholly owned subsidiary Sagard Holdings Inc., held a 91.6% interest in IntegraMed, a private healthcare services company operating a network of fertility clinics in North America. On May 20, 2020, IntegraMed entered in restructuring proceedings and accordingly the Corporation no longer controls IntegraMed. Effective May 20, 2020, the Corporation has derecognized the assets and liabilities of IntegraMed resulting in a recovery on deconsolidation of \$27 million (US\$19 million) which has been included in net investment income on the statement of earnings.

The following table summarizes the assets and liabilities derecognized:

Assets derecognized	
Cash	22
Investments in associates	10
Owner-occupied properties and capital assets	182
Other assets	59
Intangible assets	95
	<u>368</u>
Less: liabilities and non-controlling interests derecognized	
Other debt instruments	129
Other liabilities	271
Non-controlling interests	(5)
	<u>395</u>
Recovery on deconsolidation	<u>27</u>

NOTE 4 Investments**CARRYING VALUES AND FAIR VALUES**

Carrying values and estimated fair values of investments are as follows:

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss	93,120	93,120	84,128	84,128
Classified as fair value through profit or loss	1,865	1,865	1,717	1,717
Available for sale	14,367	14,367	12,028	12,028
Loans and receivables	18,044	21,070	17,372	19,344
	127,396	130,422	115,245	117,217
Mortgage and other loans				
Loans and receivables	30,685	32,715	30,461	31,420
Designated as fair value through profit or loss	1,875	1,875	1,314	1,314
Classified as fair value through profit or loss	74	74	-	-
	32,634	34,664	31,775	32,734
Shares				
Designated as fair value through profit or loss	9,446	9,446	9,752	9,752
Classified as fair value through profit or loss	198	198	173	173
Available for sale ^[1]	1,814	1,814	1,624	1,624
	11,458	11,458	11,549	11,549
Investment properties	5,853	5,853	5,887	5,887
Loans to policyholders	8,899	8,899	8,601	8,601
	186,240	191,296	173,057	175,988

[1] Fair value of certain shares available for sale cannot be reliably measured, therefore these investments are held at cost.

NOTE 5 Investments in Jointly Controlled Corporations and Associates

The carrying values of the investments in jointly controlled corporations and associates are as follows:

	Jointly controlled corporations			Associates		Total
	Parjointco	Other	China AMC	Personal Capital [Note 3]	Other	
September 30, 2020						
Carrying value, beginning of year	3,954	224	1,321	194	200	5,893
Investments	-	19	-	-	36	55
Disposal	-	(5)	-	-	(13)	(18)
Derecognition [Note 3]	-	-	-	-	(10)	(10)
Share of earnings (losses)	72	21	60	32	(14)	171
Share of other comprehensive income (loss)	(123)	4	69	7	5	(38)
Dividends and distributions	(88)	(5)	(28)	-	(2)	(123)
Effects of changes in ownership and other	45	1	-	(233)	(27)	(214)
Carrying value, end of period	3,860	259	1,422	-	175	5,716

	Jointly controlled corporations			Associates		Total
	Parjointco	Other	China AMC	Personal Capital	Other	
September 30, 2019						
Carrying value, beginning of year	3,291	262	1,362	-	172	5,087
Acquisition ^[1]	-	-	-	217	-	217
Investments	-	4	-	-	11	15
Share of earnings (losses)	161	5	46	(12)	(22)	178
Share of other comprehensive income (loss)	275	(5)	(90)	(2)	(4)	174
Dividends and distributions	(80)	(2)	(20)	-	-	(102)
Effects of changes in ownership and other	5	2	-	-	-	7
Carrying value, end of period	3,652	266	1,298	203	157	5,576

[1] In January 2019, the investment in Personal Capital was reclassified from available for sale to an investment in an associate.

PARJOINTCO

On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction that would simplify the group structure. A public exchange offer was initiated by Parjointco for all Pargesa shares not already owned by Parjointco under which Pargesa shareholders are to receive 0.93 shares of GBL for each Pargesa bearer share they hold. Following the transaction, Parjointco anticipates that Pargesa will be delisted from the SIX Swiss Exchange. At the completion of the transaction described below, Parjointco expects to maintain approximately the same economic equity interest in GBL of 28%. GBL shareholders approved the implementation of double-voting rights, a condition of the transaction, at GBL's extraordinary shareholders meeting held on April 28, 2020; as a result Parjointco will retain de facto control of GBL. On June 12, 2020, following the end of the initial acceptance period, Parjointco had received shareholder acceptances which, together with Parjointco's existing interest, represent 94% of Pargesa's total voting rights. An additional acceptance period ended on June 26, 2020, resulting in Parjointco's interest in Pargesa increasing upon settlement of the offer in July 2020 to 97.4% (98.5% of the voting rights).

Parjointco's interest in Pargesa increased from 55.5% (75.4% of the voting rights) at December 31, 2019 to 97.4% (98.5% of the voting rights) at September 30, 2020. In turn, Pargesa's interest in GBL decreased from 50.0% at December 31, 2019 to 29.5% (44.8% of the voting rights) at September 30, 2020. The transaction resulted in an increase in retained earnings of \$54 million and a reattribution of accumulated other comprehensive income of \$10 million at September 30, 2020. The Corporation's share of costs related to the transaction of \$26 million was charged to retained earnings on the statements of changes in equity.

Following the successful public exchange offer of Parjointco, on July 30, 2020, the board of directors of Pargesa approved the merger between Pargesa and Parjointco Switzerland SA, a wholly owned subsidiary of Parjointco. As part of the merger, it is intended that the remaining shareholders of Pargesa will be provided with compensation of a value substantially equivalent to the exchange ratio offered by Parjointco during the exchange offer, on terms and conditions described in the merger agreement. The merger was approved by Pargesa's shareholders at an extraordinary general meeting held on September 4, 2020. Parjointco expects the transaction to close in the fourth quarter of 2020.

NOTE 6 Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of Lifeco's operations, on account of segregated fund policyholders:

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	September 30, 2020	December 31, 2019
Cash and cash equivalents	15,167	12,501
Bonds	49,646	44,973
Mortgage loans	2,631	2,670
Shares and units in unit trusts	104,056	104,330
Mutual funds	55,494	55,779
Investment properties ^[1]	12,657	12,986
	239,651	233,239
Accrued income	394	373
Other liabilities	(4,109)	(3,737)
Non-controlling mutual fund interest	1,007	1,147
	236,943	231,022

[1] Since March 20, 2020, Canada Life has temporarily suspended contributions to, and redemptions and transfers from, its real estate investment funds as the COVID-19 virus has impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual.

INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

	Nine months ended September 30,	
	2020	2019
Balance, beginning of year	231,022	209,527
Additions (deductions):		
Policyholder deposits	16,029	17,326
Net investment income	1,320	1,521
Net realized capital gains on investments	4,203	2,082
Net unrealized capital gains (losses) on investments	(7,006)	18,632
Unrealized gains (losses) due to changes in foreign exchange rates	5,540	(9,021)
Policyholder withdrawals	(14,288)	(17,985)
Segregated fund investment in General Fund	27	(10)
General Fund investment in segregated fund	235	126
Net transfer from General Fund	1	19
Non-controlling mutual fund interest	(140)	240
Assets held for sale	-	147
	5,921	13,077
Balance, end of period	236,943	222,604

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS (by fair value hierarchy level)

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	146,352	79,749	13,763	239,864

[1] Excludes other liabilities, net of other assets, of \$2,921 million.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ^[1]	146,861	73,173	13,988	234,022

[1] Excludes other liabilities, net of other assets, of \$3,000 million.

NOTE 6 Segregated Funds (continued)

During the nine months ended September 30, 2020, certain foreign equity holdings valued at \$2,484 million were transferred from Level 1 to Level 2 (\$153 million were transferred from Level 1 to Level 2 in 2019), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings. Level 2 assets include the assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where Lifeco does not have access to the underlying asset details within an investment fund.

The following presents additional information about Lifeco's investments on account of segregated fund policyholders for which Lifeco has utilized Level 3 inputs to determine fair value:

	September 30, 2020	December 31, 2019		
	Investments on account of segregated fund policyholders ^[1]	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	13,988	13,371	9	13,380
Total gains (losses) included in segregated fund investment income	71	141	(1)	140
Purchases	120	760	-	760
Sales	(451)	(284)	(8)	(292)
Transfers into Level 3	35	-	-	-
Balance, end of period	13,763	13,988	-	13,988

[1] At September 30, 2020, there were no investments on account of segregated fund policyholders held for sale.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors. There were no transfers out of Level 3 during the period ended September 30, 2020.

NOTE 7 Insurance and Investment Contract Liabilities**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	September 30, 2020			December 31, 2019		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	184,379	22,194	162,185	174,521	20,580	153,941
Investment contract liabilities	4,047	141	3,906	1,656	127	1,529
	188,426	22,335	166,091	176,177	20,707	155,470

NOTE 8 Debentures and Other Debt Instruments

LIFECO

On May 14, 2020, Lifeco issued \$600 million aggregate principal amount 2.379% debentures at par, maturing on May 14, 2030. Interest on the debentures is payable semi-annually in arrears on May 14 and November 14 in each year, commencing November 14, 2020 until the date on which the debentures are repaid. The debentures are redeemable at any time prior to February 14, 2030 in whole or in part at the greater of the Canada Yield Price and par, and on or after February 14, 2030 in whole or in part at par, together in each case with accrued and unpaid interest.

On July 8, 2020, Lifeco issued \$250 million aggregate principal amount 2.981% debentures at par, maturing on July 8, 2050. Interest on the debentures is payable semi-annually in arrears on January 8 and July 8 in each year, commencing January 8, 2021 until the date on which the debentures are repaid. The debentures are redeemable at any time prior to January 8, 2050 in whole or in part at the greater of the Canada Yield Price and par, and on or after January 8, 2050 in whole or in part at par, together in each case with accrued and unpaid interest.

On July 13, 2020, Lifeco announced the reopening of the offering of 2.981% debentures due July 8, 2050, and on July 15, 2020 issued an additional \$250 million aggregate principal amount. The July 15, 2020 debentures were issued at a price of \$986.31 per \$1,000 par value for an effective yield of 3.051%. Upon issuance of the July 15, 2020 debentures, \$500 million aggregate principal amount of 2050 debentures was issued and outstanding. The July 15, 2020 debentures form a single series with, are issued under the same Committee on Uniform Securities Identification Procedures (CUSIP) number as, and have the same terms as to status, redemption or otherwise as the initial debentures issued on July 8, 2020.

On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of Lifeco, issued \$663 million (US\$500 million) aggregate principal amount of 0.904% senior notes due August 12, 2025. The senior notes are fully and unconditionally guaranteed by Lifeco.

On August 13, 2020, Lifeco repaid the principal amount of its maturing 4.65% \$500 million debentures, together with accrued interest.

On September 17, 2020, Empower Finance 2020, LP, a subsidiary of Lifeco, issued \$526 million (US\$400 million) aggregate principal amount of 1.357% senior notes due September 17, 2027, \$526 million (US\$400 million) aggregate principal amount of 1.776% senior notes due March 17, 2031 and \$921 million (US\$700 million) aggregate principal amount of 3.075% senior notes due September 17, 2051. The senior notes are fully and unconditionally guaranteed by Lifeco. In the event the acquisition of the MassMutual retirement services business (Note 3) is not consummated on or prior to June 8, 2021 (or such later date as extended automatically pursuant to the acquisition agreement or by agreement of the parties to the acquisition agreement), then Empower Finance 2020, LP will be required to redeem the senior notes at a special mandatory redemption price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest.

OTHER SUBSIDIARIES**POTENTIA RENEWABLES INC.**

On February 10, 2020, Potentia, a wholly owned subsidiary of the Corporation, entered into a \$254 million non-recourse hybrid construction and term loan facility with floating and fixed rates. Both components will convert to term loans with maturities ranging from 7 to 25 years after commercial operation. At September 30, 2020, \$200 million was drawn under this facility.

On June 10, 2020, Potentia acquired a controlling interest in a portfolio of operating renewable energy projects from Firelight Infrastructure Partners LP. Potentia partially financed this acquisition with a \$35 million term loan due in February 2035 which bears interest of 4.75%, and Potentia assumed project debt of \$145 million due from December 2033 to June 2034 which bears interest at rates from 5.0% to 6.06% (Note 3).

INTEGRAMED AMERICA, INC.

Effective May 20, 2020, the Corporation no longer consolidates IntegraMed and has derecognized the related debt instruments of \$129 million (Note 3).

NOTE 9 Stated Capital**AUTHORIZED**

The authorized capital of Power Corporation consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Participating Preferred Shares; and an unlimited number of Subordinate Voting Shares.

ISSUED AND OUTSTANDING

	September 30, 2020		December 31, 2019	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
Non-Participating Shares				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	149,400	7	209,400	10
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total Non-Participating Shares		957		960
Participating Shares				
Participating Preferred Shares				
Balance, beginning of year	48,854,772	27	48,854,772	27
Issued	6,006,094	206	-	-
Balance, end of period	54,860,866	233	48,854,772	27
Subordinate Voting Shares				
Balance, beginning of year	377,614,607	699	417,101,146	739
Issued pursuant to the Reorganization	250,628,173	8,687	-	-
Issued under Stock Option Plan	500,311	17	1,422,502	33
Purchased for cancellation under normal course issuer bid	(7,352,500)	(110)	-	-
Purchased for cancellation under substantial issuer bid	-	-	(40,909,041)	(73)
Balance, end of period	621,390,591	9,293	377,614,607	699
Total Participating Shares		9,526		726

Non-Participating Shares

During the nine months ended September 30, 2020, 60,000 cumulative redeemable First Preferred Shares, 1986 Series were purchased for cancellation (32,000 shares for the nine months ended September 30, 2019).

Participating Shares

During the nine months ended September 30, 2020, 500,311 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of \$15 million (1,165,203 Subordinate Voting Shares issued for the nine months ended September 30, 2019 for a consideration of \$22 million).

During the nine months ended September 30, 2020, dividends declared on the Corporation's participating shares amounted to \$1.3425 per share (\$1.192 per share in 2019).

NOTE 9 Stated Capital (continued)

Reorganization

On February 12, 2020, in connection with the Reorganization (Note 2), and in accordance with the Pre-emptive Right, the Corporation issued 6,006,094 Participating Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, representing a cash consideration of \$206 million.

Also, on February 13, 2020, the Corporation acquired 238,693,580 Power Financial Common Shares, in exchange for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 per share in cash. The Corporation issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share and \$2 million in cash, for a total consideration of \$8.7 billion.

Normal Course Issuer Bid

The Corporation commenced a Normal Course Issuer Bid (NCIB) on February 20, 2020 which is effective until the earlier of February 19, 2021 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to this bid, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 20, 2020 (representing approximately 5.2% of the public float of Subordinate Voting Shares outstanding) at market prices.

During the nine months ended September 30, 2020, the Corporation purchased for cancellation 7,352,500 Subordinate Voting Shares pursuant to its NCIB at a price of \$193 million. The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$83 million and was recognized as a reduction to retained earnings. At the end of March 2020, in light of the current market environment, the Corporation decided to temporarily suspend its share buybacks.

Substantial Issuer Bid

On April 17, 2019, the Corporation completed its substantial issuer bid (the PCC SIB) and purchased for cancellation 40,909,041 of its Subordinate Voting Shares, at a purchase price of \$33.00 per Subordinate Voting Share, for an aggregate amount of \$1.35 billion. The excess paid under the PCC SIB over the stated capital of \$1.28 billion was recognized as a reduction to retained earnings. Transaction costs incurred in connection with the PCC SIB of \$5 million were recorded in retained earnings in 2019.

NOTE 10 Share-Based Compensation**STOCK OPTION PLAN**

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under the Power Financial Employee Stock Option Plan (Existing Options) were exchanged for 13,733,786 options to acquire Subordinate Voting Shares of the Corporation (Replacement Options).

The Replacement Options entitle the option holders to receive 1.05 Subordinate Voting Shares of Power Corporation (PCC Shares) for each common share of Power Financial (PFC Shares) at a subscription price per PCC Share equal to the subscription price per PFC Share, under the existing Power Financial Employee Stock Option Plan, divided by 1.05. The other terms of the Replacement Options are the same as the terms of the Existing Options, including terms with respect to vesting, expiry of options and termination of employment.

There are 21,432,382 Subordinate Voting Shares and 13,708,124 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation, respectively.

A summary of the status of Power Corporation's Executive Stock Option Plan as at September 30, 2020 and 2019, and changes during the respective periods then ended, is as follows:

	September 30, 2020		September 30, 2019	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	16,356,062	29.35	16,453,341	28.43
Assumption of Power Financial stock option plan	13,733,786	30.93	-	-
Granted	3,994,258	34.23	1,325,223	31.84
Exercised	(500,311)	29.81	(1,165,203)	19.26
Forfeited and expired	(1,101,729)	30.08	-	-
Outstanding, end of period	32,482,066	30.58	16,613,361	29.35
Options exercisable, end of period	20,456,521	29.77	12,106,478	28.96

The exercise price of the 32,482,066 outstanding options ranges from \$23.54 to \$36.53.

The following table summarizes information about stock options outstanding at September 30, 2020:

Range of exercise prices	Expiry date	Options outstanding			Options exercisable	
		Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
\$			(yrs)	\$		\$
26.80	2020	713,501	0.1	26.80	713,501	26.80
23.54 - 28.75	2021	2,346,662	0.6	26.76	2,346,662	26.76
23.73 - 36.53	2022	3,767,748	1.6	26.79	3,767,748	26.79
28.24 - 31.03	2023	3,328,311	2.7	28.87	3,328,311	28.87
28.51 - 33.68	2024	3,136,681	3.7	31.34	3,117,466	31.35
31.79 - 36.53	2025	3,834,520	4.5	34.47	2,934,520	34.55
27.30 - 30.79	2026	3,054,236	5.5	29.95	2,924,490	29.96
29.61 - 33.68	2027	2,647,612	6.5	32.74	1,323,823	32.74
28.51 - 30.27	2028	3,218,099	7.5	29.53	-	-
31.12 - 31.84	2029	3,343,066	8.5	31.40	-	-
34.23	2030	3,091,630	9.4	34.23	-	-
		32,482,066	5.0	30.58	20,456,521	29.77

NOTE 10 Share-Based Compensation (continued)**Compensation expense**

During the nine months ended September 30, 2020, Power Corporation granted 3,994,258 options (1,325,223 options were granted for the nine months ended September 30, 2019) under its Executive Stock Option Plan. Options granted in the nine months ended September 30, 2020 have the following vesting conditions:

Maturity	Number of options	Vesting conditions
2030	3,072,892	Vest 1/3 after three years, 1/3 after four years and 1/3 after five years
2030	21,366	Vest 50% after three years and 50% after four years
2025	900,000	Vest 50% after three years and 50% after four years

The fair value of these options was estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	September 30, 2020	September 30, 2019
Dividend yield	5.1%	4.9%
Expected volatility	16.7%	15.6%
Risk-free interest rate	1.3%	1.8%
Expected life (years)	8.1	8.6
Fair value per stock option (\$/option)	1.93	1.87
Weighted-average exercise price (\$/option)	34.23	31.84

Expected volatility has been estimated based on the historical volatility of the Corporation's share price over the expected option life.

Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended September 30, 2020, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$13 million (\$11 million in 2019), and \$53 million for the nine months ended September 30, 2020 (\$37 million in 2019), and is recorded in operating and administrative expenses in the statements of earnings.

NOTE 11 Non-Controlling Interests**Acquisition of non-controlling interests in Power Financial**

On February 13, 2020, the Corporation successfully completed the Reorganization and acquired 238,693,580 common shares of Power Financial held by minority interests in consideration of the issuance of 250,628,173 Subordinate Voting Shares of the Corporation and \$2 million paid in cash for a total consideration of \$8.7 billion. Subsequent to the Reorganization, the Corporation holds 100% of the issued and outstanding common shares of Power Financial. The excess of the purchase price over the carrying value of the non-controlling interests of \$6,555 million acquired was recorded as a decrease in retained earnings of \$2,847 million and as a reattribution of accumulated other comprehensive income and share-based compensation reserves of \$647 million and \$66 million, respectively. Costs of \$46 million related to the transaction were charged to retained earnings on the statements of changes in equity.

NOTE 12 Capital Management

POWER CORPORATION

As a holding company, Power Corporation's objectives in managing its capital are to:

- provide attractive long-term returns to shareholders of the Corporation;
- provide sufficient financial flexibility to pursue its growth strategy to invest on a timely basis in its operating companies and other investments as opportunities present;
- maintain a capital structure that matches the long-term nature of its investments by maximizing the use of permanent capital; and
- maintain an appropriate credit rating to ensure stable access to the capital markets.

The Corporation manages its capital taking into consideration the risk characteristics and liquidity of its holdings. In order to maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue capital.

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Pargesa and Groupe Bruxelles Lambert, oversee and have the responsibility for their respective company's capital management.

The Corporation itself is not subject to externally imposed regulatory capital requirements. However, Lifeco and certain of its main subsidiaries, IGM's subsidiaries and certain of the Corporation's other subsidiaries are subject to regulatory capital requirements and they manage their capital as described below.

LIFECO

Lifeco manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of Lifeco's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of Lifeco ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholder value in the context of Lifeco's operational risks and strategic plans.

Lifeco has established policies and procedures designed to identify, measure and report all material risks. Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

NOTE 12 Capital Management (continued)

The target level of capitalization for Lifeco and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to Lifeco, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of Lifeco with a high degree of confidence.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the *Insurance Companies Act* (Canada) and their subsidiaries known as the Life Insurance Capital Adequacy Test (LICAT). The LICAT ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of available capital, surplus allowance and eligible deposits. OSFI has established a supervisory target total ratio of 100%, and a supervisory minimum total ratio of 90%. Canada Life's consolidated LICAT ratio at September 30, 2020 was 131% (135% at December 31, 2019).

Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions.

IGM FINANCIAL

IGM's capital management objective is to maximize shareholder returns while ensuring that IGM is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. IGM's capital management practices are focused on preserving the quality of its financial position by maintaining a solid capital base and a strong balance sheet. IGM regularly assesses its capital management practices in response to changing economic conditions.

IGM's capital is primarily used in its ongoing business operations to support working capital requirements, long-term investments made by IGM, business expansion and other strategic objectives.

The IGM subsidiaries that are subject to regulatory capital requirements include investment dealers, mutual fund dealers, exempt market dealers, portfolio managers, investment fund managers and a trust company. These IGM subsidiaries are required to maintain minimum levels of capital based on either working capital, liquidity or shareholders' equity. At September 30, 2020, IGM subsidiaries have complied with all regulatory capital requirements.

OTHER SUBSIDIARIES

Certain other subsidiaries are subject to regulatory capital requirements, including a mutual fund dealer, portfolio managers, and an order-execution-only broker. These other subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At September 30, 2020, these other subsidiaries have complied with all regulatory capital requirements.

NOTE 13 Risk Management

The Corporation and its subsidiaries have established policies, guidelines and procedures designed to identify, measure, monitor and mitigate risks associated with financial instruments. The key risks related to financial instruments are liquidity risk, credit risk and market risk.

- Liquidity risk is the risk that the Corporation and its subsidiaries would not be able to meet all cash outflow obligations as they come due or be able to, in a timely manner, raise capital or monetize assets at normal market conditions.
- Credit risk is the potential for financial loss to the Corporation and its subsidiaries if a counterparty in a transaction fails to meet its payment obligations. Credit risk can be related to the default of a single debt issuer, the variation of credit spreads on tradable fixed income securities and also to counterparty risk relating to derivative products.
- Market risk is the risk that the market value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: foreign exchange risk, interest rate risk and equity risk.
 - Foreign exchange risk relates to the Corporation, its subsidiaries and its jointly controlled corporations and associates operating in different currencies and converting non-Canadian investments and earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.
 - Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in the interest rates.
 - Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

This note to the financial statements includes estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons, including:

- assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered;
- changes in actuarial, investment return and future investment activity assumptions;
- actual experience differing from the assumptions;
- changes in business mix, effective tax rates and other market factors;
- interactions among these factors and assumptions when more than one changes; and
- the general limitations of internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Corporation cannot provide assurance that the actual impact on net earnings will be as indicated.

NOTE 13 Risk Management (continued)

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments, including the impacts due to COVID-19.

POWER CORPORATION, POWER FINANCIAL AND OTHER SUBSIDIARIES

The risk management policies and procedures of Power Corporation, Power Financial and other subsidiaries are discussed in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2019.

a) Liquidity and funding

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends.

The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends, which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts.

Power Corporation believes its ongoing cash flows from operations, available cash balances and liquidity available through its lines of credit are sufficient to address its liquidity needs.

b) Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the nine-month period ended September 30, 2020, the Corporation recorded impairment charges on investments amounting to \$63 million (\$37 million in 2019). As at September 30, 2020, the impact of a 10% decrease in the value of other investments would have resulted in an approximate \$194 million unrealized loss to be recorded in other comprehensive income.

Pargesa indirectly holds substantial investments classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. As at September 30, 2020, the impact of a 10% decline in equity markets would have resulted in an other comprehensive loss of approximately \$370 million representing the Corporation's share of Pargesa's unrealized losses.

Power Corporation, Power Financial and other subsidiaries' exposure and management of liquidity risk, credit risk and market risk have not changed materially since December 31, 2019.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks. Lifeco has established policies and procedures designed to identify, measure, manage, monitor and report risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2019. A summary of the risks is presented below. For a more detailed discussion of Lifeco's risk governance structure and risk management approach, refer to the Risk Management note in the Corporation's December 31, 2019 financial statements.

Liquidity risk

Lifeco has the following policies and procedures in place to manage liquidity risk:

- Lifeco closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management of Lifeco closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. Lifeco maintains committed lines of credit with Canadian chartered banks.

NOTE 13 Risk Management (continued)**Credit risk**

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2019.

Market risk*a) Foreign exchange risk*

If the assets backing insurance and investment contract liabilities are not matched by currency, changes in foreign exchange rates can expose Lifeco to the risk of foreign exchange losses not offset by liability decreases. Lifeco has net investments in foreign operations. Lifeco's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts Lifeco's total equity. Correspondingly, Lifeco's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.

b) Interest rate risk

Projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries-prescribed scenarios:

- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries-prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly, with a full review annually.

An immediate 1% parallel shift in the yield curve would not have a material impact on Lifeco's view of the range of interest rates to be covered by the provisions.

NOTE 13 Risk Management (continued)

If sustained, however, the parallel shift could impact Lifeco's range of scenarios covered. The following table provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions. The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

	September 30, 2020		December 31, 2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(293)	798	(230)	811
Increase (decrease) in net earnings	228	(617)	175	(619)

c) Equity risk

Lifeco has investment policy guidelines in place that provide for prudent investment in equity markets with clearly defined limits to mitigate price risk.

The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash flows are supported by publicly traded common shares and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private equities, and equity-release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common shares and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that the relative impact on liabilities of decreases in market values increases with larger decreases.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common shares on insurance and investment contract liabilities and on the net earnings. The expected impacts take into account the expected change in hedge assets.

	September 30, 2020				December 31, 2019			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(33)	(19)	110	315	(63)	(33)	45	223
Increase (decrease) in net earnings	27	15	(88)	(249)	54	27	(39)	(182)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the net earnings.

	September 30, 2020				December 31, 2019			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(32)	(3)	83	208	(74)	(32)	35	117
Increase (decrease) in net earnings	26	2	(63)	(156)	60	25	(28)	(90)

NOTE 13 Risk Management (continued)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common shares and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market decreases.

The best estimate return assumptions for publicly traded common shares and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or a 1% decrease in the best estimate assumptions:

	September 30, 2020		December 31, 2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(672)	871	(645)	752
Increase (decrease) in net earnings	534	(683)	509	(585)

IGM FINANCIAL

The risk management policies and procedures of IGM are discussed in the IGM section of the Corporation's Management's Discussion and Analysis (Part D) for the nine months ended September 30, 2020 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2019 and have not changed significantly in the nine-month period ended September 30, 2020.

a) Liquidity and funding

The Government of Canada has introduced measures to support Canadians through the COVID-19 crisis where mortgage payments can be deferred for up to six months and repaid over the life of the mortgage.

As IGM securitizes mortgages through the National Housing Act Mortgage-Backed Securities (NHA MBS) program, it is obligated to make timely payment of interest and principal payments, which will create a timing difference between the receipt of cash from clients deferring mortgage payments and the payment to the NHA MBS program of those amounts. All mortgages in the NHA MBS program are insured against default.

IGM believes its ongoing cash flows from operations, available cash balances and liquidity available through its lines of credit are sufficient to address its liquidity needs.

b) Credit risk

IGM's allowance for credit losses was \$0.8 million at September 30, 2020, compared to \$0.7 million at December 31, 2019, and is considered adequate by IGM's management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience; ii) recent trends, including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

IGM's exposure to and management of credit risk related to mortgage portfolios have not changed materially since December 31, 2019.

NOTE 14 Pension Plans and Other Post-Employment Benefits

The pension plan and other post-employment benefits expense included in net earnings and other comprehensive income are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Pension plans				
Service costs	63	58	196	178
Curtailment ^[1]	(10)	(1)	(11)	(2)
Net interest cost	9	12	32	36
	62	69	217	212
Post-employment benefits				
Service costs	1	1	3	3
Net interest cost	4	3	11	11
	5	4	14	14
Expense recognized in net earnings	67	73	231	226
Remeasurements				
Pension plans				
Actuarial losses	200	267	494	1,277
Return on assets greater than discount rate	(139)	(158)	(98)	(756)
Change in the asset ceiling	(26)	13	(10)	(16)
Post-employment benefits				
Actuarial losses	3	3	23	43
Expense recognized in other comprehensive income	38	125	409	548
Total expense	105	198	640	774

[1] Includes a curtailment gain recognized on disposal of shares of Irish Progressive Services International Limited (Note 3).

Markets have been volatile during the nine months ended September 30, 2020. The impact of the COVID-19 crisis in the first quarter of 2020 was two-fold: a significant reduction of defined benefit obligations due to an increase in corporate credit spreads which directly impacted discount rates and resulted in an actuarial loss, partially offset by a lower return on assets as a result of the decline in global equity markets. This resulted in a net gain recorded in other comprehensive income at March 31, 2020. The situation reverted in the second and third quarters of 2020 with the recovery of global equity markets and the contraction of corporate credit spreads, resulting in a net loss recorded in other comprehensive income at September 30, 2020.

NOTE 15 Income Taxes**INCOME TAX EXPENSE**

The components of income tax expense recognized in net earnings are:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Current taxes	147	53	276	292
Deferred taxes	(98)	25	(52)	78
	49	78	224	370

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the nine months ended September 30, 2020 was 8.1%, compared to 15.4% for the full year 2019 and 13.0% for the nine months ended September 30, 2019.

The overall effective income tax rate for the nine months ended September 30, 2020 is lower than the effective income tax rate for the same period last year mainly due to changes in certain tax estimates at Lifeco and an increase in the amount of income subject to lower rates in certain foreign jurisdictions, partially offset by lower non-taxable investment income.

The effective income tax rates are generally lower than the Corporation's statutory income tax rate of 26.5% due to non-taxable investment income, lower tax in certain foreign jurisdictions and results from jointly controlled corporations and associates that are not taxable.

NOTE 16 Other Comprehensive Income

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Nine months ended September 30, 2020						
Balance, beginning of year	361	694	1,031	(575)	(15)	1,496
Other comprehensive income (loss)	141	248	(12)	(202)	2	177
Reattribution on acquisition of non-controlling interests in Power Financial [Note 11]	53	324	535	(257)	(8)	647
Reattribution on changes in ownership on Parjointco's interest in Pargesa [Note 5]	-	-	11	-	(1)	10
Balance, end of period	555	1,266	1,565	(1,034)	(22)	2,330

	Items that may be reclassified subsequently to net earnings			Items that will not be reclassified to net earnings		Total
	Investment revaluation and cash flow hedges	Foreign currency translation	Share of jointly controlled corporations and associates	Actuarial gains (losses) on defined benefit pension plans and other	Share of jointly controlled corporations and associates	
Nine months ended September 30, 2019						
Balance, beginning of year	201	1,015	763	(488)	(11)	1,480
Other comprehensive income (loss)	143	(417)	113	(218)	(2)	(381)
Other	-	(28)	(16)	11	-	(33)
Balance, end of period	344	570	860	(695)	(13)	1,066

NOTE 17 Earnings Per Share

The following is a reconciliation of the numerators and the denominators used in the computations of earnings per share:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Earnings				
Net earnings attributable to shareholders	518	372	1,410	968
Dividends on non-participating shares	(13)	(13)	(39)	(39)
Net earnings attributable to participating shareholders	505	359	1,371	929
Dilutive effect of subsidiaries' outstanding stock options	-	-	(1)	-
Net earnings adjusted for dilutive effect	505	359	1,370	929
Number of participating shares [millions]				
Weighted average number of participating shares outstanding - Basic	676.3	425.6	637.7	441.3
Potential exercise of outstanding stock options	-	0.2	0.1	0.2
Weighted average number of participating shares outstanding - Diluted	676.3	425.8	637.8	441.5
Net earnings per participating share				
Basic	0.75	0.84	2.15	2.11
Diluted	0.75	0.84	2.15	2.10

For the nine months ended September 30, 2020, 31.0 million stock options (9.4 million in 2019) were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 18 Fair Value Measurement

The Corporation's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level	Definition	Financial assets and liabilities
Level 1	Utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.	<ul style="list-style-type: none"> ▪ actively exchange-traded equity securities; ▪ exchange-traded futures; ▪ mutual and segregated funds which have available prices in an active market with no redemption restrictions; ▪ open-end investment fund units and other liabilities in instances where there are quoted prices available from active markets.
Level 2	<p>Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.</p> <p>Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other-than-quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.</p> <p>The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data.</p>	<ul style="list-style-type: none"> ▪ assets and liabilities priced using a matrix which is based on credit quality and average life; ▪ government and agency securities; ▪ restricted shares; ▪ certain private bonds and investment funds; ▪ most investment-grade and high-yield corporate bonds; ▪ most asset-backed securities; ▪ most over-the-counter derivatives; ▪ most mortgage and other loans; ▪ deposits and certificates; ▪ most debentures and other debt instruments; ▪ most of the investment contracts that are measured at fair value through profit or loss.
Level 3	<p>Utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.</p> <p>The values of the majority of Level 3 securities were obtained from single-broker quotes, internal pricing models, external appraisers or by discounting projected cash flows.</p>	<ul style="list-style-type: none"> ▪ certain bonds; ▪ certain asset-backed securities; ▪ certain private equities; ▪ certain mortgage and other loans, including equity-release mortgages; ▪ investments in mutual and segregated funds where there are redemption restrictions; ▪ certain over-the-counter derivatives; ▪ investment properties; ▪ obligations to securitization entities; ▪ certain other debt instruments.

NOTE 18 Fair Value Measurement (continued)

The following tables present the Corporation's assets and liabilities recorded at fair value, including their levels in the fair value hierarchy using the valuation methods and assumptions described in the summary of significant accounting policies of the Corporation's December 31, 2019 Consolidated Financial Statements and above. Fair values represent management's estimates and are generally calculated using market information at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, and involve uncertainties and matters of significant judgment (Note 2).

September 30, 2020	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	-	94,913	72	94,985
Available for sale	-	14,367	-	14,367
Mortgage and other loans				
Fair value through profit or loss	-	74	1,875	1,949
Shares				
Fair value through profit or loss	7,990	57	1,597	9,644
Available for sale	953	49	686	1,688
Investment properties	-	-	5,853	5,853
Funds held by ceding insurers	77	6,203	-	6,280
Derivative instruments	3	817	3	823
Reinsurance assets	-	141	-	141
Other assets	320	697	-	1,017
	9,343	117,318	10,086	136,747
Liabilities				
Investment contract liabilities	-	4,047	-	4,047
Derivative instruments	1	1,708	25	1,734
Other liabilities	4	92	48	144
	5	5,847	73	5,925
December 31, 2019				
	Level 1	Level 2	Level 3	Total fair value
Assets				
Bonds				
Fair value through profit or loss	-	85,778	67	85,845
Available for sale	-	12,028	-	12,028
Mortgage and other loans				
Fair value through profit or loss	-	-	1,314	1,314
Shares				
Fair value through profit or loss	9,011	118	796	9,925
Available for sale	743	42	689	1,474
Investment properties	-	-	5,887	5,887
Funds held by ceding insurers	216	6,445	-	6,661
Derivative instruments	-	470	4	474
Reinsurance assets	-	127	-	127
Other assets	375	1,115	-	1,490
	10,345	106,123	8,757	125,225
Liabilities				
Investment contract liabilities	-	1,656	-	1,656
Derivative instruments	3	1,402	5	1,410
Other liabilities	43	355	32	430
	46	3,413	37	3,496

There were no significant transfers between Level 1 and Level 2 in these periods.

NOTE 18 Fair Value Measurement (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the nine months ended September 30, 2020 and 2019.

Nine months ended September 30, 2020	Bonds	Mortgages and other loans	Shares		Investment properties	Derivatives, net	Other assets (liabilities)	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[3]	Available for sale				
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(32)	8,720
Total gains (losses)								
In net earnings	1	90	(10)	35	(157)	(26)	(16)	(83)
In other comprehensive income ^[1]	4	-	-	(11)	10	-	-	3
Purchases	-	70	504	70	155	2	-	801
Issues	-	454	-	-	-	-	-	454
Sales	-	-	(69)	(98)	(70)	-	-	(237)
Settlements	-	(53)	-	-	-	3	-	(50)
Transferred from owner-occupied properties ^[2]	-	-	-	-	28	-	-	28
Transfer into Level 3	-	-	376	1	-	-	-	377
Balance, end of period	72	1,875	1,597	686	5,853	(22)	(48)	10,013

[1] Other comprehensive income includes unrealized gains (losses) on foreign exchange.

[2] As a result of the sale of Irish Progressive Services International Limited, a property with a fair value of \$28 million was reclassified from owner-occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of \$11 million and income tax expense of \$1 million in the statements of comprehensive income.

[3] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

Nine months ended September 30, 2019	Bonds	Mortgages and other loans	Shares		Investment properties	Derivatives, net	Assets (liabilities) held for sale and other assets (liabilities)	Total
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[2]	Available for sale				
Balance, beginning of year	67	813	453	768	5,247	5	(90)	7,263
Total gains (losses)								
In net earnings	5	133	42	43	44	(11)	(4)	252
In other comprehensive income ^[1]	(5)	(53)	-	(54)	(182)	-	-	(294)
Purchases	-	-	162	65	441	(1)	-	667
Issues	-	318	-	-	-	-	-	318
Sales	-	-	(39)	(51)	(8)	-	-	(98)
Settlements	-	(51)	-	-	-	-	45	(6)
Other ^[3]	-	-	-	(150)	-	-	18	(132)
Balance, end of period	67	1,160	618	621	5,542	(7)	(31)	7,970

[1] Other comprehensive income includes unrealized gains (losses) on foreign exchange.

[2] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

[3] In January 2019, the investment in Personal Capital was reclassified from available for sale to an investment in an associate.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

NOTE 18 Fair Value Measurement (continued)

The following table sets out information about significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy.

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.8% – 11.9%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.0% – 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.0%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage and other loans – equity-release mortgages (fair value through profit or loss)	The valuation approach for equity-release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no-negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long-term care of the loanholders.	Discount rate	Range of 3.3% – 4.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
Shares	The determination of the fair value of shares requires the use of estimates such as future cash flows, discount rates, projected earnings multiples, or recent transactions.	Discount rate	Various	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

NOTE 19 Restructuring and Other Charges

During the third quarter of 2020 IGM's incurred restructuring and other charges of \$75 million related to ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness as well as to the acquisition of GLC and other changes to IGM's investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. As a result of these initiatives, IGM recorded charges relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, IGM also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

At September 30, 2020, the balance of restructuring provisions, including the above, of \$125 million (\$97 million at December 31, 2019) is recorded in other liabilities.

NOTE 20 Segmented Information

The Corporation's reportable operating segments are Lifeco, IGM Financial and Pargesa. These reportable segments reflect Power Corporation's management structure and internal financial reporting. The Corporation evaluates the performance based on the operating segment's contribution to earnings. The following provides a brief description of the three reportable operating segments:

- Lifeco is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- IGM Financial is a leading wealth and asset management company operating in Canada primarily within the advice segment of the financial services market. IGM earns revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. IGM also earns revenues from fees charged to its mutual funds for administrative services.
- Pargesa is held through Parjointco. Pargesa is a holding company with diversified interests in Europe-based companies active in various sectors: minerals-based specialty solutions for industry; testing, inspection and certification; cement, aggregates and concrete; wines and spirits; design and distribution of sportswear; materials technology and recycling of precious metals; disposable hygiene products; supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors; operation of regional leisure parks; and customer experience and business process outsourcing.

The column entitled "Corporate" is comprised of corporate activities of Power Financial and the results of Wealthsimple, Portag3 I and Portag3 II. This column also includes consolidation elimination entries.

The column entitled "Other" is comprised of corporate and investment activities of Power Corporation. It includes the results of Power Energy and IntegraMed (up to the date of derecognition on May 20, 2020 (Note 3)). This column also includes Power Corporation's consolidation elimination entries.

The contribution to earnings of each segment includes the share of net earnings resulting from the investments that Lifeco and IGM have in each other as well as certain consolidation adjustments.

NOTE 20 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

Three months ended September 30, 2020	Power Financial						Total
	Lifeco	IGM ^[1]	Pargesa	Corporate	Sub-total	Other	
Revenues							
Total net premiums	9,976	-	-	(5)	9,971	-	9,971
Net investment income	2,277	53	-	(41)	2,289	45	2,334
Fee income ^[2]	1,486	801	-	(32)	2,255	4	2,259
Other revenues	-	-	-	-	-	118	118
Total revenues	13,739	854	-	(78)	14,515	167	14,682
Expenses							
Total paid or credited to policyholders	10,668	-	-	-	10,668	-	10,668
Commissions ^[2]	549	273	-	(10)	812	-	812
Operating and administrative expenses	1,542	328	-	121	1,991	175	2,166
Financing charges	71	28	-	9	108	29	137
Total expenses	12,830	629	-	120	13,579	204	13,783
Earnings before investments in jointly controlled corporations and associates, and income taxes	909	225	-	(198)	936	(37)	899
Share of earnings of investments in jointly controlled corporations and associates	1	10	(45)	47	13	35	48
Earnings before income taxes	910	235	(45)	(151)	949	(2)	947
Income taxes	19	44	-	2	65	(16)	49
Net earnings	891	191	(45)	(153)	884	14	898
Attributable to							
Non-controlling interests	345	107	-	(70)	382	(2)	380
Non-participating shareholders	-	-	-	-	-	13	13
Participating shareholders	546	84	(45)	(83)	502	3	505
	891	191	(45)	(153)	884	14	898

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

[2] Dealer compensation expenses at IGM are included in commission expenses.

NOTE 20 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

Three months ended September 30, 2019	Power Financial						Other	Total
	Lifeco	IGM ^[1]	Pargesa	Corporate	Sub-total			
Revenues								
Total net premiums	9,324	-	-	(5)	9,319	-	9,319	
Net investment income	3,554	42	-	(6)	3,590	39	3,629	
Fee income	1,496	770	-	(17)	2,249	3	2,252	
Other revenues	-	-	-	-	-	222	222	
Total revenues	14,374	812	-	(28)	15,158	264	15,422	
Expenses								
Total paid or credited to policyholders	11,440	-	-	-	11,440	-	11,440	
Commissions	571	273	-	(14)	830	-	830	
Operating and administrative expenses	1,438	254	-	38	1,730	264	1,994	
Financing charges	70	28	-	9	107	32	139	
Total expenses	13,519	555	-	33	14,107	296	14,403	
Earnings before investments in jointly controlled corporations and associates, and income taxes	855	257	-	(61)	1,051	(32)	1,019	
Share of earnings of investments in jointly controlled corporations and associates	-	4	29	-	33	(3)	30	
Earnings before income taxes	855	261	29	(61)	1,084	(35)	1,049	
Income taxes	47	59	-	3	109	(31)	78	
Net earnings	808	202	29	(64)	975	(4)	971	
Attributable to								
Non-controlling interests	495	124	11	(28)	602	(3)	599	
Non-participating shareholders	-	-	-	-	-	13	13	
Participating shareholders	313	78	18	(36)	373	(14)	359	
	808	202	29	(64)	975	(4)	971	

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

NOTE 20 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

Nine months ended September 30, 2020	Power Financial						Total
	Lifeco	IGM ^[1]	Pargesa	Corporate	Sub-total	Other	
Revenues							
Total net premiums	31,272	-	-	(15)	31,257	-	31,257
Net investment income	8,118	127	-	(83)	8,162	221	8,383
Fee income ^[2]	4,333	2,270	-	(37)	6,566	11	6,577
Other revenues	-	-	-	-	-	445	445
Total revenues	43,723	2,397	-	(135)	45,985	677	46,662
Expenses							
Total paid or credited to policyholders	34,932	-	-	-	34,932	-	34,932
Commissions ^[2]	1,739	800	-	(32)	2,507	-	2,507
Operating and administrative expenses	4,525	864	-	204	5,593	608	6,201
Financing charges	205	83	-	31	319	95	414
Total expenses	41,401	1,747	-	203	43,351	703	44,054
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,322	650	-	(338)	2,634	(26)	2,608
Share of earnings of investments in jointly controlled corporations and associates	-	25	72	52	149	22	171
Earnings before income taxes	2,322	675	72	(286)	2,783	(4)	2,779
Income taxes	101	140	-	4	245	(21)	224
Net earnings	2,221	535	72	(290)	2,538	17	2,555
Attributable to							
Non-controlling interests	949	264	33	(91)	1,155	(10)	1,145
Non-participating shareholders	-	-	-	-	-	39	39
Participating shareholders	1,272	271	39	(199)	1,383	(12)	1,371
	2,221	535	72	(290)	2,538	17	2,555

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

[2] Dealer compensation expenses at IGM are included in commission expenses.

NOTE 20 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

Nine months ended September 30, 2019	Power Financial					Other	Total
	Lifeco ^[2]	IGM ^[1]	Pargesa	Corporate	Sub-total		
Revenues							
Total net premiums	15,032	-	-	(15)	15,017	-	15,017
Net investment income	13,411	126	-	(23)	13,514	153	13,667
Fee income	5,566	2,272	-	(52)	7,786	10	7,796
Other revenues	-	-	-	-	-	632	632
Total revenues	34,009	2,398	-	(90)	36,317	795	37,112
Expenses							
Total paid or credited to policyholders	25,322	-	-	-	25,322	-	25,322
Commissions	1,779	823	-	(40)	2,562	-	2,562
Operating and administrative expenses	4,475	788	-	98	5,361	791	6,152
Financing charges	214	81	-	30	325	86	411
Total expenses	31,790	1,692	-	88	33,570	877	34,447
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,219	706	-	(178)	2,747	(82)	2,665
Share of earnings of investments in jointly controlled corporations and associates	-	11	161	4	176	2	178
Earnings before income taxes	2,219	717	161	(174)	2,923	(80)	2,843
Income taxes	230	160	-	8	398	(28)	370
Net earnings	1,989	557	161	(182)	2,525	(52)	2,473
Attributable to							
Non-controlling interests	1,188	339	58	(66)	1,519	(14)	1,505
Non-participating shareholders	-	-	-	-	-	39	39
Participating shareholders	801	218	103	(116)	1,006	(77)	929
	1,989	557	161	(182)	2,525	(52)	2,473

[1] Results reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".

[2] Includes the loss of \$247 million on the reinsurance transaction with Protective Life.

NOTE 20 Segmented Information (continued)**TOTAL ASSETS**

September 30, 2020	Power Financial						Total
	Lifeco	IGM ^[2]	Pargesa	Corporate	Sub-total	Other	
Investments and cash and cash equivalents	181,804	7,799	-	1,331	190,934	3,053	193,987
Investments in jointly controlled corporations and associates	64	713	3,860	58	4,695	1,021	5,716
Other assets	42,869	1,913	-	1,736	46,518	871	47,389
Goodwill and intangible assets	12,009	4,087	-	169	16,265	1,093	17,358
Investments on account of segregated fund policyholders	236,943	-	-	-	236,943	-	236,943
Total assets ^[1]	473,689	14,512	3,860	3,294	495,355	6,038	501,393

December 31, 2019	Power Financial						Total
	Lifeco	IGM ^[2]	Pargesa	Corporate	Sub-total	Other	
Investments and cash and cash equivalents	168,229	7,984	-	1,307	177,520	2,342	179,862
Investments in jointly controlled corporations and associates	53	857	3,954	38	4,902	991	5,893
Other assets	40,974	1,472	-	400	42,846	1,460	44,306
Goodwill and intangible assets	10,844	4,067	-	171	15,082	1,085	16,167
Investments on account of segregated fund policyholders	231,022	-	-	-	231,022	-	231,022
Total assets ^[1]	451,122	14,380	3,954	1,916	471,372	5,878	477,250

[1] Total assets of Lifeco and IGM operating segments include the allocation of goodwill and certain consolidation adjustments.

[2] Assets reported by IGM include an adjustment for IFRS 9 related to the classification of mortgage loans. As the Corporation has not yet adopted IFRS 9, this impact has been adjusted by the Corporation on consolidation and included in "Corporate".