

Power Corporation of Canada

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This document contains management's discussion and analysis of the financial condition, financial performance and cash flows of Power Corporation of Canada (the Corporation) for the three months and nine months ended September 30, 2020 and the unaudited interim condensed consolidated financial statements of the Corporation as at and for the three months and nine months ended September 30, 2020. This document has been filed with the securities regulatory authorities in each of the provinces and territories of Canada and mailed to requesting shareholders of the Corporation in accordance with applicable securities laws.

Power Corporation of Canada

PART A

Power Financial Corporation

PART B

Great-West Lifeco Inc.

PART C

IGM Financial Inc.

PART D

Pargesa Holding SA

PART E

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Power Corporation of Canada

PART A

Management's Discussion and Analysis

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POWER CORPORATION OF CANADA

Management's Discussion and Analysis

NOVEMBER 11, 2020

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

The following presents Management's Discussion and Analysis (MD&A) of the unaudited interim condensed consolidated financial condition and financial performance of Power Corporation of Canada (Power Corporation or the Corporation) (TSX: POW; POW.PR.E), a public corporation, for the nine-month and three-month periods ended September 30, 2020. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Corporation and notes thereto for the nine-month and three-month periods ended September 30, 2020 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2019 (the 2019 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (the 2019 Consolidated Financial Statements). Additional information relating to Power Corporation, including its Annual Information Form, may be found on the Corporation's website at www.powercorporation.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective MD&A. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization (as defined herein), the NCIB (as defined herein), the proposed redemption by the Corporation and Power Financial of certain classes of their First Preferred Shares and the Corporation's subsidiaries' disclosed expectations, including the acquisition of the retirement services business of MassMutual, Personal Capital, Northleaf and related synergies, impacts and timing thereof. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors and with respect to forward-looking statements of the Corporation's subsidiaries' disclosed in this MD&A, the factors identified by such subsidiaries in their respective MD&A.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to complete purchases under the NCIB and to redeem First Preferred Shares of the Corporation and Power Financial, that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries and with respect to forward-looking statements of the Corporation's subsidiaries' disclosed in this MD&A, the risks identified by such subsidiaries in their respective MD&A and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Organization of the Interim MD&A

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The following abbreviations are used throughout this report:

adidas	adidas AG	Nautilus	Nautilus Solar Energy, LLC
BME	Madrid Stock Exchange	Northleaf	Northleaf Capital Partners Ltd.
Canada Life	The Canada Life Assurance Company	Ontex	Ontex N.V.
China AMC	China Asset Management Co., Ltd.	PanAgora	PanAgora Asset Management, Inc.
EBR	Euronext Brussels	Pargesa	Pargesa Holding SA
EPA	Euronext Paris	Parjointco	Parjointco N.V.
European private equity	Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen	Parques	Parques Reunidos Servicios Centrales, S.A.
		Peak	Peak Achievement Athletics Inc.
GBL	Groupe Bruxelles Lambert	Pernod Ricard	Pernod Ricard SA
GEA	GEA Group	Personal Capital	Personal Capital Corporation
GLC	GLC Asset Management Group Ltd.	Portag3 I or Portag3 I LP	Portag3 Ventures Limited Partnership
Great-West Life	The Great-West Life Assurance Company	Portag3 II or Portag3 II LP	Portag3 Ventures II Limited Partnership
Great-West Life & Annuity or Empower Retirement	Great-West Life & Annuity Insurance Company	Potentia or Potentia Renewables	Potentia Renewables Inc.
IFRS	International Financial Reporting Standards	Power Energy	Power Energy Corporation
IGM or IGM Financial	IGM Financial Inc.	Power Financial	Power Financial Corporation
IG Wealth Management	Investors Group Inc.	Power Pacific or Sagard China	Power Pacific Investment Management Inc.
Imerys	Imerys SA	Power Sustainable Capital or Power Sustainable	Power Sustainable Capital Inc.
IntegraMed	IntegraMed America, Inc.	Putnam	Putnam Investments, LLC
Investment Planning Counsel or IPC	Investment Planning Counsel Inc.	Sagard Healthcare Royalty or SHRP	Sagard Healthcare Royalty Partners, LP
Irish Life	Irish Life Group Limited	Sagard Holdings	Sagard Holdings Inc.
Koho	KOHO Financial Inc.	SGS	SGS SA
LafargeHolcim	LafargeHolcim Ltd.	SIX	Swiss Stock Exchange
Lifeco	Great-West Lifeco Inc.	Total	Total SA
Lion or Lion Electric	The Lion Electric Co.	TSX	Toronto Stock Exchange
London Life	London Life Insurance Company	Umicore	Umicore, NV/SA
Lumenpulse	Lumenpulse Group Inc.	Wealthsimple	Wealthsimple Financial Corp.
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	Webhelp	Webhelp Group
MassMutual	Massachusetts Mutual Life Insurance Company	XETR	XETRA Stock Exchange

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) 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. Through Power Financial, it controls Lifeco and IGM and in recent years has implemented an active fintech strategy. It also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa.

Power Corporation conducts its investment activities, built upon a network of deep and long-standing relationships, to provide superior returns on a diversified basis. Investment activities include investments in alternative asset managers and investment funds, including Sagard Holdings and Power Sustainable Capital, and interests in China resulting from more than 40 years of engagement.

Power Corporation adheres to four overriding investing principles to pursue its objectives of achieving sustainable long-term value creation in the best interests of the Corporation:

- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management

Power Corporation's value creation strategy is designed to achieve superior investment returns and stable cash flows. Power Corporation's core investment is Power Financial, which historically has provided stable cash flows through its regular dividends. Significant investments have also been made in alternative asset sector investment platforms:

- Sagard Holdings, since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings invests across four asset classes: private credit, healthcare royalties, venture capital and private equity (including European private equity, formerly Sagard Europe), and also offers wealth management services.
- Power Sustainable Capital is an asset manager with investments in sustainable strategies with a focus on long-term profitability. Power Sustainable Capital currently manages two main platforms:
 - Power Pacific, formerly Sagard China, a long-term, fundamentals-based investor in publicly listed Chinese companies which has delivered disciplined long-term returns since its inception. Its philosophy emphasizes rigorous research in building a portfolio of selected stocks.
 - Power Energy actively manages investments in the renewable energy sector. Power Energy applies the Corporation's principles of collaboration and building trusted relationships in industries that benefit from the global energy transformation. It is rapidly expanding its footprint in businesses with stable long-term cash flows.

The Corporation's multi-generational relationships have been foundational in creating investment opportunities in China. China AMC, one of the largest asset managers in China, diversifies the Corporation's interests creating strategic opportunities with other asset managers within the Power group of companies.

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 of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries (PFC Minority Shareholders), 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 common shares of Power Financial and issued 250,628,173 of its subordinate voting shares to PFC Minority Shareholders. The Corporation now holds 100% of the issued and outstanding common shares of Power Financial, which were delisted from the TSX. Power Financial remains a reporting issuer in all of the provinces and territories of Canada, as Power Financial's First Preferred Shares and its 6.9% debentures due March 11, 2033 remain outstanding.

The Reorganization is expected to benefit shareholders of the Corporation by serving as the foundation and catalyst for a broader set of strategic initiatives expected to create long-term value:

- **Simplified Corporate Structure** – The Reorganization has effectively eliminated the dual-holding company structure and consolidated ownership of the group's industry-leading financial services operating companies, while concurrently reducing organizational complexity.
- **Focus on Financial Services** – the Corporation's strategy now emphasizes financial services, including the businesses of Power Financial and the investment platform businesses of the Corporation.
 - **Power Financial's Operating Companies** – Commitment to value creation at each of Lifeco, IGM and Pargesa, Power Financial's leading insurance, retirement, wealth management and investment franchises.
 - **The Corporation's Investment Platforms** – The Corporation has built investment platforms that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes where the Corporation has a competitive advantage. The Corporation will continue to prioritize the development of these investment platforms. The Corporation also owns majority control of several standalone businesses, which will be managed to realize value over time.
- **Operating Expense Reduction** – The Corporation anticipates significant near-term cost reductions of approximately \$50 million per year within two years by eliminating duplicative public company-related expenses and rationalizing other general and administrative expenses. To date, the Corporation has implemented actions to achieve 47% of the targeted reduction.
- **Financing Expense Reduction** – The Corporation and Power Financial intend to redeem an aggregate of \$350 million of their First Preferred Shares with available cash, resulting in reduced annual financing costs by approximately \$15 million per year.
- **Increase in the Corporation's Quarterly Dividend** – The Corporation increased its quarterly dividend by 10.5% to 44.75 cents per share, commencing in the second quarter of 2020.

As part of the reorganization, Paul Desmarais, Jr. and André Desmarais retired as Co-Chief Executive Officers of Power Corporation after 24 years in their roles; they continue to serve as Chairman and Deputy Chairman, respectively, of Power Corporation's Board of Directors. R. Jeffrey Orr, President and Chief Executive Officer of Power Financial, became President and Chief Executive Officer of Power Corporation.

On February 12, 2020, in connection with the Reorganization, and in accordance with the pre-emptive right (Pre-Emptive Right) in favour of holders of participating preferred shares included in the Corporation's Articles, the Corporation issued 6,006,094 participating preferred shares. The Pre-Emptive Right entitled holders of participating preferred shares to acquire from the Corporation, pro rata to their respective holdings in participating preferred shares, an aggregate number of participating preferred shares that is equal to 12.0% of the number of subordinate voting shares issued pursuant to the Reorganization. Pansolo Holding Inc. (Pansolo), a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares under the Pre-Emptive Right on February 12, 2020, resulting in a direct and indirect ownership by Pansolo of voting shares of the Corporation to which are attached an aggregate 50.6% of the total votes of all the Corporation's shares outstanding.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as “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 Corporation, through its wholly owned subsidiary Power Financial, has principal holdings including a controlling interest in each of Lifeco and IGM and a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa, bears the risks associated with being a significant shareholder of these operating companies. The Corporation is managing the risks associated with the COVID-19 pandemic utilizing its existing risk management framework. At Power Corporation and its group companies, the focus has continued to be on managing the safety and well-being of its people, maintaining operational effectiveness, ensuring that the group can serve its customers, assessing impacts on earnings, liquidity and capital, planning for different potential scenarios and engaging with stakeholders. The respective boards of directors of Power Financial, Lifeco, IGM, Pargesa and GBL are responsible for the governance structures and processes to oversee the management of the risk and potential impacts presented by the current economic slowdown and other potential consequences due to COVID-19. Parts B, C and D of this MD&A further describe risks and processes in place related to Power Financial, Lifeco and IGM, respectively.

In response to the impact of COVID-19 on the Corporation and its employees, the following actions have been taken by the Corporation:

- The Business Continuity team, comprised of cross-functional leaders, is actively monitoring the situation and its effect on employees and operations, in accordance with updated government guidance;
- A work-from-home policy has been implemented for all employees, suspending all business travel and holding meetings virtually;
- Frequent communications and updates with employees consistent with the Corporation's priority of ensuring the health and well-being of employees, including communications related to technology and information risk;
- A plan and timeline for employees returning to the Corporation's offices will be managed prudently based on a number of factors, including public health and government directives.

The Corporation is monitoring its liquidity and capital. The Corporation held \$1.2 billion of cash and cash equivalents, including fixed income securities, and amounts held by Power Financial at September 30, 2020 and has no material debt maturities in the near term.

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries, investment platforms and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations as well as specific guidance from regulators during the COVID-19 pandemic, which require that solvency and capital ratios be maintained. Lifeco is adhering to the guidance provided by regulators as follows:

- In Canada, on March 13, 2020, the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments.
- In the U.K., the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones.
- In Ireland, the position of the Central Bank of Ireland (CBI) is that, as the impact of COVID-19 remains uncertain, insurance firms should, at this time, postpone any payment of dividend distributions or similar transactions until they can forecast their costs and future revenues with a greater degree of certainty. The CBI has indicated that it will continue to review this position in conjunction with ongoing guidance from the European Insurance and Occupational Pensions Authority and the European Systemic Risk Board.

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 Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries, investment platforms 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. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Corporation currently expects that its ability to pay dividends at current levels will not be adversely impacted.

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.

Refer to the section "Summary of Critical Accounting Estimates and Judgments" in this MD&A and to Note 2 of the Interim Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. Refer to Parts B, C and D of this MD&A for a further discussion of the potential consequences due to COVID-19 as well as a further discussion on measurement uncertainty and the potential exposures at Power Financial, Lifeco and IGM.

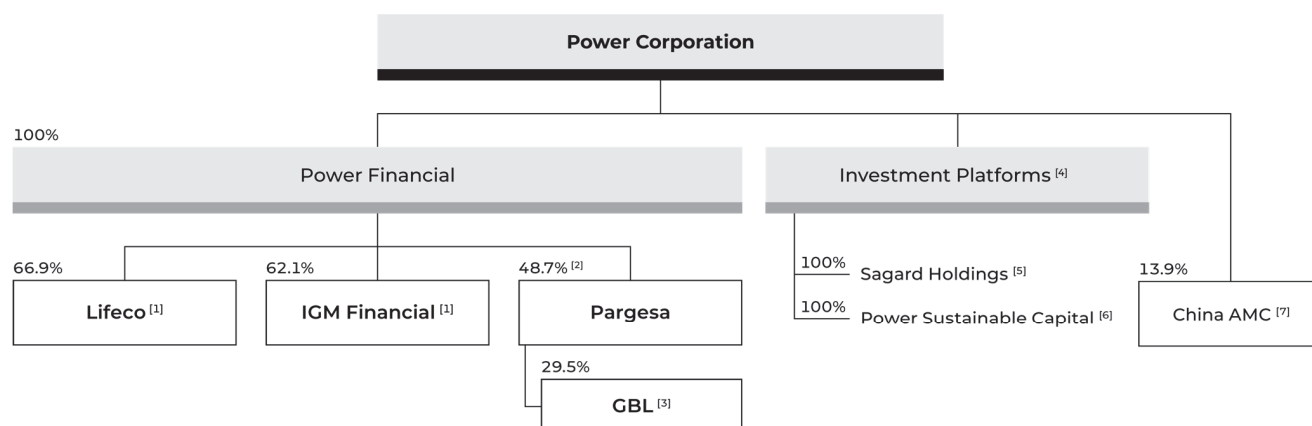
ORGANIZATION OF THE MD&A

The Corporation's MD&A consists of five parts:

- Part A – Power Corporation, presented on a consolidated and non-consolidated basis;
- Part B – Power Financial's interim MD&A, as prepared and disclosed by Power Financial in accordance with applicable securities legislation, presented on a consolidated and non-consolidated basis, and which is also available either directly from SEDAR (www.sedar.com) or from Power Financial's website (www.powerfinancial.com);
- Part C – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part D – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com);
- Part E – Pargesa's financial results, derived from publicly disclosed information, as issued by Pargesa in its third quarter press release. Further information on Pargesa's results is available on its website (www.pargesa.ch).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARG). Market capitalizations reported in the following sections are at September 30, 2020.

The following chart reflects the economic interests held by the Corporation at September 30, 2020, which include Power Financial's operating subsidiaries (Lifeco and IGM) and its interest in Pargesa, and interests held through the Corporation's investment platforms, and an interest in China AMC.



In bold: Publicly listed holdings

[1] Lifeco, through Canada Life, holds a 3.9% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

[2] Held through Parjointco, a jointly controlled corporation (50%).

[3] Represents 44.8% of the voting rights. Refer to the section "Pargesa and GBL" for a list of investments.

[4] Refer to the section "Investment Platforms" for a list of investments held by each investment platform.

[5] Sagard Holdings includes its controlling interest in Sagard SAS and the Corporation's interest in the European private equity funds.

[6] Power Sustainable Capital manages the Power Pacific and Power Energy investment platforms.

[7] IGM also holds a 13.9% interest in China AMC.

POWER FINANCIAL

Power Financial is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe, through its controlling interests in Lifeco, IGM, Wealthsimple and Koho. It also has significant holdings in a portfolio of global companies based in Europe through its investment in Pargesa. At September 30, 2020, Power Corporation held 100% of the equity and voting interests in Power Financial.

See Part B of this MD&A for additional information on Power Financial.

Lifeco

Great-West Lifeco Inc., TSX: GWO; market capitalization of \$24.1 billion at September 30, 2020, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies. Effective January 1, 2020, as a result of strategic operational changes, Lifeco divided its previously reported Europe segment into two separate reporting segments – Europe; and Capital and Risk Solutions.

In Canada, through the Individual Customer and Group Customer business units, Lifeco offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, including life, disability and critical illness insurance products as well as wealth savings and income and other speciality products. In 2019, Lifeco's three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, moved to one brand in Canada: Canada Life. Canada Life has become the brand under which the organization creates, delivers and communicates products and services in Canada across all of its lines of business. On 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 life insurance company: The Canada Life Assurance Company. This amalgamation creates operating efficiencies and simplifies Lifeco's capital structure to allow for more efficient use of capital, although it is not expected by Lifeco to have a material financial impact.

On August 4, 2020, Lifeco announced the proposed sale of GLC Asset Management Group Ltd. to Mackenzie, a subsidiary of IGM. GLC is a wholly owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. Lifeco will receive net cash consideration of \$145 million on the transaction. Lifeco expects the transaction to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals. The Corporation currently consolidates GLC and therefore the transaction will not have an impact on the consolidated statements of earnings and balance sheets.

Canada Life is also in the process of establishing its own fund management company, Canada Life Investment Management Ltd. (CLIML) and, subject to first obtaining all necessary registrations and regulatory approvals, is expected by Lifeco to commence operations in the fourth quarter of 2020. Subject to meeting regulatory and fund securityholder requirements, CLIML will assume fund management responsibilities for the Canada Life Mutual Funds, offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds in 2021. CLIML will enter into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life will enter into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie's investment management services at preferred rates.

Subsequent to the third quarter of 2020, on October 29, 2020, Lifeco announced a strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. to expand and enhance private markets product capabilities across distribution channels. Northleaf is a global private equity, private credit and infrastructure fund manager, with more than 150 employees across seven offices in Canada, the U.S., U.K. and Australia. Headquartered in Toronto, Northleaf has \$17 billion in assets under management, reflecting commitments since inception, on behalf of institutional investors and high-net worth individuals around the world. Mackenzie and Lifeco jointly acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investment industry, with an obligation and right to purchase the remaining equity and voting interests 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 United States segment operates two primary business units, Financial Services and Asset Management. Empower Retirement, the Financial Services unit, is a leading provider of employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. Financial Services also includes a retained block of life insurance, predominately participating policies, which are administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. The Asset Management unit, Putnam, provides investment management, certain administrative functions, and distribution services as well as offers a broad range of investment products, including equity, fixed income, absolute return and alternative strategies. PanAgora, a Putnam affiliate, offers a broad range of investment solutions using sophisticated quantitative techniques.

On August 17, 2020, Empower Retirement completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital, which included the 24.8% interest owned by IGM (approximately 21.7% after giving effect to dilution), for US\$825 million on closing and deferred consideration of up to US\$175 million subject to achievement of target growth objectives. Lifeco funded the upfront consideration with cash on hand and US\$500 million in debt financing. Lifeco's third quarter 2020 results include the results of Personal Capital from the August 17, 2020 acquisition date.

Lifeco expects to incur one-time integration expenses of US\$57 million pre-tax, with the integration of Personal Capital expected to be completed in the first quarter of 2022. In addition, Lifeco incurred transaction expenses of US\$20 million post-tax to date in the third quarter of 2020.

On September 8, 2020, Empower Retirement, announced that it has reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company, strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Based on the terms of the agreement, and subject to regulatory approvals, Empower Retirement will acquire the retirement services business of MassMutual for a total value of approximately US\$3.35 billion. The value includes a reinsurance ceding commission of US\$2.35 billion and US\$1.0 billion of required capital to support the business. Lifeco intends to fund the transaction with existing cash, short-term debt and US\$1.5 billion of long-term debt issued on September 17, 2020. 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.

This transaction increases the synergy potential of Empower Retirement's acquisition of Personal Capital across a larger combined business. In addition, Empower Retirement and MassMutual intend to enter into a strategic partnership through which digital insurance products offered by Haven Life Insurance Agency, LLC and MassMutual's voluntary insurance and lifetime income products will be made available to customers of Empower Retirement and Personal Capital. Lifeco anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto Empower Retirement's record-keeping platform. Run-rate cost synergies are expected to be US\$160 million pre-tax at the end of integration in 2022. Revenue synergies in 2022 are expected by Lifeco to be US\$30 million pre-tax and continue to grow beyond 2022. Lifeco expects to incur one-time integration expenses of US\$125 million pre-tax and transaction expenses of US\$55 million pre-tax, of which US\$4 million post-tax were incurred in the third quarter of 2020. Lifeco expects the integration to be completed within 18 months following closing.

The Reinsured Insurance & Annuity Business unit of the U.S. segment reflects substantially all of the individual life insurance and annuity business sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

The Europe segment comprises three distinct business units: United Kingdom, Ireland and Germany. The U.K. business unit offers bulk and individual payout annuities, equity-release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. The Ireland business unit offers savings and investments, individual and group life insurance, health insurance and pension products. The German business unit offers pension, lifetime guaranteed minimum withdrawal benefit and individual protection products.

On August 4, 2020, Irish Life completed the sale of Irish Progressive Services International Limited (IPSI), a wholly owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ Group of companies. Lifeco recognized a net gain of \$94 million post-tax resulting from the transaction.

The Capital and Risk Solutions segment includes the operating results of the reinsurance business unit which operates primarily in the U.S., Barbados and Ireland.

At September 30, 2020, Power Financial and IGM held interests of 66.9% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

See Part C of this MD&A for additional information on Lifeco.

IGM Financial

IGM Financial Inc., TSX: IGM; market capitalization of \$7.3 billion at September 30, 2020, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of IGM's business. IGM now has three reportable segments: Wealth Management, Asset Management and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management consultants and IPC advisors by offering a broad range of financial products and services including a broad selection of mutual funds, managed portfolios, advisory accounts and unique portfolio management programs as well as insurance products and mortgage and banking solutions. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

The Asset Management segment reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third-party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors. Mackenzie Investments is a diversified asset management solutions provider and offers a wide range of investment mandates through a boutique structure and use multiple distribution channels. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

On August 4, 2020, Mackenzie, entered into a definitive agreement to acquire all of the common shares of GLC, a wholly owned subsidiary of Lifeco, for cash consideration of \$175 million. GLC has \$37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life. As part of the deal, Canada Life will acquire the fund management contracts relating to the private label Quadrus Group of Funds (QGOF) from Mackenzie for total 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. IGM expects the transaction to close in the fourth quarter of 2020 subject to customary closing conditions, including regulatory approvals. The Corporation, through Lifeco, currently consolidates GLC and therefore the transaction will not have an impact on the consolidated statements of earnings and balance sheets.

On October 29, 2020, Mackenzie, together with Lifeco, announced that they acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco 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. The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. 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. The financial results of Northleaf will be recorded in IGM's Strategic Investments and Other segment.

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including China AMC (refer to the section "China AMC"), Lifeco, Wealthsimple, and the Portag3 Ventures funds (refer to the section "Fintech Investments"), as well as unallocated capital.

During the quarter, IGM sold its 24.8% equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$233 million (US\$176 million) and up to an additional US\$25 million in consideration subject to Personal Capital achieving certain target growth objectives. The investment in Personal Capital had been classified as an associate by the Corporation and recorded using the equity method. As a result of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital which led to the recognition of a gain, as a result of the investment in Personal Capital being measured at fair value on the date control was attained, of \$37 million.

At September 30, 2020, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's common shares.

See Part D of this MD&A for additional information on IGM.

Pargesa and GBL

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. Parjointco holds a controlling interest in Pargesa.

Pargesa, SIX: PARG; is a holding company which holds an interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

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. 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). The reorganization of Pargesa will further simplify Power Corporation's corporate structure as part of its ongoing strategy of value creation.

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.

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.

GBL, EBR: GBLB; market capitalization of €12.4 billion, is one of the largest listed holding companies in Europe. As a holding company focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

At September 30, 2020, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

▪ Imerys (EPA: NK) – mineral-based specialty solutions for industry	▪ Umicore (EBR: UMI) – materials technology and recycling of precious metals
▪ SGS (SIX: SGSN) – testing, inspection and certification	▪ GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
▪ adidas (XETR: ADS) – design and distribution of sportswear	▪ Ontex (EBR: ONTEX) – disposable hygiene products
▪ Pernod Ricard (EPA: RI) – wines and spirits	
▪ LafargeHolcim (SIX: HOLN and EPA: LHN) – cement, aggregates and concrete	

PRIVATELY HELD

▪ Webhelp – provider of customer experience and business process outsourcing	▪ Parques – operation of regional leisure parks

In addition, through its subsidiary Sienna Capital, GBL is developing a portfolio of private equity, debt and thematic funds.

During the second quarter of 2019, GBL sold its 0.6% interest in Total through forward sales contracts maturing in January 2020. GBL realized a gain of €411 million in the first quarter of 2020.

At September 30, 2020, Pargesa's net asset value was SF8,375 million, compared with SF10,946 million at December 31, 2019. GBL's net asset value at September 30, 2020 was €18,008 million, compared with €20,349 million at December 31, 2019.

See Part E of this MD&A for additional information on Pargesa.

Fintech Investments

Power Financial's fintech investments are comprised of investments in the Portag3 I and Portag3 II funds, Wealthsimple and Koho. These investments are managed by Sagard Holdings, a subsidiary of Power Corporation (see "Investment Platforms" section).

PORTAG3 FUNDS

The Corporation, together with IGM and Lifeco (the Group), are anchor investors in the Portag3 I and Portag3 II funds. The funds are dedicated to backing innovative financial services companies. To date, the funds have invested in more than 50 fintech companies and investment funds, focused on early stage investments in specific verticals within the global financial technology sector.

Portag3 I held investments of \$53 million at September 30, 2020 (\$64 million at December 31, 2019), excluding the investments in consolidated subsidiaries Wealthsimple and Koho discussed below. During the second quarter of 2020, Portag3 I distributed \$12 million to its investors.

Portag3 II has total capital commitments of \$427 million, of which Power Financial, Lifeco and IGM have each committed \$33 million for a total of \$99 million. At September 30, 2020, the fair value and cost of Portag3 II's investment portfolio, excluding the investment in the consolidated subsidiary Koho, were \$190 million (\$143 million at December 31, 2019) and \$149 million (\$110 million at December 31, 2019), respectively.

WEALTHSIMPLE

At September 30, 2020, Portag3 I, Power Financial and IGM held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 83.4%, representing a voting interest of 85.3% and a fully diluted equity interest of 70.1%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to scale its presence in the marketplace and expand its suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple Crypto and Wealthsimple for Work (W4W). At September 30, 2020, Wealthsimple had over 500,000 clients across the Canadian, United States and United Kingdom markets with assets under administration of over \$8.3 billion, compared with \$4.3 billion (excluding the assets under administration of Wealthsimple for Advisors) at September 30, 2019, representing a year-over-year growth of 89.5%.

On September 14, 2020, Wealthsimple completed the sale of Wealthsimple for Advisors to Purpose Advisor Solutions.

At September 30, 2020, the cost of the Group's investment in Wealthsimple was \$315 million (same as at December 31, 2019).

On October 14, 2020, Wealthsimple announced the closing of a \$114 million investment on a pre-money valuation of \$1.4 billion. The investment was led by TCV, one of the largest growth equity investors focused on technology, along with Greylock Partners, Meritech Capital, Allianz X and Two Sigma Ventures. As a result of the investment, these investors acquired an ownership interest of 7.5% on a fully diluted basis. With the closing of the investment, the Group now has an ownership interest in Wealthsimple of 61.7% on a fully diluted basis.

KOHO

At September 30, 2020, Portag3 II and Portag3 I, Power Financial, Lifeco and IGM, through a limited partnership controlled by Power Financial, held a 54.4% equity interest in Koho. Koho is a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to traditional banks. At September 30, 2020, the cost of the Group's investment in Koho was \$32 million (same as at December 31, 2019).

INVESTMENT PLATFORMS

Since the launch of the first Sagard fund in 2002, Power Corporation has continued to develop investment platforms that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes in three principal geographies: Europe, North America, and China. The investment platforms Sagard Holdings and Power Sustainable Capital are managed locally by experienced investment professionals who have an in-depth knowledge of the local public and/or private markets and benefit from collaboration within the Power group of companies. Power Corporation's investment platforms seek to generate attractive returns for their investors by: (i) attracting experienced investment teams to execute on investment strategies where the investment platforms' ecosystem gives them a competitive advantage; (ii) leveraging the global network created over decades by the Power group to drive the commercial success of their investment strategies and underlying investments; and (iii) providing flexible capital solutions to solve a range of business and financing needs.

Sagard Holdings

Sagard Holdings, a wholly owned subsidiary of the Corporation, was founded in 2005 as a complement to the Corporation's global investment holdings. Today, Sagard Holdings is a multi-strategy alternative asset manager with professionals located in Montréal, Toronto, Calgary, New York, San Francisco, Paris and Singapore. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships.

The operations of Sagard Holdings are comprised of asset management and investing activities.

ASSET MANAGEMENT ACTIVITIES

Sagard Holdings manages US\$4.9 billion of assets, including unfunded commitments, of which US\$173 million relates to equity interests in standalone businesses (see section "Standalone businesses" below), across four asset classes: private credit, healthcare royalties, venture capital and private equity, including US\$0.6 billion through its wealth management business.

The following table summarizes the funds managed by Sagard Holdings and the Corporation's interests in each of the funds:

Asset class	Private Credit	Healthcare Royalties	Venture Capital		Private Equity			
September 30, 2020 (in millions; except as otherwise noted)	Sagard Credit Partners LP	Sagard Healthcare Royalty Partners LP	Portag3 Ventures I LP ^[1]	Portag3 Ventures II LP	Sagard Europe II	Sagard Europe 3	Sagard Europe 4	Sagard NewGen
Currency	US\$	US\$	C\$	C\$	€	€	€	€
Vintage year	2017	2019	2016	2018	2006	2013	2020	2020
Capital commitment								
Power Corporation	100	75	–	20	154	302	151	60
Power Financial	–	–	148	33	–	–	–	–
Third parties and associated companies ^[2]	457	488	244	374	594	506	151	51
Total capital commitment	557	563	392	427	748	808	302	111
Interest (%)								
Power Corporation	18.0	13.3	–	4.7	22.0	37.3	50.0	54.0
Power Financial	–	–	37.8	7.7	–	–	–	–
Third parties and associated companies	82.0	86.7	62.2	87.6	78.0	62.7	50.0	46.0
Total funded commitment	277	61	392	189	721	646	160	12
Unfunded commitment (%)	50.2	89.2	–	55.7	3.6	20.0	47.0	89.0
Distributions to date (\$) ^[3]	146	37	17	–	991	–	–	–
Fair value of assets held by fund ^[4]	372	56	1,028	241	129	801	160	11
Base management fees (%) ^[5]	1.50	1.75	2.00	2.00	1.75	2.00	1.75	2.00
Base carried interest (%)	15.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0

[1] Includes investments held by Portag3 I, Power Financial and IGM, through limited partnerships controlled by Power Financial, in Wealthsimple and Koho.

[2] Included in third parties and associated companies are commitments of Pargesa (€37 million in Sagard Europe II), and GBL (€113 million in Sagard Europe II, €218 million in Sagard Europe 3, €149 million in Sagard Europe 4 and €50 million in Sagard NewGen). Lifeco and IGM have invested \$23 million and \$221 million, respectively, in Portag3 I and each have committed \$33 million to Portag3 II. Also includes commitments from management.

[3] Excludes distributions which have been recalled by the fund for re-investment.

[4] Controlled and consolidated investments held through investment funds are at fair value.

[5] Management fees are based on committed or invested capital.

Private Credit

- Sagard Credit Partners manages US\$620 million of assets, including unfunded commitments. Sagard Holdings has committed US\$100 million, of which it has funded US\$50 million at September 30, 2020. Sagard Credit Partners LP, a fund launched in 2017, provides credit capital directly to public and private middle-market companies across the U.S. and Canada.

Sagard Credit Partners LP held investments of \$481 million (US\$361 million) at September 30, 2020.

In October 2020, Sagard Holdings launched Sagard Credit Partners II, LP, its second credit fund, which will invest in private credit, primarily in secured loans in what the fund's investment manager believes to be the under-served non-sponsor backed middle market in Canada and the U.S. Sagard Holdings completed the first closing of Sagard Credit Partners II, with commitments totalling US\$450 million on October 23, 2020, of which Sagard Holdings has committed US\$50 million. Sagard Credit Partners will continue fundraising activities through 2021.

Healthcare Royalties

- Sagard Healthcare Royalty Partners (SHRP) manages US\$556 million of assets, including unfunded commitments. Sagard Holdings has committed US\$75 million, of which it has funded US\$7 million at September 30, 2020. Sagard Healthcare Royalty Partners LP (SHRP LP), a fund launched in 2019, invests in the life sciences sector with a focus on investments protected by strong intellectual property. SHRP LP invests in various structures including traditional healthcare royalties, royalty securitizations and royalty related credit.

SHRP LP held investments of \$70 million (US\$52 million) at September 30, 2020.

Venture Capital

- Portag3 Ventures, an investment manager wholly owned by Sagard Holdings, manages US\$1,106 million (\$1,469 million) of assets, including unfunded commitments and investments in consolidated subsidiaries Wealthsimple and Koho. Sagard Holdings has committed \$20 million to Portag3 II and has funded \$8 million at September 30, 2020. Portag3 Ventures is a global fintech investor focused on identifying visionary entrepreneurs building the next generation of financial service companies. Its global focus enables the leveraging of common knowledge from one region to another. Through its funds, Portag3 I and Portag3 II, Portag3 Ventures has invested in more than 50 fintech companies and investment funds.

The combined fair value of the investment portfolios managed by Portag3 Ventures, excluding investments in consolidated subsidiaries Wealthsimple and Koho, was \$243 million at September 30, 2020.

Private Equity

- Sagard Holdings, through its wholly owned subsidiary Sagard SAS, a French management company headquartered in Paris, manages US\$1.8 billion (€1.5 billion) of assets, including unfunded commitments. Sagard SAS manages investment funds dedicated to investing in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland. Sagard SAS currently has four private equity funds including Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen.

In the first quarter of 2020, the Corporation committed an amount of €150 million, which may be increased to €200 million under certain circumstances, to Sagard Europe 4, a new fund launched by Sagard SAS.

In the second quarter of 2020, the Corporation committed an amount of €60 million to Sagard NewGen, a new fund launched by Sagard SAS. Sagard NewGen, a European small cap fund focused on the healthcare and technology sectors, will invest in majority and minority holdings with deal sizes typically between €10 million and €50 million. Sagard NewGen will seek to invest in companies aiming to become leaders in their market who share a commitment to innovation and sustainability.

Wealth Management

- On October 6, 2020, Sagard Holdings announced the acquisition of a 50.8% controlling interest in Grayhawk Investment Strategies Inc. (Grayhawk). Grayhawk, a registered portfolio manager, investment manager and exempt market dealer, manages \$0.8 billion in assets for high-net worth (HNW) Canadian families.

INVESTING ACTIVITIES

The Corporation holds the following investments in funds, which are managed by Sagard Holdings:

Asset class	Private Credit	Healthcare Royalties	Venture Capital	Private Equity			
September 30, 2020 (in millions of Canadian dollars)	Sagard Credit Partners LP	Sagard Healthcare Royalty Partners LP	Portag3 II LP	Sagard Europe II	Sagard Europe 3	Sagard Europe 4	Sagard NewGen
Investments to date	109	46	10	221	518	120	10
Share of distributions to date ^[1]	44	38	2	289	301	–	–
Fair value of the investment at September 30, 2020	83	10	10	35	442	120	9

[1] Includes distributions which have been recalled by the fund.

Power Sustainable Capital

Power Sustainable Capital is a global multi-platform alternative asset manager with investments in sustainable strategies and offices in Montréal, Toronto, and Shanghai. Power Sustainable is currently comprised of two platforms: the Pacific platform invests in the China equity markets, seeking high-quality, sustainable business models with a fundamentals-based, research-driven investment process; and the Energy platform invests in the development, construction and operations of renewable energy infrastructure assets in North America. Inspired by Power Corporation's rich history, the strength of its relationships and experience, Power Sustainable leverages its investment capabilities and those of its partners to build projects of significance that benefit the planet, assure steady growth and create long-term value.

POWER PACIFIC

Power Pacific (formerly Sagard China) invests in the mainland China A-shares (A shares) market through a Qualified Foreign Institutional Investor (QFII) licence as well as through Hong Kong Stock Connect. Power Pacific has a long-term, fundamentals-based investment philosophy, and benefits from ongoing growth across multiple attractive sectors in China.

Since its inception in 2005, the Corporation has invested \$325 million in Power Pacific and has received distributions of \$170 million, including a distribution of \$50 million in the first quarter of 2020. At September 30, 2020, the fair value of the Corporation's investment in Power Pacific, including cash and other, was \$977 million (includes unrealized gains of \$289 million), compared with \$739 million at December 31, 2019.

	September 30, 2020	December 31, 2019
Investment in A shares	943	731
Cash and other	34	8
Total portfolio, at fair value	977	739

POWER ENERGY

Power Energy actively manages investments in the renewable energy sector with the goal of building and owning, over the long term, companies that can generate growing and stable cash flows. Power Energy invests in companies that benefit from the global energy transformation and currently has invested in companies that develop, own and operate solar and wind generating assets in North America:

- **Potentia Renewables:** Power Energy holds a 100% interest in Potentia, a renewable energy generation company, which is a fully integrated developer, owner and operator of solar and wind energy assets, active in North America and the Caribbean.

During the second quarter of 2020, Potentia 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.

- **Nautilus:** Power Energy holds a 100% interest in Nautilus, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Total assets of the renewable energy infrastructure portfolio were \$1,847 million at September 30, 2020. The portfolio has a combined 1,256 MW of solar and wind operating assets, which includes 388 MW of assets under construction, and 521 MW of assets in advanced development projects.

During 2020, Power Energy has invested \$128 million in the renewable energy infrastructure portfolio. At September 30, 2020, Power Energy had invested a total of \$609 million in its portfolio. The fair value of the renewable energy infrastructure portfolio was \$735 million at September 30, 2020.

Standalone Businesses

The Corporation also has the following equity investments in standalone businesses:

SAGARD HOLDINGS

- **Peak:** Sagard Holdings holds a 42.6% equity interest and 50% of the voting rights in Peak. Peak designs and markets sports equipment and apparel for ice hockey, baseball, softball and lacrosse under iconic brands including Bauer and Easton. The Corporation's investment is accounted for using the equity method.

On October 20, 2020, Easton Diamond Sports, LLC (Easton), a wholly owned subsidiary of Peak, and Rawlings Sporting Goods, Inc. (Rawlings), announced that they have entered into a definitive agreement for Rawlings to acquire Easton. As part of the agreement the existing shareholders of Peak will continue to participate as minority owners in the combined organization. The transaction is subject to the satisfaction of customary closing conditions, including the receipt of U.S. regulatory clearance. This transaction is not expected to have a material impact on the Corporation's earnings.

- **GP Strategies:** Sagard Holdings holds a 21.3% equity interest in GP Strategies Corporation, a global performance improvement company offering sales and technical training, eLearning solutions, management consulting and engineering services. The Corporation accounts for its investment using the equity method.
- **IntegraMed:** Sagard Holdings 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 into 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 Adjustments in the second quarter of 2020.

POWER SUSTAINABLE CAPITAL

- **Lumenpulse:** Power Sustainable Capital, through Power Energy, holds a controlling interest of 60.5% in Lumenpulse, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.
- **Lion Electric:** Power Sustainable Capital, through Power Energy, holds a 44.2% interest in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion designs and manufactures all-electric school buses and midi/minibuses for special needs or urban transit as well as urban trucks. Lion positions itself as a leading original equipment manufacturer (OEM) in transportation electrification in North America.

CHINA AMC

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained its position among the market leaders in China's asset management industry. China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,248 billion (C\$240 billion) at June 30, 2020.

The Corporation and IGM each hold interests of 13.9% in China AMC, representing a combined 27.8% interest. Together they have significant influence and account for their respective interests as an associate using the equity method.

The investment in China AMC leverages the group's global experience in wealth management and distribution. The Power group of companies benefits from the strategic relationship with China AMC which provides opportunities to work together, developing products and subadvisory relationships.

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Corporation (parent) and its subsidiaries after the elimination of intercompany balances and transactions.

The financial statements of the Corporation are consolidated with those of Power Financial which include the results of Lifeco, IGM, Wealthsimple, Koho and the Portag3 funds, which are controlled and consolidated by Power Financial.

Power Financial's investment in Pargesa is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group, and is accounted for using the equity method.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for changes in the share of net earnings (loss), other comprehensive income (loss) and changes in equity. The investment is reduced by the amount of dividends received.

The investment platforms manage and operate alternative asset investment funds in which third-party investors, the Corporation and associated companies can participate. The Corporation controls a fund when it is exposed, or has rights, to variable returns from its involvement with the fund and has the ability to affect those returns through its power to direct the relevant activities of the fund.

The following table summarizes the accounting presentation for the Corporation's holdings:

Control	Accounting Method	Earnings and Other Comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
Investment	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal

At September 30, 2020, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Power Financial	100.0	Controlling interest	Consolidation
Lifeco ^[1]	66.9	Controlling interest	Consolidation
IGM ^[2]	62.1	Controlling interest	Consolidation
Pargesa ^[3]	48.7	Joint control	Equity method
Portag3 I ^[4]	63.0	Controlling interest	Consolidation
Portag3 II ^[5]	7.7	Controlling interest	Consolidation
Wealthsimple ^[6]	20.8	Controlling interest	Consolidation
Koho ^[7]	6.5	Controlling interest	Consolidation
Investment Platforms			
Sagard Holdings	100.0		
Sagard Credit Partners LP	18.0	Controlling interest	Consolidation
Sagard Healthcare Royalty	13.3	Controlling interest	Consolidation
Sagard Europe II	22.0	Investment	Available for sale
Sagard Europe 3	37.3	Investment	Available for sale
Sagard Europe 4	50.0	Controlling interest	Consolidation
Sagard NewGen	54.0	Controlling interest	Consolidation
Power Sustainable Capital	100.0		
Power Pacific	100.0		
Investments	< 5.0	Investment	Available for sale
Power Energy	100.0		
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
Lumenpulse	60.5	Controlling interest	Consolidation
Lion	44.2	Significant influence	Equity method
Publicly traded investments	< 50.0	Significant influence or Investment	Equity method or available for sale
China AMC ^[8]	13.9	Significant influence	Equity method

[1] IGM also holds a 4.0% interest in Lifeco.

[2] Canada Life also holds a 3.9% interest in IGM.

[3] Held through Parjointco, a jointly controlled corporation (50%).

[4] Lifeco and IGM also hold equal interests of 18.5% in Portag3 I.

[5] Lifeco and IGM also hold equal interests of 7.7% in Portag3 II, and Sagard Holdings holds a 4.7% interest.

[6] Portag3 I and IGM also hold interests of 16.5% and 46.1%, respectively, in Wealthsimple (see also the section "Wealthsimple").

[7] Lifeco and IGM also hold equal interests of 6.5% and Portag3 I and Portag3 II hold interests of 2.7% and 32.1%, respectively, in Koho.

[8] IGM, through Mackenzie, also holds an interest of 13.9% in China AMC.

At September 30, 2020, Pargesa's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.5	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
SGS	18.9	Investment	Available for sale
adidas	6.8	Investment	Available for sale
Pernod Ricard	7.6	Investment	Available for sale
LafargeHolcim	7.6	Investment	Available for sale
Umicore	18.0	Investment	Available for sale
GEA	8.5	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Capital ^[1]	100.0	Controlling interest	Consolidation
Webhelp	63.3	Controlling interest	Consolidation
Parques	23.0	Significant influence	Equity method

[1] Sienna Capital holds a portfolio of investments in alternative investment funds.

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2019 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 6);
- Investments in jointly controlled corporations and associates (Note 8);
- Goodwill and intangible assets (Note 11); and
- Non-controlling interests (Note 20).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

This MD&A presents and discusses financial measures which are not in accordance with IFRS. Management uses these financial measures in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. The non-IFRS financial measures used in this MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Non-consolidated basis of presentation	Power Corporation's interests in Power Financial and its controlling interests in Lifeco, IGM, Portag3 I, Portag3 II, Wealthsimple and Koho as well as other subsidiaries consolidated by Power Corporation are accounted for using the equity method.	Used by the Corporation to present and analyze its results, financial position and cash flows. Presents the holding company's (parent) results separately from the results of its consolidated operating companies. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings. This presentation is useful to the reader to assess the impact of the contribution to earnings for each subsidiary.
Adjusted net earnings	Net earnings excluding Adjustments.	Assists in the comparison of the current period's results to those of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries and excludes items that are not considered to be part of the underlying business results.
Adjustments	After-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Includes the Corporation's share of Lifeco's impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation.	Identifies items that are not considered part of operating performance by management. The exclusion of these items assists management and the reader in assessing current results as these items are not reflective of underlying business results.
Adjusted net earnings per share	Earnings per share calculated using adjusted net earnings. Adjusted net earnings divided by the weighted average number of participating shares outstanding.	Assists in comparing adjusted net earnings on a per share basis.
Net asset value	Net asset value is the fair value of Power Corporation's non-consolidated assets less its net debt and preferred shares. The investments held in public entities (including Lifeco, IGM and Pargesa) are measured at their market value and investments in private entities and investment funds are measured at management's estimate of fair value.	Presents the fair value of the net assets of the holding company and is used to assist in assessing value. This measure may be used by investors and analysts in determining or comparing the fair value of investments held by the company or its overall fair value.
Net asset value per share	Net asset value calculated on a per share basis. Net asset value divided by the number of participating shares outstanding.	Assists the reader in comparing net asset value on a per share basis.

Effective the first quarter of 2020, the Corporation introduced a modified definition of its non-IFRS earnings measure, Adjusted net earnings. This change is consistent with the introduction of base earnings by Lifeco which was introduced in the first quarter of 2020 to reflect management's view of the operating performance of Lifeco. Lifeco defines base earnings (loss) as net earnings excluding the impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, and items that management believes are not indicative of the company's underlying business results. The definition of Adjustments includes what the Corporation previously presented as other items and also includes Lifeco's impact of actuarial assumption changes and management actions, and direct equity and interest rate market impacts on insurance contract liabilities net of hedging. The definition of Adjustments used in Adjusted net earnings is being adopted to enhance comparability of results between reporting periods and in anticipation of Lifeco's implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been restated to reflect the introduction of this modified measure.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities. Reconciliations of the net asset value and the non-IFRS basis of presentation with the presentation in accordance with IFRS are included throughout this MD&A.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

The following tables present a reconciliation of net earnings reported in accordance with IFRS to non-IFRS financial measures: adjusted net earnings, adjustments and related per share amounts. Adjusted net earnings and adjusted net earnings per share are presented in the section "Non-Consolidated Statements of Earnings":

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Net earnings – IFRS financial measure ^[1]	1,371	929	505	666	359
Share of Adjustments ^[2] , net of tax					
Power Financial					
Lifeco	(69)	18	(99)	(105)	(35)
IGM	31	1	30	(4)	(1)
Pargesa	6	13	2	3	6
	(32)	32	(67)	(106)	(30)
Attributable to non-controlling interests of Power Financial	(4)	12	-	-	(10)
Corporation's share of Power Financial	(28)	20	(67)	(106)	(20)
Other investments	(27)	-	-	(27)	-
Corporate operations	-	(31)	-	-	(31)
	(55)	(11)	(67)	(133)	(51)
Adjusted net earnings – Non-IFRS financial measure ^[1]	1,316	918	438	533	308

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, Pargesa, other investments and corporate operations.

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Net earnings per share – IFRS financial measure ^[1]	2.15	2.11	0.75	0.99	0.84
Share of Adjustments ^[2] , net of tax					
Power Financial					
Lifeco	(0.11)	0.03	(0.15)	(0.16)	(0.06)
IGM	0.05	-	0.05	(0.01)	-
Pargesa	0.01	0.02	-	0.01	0.01
	(0.05)	0.05	(0.10)	(0.16)	(0.05)
Corporation's share of Power Financial	(0.05)	0.05	(0.10)	(0.16)	(0.05)
Other investments	(0.04)	-	-	(0.04)	-
Corporate operations	-	(0.07)	-	-	(0.07)
	(0.09)	(0.02)	(0.10)	(0.20)	(0.12)
Adjusted net earnings per share – Non-IFRS financial measure ^[1]	2.06	2.09	0.65	0.79	0.72

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, Pargesa, other investments and corporate operations.

Results of Power Corporation

This section presents:

- the “Consolidated Statements of Earnings in accordance with IFRS”; and
- the “Non-Consolidated Statements of Earnings”, which present the contributions of Power Financial, its operating subsidiaries and Pargesa, and the contribution of the Corporation’s alternative and other investments and China AMC to the net earnings and adjusted net earnings of Power Corporation.

Refer to the section “Non-IFRS Financial Measures and Presentation” for a description of the non-consolidated basis of presentation and a reconciliation of IFRS and non-IFRS financial measures.

CHANGE IN PRESENTATION (NON-CONSOLIDATED BASIS)

In the second quarter of 2020, the Corporation modified the presentation of the asset management companies held by the investment platforms. Previously, the asset management activities were consolidated and included as corporate activities within the non-consolidated balance sheet of the Corporation. Pursuant to the Corporation’s recently announced strategy, the activities of each asset management company are now presented within their operations. The comparatives in the non-consolidated balance sheets and non-consolidated statements of cash flows have been restated to reflect this change.

DEFERRAL OF IFRS 9, FINANCIAL INSTRUMENTS (IFRS 9)

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* and will be applied retrospectively. In June 2020, the IASB issued amendments to IFRS 17, which include an amendment to the effective date of the standard to January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, so that both IFRS 9 and IFRS 17 will have the same effective date.

IGM, a subsidiary, and Pargesa, held through Parjointco, a jointly controlled corporation, do not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted but not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation decided to continue applying accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, to Pargesa’s results. On consolidation, the Corporation has adjusted the results of both IGM and Pargesa to be in accordance with IAS 39. Refer to the specific discussion included in the IGM and Pargesa sections “Contribution to net earnings and adjusted net earnings”.

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the nine months and three months ended September 30, 2020 are presented below. The Corporation's operating segments are Lifeco, IGM and Pargesa. This table reflects the contributions to the net earnings attributable to Power Corporation's participating shareholders from Power Financial and the Corporation's alternative and other investments including its investment platforms, which include controlled and consolidated investments and its investment in China AMC.

Consolidated net earnings – Nine months ended

	Lifeco	IGM ^[1]	Pargesa ^[2]	Corporate ^[3]	Power Financial Sub-total	Other ^[4]	Power Corporation Consolidated net earnings	
							September 30, 2020	September 30, 2019
Revenues								
Total net premiums ^[5]	31,272	-	-	(15)	31,257	-	31,257	15,017
Net investment income	8,118	127	-	(83)	8,162	221	8,383	13,667
Fee income ^[5]	4,333	2,270	-	(37)	6,566	11	6,577	7,796
Other revenues	-	-	-	-	-	445	445	632
Total revenues	43,723	2,397	-	(135)	45,985	677	46,662	37,112
Expenses								
Total paid or credited to policyholders	34,932	-	-	-	34,932	-	34,932	25,322
Commissions	1,739	800	-	(32)	2,507	-	2,507	2,562
Operating and administrative expenses	4,525	864	-	204	5,593	608	6,201	6,152
Financing charges	205	83	-	31	319	95	414	411
Total expenses	41,401	1,747	-	203	43,351	703	44,054	34,447
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,322	650	-	(338)	2,634	(26)	2,608	2,665
Share of earnings of investments in jointly controlled corporations and associates	-	25	72	52	149	22	171	178
Earnings before income taxes	2,322	675	72	(286)	2,783	(4)	2,779	2,843
Income taxes	101	140	-	4	245	(21)	224	370
Net earnings	2,221	535	72	(290)	2,538	17	2,555	2,473
Attributable to								
Non-controlling interests	949	264	33	(91)	1,155	(10)	1,145	1,505
Non-participating shareholders	-	-	-	-	-	39	39	39
Participating shareholders of Power Corporation	1,272	271	39	(199)	1,383	(12)	1,371	929
	2,221	535	72	(290)	2,538	17	2,555	2,473

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by Power Financial and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. Power Financial's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including Power Financial's share of gains realized on the sale of an investment and impairment charges on investments classified as fair value through other comprehensive income (FVOCI) by Pargesa.

[3] "Corporate" is comprised of the results of Portag3 I, Portag3 II, Wealthsimple and Koho, Power Financial's investment activities, corporate operations and consolidation entries.

[4] "Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, Power Energy and IntegraMed (up to the date of deconsolidation on May 20, 2020), as well as corporate operations and consolidation entries.

[5] In the second quarter of 2019 as a result of Lifeco's sale, via indemnity insurance, of its U.S. individual life insurance and annuity business to Protective Life effective June 1, 2019, total net premiums include \$13.9 billion of premiums ceded to Protective Life and fee income includes \$1.1 billion of ceding commission received from Protective Life.

Consolidated net earnings – Three months ended

	Consolidated net earnings - three months ended						Power Corporation		
	Lifeco	IGM ^[1]	Pargesa ^[2]	Corporate ^[3]	Power Financial Sub-total	Other ^[4]	Consolidated net earnings		
							September 30, 2020	June 30, 2020	September 30, 2019
Revenues									
Total net premiums	9,976	-	-	(5)	9,971	-	9,971	10,385	9,319
Net investment income	2,277	53	-	(41)	2,289	45	2,334	7,987	3,629
Fee income	1,486	801	-	(32)	2,255	4	2,259	2,126	2,252
Other revenues	-	-	-	-	-	118	118	133	222
Total revenues	13,739	854	-	(78)	14,515	167	14,682	20,631	15,422
Expenses									
Total paid or credited to policyholders	10,668	-	-	-	10,668	-	10,668	16,559	11,440
Commissions	549	273	-	(10)	812	-	812	813	830
Operating and administrative expenses	1,542	328	-	121	1,991	175	2,166	1,942	1,994
Financing charges	71	28	-	9	108	29	137	127	139
Total expenses	12,830	629	-	120	13,579	204	13,783	19,441	14,403
Earnings before investments in jointly controlled corporations and associates, and income taxes	909	225	-	(198)	936	(37)	899	1,190	1,019
Share of earnings of investments in jointly controlled corporations and associates	1	10	(45)	47	13	35	48	65	30
Earnings before income taxes	910	235	(45)	(151)	949	(2)	947	1,255	1,049
Income taxes	19	44	-	2	65	(16)	49	148	78
Net earnings	891	191	(45)	(153)	884	14	898	1,107	971
Attributable to									
Non-controlling interests	345	107	-	(70)	382	(2)	380	428	599
Non-participating shareholders	-	-	-	-	-	13	13	13	13
Participating shareholders of Power Corporation	546	84	(45)	(83)	502	3	505	666	359
	891	191	(45)	(153)	884	14	898	1,107	971

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation by Power Financial and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. Power Financial's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including Power Financial's share of gains realized on the sale of an investment and impairment charges on investments classified as FVOCI by Pargesa.

[3] "Corporate" is comprised of the results of Portag3 I, Portag3 II, Wealthsimple and Koho, Power Financial's investment activities, corporate operations and consolidation entries.

[4] "Other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, Power Energy and IntegraMed (up to the date of deconsolidation on May 20, 2020), as well as corporate operations and consolidation entries.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net earnings and adjusted net earnings. A discussion of the results of Power Financial, including Lifeco, IGM and Pargesa, is provided in the section "Contribution to net earnings and adjusted net earnings" below.

NON-CONSOLIDATED STATEMENTS OF EARNINGS

In this section, the contributions from Power Financial to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders are accounted for using the equity method, and include the contributions from Lifeco, IGM and Pargesa, and the Corporation's alternative and other investments including investment platforms, which include controlled and consolidated investments, and China AMC.

Contribution to adjusted and net earnings

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings^[1]					
Power Financial					
Lifeco ^[2]	1,289	1,258	454	472	452
IGM ^[2]	347	348	133	114	126
Pargesa ^[2]	73	130	(15)	84	40
Corporate operations of Power Financial					
Income (loss) from investments	(38)	(2)	(34)	3	2
Operating and other expenses	(64)	(74)	(15)	(21)	(24)
Dividends on perpetual preferred shares	(103)	(104)	(34)	(34)	(35)
Consolidation entries ^[3]	(33)	36	(54)	(50)	(8)
	1,471	1,592	435	568	553
Attributable to non-controlling interests of Power Financial	116	566	-	-	200
Corporation's share of Power Financial	1,355	1,026	435	568	353
Alternative and other investments ^[4]	50	19	20	(2)	(5)
China AMC	30	23	11	10	8
Corporate operations	(80)	(111)	(15)	(30)	(35)
Dividends on non-participating shares	(39)	(39)	(13)	(13)	(13)
Adjusted net earnings^[5]	1,316	918	438	533	308
Adjustments^[6]					
Power Financial					
Lifeco	69	(18)	99	105	35
IGM	(31)	(1)	(30)	4	1
Pargesa	(6)	(13)	(2)	(3)	(6)
	32	(32)	67	106	30
Attributable to non-controlling interests of Power Financial	4	(12)	-	-	10
Corporation's share of Power Financial	28	(20)	67	106	20
Other investments	27	-	-	27	-
Corporate operations	-	31	-	-	31
	55	11	67	133	51
Net earnings^[5]	1,371	929	505	666	359

[1] For a reconciliation of Power Financial including Lifeco, IGM and Pargesa's non-IFRS adjusted net earnings to their net earnings, refer to the section "Contribution to net earnings and adjusted net earnings" below.

[2] As reported by Lifeco, IGM and Pargesa.

[3] Consolidation entries include an allocation of the results of Wealthsimple, Koho, Portag3 I and Portag3 II, to the contributions from Lifeco and IGM based on their respective interest and reflect adjustments in accordance with IAS 39 for IGM and Pargesa.

[4] Includes earnings of the Corporation's investment platforms and earnings (losses) from Power Energy and standalone businesses which include IntegraMed (up to the date of deconsolidation on May 20, 2020).

[5] Attributable to participating shareholders.

[6] See "Adjustments" section below.

Contribution to adjusted and net earnings per share

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share – basic					
Power Financial					
Lifeco ^[1]	1.91	1.84	0.67	0.70	0.67
IGM ^[1]	0.52	0.51	0.20	0.17	0.19
Pargesa ^[1]	0.11	0.19	(0.02)	0.12	0.06
Corporate operations of Power Financial	(0.31)	(0.26)	(0.12)	(0.08)	(0.08)
Consolidation entries ^[2]	(0.10)	0.05	(0.09)	(0.07)	(0.02)
	2.13	2.33	0.64	0.84	0.82
Alternative and other investments ^[3]	0.08	0.05	0.03	–	(0.01)
China AMC	0.04	0.05	0.02	0.01	0.02
Corporate operations and dividends on non-participating shares	(0.19)	(0.34)	(0.04)	(0.06)	(0.11)
Adjusted net earnings per share^[4]	2.06	2.09	0.65	0.79	0.72
Adjustments^[5]					
Power Financial	0.05	(0.05)	0.10	0.16	0.05
Other investments	0.04	–	–	0.04	–
Corporate operations	–	0.07	–	–	0.07
	0.09	0.02	0.10	0.20	0.12
Net earnings per share^[4]	2.15	2.11	0.75	0.99	0.84

[1] As reported by Lifeco, IGM and Pargesa. For a reconciliation of Power Financial including Lifeco, IGM and Pargesa's non-IFRS adjusted net earnings per share to their net earnings per share, refer to the section "Contribution to net earnings and adjusted net earnings" below.

[2] Consolidation entries include an allocation of the results of Wealthsimple, Koho, Portag3 I and Portag3 II, to the contributions from Lifeco and IGM and reflect adjustments in accordance with IAS 39 for IGM and Pargesa.

[3] Includes earnings of the Corporation's investment platforms and earnings (losses) from Power Energy and standalone businesses which include IntegraMed (up to the date of deconsolidation on May 20, 2020).

[4] Attributable to participating shareholders.

[5] See "Adjustments" section below.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
\$1,371 million or \$2.15 per share, compared with \$929 million or \$2.11 per share in the corresponding period in 2019, an increase of 1.9% on a per share basis.	\$505 million or \$0.75 per share, compared with \$359 million or \$0.84 per share in the corresponding period in 2019, a decrease of 10.7% on a per share basis, and \$666 million or \$0.99 per share in the second quarter of 2020.
Adjusted net earnings	
\$1,316 million or \$2.06 per share, compared with \$918 million or \$2.09 per share in the corresponding period in 2019, a decrease of 1.4% on a per share basis.	\$438 million or \$0.65 per share, compared with \$308 million or \$0.72 per share in the corresponding period in 2019, a decrease of 9.7% on a per share basis, and \$533 million or \$0.79 per share in the second quarter of 2020.
Contribution to net earnings and adjusted net earnings from Power Financial	
Contribution to net earnings of \$1,383 million, compared with \$1,006 million in the corresponding period in 2019, an increase of 37.5%.	Contribution to net earnings of \$502 million, compared with \$373 million in the corresponding period in 2019, an increase of 34.6%, and \$674 million in the second quarter of 2020.
Contribution to adjusted net earnings of \$1,355 million, compared with \$1,026 million in the corresponding period in 2019, an increase of 32.1%.	Contribution to adjusted net earnings of \$435 million, compared with \$353 million in the corresponding period in 2019, an increase of 23.2%, and \$568 million in the second quarter of 2020.

A discussion of the results of the Corporation is provided in the sections "Contribution to net earnings and adjusted net earnings", "Investment Platforms", "China AMC", "Corporate operations", and "Adjustments" below.

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

POWER FINANCIAL

Contribution to Power Corporation

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings	1,355	1,026	435	568	353
Adjustments	28	(20)	67	106	20
Net earnings	1,383	1,006	502	674	373

[1] The Corporation completed the Reorganization on February 13, 2020; the contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively. Power Corporation's average direct ownership was 64.6% in the corresponding nine-month period in 2019.

Adjusted and net earnings per share as reported by Power Financial

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share ^[1]	2.22	2.33	0.65	0.86	0.83
Adjustments	0.05	(0.04)	0.10	0.16	0.05
Net earnings per share ^[1]	2.27	2.29	0.75	1.02	0.88

[1] Attributable to Power Financial common shareholders.

Adjusted and net earnings as reported by Power Financial

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings					
Lifeco ^[1]	1,289	1,258	454	472	452
IGM ^[1]	347	348	133	114	126
Pargesa ^[1]	73	130	(15)	84	40
Consolidation entries ^[2]	(28)	39	(53)	(48)	(7)
	1,681	1,775	519	622	611
Corporate operations of Power Financial					
Income (loss) from investments ^[3]	(38)	(2)	(34)	3	2
Operating and other expenses	(64)	(74)	(15)	(21)	(24)
Dividends on perpetual preferred shares	(103)	(104)	(34)	(34)	(35)
Adjusted net earnings ^[4]	1,476	1,595	436	570	554
Adjustments					
Lifeco	69	(18)	99	105	35
IGM	(31)	(1)	(30)	4	1
Pargesa	(6)	(13)	(2)	(3)	(6)
	32	(32)	67	106	30
Net earnings ^[4]	1,508	1,563	503	676	584

[1] As reported by Lifeco, IGM and Pargesa.

[2] Consolidation entries include an allocation of the results of Wealthsimple, Koho, Portag3 I and Portag3 II, to the contributions from Lifeco and IGM based on their respective interest and reflect adjustments in accordance with IAS 39 for IGM and Pargesa. The third quarter of 2020 includes a charge of \$36 million related to an allocation of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and carried interests payable.

[3] Includes Power Financial's share in the amount of \$33 million related to the impact of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and an increase in carried interests payable.

[4] Attributable to Power Financial common shareholders.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
\$1,508 million or \$2.27 per share, compared with \$1,563 million or \$2.29 per share in the corresponding period in 2019, a decrease of 0.9% on a per share basis.	\$503 million or \$0.75 per share, compared with \$584 million or \$0.88 per share in the corresponding period in 2019, a decrease of 14.8% on a per share basis, and \$676 million or \$1.02 per share in the second quarter of 2020.
Adjusted net earnings	
\$1,476 million or \$2.22 per share, compared with \$1,595 million or \$2.33 per share in the corresponding period in 2019, a decrease of 4.7% on a per share basis.	\$436 million or \$0.65 per share, compared with \$554 million or \$0.83 per share in the corresponding period in 2019, a decrease of 21.7% on a per share basis, and \$570 million or \$0.86 per share in the second quarter of 2020.

For more information on Power Financial's results, see Part B of this MD&A.

The operating segments of Power Financial and Power Corporation are Lifeco, IGM and Pargesa.

LIFECO

Contribution to Power Corporation

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings					
As reported by Lifeco	1,216	812	454	472	290
Consolidation entries	(9)	-	(7)	(2)	-
	1,207	812	447	470	290
Adjustments	65	(11)	99	105	23
Net earnings	1,272	801	546	575	313

[1] Power Financial's average direct ownership in Lifeco was 66.9% for the quarter ended September 30, 2020 (66.8% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.6% in the corresponding nine-month period in 2019).

Adjusted and net earnings per share as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share ^[1, 2]	2.078	1.968	0.732	0.761	0.729
Adjustments ^[3]	0.112	(0.028)	0.159	0.169	0.057
Net earnings per share ^[1]	2.190	1.940	0.891	0.930	0.786

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings per common share" by Lifeco; refer to Part C of this MD&A. Effective the first quarter of 2020, Lifeco introduced an enhanced non-IFRS earnings measure to reflect management's view of the operating performance of Lifeco. The measure - base earnings (loss) - is being adopted to enhance comparability of results between reporting periods and in anticipation of the implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been adjusted to reflect this change.

[3] See "Adjustments" section below.

Adjusted and net earnings (loss) as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings (loss) ^[1, 2, 3]					
Canada	858	904	270	315	355
United States	183	261	83	83	79
Europe	493	479	182	179	161
Capital and Risk Solutions	412	244	156	137	86
Lifeco Corporate	(18)	(15)	(12)	(8)	(4)
	1,928	1,873	679	706	677
Adjustments ^[4, 5]					
Actuarial assumption changes and other management actions	136	248	66	122	81
Market-related impacts on liabilities	(96)	(76)	18	35	(28)
Net gain on sale of Irish Progressive Services International Limited	94	-	94	-	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual ^[6]	(31)	-	(31)	-	-
Net charge on the sale, via reinsurance, of U.S. individual life insurance and annuity business	-	(199)	-	-	-
	103	(27)	147	157	53
Net earnings (loss) ^[1, 3]					
Canada	770	863	266	353	300
United States	172	60	89	78	77
Europe	660	669	316	253	282
Capital and Risk Solutions	447	269	167	187	75
Lifeco Corporate	(18)	(15)	(12)	(8)	(4)
Net earnings	2,031	1,846	826	863	730

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings" by Lifeco; refer to Part C of this MD&A.

[3] Effective January 1, 2020, as a result of strategic operational changes, Lifeco has divided the previously reported Europe segment into two separate reporting segments – Europe and Capital and Risk Solutions. Lifeco's other reportable segments – Canada, United States and Lifeco Corporate – are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[4] Described as "items excluded from base earnings" by Lifeco; refer to Part C of this MD&A.

[5] See "Adjustments" section below.

[6] The transaction costs incurred to date relating to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

Net earnings (loss) by segment as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Canada^[1]					
Individual Customer	326	344	119	195	85
Group Customer	478	518	134	197	206
Canada Corporate	(34)	1	13	(39)	9
	770	863	266	353	300
United States^[1]					
Financial Services ^[2]	224	178	112	68	63
Asset Management	(17)	15	13	12	13
U.S. Corporate	(35)	3	(36)	(2)	1
Reinsured Insurance & Annuity Business ^[2]	-	(136)	-	-	-
	172	60	89	78	77
Europe^[1]					
United Kingdom	267	360	67	109	167
Ireland	281	191	196	101	83
Germany	121	125	56	46	36
Europe Corporate	(9)	(7)	(3)	(3)	(4)
	660	669	316	253	282
Capital and Risk Solutions^[1]					
Reinsurance	450	269	168	188	75
Capital and Risk Solutions Corporate	(3)	-	(1)	(1)	-
	447	269	167	187	75
Lifeco Corporate^[1]	(18)	(15)	(12)	(8)	(4)
Net earnings^[3]	2,031	1,846	826	863	730

[1] Effective January 1, 2020, as a result of strategic operational changes, Lifeco has divided the previously reported Europe segment into two separate reporting segments – Europe and Capital and Risk Solutions. Lifeco's other reportable segments – Canada, United States and Lifeco Corporate – are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[2] The Reinsured Insurance & Annuity Business unit reflects business transferred to Protective Life under an indemnity reinsurance agreement effective on June 1, 2019. Comparative figures have been adjusted to reflect the current presentation.

[3] Attributable to Lifeco common shareholders.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
\$2,031 million or \$2.190 per share, compared with \$1,846 million or \$1.940 per share in the corresponding period in 2019, an increase of 12.9% on a per share basis.	\$826 million or \$0.891 per share, compared with \$730 million or \$0.786 per share in the corresponding period in 2019, an increase of 13.4% on a per share basis, and \$863 million or \$0.930 per share in the second quarter of 2020.
Adjusted net earnings	
\$1,928 million or \$2.078 per share, compared with \$1,873 million or \$1.968 per share in the corresponding period in 2019, an increase of 5.6% on a per share basis.	\$679 million or \$0.732 per share, compared with \$677 million or \$0.729 per share in the corresponding period in 2019, an increase of 0.4% on a per share basis, and \$706 million or \$0.761 per share in the second quarter of 2020.

CANADA

Net earnings in the nine-month period ended September 30, 2020 decreased by \$93 million to \$770 million, compared with the corresponding period in 2019. Adjusted net earnings were \$858 million in the nine-month period ended September 30, 2020, and excluded Adjustments of \$88 million as discussed below. Adjustments in the corresponding period in 2019 were \$41 million.

Net earnings in the three-month period ended September 30, 2020 decreased by \$34 million to \$266 million, compared with the corresponding quarter in 2019. Adjusted net earnings were \$270 million in the three-month period ended September 30, 2020, and excluded Adjustments of \$4 million as discussed below. Adjustments in the corresponding period in 2019 were \$55 million.

Individual Customer

Net earnings in the nine-month period ended September 30, 2020 decreased by \$18 million to \$326 million, compared with the same period last year. The decrease was primarily due to:

- Lower net fee income and less favourable impact of new business and morbidity experience; and
- Other market-related impacts, primarily driven by the impact of the equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Partially offset by:

- Favourable mortality experience and improved policyholder behaviour experience; and
- Lower unfavourable contributions from insurance contract liability basis changes.

Net earnings in the three-month period ended September 30, 2020 increased by \$34 million to \$119 million, compared with the same quarter last year. The increase was primarily due to:

- Unfavourable contributions from insurance contract liability basis changes in 2019. Insurance contract liability basis changes in the third quarter of 2019 include the unfavourable impact of updates to policyholder behaviour assumptions and updates to the ultimate reinvestment rate, driven by the actuarial standards updates, partially offset by favourable impact of updates to morbidity assumptions.

Partially offset by:

- Lower contributions from investment experience; and
- Less favourable impact of new business and mortality experience.

Group Customer

Net earnings in the nine-month period ended September 30, 2020 decreased by \$40 million to \$478 million, compared with the same period last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes, partially offset by higher tax benefits.

Net earnings in the three-month period ended September 30, 2020 decreased by \$72 million to \$134 million, compared with the same quarter last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes.

UNITED STATES

Net earnings in the nine-month period ended September 30, 2020 increased by \$112 million to \$172 million, compared with the corresponding period in 2019. Adjusted net earnings were \$183 million in the nine-month period ended September 30, 2020, and excluded Adjustments of \$11 million as discussed below. Adjustments in the corresponding period in 2019 were \$201 million.

Net earnings in the three-month period ended September 30, 2020 increased by \$12 million to \$89 million, compared with the corresponding quarter in 2019. Adjusted net earnings were \$83 million in the three-month period ended September 30, 2020, and excluded Adjustments of a positive earnings impact of \$6 million as discussed below. Adjustments in the corresponding period in 2019 were \$2 million.

Financial Services

For the nine-month period ended September 30, 2020, net earnings were US\$166 million (C\$224 million), compared with US\$135 million (C\$178 million) in the same period last year. The increase of US\$31 million was primarily due to:

- Higher contributions from investment experience and net business growth; and
- Higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.

Partially offset by:

- Personal Capital related net loss of US\$5 million; and
- Market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits.

For the three-month period ended September 30, 2020, net earnings were US\$84 million (C\$112 million), compared with US\$49 million (C\$63 million) in the same quarter last year. The increase of US\$35 million was primarily due to:

- Higher contributions from investment experience and net business growth; and
- Higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.
- Partially offset by Personal Capital related net loss of US\$5 million.

Asset Management

For the nine-month period ended September 30, 2020, the net loss was US\$12 million (C\$17 million), compared with net earnings of US\$11 million (C\$15 million) in the same period last year. The increase in the net loss of US\$23 million was primarily due to lower net investment income on seed capital, driven by the decline in markets during the first quarter of 2020. The net loss in 2020 includes financing and other expenses of US\$26 million (C\$36 million), comparable with the corresponding period in 2019.

For the three-month period ended September 30, 2020, net earnings were US\$10 million (C\$13 million), compared with net earnings of US\$9 million (C\$13 million) in the same quarter last year. The increase in net earnings of US\$1 million was primarily due to higher net investment income on seed capital driven by in-period market recoveries partially offset by higher sales and compensation related expenses. Net earnings in the third quarter of 2020 includes financing and other expenses of US\$9 million (C\$12 million), comparable with the corresponding quarter in 2019.

Reinsured Insurance & Annuity Business

For the nine-month period ended September 30, 2020, there was no earnings impact, compared with a net loss of US\$101 million (C\$136 million) for the same period last year. Following the sale, via indemnity reinsurance, to Protective Life in 2019, there were no additional sales, fee and other income and net earnings related to this business unit.

EUROPE

Net earnings in the nine-month period ended September 30, 2020 decreased by \$9 million to \$660 million, compared with the corresponding period in 2019. Adjusted net earnings in the nine-month period ended September 30, 2020 were \$493 million, and excluded Adjustments, discussed below, of a positive earnings impact of \$167 million. Adjustments in the corresponding period in 2019 were a positive earnings impact of \$190 million.

Net earnings in the three-month period ended September 30, 2020 increased by \$34 million to \$316 million, compared with the corresponding quarter in 2019. Adjusted net earnings in the three-month period ended September 30, 2020 were \$182 million, and excluded Adjustments, discussed below, of a positive earnings impact of \$134 million. Adjustments in the corresponding period in 2019 were a positive earnings impact of \$121 million.

United Kingdom

Net earnings in the nine-month period ended September 30, 2020 decreased by \$93 million to \$267 million, compared with the same period last year. The decrease was primarily due to:

- Lower contributions from insurance contract liability basis changes; and
- Lower impact of new business, adverse group mortality experience, the impact of changes to certain tax estimates and lower contributions from investment experience.

Partially offset by:

- Favourable group morbidity and longevity experience; and
- Favourable impact of changes to certain tax estimates driven by a decline in equity markets and the impact of higher property valuations.

Net earnings in the three-month period ended September 30, 2020 decreased by \$100 million to \$67 million, compared with the same quarter last year. The decrease was primarily due to:

- Lower contributions from insurance contract liability basis changes; and
- Lower impact of new business, unfavourable group mortality, the impact of changes to certain tax estimates and lower contributions from investment experience.
- Partially offset by favourable group morbidity and longevity experience and the impact of higher property valuations.

Ireland

Net earnings were \$281 million in the nine-month period ended September 30, 2020, compared with net earnings of \$191 million for the same period last year. The increase of \$90 million was primarily due to:

- Favourable mortality and morbidity experience; and
- Net gain of \$94 million on the sale of IPSI.

Partially offset by:

- Lower impact of new business, higher expenses and less favourable contributions from insurance contract liability basis changes; and
- Unfavourable market-related impacts related to unhedged market movements in the first quarter of 2020. Market impacts are primarily driven by the impact of the equity market declines and volatility and lower interest rates in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings were \$196 million in the three-month period ended September 30, 2020, compared with net earnings of \$83 million for the same quarter last year. The increase of \$113 million was primarily due to:

- Net gain of \$94 million on the sale of IPSI; and
- Favourable mortality and morbidity experience and favourable market impacts related to unhedged market movements and premium deficiency reserves.
- Partially offset by lower impact of new business, higher expenses and less favourable contributions from insurance contract liability basis changes.

Germany

Net earnings in the nine-month period ended September 30, 2020 decreased by \$4 million to \$121 million, compared with the same period last year, primarily due to unfavourable equity market impacts related to variable annuity guarantees and related hedge ineffectiveness, partially offset by the impact of changes to certain tax estimates.

Net earnings in the three-month period ended September 30, 2020 increased by \$20 million to \$56 million, compared with the same quarter last year, primarily driven by favourable contributions from insurance contract liability basis changes and the impact of changes to certain tax estimates.

CAPITAL AND RISK SOLUTIONS

Reinsurance

Net earnings in the nine-month period ended September 30, 2020 increased by \$181 million to \$450 million, compared with the same period last year. The increase was primarily due to:

- Favourable impacts from new business and favourable claims experience in the longevity business; and
- Higher business volumes and higher contributions from insurance contract liability basis changes.
- Partially offset by less favourable claims experience in the life business.

Net earnings in the three-month period ended September 30, 2020 increased by \$93 million to \$168 million, compared with the same quarter last year. The increase was primarily due to:

- Favourable impacts from new business and favourable claims experience in the longevity business;
- Higher business volumes and higher contributions from insurance contract liability basis changes; and
- A decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting positive market-related experience during the third quarter of 2020.
- Partially offset by less favourable claims experience in the life business.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Lifeco's management.

In the first three quarters of 2020, Adjustments of a positive earnings impact of \$103 million consisted of:

- Actuarial assumption changes and other management actions had a positive impact of \$136 million.
 - During the third quarter of 2020, the net positive impact was \$66 million. In the United States, net earnings were positively impacted by \$38 million, primarily due to updated economic assumptions. In Europe, net earnings were positively impacted by \$22 million, primarily due to updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by \$4 million. In Capital and Risk Solutions, net earnings were positively impacted by \$2 million primarily due to updated annuitant mortality and modelling refinements, partially offset by updated life mortality and policyholder behaviour assumptions.
 - During the second quarter of 2020, Lifeco updated economic assumptions following in-quarter equity market recoveries which had a positive impact of \$98 million. Updated economic assumptions on Canadian real estate returns had a negative impact of \$33 million. In addition, updates to mortality and morbidity assumptions and modelling refinements had a net positive impact of \$57 million. The net impact in the second quarter was a net positive impact of \$122 million.
 - During the first quarter of 2020, Lifeco updated economic assumptions related to in-quarter market impacts which had a negative impact of \$98 million, partially offset by updates to modelling refinements, other economic assumptions and morbidity assumptions which had a positive impact of \$46 million, resulting in a net negative impact of \$52 million on net earnings.
- Negative market-related impacts on liabilities of \$96 million.
 - Positive market-related impacts were \$18 million in the third quarter of 2020, primarily reflecting the equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$18 million in the third quarter of 2020 was a positive impact of \$13 million related to legacy block segregated fund guarantee business.
 - Positive market-related impacts were \$35 million in the second quarter of 2020, primarily reflecting the impact of equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$35 million in the second quarter of 2020 was a positive impact of \$45 million related to legacy blocks of segregated fund guarantee business.
 - Negative market-related impacts were \$149 million in the first quarter of 2020, reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Of the \$149 million total impact, \$68 million related to legacy blocks of segregated fund guarantee business.
- Net gain of \$94 million related to the sale of IPSI in the third quarter of 2020; and
- Transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business MassMutual of \$31 million in the third quarter of 2020.

In the first three quarters of 2019, Adjustments of \$27 million consisted of:

- In the third quarter of 2019, Adjustments were a positive earnings impact of \$53 million which consisted of a positive earnings impact of \$81 million which related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$28 million.
- In the second quarter of 2019, Adjustments were \$168 million which consisted of a positive earnings impact of \$38 million which related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$7 million, and a net loss on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life of \$199 million.
- In the first quarter of 2019, Adjustments were a positive earnings impact of \$88 million which related to actuarial assumption changes and management actions of \$129 million, offset by negative market-related impacts of \$41 million.

The information above has been derived from Lifeco's interim MD&A; see Part C of this MD&A for additional information on Lifeco's results.

IGM FINANCIAL

Contribution to Power Corporation

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings					
As reported by IGM	330	225	133	114	80
Consolidation entries ^[2, 3]	(28)	(7)	(19)	(6)	(3)
	302	218	114	108	77
Adjustments ^[3]	(31)	-	(30)	4	1
Net earnings	271	218	84	112	78

[1] Power Financial's average direct ownership in IGM was 62.1% for the quarter ended September 30, 2020 (62.1% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.6% in the corresponding nine-month period in 2019).

[2] Contribution to Power Corporation includes adjustments made by Power Financial in accordance with IAS 39 and the allocation of the results of Wealthsimple, Portag3 I and Portag3 II. In the third quarter of 2020, the adjustment mainly relates to the allocation of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and an increase in carried interests payable. This charge was offset by IGM's gain on Personal Capital which the Corporation has not included as an Adjustment. In the first quarter of 2019, IGM attained significant influence of Personal Capital, and reclassified its investment from available for sale to an associate, which resulted in a gain in accordance with IAS 39. The contribution to Power Corporation was adjusted to include the Corporation's share of this gain.

[3] Includes IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impacts on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings. Refer to the section "Non-IFRS Financial Measures and Presentation". Excludes the Corporation's share of IGM's Adjustments related to the gain on disposal of Personal Capital as described above.

Adjusted and net earnings per share as reported by IGM (in accordance with IFRS 9)

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share ^[1]	2.34	2.35	0.90	0.77	0.85
Adjustments ^[2, 3]	(0.09)	(0.03)	(0.10)	-	-
Net earnings per share ^[1]	2.25	2.32	0.80	0.77	0.85

[1] Available to IGM common shareholders.

[2] See "Adjustments" section below.

[3] Described as "Other items" by IGM, refer to Part D of this MD&A.

Adjusted and net earnings by segments as reported by IGM (in accordance with IFRS 9)

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Wealth Management ^[1]	513	544	187	159	199
Asset Management ^[1]	174	169	71	55	60
Strategic Investments and Other ^[1]	109	93	43	45	30
Adjusted net earnings (before interest, income taxes, preferred share dividends and other) ^[2]	796	806	301	259	289
Interest expense, income taxes, preferred share dividends and other ^[3]	(238)	(243)	(87)	(76)	(87)
Adjusted net earnings ^[4]	558	563	214	183	202
Adjustments ^[5, 6]	(23)	(8)	(23)	-	-
Net earnings ^[4]	535	555	191	183	202

[1] In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of its business. IGM has realigned the previously reported IG Wealth Management, Mackenzie Investments and Corporate and Other segments into three segments so that financial reporting characterizes its distinct business lines. The realigned segments include: Wealth Management, Asset Management and Strategic Investments and Other. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[2] Non-IFRS financial measure described in Part D of this MD&A.

[3] Interest expense includes interest on long-term debt and interest on leases.

[4] Available to IGM common shareholders.

[5] IGM does not allocate Adjustments to segments.

[6] Described as "Other items" by IGM, refer to Part D of this MD&A.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
\$535 million or \$2.25 per share, compared with \$555 million or \$2.32 per share in the corresponding period in 2019, a decrease of 3.0% on a per share basis.	\$191 million or \$0.80 per share, compared with \$202 million or \$0.85 per share in the corresponding period in 2019, a decrease of 5.9% on a per share basis, and \$183 million or \$0.77 per share in the second quarter of 2020.
Adjusted net earnings	
\$558 million or \$2.34 per share, compared with \$563 million or \$2.35 per share in the corresponding period in 2019, a decrease of 0.4% on a per share basis.	\$214 million or \$0.90 per share, compared with \$202 million or \$0.85 per share in the corresponding period in 2019, an increase of 5.9% on a per share basis, and \$183 million or \$0.77 per share in the second quarter of 2020.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Financial includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

Adjusted net earnings exclude charges of \$23 million in the nine-month period ended September 30, 2020, and excluded charges of \$8 million in the corresponding period ended September 30, 2019. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings decreased by \$31 million to \$513 million in the nine-month period ended September 30, 2020, compared with the corresponding period in 2019. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$28 million, primarily due to:

- A decrease in income from advisory fees of \$16 million to \$754 million. The decrease was primarily due to the decrease in the advisory fee rate offset in part by the increase in average assets under advisement of 1.7%. The average advisory fee rate for the nine-month period was 106.6 basis points of average assets under advisement, compared with 110.9 basis points in 2019, reflecting changes in product and client mix and pricing reductions during 2019;
- A decrease in redemption fee income of \$8 million to \$13 million;
- A decrease in other financial planning revenues of \$16 million to \$104 million, primarily due to lower distribution fee income from insurance products;
- A decrease in net investment income and other of \$6 million to \$1 million. Net investment and other primarily relates to income earned on cash and cash equivalents and securities and other income not related to IG Wealth Management's core business; and
- An increase in operations and support expenses of \$12 million to \$305 million which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. The increase in expenses was due to expenses related to IGM's ongoing transformation plan.

Partially offset by:

- A decrease in advisory and business development expenses of \$31 million to \$543 million in the nine-month period which includes compensation paid to Consultants, the majority of which varies directly with asset or sales levels. Sales-based compensation decreased by \$47 million to \$26 million, due to commissions paid on the sales of investment products being capitalized in 2020 due to changes in how IG consultant commissions are paid. Other advisory and business development expenses decreased by \$9 million to \$147 million due to the reduction of certain costs due to COVID-19. These reductions were partially offset by an increase of asset-based compensation of \$34 million mainly due to compensation changes implemented in 2020.

Net earnings decreased by \$12 million to \$187 million in the three-month period ended September 30, 2020, compared with the corresponding quarter in 2019. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$11 million, primarily due to:

- A decrease in other financial planning revenues of \$6 million to \$37 million, primarily due to the same reasons discussed in the nine-month period above;
- A decrease in redemption fees of \$2 million to \$4 million; and
- An increase in operations and support expenses of \$5 million to \$100 million, primarily due to the same reasons discussed in the nine-month period above.

Partially offset by:

- A decrease in advisory and business development expenses of \$3 million to \$182 million in the three-month period. Sales-based compensation decreased by \$13 million to \$10 million as commissions paid on the sales of investment products are capitalized in 2020 due to changes in how IG consultant commissions are paid. Other product commissions also decreased by \$3 million. These reductions were partially offset by an increase of asset-based compensation of \$13 million mainly due to compensation changes implemented in 2020.

ASSET MANAGEMENT

The Asset Management segment includes the fees received from IGM's mutual funds, Wealth Management segment and third parties for investment management services.

Net earnings increased by \$5 million to \$174 million in the nine-month period ended September 30, 2020, compared with the corresponding period in 2019, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$3 million to \$451 million, due to an increase of \$6 million in net asset management fees – third party, primarily due to a 6.2% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 72.2 basis points for the nine months ended September 30, 2020, compared with 75.8 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. The increase in net asset management fees – third party is offset by a decline of \$3 million of management fees – Wealth Management, due to a 3.1% decline in average assets under management coupled with a decline in the effective management fee rate resulting from a change in the composition of assets under management; and
- A decrease in expenses of \$5 million to \$278 million, mainly due to a decrease in advisory and business development expenses of \$6 million which primarily includes wholesale distribution activities; these costs vary directly with assets or sales levels.

Partially offset by:

- A decrease in net investment income and other of \$3 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds.

Net earnings increased by \$11 million to \$71 million in the three-month period ended September 30, 2020, compared with the corresponding quarter in 2019, due to:

- An increase of net asset management fees of \$3 million to \$158 million, mainly due to an increase of \$4 million in net asset management fees – third party, primarily due to an 11.1% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.0 basis points for the three months ended September 30, 2020, compared with 76.7 basis points in the comparative period in 2019. The decline in the net asset management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products;
- An increase in net investment income and other of \$2 million; and
- A decrease in expenses of \$5 million to \$88 million primarily due to a \$3 million decrease in operations and support expenses which include costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of IGM's Wealth Management segment's operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment and a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where IGM provides investment management services, and includes investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities.

Total assets under management and advisement were as follows:

(In billions of dollars)	September 30, 2020	June 30, 2020	September 30, 2019	June 30, 2019
Wealth Management				
Assets under management	98.0	94.6	96.1	95.6
Other assets under advisement	27.0	25.9	25.6	25.4
Assets under advisement	125.0	120.5	121.7	121.0
Asset Management				
Assets under management excluding sub-advisory to Wealth Management	74.6	70.8	66.4	66.8
Sub-advisory to Wealth Management	72.7	70.2	72.6	73.2
Assets under management	147.3	141.0	139.0	140.0
Consolidated^[1]				
Assets under management	172.6	165.4	162.5	162.4
Other assets under advisement ^[2]	23.8	22.9	22.6	22.5
Total assets under management and advisement^[2]	196.4	188.3	185.1	184.9

[1] Represents the consolidated assets under management and advisement of IGM. In the Wealth Management segment, assets under management is a component part of assets under advisement. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

Total average assets under management and advisement were as follows:

(In billions of dollars)	Q3	Q2	2020 Q1	Q4	Q3	Q2	2019 Q1
Wealth Management							
Assets under advisement	124.3	117.1	121.9	123.2	121.2	120.9	117.1
Assets under management	97.7	91.9	96.2	97.3	95.8	95.6	92.3
Asset Management							
Assets under management excluding sub-advisory to Wealth Management	73.7	67.3	67.1	67.2	66.3	66.2	63.6
Total assets under management	145.8	135.6	138.5	140.2	139.2	139.8	135.7
Consolidated^[1]							
Assets under management	171.4	159.2	163.3	164.5	162.1	161.8	155.9
Assets under management and advisement ^[2]	194.9	181.5	186.0	187.4	184.7	184.2	177.8

[1] Represents the consolidated assets under management and advisement of IGM. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by IGM's management.

There were no Adjustments in the first and second quarters of 2020. In the third quarter of 2020, adjusted net earnings excluded a net charge of \$23 million, consisting of:

- Restructuring and other charges of \$54 million after tax (\$75 million pre-tax) resulting from IGM's ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also from 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 costs 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.
- Offset by a gain on the sale of the investment in Personal Capital of \$31 million after tax (\$37 million pre-tax). The Corporation has not included the amount of the gain on the sale of Personal Capital in its Adjustments as this gain was eliminated on consolidation. The Corporation recognized a gain as a result of the investment in Personal Capital being remeasured at fair value on the date control was acquired by Lifeco; this gain was not included as an Adjustment, in accordance with the Corporation's definition of Adjusted net earnings.

There were no Adjustments in the first and the third quarters of 2019. In the second quarter of 2019, Adjusted net earnings excluded a net charge of \$8 million, consisting of IGM's proportionate share of Lifeco's Adjustments in accordance with IGM's definition of Adjusted net earnings.

The information above has been derived from IGM's interim MD&A; see Part D of this MD&A for more information on IGM's results.

PARGESA**Contribution to Power Corporation**

(In millions of Canadian dollars)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Corporation's ^[1] :					
Adjusted net earnings (loss)					
As reported by Pargesa	73	84	(15)	84	26
Consolidation entries ^[2]	(28)	28	(28)	(42)	(4)
	45	112	(43)	42	22
Adjustments	(6)	(9)	(2)	(3)	(4)
Net earnings (loss)	39	103	(45)	39	18

[1] In the nine-month period ended September 30, 2020, Power Financial's average ownership in Pargesa was 27.8% until June 16, 2020 and 47.9% thereafter (27.8% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.6% in the corresponding nine-month period in 2019).

[2] The Corporation has not adopted IFRS 9. The contribution to the Corporation includes an adjustment to account for Pargesa under IAS 39 as described below.

Adjusted and net earnings (loss) as reported by Pargesa (in accordance with IFRS 9)

(In millions of Swiss francs)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution from the portfolio to adjusted net earnings					
Share of earnings of:					
Imerys	30	71	8	7	21
Webhelp	19	-	8	7	-
Parques	(19)	(6)	(1)	(10)	1
Dividends:					
SGS	60	50	-	-	-
LafargeHolcim	49	64	-	49	-
Pernod Ricard	13	14	-	13	-
adidas	-	25	-	-	-
Total	-	17	-	5	7
Umicore	4	20	4	-	10
GEA	4	8	-	4	-
Ontex	-	4	-	-	-
Other ^[1]	13	66	-	6	48
Contribution from private equity activities and other investment funds	24	39	29	68	18
	197	372	48	149	105
Net financial income (charges)	33	5	(54)	70	10
General expenses and taxes	(31)	(24)	(15)	(10)	(8)
Adjusted net earnings (loss) ^[2, 3]	199	353	(21)	209	107
Adjustments	(13)	(37)	(2)	(6)	(16)
Net earnings (loss) ^[3]	186	316	(23)	203	91

[1] In 2020, mainly consists of a reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total between 2016 and 2018 (in 2019, mainly consists of reimbursements of withholding taxes relating to dividends received from Total and Engie between 2013 and 2016).

[2] Described as "Economic operating income" in Part E of this MD&A.

[3] Attributable to Pargesa shareholders.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
SF186 million, compared with SF316 million in the corresponding period in 2019, a decrease of 41.1%.	A net loss of SF23 million, compared with net earnings of SF91 million in the corresponding period in 2019, and SF203 million in the second quarter of 2020.
Adjusted net earnings	
SF199 million, compared with SF353 million in the corresponding period in 2019, a decrease of 43.6%.	Adjusted net loss of SF21 million, compared with adjusted net earnings of SF107 million in the corresponding period in 2019, and SF209 million in the second quarter of 2020.

Adjustments to the contribution of Pargesa

On January 1, 2018, Pargesa adopted IFRS 9, *Financial Instruments*. The majority of its investments in public entities are classified as FVOCI, an elective classification for equity instruments in which all fair value changes remain permanently in OCI.

The investments in private equity and other investment funds are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 required that all unrealized gains and losses at January 1, 2018 on investments previously classified as available for sale remain permanently in equity. Starting January 1, 2018, subsequent changes in fair value are recorded in earnings.

Power Corporation has deferred the adoption of IFRS 9 and continues to apply IAS 39. The following table presents adjustments to the contribution of Pargesa to Power Corporation's earnings in accordance with IAS 39:

(In millions of Canadian dollars)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Disposal of interest in Total ^[1]	45	-	-	-	-
Partial disposal of interest in adidas ^[2]	-	46	-	-	-
Impairment charges ^[3]	(52)	(8)	(7)	(5)	-
Disposal of private equity funds and other ^[4]	11	-	(2)	(4)	-
Reversal of unrealized (gains) losses on private equity funds and other ^[5]	(32)	(10)	(19)	(33)	(4)
Total	(28)	28	(28)	(42)	(4)

[1] During the second quarter of 2019, GBL sold its 0.6% interest in Total through forward sales contracts, which matured in January 2020 and resulted in a gain. Pargesa's gain of SF313 million was not reflected in its earnings as the investment is classified as FVOCI. Power Corporation's share of this realized gain was \$45 million.

[2] During the first and second quarters of 2019, a portion of the investment in adidas was disposed of, resulting in gains of SF49 million and SF144 million, respectively. These gains were not reflected in Pargesa's earnings as the investment is classified as FVOCI. Power Corporation's share of the realized gain was \$12 million in the first quarter and \$34 million in the second quarter.

[3] Under IFRS 9, Pargesa classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. Power Financial recognized impairment charges on the following investments:

- GEA - The investment in GEA has been previously impaired, resulting in an adjusted cost of €22.50 per share. During the first quarter of 2020, the share price decreased to €18.73, resulting in an impairment charge of SF30 million. Power Corporation's share was \$13 million.
- LafargeHolcim - The investment in LafargeHolcim has been previously impaired, resulting in an adjusted cost of €35.83 per share. During the first quarter of 2020, the share price decreased to €33.41, resulting in an impairment charge of SF49 million. Power Corporation's share was \$27 million.
- Ontex - The investment in Ontex has been previously impaired, resulting in an adjusted cost of €14.18 per share. During the second quarter of 2020, the share price decreased to €13.03, resulting in an impairment charge of SF11 million. Power Corporation's share was \$5 million. During the third quarter of 2020, the share price decreased to €11.15, resulting in an impairment charge of SF10 million. Power Corporation's share was \$7 million. In the second quarter of 2019, Power Corporation recorded its share of an impairment charge of \$8 million on Ontex.

[4] During the second and third quarters of 2020, the Corporation recognized its share of \$4 million and \$2 million, respectively, mainly related to an impairment on an investment held through a private equity fund. During the first quarter of 2020, an investment held through private equity funds, classified as FVPL in accordance with IFRS 9, was disposed of, resulting in a gain. Power Corporation's share of the realized gain in accordance with IAS 39 was \$9 million. As well, Power Corporation recognized its share of a gain on the sale of an other investment in the amount of \$8 million, which resulted from the reversal of a previous impairment.

[5] Pargesa classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Corporation does not recognize these unrealized fair value changes in earnings as it continues to classify these private equity funds as available for sale in accordance with IAS 39.

Other than the share of earnings of Imerys, Webhelp and Parques, a significant portion of Pargesa's net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

▪ LafargeHolcim (second quarter) ▪ SGS (first quarter) ▪ adidas (second quarter) ▪ Umicore (second and third quarters)	▪ Pernod Ricard (second and fourth quarters) ▪ GEA (second quarter) ▪ Ontex (second quarter)

Due to the impact of COVID-19, adidas, Umicore, Pernod Ricard and Ontex have temporarily suspended or reduced dividend payments.

RESULTS

Net earnings in the nine-month period ended September 30, 2020 decreased by SF130 million to SF186 million, compared with the corresponding period in 2019. Adjusted net earnings in the nine-month period ended September 30, 2020 were SF199 million, compared with SF353 million in the corresponding period in 2019. Adjustments, discussed below, were a charge of SF13 million in the nine-month period ended September 30, 2020, compared with a charge of SF37 million in the corresponding period in 2019. The decrease in net earnings was mainly due to:

- A decrease in the contribution from Imerys to adjusted net earnings of SF41 million to SF30 million at September 30, 2020, primarily due to a decline in Imerys' revenues due to the impact of COVID-19 on global industrial markets, partially offset by positive sales price adjustments and the implementation of cost reduction measures;
- A negative contribution from Parques of SF19 million at September 30, 2020, compared with a negative contribution of SF6 million in the corresponding period in 2019;
- A decrease in dividends of SF125 million to SF143 million, compared with SF268 million in the corresponding period in 2019. An increase in dividends from SGS of SF10 million due to the increase in equity interest was offset by a decrease in the dividends from LafargeHolcim of SF15 million and Total of SF17 million due to a decrease in the equity interests held. Dividends from other portfolio companies decreased by SF50 million reflecting decisions to either temporarily suspend or reduce dividend payments due to the current market environment. Other dividends of SF13 million mainly relates to the reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total between 2016 and 2018, compared with SF62 million received in 2019; and
- A decrease in the contribution from private equity activities and other investment funds of SF15 million, primarily due to negative contributions from consolidated funds offset by positive fair value adjustments of the non-consolidated funds.

Partially offset by:

- An increase in net financial income of SF28 million, which mainly includes the net positive impacts of marking to market the debt held by GBL to Webhelp's minority shareholders of SF10 million, the derivatives held by GBL and the trading activities of GBL; and
- A contribution of SF19 million from Webhelp which was acquired at the end of 2019.

For the three-month period ended September 30, 2020, the net loss was SF23 million, compared with net earnings of SF91 million in the corresponding quarter in 2019. Adjusted net loss in the three-month period ended September 30, 2020 was SF21 million, compared with adjusted net earnings of SF107 million in the corresponding quarter in 2019. Adjustments, discussed below, were a charge of SF2 million in the three-month period ended September 30, 2020, compared with a charge of SF16 million in the corresponding quarter in 2019. The decrease in net earnings was mainly due to:

- A decrease in the contribution from Imerys to adjusted net earnings of SF13 million to SF8 million in the third quarter for the same reasons discussed above;
- An increase in net financial charges of SF64 million to a net charge of SF54 million, mainly related to the negative impact of marking to market the debt held by GBL to Webhelp's minority shareholders of SF53 million; and
- A decrease in dividends of SF61 million to SF4 million, for the same reasons discussed above.

Partially offset by:

- An increase in the contribution from private equity activities and other investment funds of SF11 million, primarily due to positive fair value adjustments of the non-consolidated funds; and
- A contribution of SF8 million from Webhelp which was acquired at the end of 2019.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Pargesa's management.

Adjustments in the first three quarters of 2020 were SF13 million, and mainly consisted of Pargesa's share of charges of Imerys, Parques and Webhelp.

Adjustments in the first three quarters of 2019 were SF37 million, and mainly consisted of:

- Pargesa's share of Imerys' charges of SF21 million relating to the implementation of a strategic restructuring plan and charges related to the temporary shutdown of a U.S. plant primarily recorded in the second quarter; and
- Pargesa's share of Parques' charges of SF16 million in the third quarter relating to non-recurring expenses recorded by Parques.

AVERAGE EXCHANGE RATES

The average exchange rates for the nine-month and three-month periods ended September 30, 2020 and 2019 were as follows:

	Nine months ended			Three months ended		
	September 30, 2020	September 30, 2019	Change %	September 30, 2020	September 30, 2019	Change %
Euro/SF	1.068	1.118	(4.5)	1.075	1.096	(1.9)
SF/CAD	1.425	1.336	6.7	1.449	1.339	8.2

The information above has been derived from Pargesa's third quarter of 2020 press release; see Part E of this MD&A for additional information on Pargesa's results.

ALTERNATIVE AND OTHER INVESTMENTS

Alternative and other investments are comprised of the results of the investment platforms, which includes income earned from asset management and investing activities. Asset management activities includes management fees and carried interests net of investment platform expenses. Investing activities comprises income earned on the capital invested by the Corporation (proprietary capital) in each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms. Other includes the share of earnings (losses) of standalone businesses and the Corporation's investments in investment and hedge funds.

Income earned from investing activities (proprietary capital) and earnings from other investments are volatile in nature as they depend on many factors, including and primarily related to the timing of realizations.

Summary of income (loss) from the Corporation's alternative and other investments:

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
INVESTMENT PLATFORMS					
Sagard Holdings					
Asset management activities					
Management fees ^[1]	45	27	17	15	10
Carried interest	10	3	5	6	1
Investment platform expenses	(55)	(54)	(18)	(20)	(15)
	-	(24)	4	1	(4)
Investing activities (proprietary capital)					
Investments	32	8	-	(5)	-
	32	(16)	4	(4)	(4)
Power Sustainable Capital					
Investing activities (proprietary capital)					
Power Pacific ^[2]	101	96	16	3	21
Power Energy (share of earnings)	(27)	(16)	(3)	3	(2)
Investment platform expenses ^[3]	(36)	(14)	(18)	(13)	(5)
	38	66	(5)	(7)	14
Income (loss) from investment platforms	70	50	(1)	(11)	10
Other					
Standalone businesses ^[4]	(16)	(52)	23	5	(18)
Investment and hedge funds	(1)	20	4	-	(1)
Other ^[5]	(3)	1	(6)	4	4
	(20)	(31)	21	9	(15)
Income (loss) from alternative and other investments	50	19	20	(2)	(5)

[1] Includes management fees charged by the investment platform on proprietary capital. Management fees paid by the Corporation are deducted from income from investing activities.

[2] Mainly comprised of gains (losses) realized on the disposal of investments and dividends received.

[3] Includes carried interest on Power Pacific and Power Energy investing activities.

[4] Includes the Corporation's share of earnings (losses) of IntegraMed (up to the date of deconsolidation on May 20, 2020), Lumenpulse, Lion, and a jointly controlled corporation and associates.

[5] Consists mainly of foreign exchange gains or losses and interest on cash and cash equivalents.

Impairment charges included in income (loss) from alternative and other investments were as follows:

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Sagard Holdings	24	-	-	6	-
Power Pacific	4	1	4	-	-
Standalone businesses	28	33	-	-	23
Investment and hedge funds	7	3	-	-	3
	63	37	4	6	26

Sagard Holdings

For the nine-month period ended September 30, 2020, impairment charges were \$24 million, compared with nil for the same period in 2019. The impairment charges comprise a charge of \$6 million in the second quarter of 2020 and \$18 million in the first quarter of 2020 related to the Corporation's share of an impairment charge on an investment held in the Sagard 3 Fund.

For the three-month period ended September 30, 2020 and 2019, impairment charges were nil.

Standalone businesses

For the nine-month period ended September 30, 2020, impairment charges were \$28 million, compared with \$33 million for the same period in 2019. Impairment charges comprise an impairment charge on an equity-accounted investment in the first quarter of 2020, due to a decline in equity values at the end of March 2020.

For the three-month period ended September 30, 2020, there was no impairment charge, compared with \$23 million for the same quarter in 2019 mainly related to an impairment charge on an equity-accounted investment.

CHINA AMC

For the nine-month period ended September 30, 2020, income from China AMC was \$30 million, compared with \$23 million in the same period in 2019.

For the three-month period ended September 30, 2020, income from China AMC was \$11 million, compared with \$8 million in the same quarter in 2019.

CORPORATE OPERATIONS

Corporate operations include operating expenses, financing charges, depreciation and income taxes.

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and its share of operating and other expenses of Power Financial:

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Power Financial					
Operating expenses	48	56	10	15	18
Financing charges	13	14	4	5	5
Depreciation	3	3	1	1	1
Income taxes	-	1	-	-	-
	64	74	15	21	24
Attributable to non-controlling interests of Power Financial	5	27	-	-	9
Corporation's share of Power Financial	59	47	15	21	15
Power Corporation					
Operating expenses	66	70	20	21	23
Financing charges	28	28	9	10	9
Depreciation	9	10	3	3	2
Income taxes ^[1]	(23)	3	(17)	(4)	1
	80	111	15	30	35
	139	158	30	51	50

[1] Includes deferred tax assets recognized to offset deferred tax liabilities which have been recognized on unrealized gains in other comprehensive income.

ADJUSTMENTS (NOT INCLUDED IN ADJUSTED NET EARNINGS)

The following table presents the Corporation's share of Adjustments:

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Power Financial					
Lifeco					
Actuarial assumption changes and other management actions	91	167	44	82	54
Market-related impacts on liabilities	(64)	(51)	13	23	(19)
Net gain on sale of IPSI	63	-	63	-	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(21)	-	(21)	-	-
Net charge on the sale, via reinsurance, of U.S. individual life insurance and annuity business	-	(134)	-	-	-
	69	(18)	99	105	35
IGM					
Restructuring and other charges	(34)	-	(34)	-	-
Share of Lifeco's adjustments ^[1]	3	(1)	4	4	1
	(31)	(1)	(30)	4	1
Pargesa					
Imerys - Impairments, restructuring charges and other	(3)	(7)	(1)	(2)	-
Parques and other charges	(3)	(6)	(1)	(1)	(6)
	(6)	(13)	(2)	(3)	(6)
	32	(32)	67	106	30
Attributable to non-controlling interests of Power Financial	4	(12)	-	-	10
Corporation's share of Power Financial	28	(20)	67	106	20
Other investments					
Recovery on deconsolidation of IntegraMed	27	-	-	27	-
Corporate operations					
Reduction of income tax estimates ^[2]	-	31	-	-	31
	55	11	67	133	51

[1] Includes IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impact on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings.

[2] Related to a favourable change in income tax provision estimates recorded in the third quarter of 2019.

For additional information, refer to the Lifeco, IGM and Pargesa "Adjustments" sections and IntegraMed within the "Standalone businesses" section above.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco, IGM and other subsidiaries, as well as Power Corporation's and Power Financial's non-consolidated balance sheets, are presented below. This table reconciles the non-consolidated balance sheet, which is not in accordance with IFRS, with the condensed consolidated balance sheet of the Corporation at September 30, 2020.

	Power Corporation	Power Financial	Lifeco	IGM	Other subsidiaries ^[1]	Consolidation adjustments	Power Corporation Consolidated balance sheets	
							September 30, 2020	December 31, 2019
Assets								
Cash and cash equivalents	214	1,002	5,372	992	526	(359)	7,747	6,805
Investments	3,676	152	176,587	7,392	1,421	(2,988)	186,240	173,057
Investment in:								
Power Financial, Lifeco and IGM	19,527	17,067	353	943	-	(37,890)	-	-
Parjointco	-	3,860	-	-	-	-	3,860	3,954
Other ^[2]	-	-	64	713	150	929	1,856	1,939
Funds held by ceding insurers	-	-	8,273	-	-	-	8,273	8,714
Reinsurance assets	-	-	22,335	-	-	-	22,335	20,707
Other assets	207	800	12,261	1,913	2,383	(783)	16,781	14,885
Intangible assets	1	1	3,976	1,250	671	58	5,957	5,843
Goodwill	-	-	7,573	2,660	430	738	11,401	10,324
Investments on account of segregated fund policyholders	-	-	236,943	-	-	-	236,943	231,022
Total assets	23,625	22,882	473,737	15,863	5,581	(40,295)	501,393	477,250
Liabilities								
Insurance and investment contract liabilities	-	-	188,426	-	-	-	188,426	176,177
Obligations to securitization entities	-	-	-	6,526	-	-	6,526	6,914
Debentures and other debt instruments ^[3]	794	250	9,108	2,100	1,371	(101)	13,522	9,938
Other liabilities	1,427	284	12,612	2,320	1,601	(54)	18,190	16,614
Insurance and investment contracts on account of segregated fund policyholders	-	-	236,943	-	-	-	236,943	231,022
Total liabilities	2,221	534	447,089	10,946	2,972	(155)	463,607	440,665
Equity								
Non-participating shares	957	2,830	2,714	-	-	(5,544)	957	960
Participating shareholders' equity	20,447	19,518	20,943	4,917	2,384	(47,762)	20,447	13,214
Non-controlling interests ^[4, 5]	-	-	2,991	-	225	13,166	16,382	22,411
Total equity	21,404	22,348	26,648	4,917	2,609	(40,140)	37,786	36,585
Total liabilities and equity	23,625	22,882	473,737	15,863	5,581	(40,295)	501,393	477,250

[1] Other subsidiaries includes Portag3 I, Portag3 II, Wealthsimple, Koho, investment platforms including consolidated investment funds and Power Energy.

[2] Includes investments in jointly controlled corporations and associates.

[3] The debentures and other debt instruments of controlled and consolidated investments are secured by their assets which are non-recourse to the Corporation.

[4] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[5] Non-controlling interests in consolidation adjustments represent non-controlling interests in the equity of Lifeco, IGM and controlled and consolidated investments.

Total assets of the Corporation increased to \$501.4 billion at September 30, 2020, compared with \$477.3 billion at December 31, 2019, primarily due to the impact of currency movement and the impact of market movement, mostly offset by the sale of IPSI by Lifeco.

Liabilities increased to \$463.6 billion at September 30, 2020, compared with \$440.7 billion at December 31, 2019, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by \$12.2 billion, primarily due to the impact of new business, fair value adjustments, and the weakening of the Canadian dollar.
- Insurance and investment contracts on account of segregated fund policyholders increased by \$5.9 billion, primarily due to the positive impact of currency movement of \$5.5 billion and net deposits of \$1.7 billion, partially offset by the impact of net market value losses and investment income of \$1.5 billion.

Part B of this MD&A includes a discussion of the consolidated and non-consolidated balance sheets of Power Financial and Parts C and D of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation shown below, the non-consolidated balance sheets of Power Corporation and Power Financial are shown on a combined basis; investments in subsidiaries are presented using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the MD&A and assist the reader by identifying changes in Power Corporation's and Power Financial's non-consolidated balance sheets.

	September 30, 2020				December 31, 2019			
	Power Corporation	Power Financial	Eliminations	Combined Total	Power Corporation	Power Financial	Eliminations	Combined Total
Assets								
Cash and cash equivalents ^[1]	214	1,002	-	1,216	371	1,021	-	1,392
Investment in Power Financial	19,527	-	(19,527)	-	11,530	-	(11,530)	-
Lifeco	-	14,291	-	14,291	-	13,654	-	13,654
IGM	-	2,776	9	2,785	-	2,720	9	2,729
Parjointco	-	3,860	-	3,860	-	3,954	-	3,954
Other Power Financial investments ^[2]	-	152	-	152	-	203	-	203
Alternative and other investments	2,967	-	-	2,967	2,475	-	-	2,475
Investment in China AMC	709	-	-	709	658	-	-	658
Other assets ^[3]	208	801	(658)	351	423	138	(201)	360
Total assets	23,625	22,882	(20,176)	26,331	15,457	21,690	(11,722)	25,425
Liabilities								
Debentures and other debt instruments	794	250	-	1,044	683	250	-	933
Other liabilities ^[3, 4]	1,427	284	(658)	1,053	600	625	(201)	1,024
Total liabilities	2,221	534	(658)	2,097	1,283	875	(201)	1,957
Equity								
Perpetual preferred shares	-	2,830	-	2,830	-	2,830	-	2,830
Non-participating shares	957	-	-	957	960	-	-	960
Participating shareholders' equity	20,447	19,518	(19,518)	20,447	13,214	17,985	(17,985)	13,214
Total equity	21,404	22,348	(19,518)	24,234	14,174	20,815	(17,985)	17,004
Non-controlling interest	-	-	-	-	-	-	6,464	6,464
Total liabilities and equity	23,625	22,882	(20,176)	26,331	15,457	21,690	(11,722)	25,425

[1] Cash equivalents include \$399 million (\$309 million at December 31, 2019) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Includes Power Financial's investments in Portag3 I, Portag3 II, Wealthsimple and Koho, presented using the equity method.

[3] Power Financial's other assets includes promissory notes from Power Corporation of \$664 million at September 30, 2020, and \$83 million of dividends declared in the third quarter by IGM and received by Power Financial on October 30, 2020 (same as at December 31, 2019).

[4] Other liabilities of Power Financial at December 31, 2019 include the fourth quarter dividend of \$337 million declared by Power Financial and paid on January 31, 2020.

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to \$1,216 million at September 30, 2020, compared with \$1,392 million at the end of December 2019 (see "Non-consolidated Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard Holdings and Power Pacific amounted to \$247 million at September 30, 2020 (\$193 million at December 31, 2019) and are included in the carrying amount of the investment platform.

Investments

INVESTMENTS IN LIFECO, IGM AND PARJOINTCO (AT EQUITY)

The table below presents a continuity of the investments in Lifeco, IGM and Parjointco, which are presented using the equity method for the purposes of the non-consolidated presentation; this presentation is not in accordance with IFRS. The carrying value of the investments in Lifeco, IGM and Parjointco, accounted for using the equity method, increased to \$20,936 million at September 30, 2020, compared with \$20,337 million at December 31, 2019:

	Lifeco	IGM	Parjointco	Total
Carrying value, at the beginning of the year	13,654	2,729	3,954	20,337
Share of adjusted net earnings	1,279	319	78	1,676
Share of adjustments	69	(31)	(6)	32
Share of other comprehensive income (loss)	94	12	(123)	(17)
Dividends	(815)	(250)	(88)	(1,153)
Other ^[1]	10	6	45	61
Carrying value, at September 30, 2020	14,291	2,785	3,860	20,936

[1] Other includes the impact of the Reorganization of Pargesa, which results in an increase in retained earnings of \$54 million and a reattribution of accumulated other comprehensive income of \$10 million at September 30, 2020.

ALTERNATIVE AND OTHER INVESTMENTS

Alternative and other investments are comprised of the following investments:

	September 30, 2020	December 31, 2019
Carrying value, as at		
Sagard Holdings		
Asset management companies	177	153
Investments ^[1]	709	587
Power Sustainable Capital		
Power Pacific ^[2]	977	739
Power Energy ^[2]	418	325
Other		
Standalone businesses	536	523
Other ^[3]	150	148
	2,967	2,475

[1] Includes investments in European private equity funds, formerly Sagard Europe.

[2] Includes investment platform management activities.

[3] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At September 30, 2020, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of \$41 million.

INVESTMENT IN CHINA AMC

The carrying value of Power Corporation's investment in China AMC was \$709 million at September 30, 2020, compared with \$658 million at December 31, 2019.

Carrying value, at the beginning of the year	658
Dividends	(14)
Share of net earnings	30
Share of other comprehensive income	35
Carrying value, at September 30, 2020	709

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,248 billion (C\$240 billion) at June 30, 2020, compared with RMB¥1,032 billion (C\$192 billion) at December 31, 2019.

EQUITY**Non-participating shares**

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital of \$957 million at September 30, 2020 (\$960 million at December 31, 2019), of which \$950 million are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 to the Corporation's 2019 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was \$20,447 million at September 30, 2020, compared with \$13,214 million at December 31, 2019:

Nine months ended September 30	2020	2019
Participating shareholders' equity, at the beginning of the year	13,214	14,104
Changes in participating shares		
Issuance of subordinate voting shares in acquisition of non-controlling interests of Power Financial	8,687	-
Issuance of participating preferred shares	206	-
Purchase for cancellation of subordinate voting shares under NCIB	(110)	-
Issuance of subordinate voting shares (500,311 shares in 2020 and 1,165,203 shares in 2019) under the Corporation's Executive Stock Option Plan	17	25
	8,800	25
Changes in retained earnings		
Net earnings before dividends on non-participating shares	1,410	968
Dividends declared	(947)	(562)
Acquisition of non-controlling interests in Power Financial	(2,847)	-
Transaction costs on acquisition of non-controlling interests in Power Financial	(46)	-
Purchase for cancellation of subordinate voting shares under NCIB	(83)	-
Repurchase of subordinate voting shares under PCC SIB	-	(1,350)
Effects of changes in capital and ownership of subsidiaries, and other ^[1]	37	145
	(2,476)	(799)
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	248	(445)
Investment revaluation and cash flow hedges	141	143
Actuarial gains (losses) on defined benefit plans	(202)	(207)
Share of Pargesa and other jointly controlled corporations and associates	-	95
Reattribution on acquisition of non-controlling interests of Power Financial	647	-
Share-based compensation, including the effect of subsidiaries ^[2]	75	16
	909	(398)
Participating shareholders' equity, at September 30	20,447	12,932

[1] Mainly relates to effects of changes in ownership on Parjointco's interest in Pargesa.

[2] Includes reattribution of share-based compensation on acquisition of non-controlling interests of Power Financial.

The book value per participating share of the Corporation was \$30.24 at September 30, 2020, compared with \$30.98 at the end of 2019.

Outstanding number of participating shares

At the date of this MD&A, there were 54,860,866 participating preferred shares of the Corporation outstanding, compared with 48,854,772 at December 31, 2019, and 621,390,591 subordinate voting shares of the Corporation outstanding, compared with 377,614,607 at December 31, 2019.

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 Power Financial's Employee Stock Option Plan were exchanged for 13,733,786 options to acquire subordinate voting shares of the Corporation (Replacement Options). The Replacement Options each entitle the option holders to receive 1.05 subordinate voting shares of the Corporation.

At the date of this MD&A, options were outstanding to purchase up to an aggregate of 32,482,066 subordinate voting shares of the Corporation, which includes 13,708,124 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Reorganization

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, 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 paid \$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 first quarter of 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 market environment, the Corporation decided to temporarily suspend its share buybacks.

Substantial issuer bids

On April 17, 2019, Lifeco completed a substantial issuer bid (Lifeco SIB) and purchased for cancellation 59,700,974 of its common shares at a purchase price of \$33.50 per common share. Power Financial participated in the Lifeco SIB and as a result its equity interest in Lifeco decreased from 67.8% to 66.8% (excluding IGM's 4.0% interest).

On April 17, 2019, Power Financial completed a substantial issuer bid (PFC SIB) and purchased for cancellation 49,999,973 of its common shares at a purchase price of \$33.00 per common share. The Corporation participated in the PFC SIB and as a result its equity interest in Power Financial decreased from 65.5% to 64.1%.

The decrease in ownership in Lifeco and Power Financial resulted in dilution gains of \$71 million and \$66 million, respectively, recorded in retained earnings and other comprehensive income reserve with a corresponding decrease in non-controlling interests.

On April 17, 2019, the Corporation completed its substantial issuer bid (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.

Net Asset Value

Net asset value is presented for Power Corporation. Net asset value represents management's estimate of the fair value of the participating shareholders' equity of the Corporation. Net asset value is the fair value of the assets of the combined Power Financial and Power Corporation non-consolidated balance sheet less their net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuers or subject to review by external valuers. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the investments in subsidiaries, jointly controlled corporations and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

The Corporation's net asset value per share is presented on a look-through basis. The combined non-consolidated balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and Pargesa), and the net debt and preferred shares of Power Financial. The net asset value per share was \$34.94 at September 30, 2020, compared with \$32.96 at June 30, 2020, representing an increase of 6.0%. The net asset value per share was \$44.98 at December 31, 2019.

	September 30, 2020			December 31, 2019		
	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value
Assets						
Investments						
Power Financial ^[1]						
Lifeco	14,291	1,848	16,139	13,654	6,976	20,630
IGM	2,785	1,731	4,516	2,729	2,786	5,515
Parjointco ^[2]	3,860	(1,182)	2,678	3,954	(1,413)	2,541
Other Power Financial investments	152	362	514	203	127	330
Alternative and other investments						
Sagard Holdings						
Asset management companies ^[3]	177	-	177	153	-	153
Investments ^[4]	709	-	709	587	-	587
Power Sustainable Capital						
Power Pacific	977	-	977	739	-	739
Power Energy	418	317	735	325	320	645
Other						
Standalone businesses	536	89	625	523	173	696
Other	150	15	165	148	50	198
China AMC ^[5]	709	-	709	658	-	658
Cash and cash equivalents	1,216	-	1,216	1,392	-	1,392
Other assets	351	-	351	360	-	360
Total assets	26,331	3,180	29,511	25,425	9,019	34,444
Liabilities and non-participating shares						
Debentures and other debt instruments	1,044	-	1,044	933	-	933
Other liabilities ^[6]	1,053	-	1,053	1,024	-	1,024
Non-participating shares and perpetual preferred shares	3,787	-	3,787	3,790	-	3,790
Total liabilities and non-participating shares	5,884	-	5,884	5,747	-	5,747
Non-controlling interests	-	-	-	6,464	3,050	9,514
	5,884	-	5,884	12,211	3,050	15,261
Net value						
Participating shareholders' equity / Net asset value	20,447	3,180	23,627	13,214	5,969	19,183
Per share	30.24		34.94	30.98		44.98

[1] Investments held by Power Financial have been presented on a look-through basis at December 31, 2019; the corresponding adjustment representing the ownership not held by Power Corporation is included in non-controlling interests.

[2] As part of the Pargesa reorganization, Parjointco holds approximately 97% of Pargesa's shares at September 30, 2020; the fair value of Parjointco at September 30, 2020 is based on the market value of GBL. At December 31, 2019, the fair value of Parjointco based on the market value of GBL was \$3,032 million.

[3] The management companies of the investment funds are presented at their carrying value in accordance with IFRS.

[4] Includes investments in European private equity, formerly Sagard Europe.

[5] Valued at carrying value in accordance with IFRS.

[6] In accordance with IAS 12, *Income taxes*, no deferred tax liability is recognized with respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. If the Corporation were to dispose of an investment in a subsidiary or a jointly controlled corporation, income taxes payable on such disposition would be minimized through careful and prudent tax planning and structuring, as well as with the use of available tax attributes not otherwise recognized on the balance sheet, including tax losses, tax basis, safe income and foreign tax surplus associated with the subsidiary or jointly controlled corporation.

Investments measured at market value and cash represent 88.1% of the total assets at fair value at September 30, 2020 (83.9% at December 31, 2019). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's net asset value of \$2,445 million or \$3.62 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms, as well as Power Corporation's and Power Financial's non-consolidated cash flows, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the nine-month period ended September 30, 2020.

Nine months ended September 30,	Power Financial	Lifeco	IGM	Consolidation adjustments and other	Power Financial Consolidated	Power Corporation	Investment platforms and consolidation adjustments ^[1]	Power Corporation Consolidated	
								2020	2019
Cash flows from:									
Operating activities	1,046	7,714	498	(1,097)	8,161	113	(155)	8,119	5,280
Financing activities	(407)	1,629	(847)	1,129	1,504	(30)	67	1,541	(3,531)
Investing activities	(658)	(8,666)	622	(126)	(8,828)	(240)	265	(8,803)	(1,922)
Effect of changes in exchange rates on cash and cash equivalents	–	67	–	–	67	–	18	85	(185)
Increase (decrease) in cash and cash equivalents	(19)	744	273	(94)	904	(157)	195	942	(358)
Cash and cash equivalents, at the beginning of the year	1,021	4,628	720	(97)	6,272	371	162	6,805	6,441
Cash and cash equivalents, at September 30	1,002	5,372	993	(191)	7,176	214	357	7,747	6,083

[1] Investment platforms and consolidation adjustments include investment platforms, including consolidated investment funds and Power Energy, as well as consolidation entries.

Consolidated cash and cash equivalents increased by \$942 million in the nine-month period ended September 30, 2020, compared with a decrease of \$358 million in the corresponding period in 2019.

Operating activities produced a net inflow of \$8,119 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$5,280 million in the corresponding period in 2019.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, repurchase of shares pursuant to the Lifeco SIB, the PFC SIB and the PCC SIB, the repurchase of participating shares, issuance of participating preferred shares, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests, represented a net inflow of \$1,541 million in the nine-month period ended September 30, 2020, compared with a net outflow of \$3,531 million in the corresponding period in 2019.

Cash flows from investing activities resulted in a net outflow of \$8,803 million in the nine-month period ended September 30, 2020, compared with a net outflow of \$1,922 million in the corresponding period in 2019.

The Corporation decreased its level of fixed income securities with maturities of more than three months, resulting in a net inflow of \$6 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$11 million in the corresponding period in 2019.

Parts B, C and D of this MD&A include a discussion of the cash flows of Power Financial, Lifeco and IGM, respectively.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Corporation is a holding company, corporate cash flows are primarily comprised of dividends received, income from investments and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and non-participating and participating share dividends.

The following combined non-consolidated statements of cash flows of Power Corporation and Power Financial, which are not presented in accordance with IFRS, have been prepared to assist the reader as they isolate the cash flows of Power Corporation, the parent company, and Power Financial.

Nine months ended September 30,	2020				2019			
	Power Corporation	Power Financial	Eliminations	Combined Total	Power Corporation	Power Financial	Eliminations	Combined Total
Operating activities								
Dividends								
Lifeco ^[1]	-	815	-	815	-	789	-	789
IGM	-	250	-	250	-	250	-	250
Pargesa	-	88	-	88	-	80	-	80
Power Financial	194	-	(194)	-	609	-	(609)	-
China AMC	14	-	-	14	10	-	-	10
Corporate operations, net of non-cash items ^[2]	(95)	(107)	-	(202)	(60)	(25)	-	(85)
	113	1,046	(194)	965	559	1,094	(609)	1,044
Financing activities								
Dividends paid on:								
Non-participating shares	(39)	-	-	(39)	(39)	-	-	(39)
Participating shares	(778)	-	-	(778)	(523)	-	-	(523)
Perpetual preferred shares	-	(104)	-	(104)	-	(104)	-	(104)
Common shares	-	(302)	194	(108)	-	(937)	609	(328)
Issuance of participating preferred shares	206	-	-	206	-	-	-	-
Issuance of subordinate voting shares	15	-	-	15	22	-	-	22
Repurchase of subordinate voting shares	(193)	-	-	(193)	-	-	-	-
Repurchase of non-participating shares	(3)	-	-	(3)	(1)	-	-	(1)
Repurchase of shares under SIBs ^[1]	-	-	-	-	(1,350)	(1,650)	1,400	(1,600)
Issuance of promissory notes to Power Financial	664	-	(664)	-	-	-	-	-
Changes in other debt instruments	101	-	-	101	-	-	-	-
Share repurchase expense and other	(3)	(1)	-	(4)	(7)	(6)	-	(13)
	(30)	(407)	(470)	(907)	(1,898)	(2,697)	2,009	(2,586)
Investing activities								
Promissory notes issued by Power Corporation	-	(664)	664	-	-	-	-	-
Distributions and proceeds from disposal of investments	140	8	-	148	148	-	-	148
Purchase of investments	(332)	(2)	-	(334)	(118)	(31)	-	(149)
Acquisition of Power Financial non-controlling interests including transaction costs paid	(48)	-	-	(48)	-	-	-	-
Proceeds from tender of shares under SIBs ^[1]	-	-	-	-	1,400	1,652	(1,400)	1,652
Other	-	-	-	-	1	(1)	-	-
	(240)	(658)	664	(234)	1,431	1,620	(1,400)	1,651
Increase (decrease) in cash and cash equivalents	(157)	(19)	-	(176)	92	17	-	109
Cash and cash equivalents, at the beginning of the year	371	1,021	-	1,392	385	1,025	-	1,410
Cash and cash equivalents, at September 30	214	1,002	-	1,216	477	1,042	-	1,519

[1] Includes repurchase of subordinate voting shares by Power Corporation pursuant to its SIB and repurchase of common shares by Power Financial pursuant to its SIB in the second quarter of 2019. Power Financial participated in the Lifeco SIB in the second quarter of 2019; the number of shares held by Power Financial decreased by 7.4% or 49,318,032. Power Corporation participated in the PFC SIB in the second quarter of 2019; the number of shares held by Power Corporation decreased by 9.1% or 42,436,370.

[2] Includes changes in short-term receivables from, and payables to, investment platforms.

On a non-consolidated basis, cash and cash equivalents of the Corporation and Power Financial decreased by \$176 million in the nine-month period ended September 30, 2020, compared with an increase of \$109 million in the corresponding period in 2019.

Operating activities resulted in a net inflow of \$965 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$1,044 million in the corresponding period in 2019.

- Dividends paid by Power Financial on its common shares during the nine-month period ended September 30, 2020 were \$0.4555 per share, compared with \$1.3440 per share in the corresponding period in 2019. Power Corporation received dividends of \$194 million from Power Financial in the nine-month period ended September 30, 2020, compared with \$609 million in the corresponding period in 2019. Power Financial did not pay a dividend on its common shares in the second and third quarters of 2020. In lieu of the dividend, Power Financial advanced amounts totalling of \$664 million to Power Corporation.
- Dividends paid by Lifeco on its common shares during the nine-month period ended September 30, 2020 were \$1.314 per share, compared with \$1.239 in the corresponding period in 2019. In the nine-month period ended September 30, 2020, Power Financial received dividends from Lifeco of \$815 million, compared with \$789 million in the corresponding period in 2019.
- Dividends paid by IGM on its common shares during the nine-month period ended September 30, 2020 were \$1.6875 per share, the same as in the corresponding period in 2019. In the nine-month period ended September 30, 2020, Power Financial received dividends from IGM of \$250 million, the same as in the corresponding period in 2019.
- Pargesa declares and pays an annual dividend in the second quarter. The dividend paid by Pargesa to Parjointco in 2020 amounted to SF2.63 per bearer share, compared with SF2.56 in 2019. Power Financial received dividends of \$88 million (SF61 million) from Parjointco in 2020, compared with \$80 million (SF60 million) in 2019.

The Corporation's financing activities during the nine-month period ended September 30, 2020 were a net outflow of \$907 million, compared with a net outflow of \$2,586 million in the corresponding period in 2019, and included:

- Dividends paid on non-participating and participating shares by the Corporation of \$817 million, compared with \$562 million in the corresponding period in 2019. In the nine-month period ended September 30, 2020, dividends paid on the Corporation's participating shares were \$1.3000 per share, compared with \$1.1920 per share in the corresponding period in 2019.
- Dividends paid on preferred and common shares by Power Financial of \$406 million, compared with \$1,041 million in the corresponding period in 2019.
- Issuance of participating preferred shares for \$206 million, as part of the Reorganization, compared with no issuance of participating preferred shares in the corresponding period in 2019.
- Repurchase of \$193 million of subordinate voting shares as part of the NCIB in the first quarter of 2020, compared with no repurchase in the corresponding period in 2019.
- No repurchases of shares under SIBs, compared with a repurchase of subordinate voting shares pursuant to the PCC SIB and repurchase of common shares pursuant to the PFC SIB representing a net amount of \$1,600 million in the corresponding period in 2019.
- Increase in other debt instruments of \$101 million, compared with nil in the corresponding period in 2019.
- Issuance of subordinate voting shares of the Corporation for \$15 million pursuant to the Corporation's Executive Stock Option Plan, compared with issuance for an amount of \$22 million in the corresponding period in 2019.

The Corporation's investing activities during the nine-month period ended September 30, 2020 were a net outflow of \$234 million, compared with a net inflow of \$1,651 million in the corresponding period in 2019. Investing activities in the corresponding period in 2019 included proceeds received from participating in the PFC SIB and Lifeco SIB representing a net amount of \$1,652 million.

Proceeds from disposal of investments and purchase of investments are comprised of investment activities of the Corporation and its investment platforms.

Capital Management

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 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 GBL, oversee and have the responsibility for their respective company's capital management.

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. 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's consolidated capitalization includes the debentures, preferred shares and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 74% of consolidated capitalization at September 30, 2020.

	September 30, 2020	December 31, 2019
Debentures and other debt instruments		
Power Corporation	794	683
Power Financial	250	250
Lifeco	9,108	5,993
IGM	2,100	2,100
Other ^[1, 2]	1,371	1,013
Consolidation adjustments	(101)	(101)
	12,728	9,255
	13,522	9,938
Non-participating shares		
Power Corporation	957	960
Power Financial	2,830	2,830
Lifeco	2,714	2,714
	5,544	5,544
	6,501	6,504
Equity		
Participating shareholders' equity	20,447	13,214
Non-controlling interests ^[3]	10,838	16,867
	31,285	30,081
	51,308	46,523

[1] Other includes entities controlled by Power Energy and controlled entities included in standalone businesses.

[2] Secured by the assets of the controlled investments which are non-recourse to the Corporation.

[3] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Power Financial and Lifeco's preferred shares, which are shown in this table as non-participating shares.

Power Corporation

- The Corporation filed a short-form base shelf prospectus dated November 16, 2018, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of \$2 billion of First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- As part of the Reorganization, the Corporation issued 6,006,094 participating preferred shares on February 12, 2020 for consideration of \$206 million and 250,628,173 subordinate voting shares on February 13, 2020. Refer to the section “Overview” for more information.
- The Corporation commenced a 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. Refer to the section “Participating Shareholders’ Equity” for more information.

Lifeco

- On May 14, 2020, Lifeco issued \$600 million of 10-year 2.379% debentures at par, maturing on May 14, 2030. The net proceeds were used by Lifeco to repay the principal amount of its maturing 4.65% \$500 million debentures, together with accrued interest on August 13, 2020 and for general corporate purposes.
- On July 8, 2020, Lifeco issued \$250 million of 30-year 2.981% debentures at par, maturing on July 8, 2050. On July 13, 2020, Lifeco reopened the 2.981% debenture offering 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 principal amount value for an effective yield of 3.051%. The net proceeds will be used by Lifeco for general corporate purposes.
- On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of Lifeco, issued \$663 million (US\$500 million) 0.904% senior notes due August 12, 2025. The net proceeds were used by Lifeco to finance a portion of its acquisition in Personal Capital.
- On September 17, 2020, Empower Finance 2020, LP, a subsidiary of Lifeco, issued \$526 million (US\$400 million) 1.357% senior notes due September 17, 2027, \$526 million (US\$400 million) 1.776% senior notes due March 17, 2031 and \$921 million (US\$700 million) 3.075% senior notes due September 17, 2051. Lifeco intends to use the net proceeds to finance a portion of its pending acquisition of the retirement services business of MassMutual and the fees, expenses and costs incurred in connection with the transaction. In the event the acquisition of the MassMutual retirement services business 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.

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. Parts B, C and D of this MD&A further describe the capital management activities of Power Financial, Lifeco and IGM, respectively. See Note 21 to the Corporation’s 2019 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor’s (S&P) of the Corporation’s debentures is “A+” with a stable outlook. Dominion Bond Rating Service’s (DBRS) current rating on the Corporation’s debentures is “A” with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies’ websites. These ratings are not a recommendation to buy, sell or hold the securities of a corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A+" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A" rating assigned to the Corporation's debentures by DBRS is the sixth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A" implies that the capacity for repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

Risk Management

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 alternate asset investment platforms. Its principal asset is a controlling interest in Power Financial which in turn controls Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Power Financial, Lifeco, IGM, Pargesa and GBL are responsible for the risk oversight function at their respective companies. The risk committee of the board of directors of Lifeco is responsible for its risk oversight, and the board of directors of IGM provides oversight and carries out its risk management mandate through various committees. Certain officers of the Corporation are members of these boards and committees of these boards and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies. Parts B, C and D of this MD&A further describe risks related to Power Financial, Lifeco and IGM, respectively.

RISK OVERSIGHT

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

The Board of Directors provides oversight and carries out its risk management mandate and addresses operational risks primarily through the following committees:

- The Audit Committee addresses risks related to financial reporting and cybersecurity.
- The Human Resources Committee considers risks associated with the Corporation's compensation policies and practices.
- The Governance and Nominating Committee oversees the Corporation's approach to appropriately address potential risks related to governance matters.
- The Related Party and Conduct Review Committee reviews and considers for approval transactions with related parties of the Corporation.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, which investors should carefully consider before investing in securities of the Corporation. The 2019 Annual MD&A reviews certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

During the nine-month period ended September 30, 2020, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks described in the 2019 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At September 30, 2020, there have been changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value since December 31, 2019. These changes did not have a material impact on the financial condition of the Corporation and its subsidiaries. See Note 18 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines and procedures relating to the use of derivative financial instruments, which in particular focus on:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationships.

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the nine-month period ended September 30, 2020. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	September 30, 2020			December 31, 2019		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	23	-	(2)	11	2	2
Power Financial	26	1	1	23	6	6
Lifeco	25,744	787	(882)	21,634	451	(930)
IGM	1,087	35	(11)	2,608	15	(2)
Other subsidiaries	173	-	(17)	288	-	(12)
	27,030	823	(909)	24,553	472	(938)
	27,053	823	(911)	24,564	474	(936)

During the nine-month period ended September 30, 2020, there was an increase of \$2.5 billion in the notional amount of derivatives outstanding, primarily due to an increase in forward-settling mortgage-backed security transactions ("to-be-announced securities") and regular hedging activities. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$823 million at September 30, 2020 from \$474 million at December 31, 2019. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars.

Parts B, C and D of this MD&A provide information on the types of derivative financial instruments used by Power Financial, Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2019 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Part C of this MD&A and Note 32 to the Corporation's 2019 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Parts C and D of this MD&A and Note 31 to the Corporation's 2019 Consolidated Financial Statements.

Commitments and Contractual Obligations

At September 30, 2020, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2019 Annual MD&A.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at September 30, 2020, non-capital losses of \$479 million (\$447 million for which the benefits have not been recognized) available to reduce future taxable income (including capital gains). These losses expire from 2030 to 2040.

The Corporation had, at September 30, 2020, capital losses of \$153 million (\$142 million for which the benefits have not been recognized) that can be used indefinitely to offset capital gains.

Transactions with Related Parties

Power Corporation has a Related Party and Conduct Review Committee composed entirely of Directors who are independent of management and independent of the Corporation's controlling shareholder. The mandate of this Committee is to review proposed transactions with related parties of the Corporation, including its controlling shareholder, and to approve only those transactions that it deems appropriate and that are done at market terms and conditions.

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions which include capital commitments to investment funds, performance and base management fees paid to subsidiaries of the group and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and subadvisory services, respectively, to other companies within the Power Corporation group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

IGM enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include (i) providing certain administrative services, (ii) distributing insurance products and (iii) the sale of residential mortgages to Canada Life. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In October 2017, IGM and a subsidiary of Power Corporation obtained advance tax rulings which permitted tax loss consolidation transactions whereby shares of a subsidiary that has generated tax losses may be acquired by IGM. The Corporation has recognized the benefit of the tax losses to be realized throughout this program. The program was renewed and extended to 2020.

On February 13, 2020, the Corporation and Power Financial completed the Reorganization. Refer to the section "Overview" for more details.

In connection with the Reorganization, Pansolo, a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares on February 12, 2020. Refer to the section "Overview" for more details.

See also the sections "Overview – Lifeco" and "Overview – IGM Financial" and Note 30 to the Corporation's 2019 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements 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 are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the Corporation's 2019 Annual MD&A and in the notes to the Corporation's 2019 Consolidated Financial Statements.

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 portfolio investments (Note 18 of the Interim Consolidated Financial Statements), 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 preparation of the Corporation's 2019 Consolidated Financial Statements.

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies from those reported at December 31, 2019, except for:

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.

The Corporation actively monitors changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) for potential impact on the Corporation.

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 their 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)	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. 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.
IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (IAS 37)	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. 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.
IFRS 16 – Leases (IFRS 16)	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. 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.
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)	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. 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.

Internal Control over Financial Reporting

The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended September 30, 2020 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Summary of Quarterly Results

	2020			2019				2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues ^[1]	14,682	20,631	11,349	11,729	15,422	3,824	17,866	12,661	12,972	11,609	10,856
Assets under management [in billions]	990	942	879	941	916	907	904	860	876	877	867
Assets under administration [in billions]	1,860	1,855	1,699	1,823	1,781	1,751	1,731	1,571	1,617	1,598	1,563
Net earnings (attributable to participating shareholders)	505	666	200	179	359	278	292	229	186	347	525
per share – basic ^[2]	0.75	0.99	0.36	0.42	0.84	0.64	0.63	0.49	0.40	0.75	1.13
per share – diluted ^[2]	0.75	0.99	0.36	0.42	0.84	0.64	0.63	0.49	0.40	0.74	1.13
Adjusted net earnings (attributable to participating shareholders) ^[3]	438	533	345	357	308	359	251	246	175	264	460
per share – basic ^[2, 3]	0.65	0.79	0.62	0.84	0.72	0.83	0.54	0.52	0.36	0.55	0.98
Adjustments ^[3, 4]	67	133	(145)	(178)	51	(81)	41	(17)	11	83	65
per share – basic ^[3]	0.10	0.20	(0.26)	(0.42)	0.12	(0.19)	0.09	(0.03)	0.04	0.20	0.15

[1] The decrease in revenues in the second quarter of 2019 is due to the impact of Lifeco's sale, via indemnity reinsurance, of its U.S. individual life insurance and annuity business to Protective Life.

[2] In the second quarter of 2019, pursuant to the PCC SIB, Power Corporation repurchased approximately 9.8% of its issued and outstanding subordinate voting shares.

[3] Adjusted net earnings and adjusted net earnings per share attributable to participating shareholders, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures and Presentation" in this MD&A. In the first quarter of 2020, the definition of Adjustments was changed; refer to the section "Non-IFRS Financial Measures and Presentation" in this MD&A for more information. The comparative amounts have been adjusted to reflect this change.

[4] The Corporation's share of Power Financial's Adjustments and Adjustments of the Corporation are as follows:

	2020			2019				2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Power Financial											
Lifeco	99	105	(139)	(136)	23	(73)	39	36	79	80	63
IGM	(30)	4	(5)	(5)	1	(3)	2	1	(7)	3	2
Pargesa	(2)	(3)	(1)	(15)	(4)	(5)	-	12	-	-	-
Corporate operations	-	-	-	(6)	-	-	-	-	-	-	-
	67	106	(145)	(162)	20	(81)	41	49	72	83	65
Other investments	-	27	-	(16)	-	-	-	(66)	-	-	-
Corporate operations	-	-	-	-	31	-	-	-	(61)	-	-
	67	133	(145)	(178)	51	(81)	41	(17)	11	83	65

Power Financial Corporation

PART B

Management's Discussion and Analysis

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Financial Statements and Notes

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The attached documents concerning Power Financial Corporation are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

Management's Discussion and Analysis

NOVEMBER 11, 2020

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

The following presents Management's Discussion and Analysis (MD&A) of the unaudited interim condensed consolidated financial condition and financial performance of Power Financial Corporation (Power Financial or the Corporation), a reporting issuer in all of the provinces and territories of Canada, for the nine-month and three-month periods ended September 30, 2020. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Power Financial and notes thereto for the nine-month and three-month periods ended September 30, 2020 (the Interim Consolidated Financial Statements), the MD&A for the year ended December 31, 2019 (the 2019 Annual MD&A), and the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 (the 2019 Consolidated Financial Statements). Additional information relating to Power Financial, including its Annual Information Form, may be found on the Corporation's website at www.powerfinancial.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS › Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' current expectations as disclosed in their respective MD&A. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 pandemic on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization (as defined herein), the proposed redemption by the Corporation and Power Corporation of certain classes of their First Preferred Shares and the Corporation's subsidiaries' disclosed expectations, including the acquisition of the retirement services business of MassMutual, Personal Capital, Northleaf and related synergies, impacts and timing thereof. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors and with respect to forward-looking statements of the Corporation's subsidiaries' disclosed in this MD&A, the factors identified by such subsidiaries in their respective MD&A.

The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the availability of cash to redeem First Preferred Shares, that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries and with respect to forward-looking statements of the Corporation's subsidiaries' disclosed in this MD&A, the risks identified by such subsidiaries in their respective MD&A and Annual Information Form most recently filed with the securities regulatory authorities in Canada and available at www.sedar.com. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this MD&A and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at www.sedar.com.

Organization of the Interim MD&A

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The following abbreviations are used throughout this report:

adidas	adidas AG	MassMutual	Massachusetts Mutual Life Insurance Company
BME	Madrid Stock Exchange	Northleaf	Northleaf Capital Partners Ltd.
Canada Life	The Canada Life Assurance Company	Ontex	Ontex N.V.
China AMC	China Asset Management Co., Ltd.	PanAgora	PanAgora Asset Management, Inc.
EBR	Euronext Brussels	Pargesa	Pargesa Holding SA
EPA	Euronext Paris	Parjointco	Parjointco N.V.
GBL	Groupe Bruxelles Lambert	Parques	Parques Reunidos Servicios Centrales, S.A.
GEA	GEA Group	Pernod Ricard	Pernod Ricard SA
GLC	GLC Asset Management Group Ltd.	Personal Capital	Personal Capital Corporation
Great-West Life	The Great-West Life Assurance Company	Portag3 I or Portag3 I LP	Portag3 Ventures Limited Partnership
Great-West Life & Annuity or Empower Retirement	Great-West Life & Annuity Insurance Company	Portag3 II or Portag3 II LP	Portag3 Ventures II Limited Partnership
IFRS	International Financial Reporting Standards	Power Corporation	Power Corporation of Canada
IGM or IGM Financial	IGM Financial Inc.	Putnam	Putnam Investments, LLC
IC Wealth Management	Investors Group Inc.	Sagard Holdings	Sagard Holdings Inc.
Imerys	Imerys SA	SGS	SGS SA
Investment Planning Counsel or IPC	Investment Planning Counsel Inc.	SIX	Swiss Stock Exchange
Irish Life	Irish Life Group Limited	Total	Total SA
Koho	KOHO Financial Inc.	TSX	Toronto Stock Exchange
LafargeHolcim	LafargeHolcim Ltd.	Umicore	Umicore, NV/SA
Lifeco	Great-West Lifeco Inc.	Wealthsimple	Wealthsimple Financial Corp.
London Life	London Life Insurance Company	Webhelp	Webhelp Group
Mackenzie or Mackenzie Investments	Mackenzie Financial Corporation	XETR	XETRA Stock Exchange

Overview

POWER FINANCIAL CORPORATION

Power Financial, a wholly owned subsidiary of Power Corporation of Canada (TSX: POW; POW.PR.E), is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe. Founded in 1984 with the ambition of creating an integrated financial services group, Power Financial has remained committed to the growth and evolution of its primary holdings through its controlling interests in Lifeco and IGM, and in recent years has implemented an active fintech strategy. Power Financial also has significant holdings in a portfolio of global companies based in Europe through its investment in Pargesa. Power Financial's historic and ongoing objective is to create superior shareholder value over the long term.

Since its inception, the leadership of Power Financial has remained consistent in its approach to base decisions on what is in the best long-term interest of the Corporation. Throughout its history, Power Financial has managed to the same basic principles:

- take a long-term perspective and investment horizon;
- build industry leaders with attractive growth profiles;
- provide active and strong governance oversight of its companies; and
- use prudence, be risk aware and maintain a strong financial position.

Holdings

Lifeco and IGM are leaders across the insurance, asset management, and wealth and retirement business sectors in their principal markets: Canada, the U.S. and Europe.

Power Financial, in partnership with Lifeco and IGM, has been actively participating in the emerging fintech industry. The group believes that fintech will change business models in financial services, making financial advice, insurance and investment services more accessible to consumers and available to them by the means and at the time that best suits them. The fintech strategy aims at providing an attractive return on the capital invested while helping the existing financial services businesses transform their models.

The investments to date have contributed to building leading platforms that are expected to be part of the next generation of financial services. The fintech strategy enables the group to learn from, adopt and integrate new technologies and understand how these disruptive business models will affect the current business and how to react to changes in the environment to be more effective. The fintech strategy has three objectives:

- Through the Portag3 funds, create an ecosystem of early-stage investments in promising fintech companies that have potential for global impact;
- Make significant investments in leading digital financial services providers including Wealthsimple, one of Canada's largest digital financial advisors; and
- Develop a fintech venture builder to support the creation of the next generation of Canadian-based global fintech companies.

Power Financial also holds jointly with the Frère Group of Belgium a controlling interest in Pargesa, a holding company which, through its subsidiary GBL, maintains a diversified high-quality portfolio composed of global companies that are leaders in their respective sector, through which it can contribute to value creation by being an engaged professional investor. GBL has positioned its portfolio with a view to strengthening its growth profile and consequently optimizing its potential for long-term value creation. GBL shares the values and prudent investing approach of Power Financial. This investment provides Power Financial with a vehicle to create value in the European market.

REORGANIZATION

On December 13, 2019, the Corporation and Power Corporation announced the execution of a definitive agreement to effect a reorganization transaction (Reorganization), pursuant to which each common share of the Corporation held by holders of common shares of the Corporation other than Power Corporation and its wholly owned subsidiaries (PFC Minority Shareholders), would be exchanged for 1.05 subordinate voting shares of Power Corporation (PCC Subordinate Voting Shares) and \$0.01 in cash. At the same time, the Corporation and Power Corporation also announced the intention, following completion of the Reorganization, to redeem an aggregate of \$350 million of certain classes of the Corporation's and Power Corporation's respective First Preferred Shares with available cash, which is anticipated to reduce annual financing costs by approximately \$15 million per year.

On February 13, 2020, the Corporation successfully completed the Reorganization. Power Corporation acquired 238,693,580 common shares of the Corporation and issued 250,628,173 PCC Subordinate Voting Shares to PFC Minority Shareholders. Power Corporation now holds 100% of the issued and outstanding common shares of the Corporation, which were delisted from the TSX. The Corporation remains a reporting issuer in all of the provinces and territories of Canada as its First Preferred Shares and the Corporation's 6.9% debentures due March 11, 2033 remain outstanding.

The Reorganization simplifies the group's corporate structure and is intended to serve as the foundation and catalyst for a broader set of strategic initiatives expected to deliver further value to shareholders.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "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 Corporation, through its principal holdings including a controlling interest in each of Lifeco and IGM and a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa, bears the risks associated with being a significant shareholder of these operating companies. The Corporation is managing the risks associated with the COVID-19 pandemic utilizing its existing risk management framework. At Power Financial and its group companies, the focus has continued to be on managing the safety and well-being of its people, maintaining operational effectiveness, ensuring that the group can serve its customers, assessing impacts on earnings, liquidity and capital, planning for different potential scenarios and engaging with stakeholders. The respective boards of directors of Lifeco, IGM, Pargesa and GBL are responsible for the governance structures and processes to oversee the management of the risk and potential impacts presented by the current economic slowdown and other potential consequences due to COVID-19. Parts C and D of this MD&A further describe risks and processes in place related to Lifeco and IGM, respectively.

In response to the impact of COVID-19 on the Corporation and its employees, the following actions have been taken by the Corporation:

- The Business Continuity team, comprised of cross-functional leaders, is actively monitoring the situation and its effect on employees and operations, in accordance with updated government guidance;
- A work-from-home policy has been implemented for all employees, suspending all business travel and holding meetings virtually;
- Frequent communications and updates with employees consistent with the Corporation's priority of ensuring the health and well-being of employees, including communications related to technology and information risk;
- A plan and timeline for employees returning to the Corporation's offices will be managed prudently based on a number of factors, including public health and government directives.

The Corporation is monitoring its liquidity and capital. The Corporation held \$1.0 billion of cash and cash equivalents, including fixed income securities, at September 30, 2020 and has no material debt maturities in the near term.

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations as well as specific guidance from regulators during the COVID-19 pandemic, which require that solvency and capital ratios be maintained. Lifeco is adhering to the guidance provided by regulators as follows:

- In Canada, on March 13, 2020, the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments.
- In the U.K., the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones.
- In Ireland, the position of the Central Bank of Ireland (CBI) is that, as the impact of COVID-19 remains uncertain, insurance firms should, at this time, postpone any payment of dividend distributions or similar transactions until they can forecast their costs and future revenues with a greater degree of certainty. The CBI has indicated that it will continue to review this position in conjunction with ongoing guidance from the European Insurance and Occupational Pensions Authority and the European Systemic Risk Board.

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 Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries, 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. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Corporation currently expects that its ability to pay dividends at current levels will not be adversely impacted.

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.

Refer to the section "Summary of Critical Accounting Estimates and Judgments" in this MD&A and to Note 2 of the Interim Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. Refer to Parts C and D of this MD&A for a further discussion of the potential consequences due to COVID-19 as well as a further discussion on measurement uncertainty and the potential exposures at Lifeco and IGM.

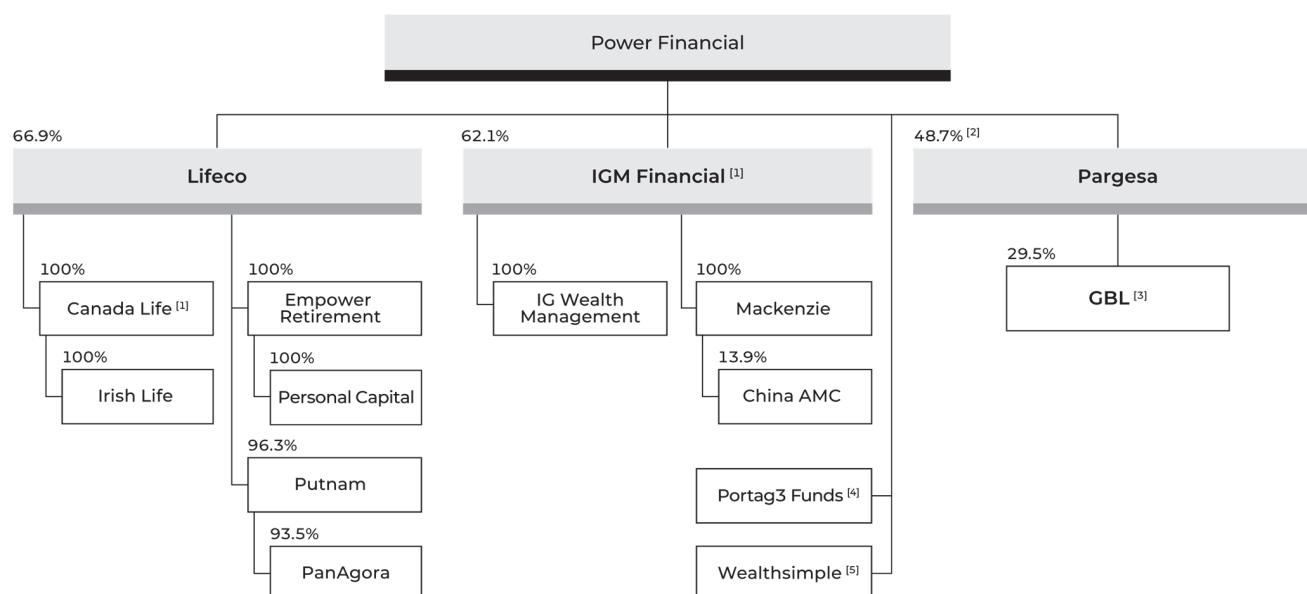
ORGANIZATION OF THE MD&A

The Corporation's MD&A consists of four parts:

- Part B – Power Financial, presented on a consolidated and non-consolidated basis;
- Part C – Lifeco's interim MD&A, as prepared and disclosed by Lifeco in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from Lifeco's website (www.greatwestlifeco.com);
- Part D – IGM's interim MD&A, as prepared and disclosed by IGM in accordance with applicable securities legislation, and which is also available either directly from SEDAR (www.sedar.com) or from IGM's website (www.igmfinancial.com);
- Part E – Pargesa's financial results, derived from publicly disclosed information, as issued by Pargesa in its third quarter press release. Further information on Pargesa's results is available on its website (www.pargesa.ch).

Lifeco (TSX: GWO) and IGM (TSX: IGM) are public companies listed on the Toronto Stock Exchange. Pargesa is a public company listed on the Swiss Stock Exchange (SIX: PARC). Market capitalizations reported in the following sections are at September 30, 2020.

The following chart reflects the economic interests held by the Corporation in its operating subsidiaries and certain other investments at September 30, 2020.



In bold: Publicly listed holdings

[1] On January 1, 2020, Great-West Life, London Life and Canada Life amalgamated into a single company: Canada Life. Canada Life holds a 3.9% interest in IGM, and IGM holds a 4.0% interest in Lifeco.

[2] Held through Parjointco, a jointly controlled corporation (50%).

[3] Represents 44.8% of the voting rights. Refer to the section "Pargesa and GBL" for a list of investments.

[4] Power Financial holds a 63% interest, and Lifeco and IGM also hold equal interests of 18.5%, in Portag3 I. Power Financial, Lifeco and IGM also hold equal interests of 7.7% in Portag3 II.

[5] Power Financial holds a 20.8% interest, and Portag3 I and IGM also hold interests of 16.5% and 46.1%, respectively, in Wealthsimple.

LIFECO

Great-West Lifeco Inc., TSX: GWO; market capitalization of \$24.1 billion at September 30, 2020, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies. Effective January 1, 2020, as a result of strategic operational changes, Lifeco divided its previously reported Europe segment into two separate reporting segments – Europe; and Capital and Risk Solutions.

In Canada, through the Individual Customer and Group Customer business units, Lifeco offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, including life, disability and critical illness insurance products as well as wealth savings and income and other speciality products. In 2019, Lifeco's three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, moved to one brand in Canada: Canada Life. Canada Life has become the brand under which the organization creates, delivers and communicates products and services in Canada across all of its lines of business. On 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 life insurance company: The Canada Life Assurance Company. This amalgamation creates operating efficiencies and simplifies Lifeco's capital structure to allow for more efficient use of capital, although it is not expected by Lifeco to have a material financial impact.

On August 4, 2020, Lifeco announced the proposed sale of GLC Asset Management Group Ltd. to Mackenzie, a subsidiary of IGM. GLC is a wholly owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. Lifeco will receive net cash consideration of \$145 million on the transaction. Lifeco expects the transaction to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals. The Corporation currently consolidates GLC and therefore the transaction will not have an impact on the consolidated statements of earnings and balance sheets.

Canada Life is also in the process of establishing its own fund management company, Canada Life Investment Management Ltd. (CLIML) and, subject to first obtaining all necessary registrations and regulatory approvals, is expected by Lifeco to commence operations in the fourth quarter of 2020. Subject to meeting regulatory and fund securityholder requirements, CLIML will assume fund management responsibilities for the Canada Life Mutual Funds, offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds in 2021. CLIML will enter into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life will enter into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie's investment management services at preferred rates.

Subsequent to the third quarter of 2020, on October 29, 2020, Lifeco announced a strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. to expand and enhance private markets product capabilities across distribution channels. Northleaf is a global private equity, private credit and infrastructure fund manager, with more than 150 employees across seven offices in Canada, the U.S., U.K. and Australia. Headquartered in Toronto, Northleaf has \$17 billion in assets under management, reflecting commitments since inception, on behalf of institutional investors and high-net worth individuals around the world. Mackenzie and Lifeco jointly acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investment industry, with an obligation and right to purchase the remaining equity and voting interests 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 United States segment operates two primary business units, Financial Services and Asset Management. Empower Retirement, the Financial Services unit, is a leading provider of employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. Financial Services also includes a retained block of life insurance, predominately participating policies, which are administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. The Asset Management unit, Putnam, provides investment management, certain administrative functions, and distribution services as well as offers a broad range of investment products, including equity, fixed income, absolute return and alternative strategies. PanAgora, a Putnam affiliate, offers a broad range of investment solutions using sophisticated quantitative techniques.

On August 17, 2020, Empower Retirement completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital, which included the 24.8% interest owned by IGM (approximately 21.7% after giving effect to dilution), for US\$825 million on closing and deferred consideration of up to US\$175 million subject to achievement of target growth objectives. Lifeco funded the upfront consideration with cash on hand and US\$500 million in debt financing. Lifeco's third quarter 2020 results include the results of Personal Capital from the August 17, 2020 acquisition date.

Lifeco expects to incur one-time integration expenses of US\$57 million pre-tax, with the integration of Personal Capital expected to be completed in the first quarter of 2022. In addition, Lifeco incurred transaction expenses of US\$20 million post-tax to date in the third quarter of 2020.

On September 8, 2020, Empower Retirement, announced that it has reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company, strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Based on the terms of the agreement, and subject to regulatory approvals, Empower Retirement will acquire the retirement services business of MassMutual for a total value of approximately US\$3.35 billion. The value includes a reinsurance ceding commission of US\$2.35 billion and US\$1.0 billion of required capital to support the business. Lifeco intends to fund the transaction with existing cash, short-term debt and US\$1.5 billion of long-term debt issued on September 17, 2020. 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.

This transaction increases the synergy potential of Empower Retirement's acquisition of Personal Capital across a larger combined business. In addition, Empower Retirement and MassMutual intend to enter into a strategic partnership through which digital insurance products offered by Haven Life Insurance Agency, LLC and MassMutual's voluntary insurance and lifetime income products will be made available to customers of Empower Retirement and Personal Capital. Lifeco anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto Empower Retirement's record-keeping platform. Run-rate cost synergies are expected to be US\$160 million pre-tax at the end of integration in 2022. Revenue synergies in 2022 are expected by Lifeco to be US\$30 million pre-tax and continue to grow beyond 2022. Lifeco expects to incur one-time integration expenses of US\$125 million pre-tax and transaction expenses of US\$55 million pre-tax, of which US\$4 million post-tax were incurred in the third quarter of 2020. Lifeco expects the integration to be completed within 18 months following closing.

The Reinsured Insurance & Annuity Business unit of the U.S. segment reflects substantially all of the individual life insurance and annuity business sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

The Europe segment comprises three distinct business units: United Kingdom, Ireland and Germany. The U.K. business unit offers bulk and individual payout annuities, equity-release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. The Ireland business unit offers savings and investments, individual and group life insurance, health insurance and pension products. The German business unit offers pension, lifetime guaranteed minimum withdrawal benefit and individual protection products.

On August 4, 2020, Irish Life completed the sale of Irish Progressive Services International Limited (IPSI), a wholly owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ Group of companies. Lifeco recognized a net gain of \$94 million post-tax resulting from the transaction.

The Capital and Risk Solutions segment includes the operating results of the reinsurance business unit which operates primarily in the U.S., Barbados and Ireland.

At September 30, 2020, Power Financial and IGM held interests of 66.9% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

See Part C of this MD&A for additional information on Lifeco.

IGM FINANCIAL

IGM Financial Inc., TSX: IGM; market capitalization of \$7.3 billion at September 30, 2020, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of IGM's business. IGM now has three reportable segments: Wealth Management, Asset Management and Strategic Investments and Other.

The Wealth Management segment reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households and represents the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations that serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. The Wealth Management segment provides a comprehensive planning approach through IG Wealth Management consultants and IPC advisors by offering a broad range of financial products and services including a broad selection of mutual funds, managed portfolios, advisory accounts and unique portfolio management programs as well as insurance products and mortgage and banking solutions. IG Wealth Management distinguishes itself from its competition by offering comprehensive planning to its clients within the context of long-term relationships. Investment Planning Counsel is an independent distributor of financial products, services and advice in Canada.

The Asset Management segment reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third-party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors. Mackenzie Investments is a diversified asset management solutions provider and offers a wide range of investment mandates through a boutique structure and use multiple distribution channels. Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

On August 4, 2020, Mackenzie, entered into a definitive agreement to acquire all of the common shares of GLC, a wholly owned subsidiary of Lifeco, for cash consideration of \$175 million. GLC has \$37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life. As part of the deal, Canada Life will acquire the fund management contracts relating to the private label Quadrus Group of Funds (QGOF) from Mackenzie for total 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. IGM expects the transaction to close in the fourth quarter of 2020 subject to customary closing conditions, including regulatory approvals. The Corporation, through Lifeco, currently consolidates GLC and therefore the transaction will not have an impact on the consolidated statements of earnings and balance sheets.

On October 29, 2020, Mackenzie, together with Lifeco, announced that they acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco 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. The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. 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. The financial results of Northleaf will be recorded in IGM's Strategic Investments and Other segment.

The Strategic Investments and Other segment primarily represents the key strategic investments made by IGM, including China AMC, Lifeco, Wealthsimple, and the Portag3 Ventures funds (refer to the section "Fintech Investments"), as well as unallocated capital.

IGM holds a 13.9% interest in China AMC, one of the first fund management companies in China, which has developed and maintained its position among the market leaders in China's asset management industry. China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,248 billion (C\$240 billion) at June 30, 2020. Power Financial's parent company, Power Corporation, directly holds a 13.9% equity interest in China AMC. Power Corporation and IGM hold a combined 27.8% interest in China AMC. Power Corporation and IGM have significant influence and account for their interests as an associate using the equity method.

During the quarter, IGM sold its 24.8% equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$233 million (US\$176 million) and up to an additional US\$25 million in consideration subject to Personal Capital achieving certain target growth objectives. The investment in Personal Capital had been classified as an associate by the Corporation and recorded using the equity method. As a result of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital which led to the recognition of a gain, as a result of the investment in Personal Capital being measured at fair value on the date control was attained, of \$37 million.

At September 30, 2020, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's common shares.

See Part D of this MD&A for additional information on IGM.

PARGESA AND GBL

Power Financial Europe B.V., a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. Parjointco holds a controlling interest in Pargesa.

Pargesa, SIX: PARG; is a holding company which holds an interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

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. 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.

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.

GBL, EBR: GBLB; market capitalization of €12.4 billion, is one of the largest listed holding companies in Europe. As a holding company focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

At September 30, 2020, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

▪ Imerys (EPA: NK) – mineral-based specialty solutions for industry ▪ SGS (SIX: SGSN) – testing, inspection and certification ▪ adidas (XETR: ADS) – design and distribution of sportswear ▪ Pernod Ricard (EPA: RI) – wines and spirits ▪ LafargeHolcim (SIX: HOLN and EPA: LHN) – cement, aggregates and concrete	▪ Umicore (EBR: UMI) – materials technology and recycling of precious metals ▪ GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors ▪ Ontex (EBR: ONTEX) – disposable hygiene products

PRIVATELY HELD

▪ Webhelp – provider of customer experience and business process outsourcing	▪ Parques – operation of regional leisure parks

In addition, through its subsidiary Sienna Capital, GBL is developing a portfolio of private equity, debt and thematic funds.

During the second quarter of 2019, GBL sold its 0.6% interest in Total through forward sales contracts maturing in January 2020. GBL realized a gain of €411 million in the first quarter of 2020.

At September 30, 2020, Pargesa's net asset value was SF8,375 million, compared with SF10,946 million at December 31, 2019. GBL's net asset value at September 30, 2020 was €18,008 million, compared with €20,349 million at December 31, 2019.

See Part E of this MD&A for additional information on Pargesa.

FINTECH INVESTMENTS

The Corporation's fintech investments are comprised of investments in the Portag3 I and Portag3 II funds, Wealthsimple and Koho. These investments are managed by Sagard Holdings, a subsidiary of Power Corporation.

Portag3 Funds

The Corporation, together with IGM and Lifeco (the Group), are anchor investors in the Portag3 I and Portag3 II funds. The funds are dedicated to backing innovative financial services companies. To date, the funds have invested in more than 50 fintech companies and investment funds, focused on early stage investments in specific verticals within the global financial technology sector.

Portag3 I held investments of \$53 million at September 30, 2020 (\$64 million at December 31, 2019), excluding the investments in consolidated subsidiaries Wealthsimple and Koho discussed below. During the second quarter of 2020, Portag3 I distributed \$12 million to its investors.

Portag3 II has total capital commitments of \$427 million, of which Power Financial, Lifeco and IGM have each committed \$33 million for a total of \$99 million. At September 30, 2020, the fair value and cost of Portag3 II's investment portfolio, excluding the investment in the consolidated subsidiary Koho, were \$190 million (\$143 million at December 31, 2019) and \$149 million (\$110 million at December 31, 2019), respectively.

Wealthsimple

At September 30, 2020, Portag3 I, Power Financial and IGM held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 83.4%, representing a voting interest of 85.3% and a fully diluted equity interest of 70.1%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to scale its presence in the marketplace and expand its suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple Crypto and Wealthsimple for Work (W4W). At September 30, 2020, Wealthsimple had over 500,000 clients across the Canadian, United States and United Kingdom markets with assets under administration of over \$8.3 billion, compared with \$4.3 billion (excluding the assets under administration of Wealthsimple for Advisors) at September 30, 2019, representing a year-over-year growth of 89.5%.

On September 14, 2020, Wealthsimple completed the sale of Wealthsimple for Advisors to Purpose Advisor Solutions.

At September 30, 2020, the cost of the Group's investment in Wealthsimple was \$315 million (same as at December 31, 2019).

On October 14, 2020, Wealthsimple announced the closing of a \$114 million investment on a pre-money valuation of \$1.4 billion. The investment was led by TCV, one of the largest growth equity investors focused on technology, along with Greylock Partners, Meritech Capital, Allianz X and Two Sigma Ventures. As a result of the investment, these investors acquired an ownership interest of 7.5% on a fully diluted basis. With the closing of the investment, the Group now has an ownership interest in Wealthsimple of 61.7% on a fully diluted basis.

Koho

At September 30, 2020, Portag3 II and Portag3 I, the Corporation, Lifeco and IGM, through a limited partnership controlled by Power Financial, held a 54.4% equity interest in Koho. Koho is a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to traditional banks. At September 30, 2020, the cost of the Group's investment in Koho was \$32 million (same as at December 31, 2019).

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The Interim Consolidated Financial Statements of the Corporation have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34) and are presented in Canadian dollars.

Consolidated financial statements present, as a single economic entity, the assets, liabilities, revenues, expenses and cash flows of the parent company and its subsidiaries. The consolidated financial statements present the financial results of Power Financial (parent) and Lifeco, IGM, Wealthsimple, Koho and the Portag3 funds (Power Financial's controlled operating subsidiaries) after the elimination of intercompany balances and transactions.

Power Financial's investment in Pargesa is held through Parjointco. Parjointco is a holding company jointly controlled by Power Financial and the Frère Group. Power Financial's investment in Parjointco is accounted for using the equity method, in which the investment is initially recognized at cost and adjusted thereafter for:

- Power Financial's share of:
 - Net earnings or loss in Pargesa;
 - Other comprehensive income or loss in Pargesa; and
 - Pargesa's other changes in equity.
- Dividends received from Parjointco.

The following table summarizes the accounting presentation for the Corporation's holdings:

Control	Accounting Method	Earnings and Other Comprehensive Income	Impairment Testing	Impairment Reversal
Controlling interest in the entity	Consolidation	Consolidated with non-controlling interests	Goodwill and indefinite life intangible assets are tested at least annually for impairment	Impairment of goodwill cannot be reversed Impairment of intangible assets is reversed if there is evidence of recovery of value
Significant influence or joint control	Equity method	Corporation's share of earnings and other comprehensive income	Entire investment is tested for impairment	Reversed if there is evidence the investment has recovered its value
Investment	Available for sale (AFS)	Earnings consist of dividends received and gains or losses on disposals The investments are marked to market through other comprehensive income Earnings are reduced by impairment charges, if any	Impairment testing is done at the individual investment level A significant or prolonged decline in the value of the investment results in an impairment charge A share price decrease subsequent to an impairment charge leads to a further impairment	A subsequent recovery of value does not result in a reversal

At September 30, 2020, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Lifeco ^[1]	66.9	Controlling interest	Consolidation
IGM ^[2]	62.1	Controlling interest	Consolidation
Pargesa ^[3]	48.7	Joint control	Equity method
Portag3 I ^[4]	63.0	Controlling interest	Consolidation
Portag3 II ^[5]	7.7	Controlling interest	Consolidation
Wealthsimple ^[6]	20.8	Controlling interest	Consolidation
Koho ^[7]	6.5	Controlling interest	Consolidation

[1] IGM also holds a 4.0% interest in Lifeco.

[2] Canada Life also holds a 3.9% interest in IGM.

[3] Held through Parjointco, a jointly controlled corporation (50%).

[4] Lifeco and IGM also hold equal interests of 18.5% in Portag3 I.

[5] Lifeco and IGM also hold equal interests of 7.7% in Portag3 II.

[6] Portag3 I and IGM also hold interests of 16.5% and 46.1%, respectively, in Wealthsimple (see also the section "Wealthsimple").

[7] Lifeco and IGM also hold equal interests of 6.5% and Portag3 I and Portag3 II hold interests of 2.7% and 32.1%, respectively, in Koho.

At September 30, 2020, Pargesa's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	29.5	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
SGS	18.9	Investment	Available for sale
adidas	6.8	Investment	Available for sale
Pernod Ricard	7.6	Investment	Available for sale
LafargeHolcim	7.6	Investment	Available for sale
Umicore	18.0	Investment	Available for sale
GEA	8.5	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Capital ^[1]	100.0	Controlling interest	Consolidation
Webhelp	63.3	Controlling interest	Consolidation
Parques	23.0	Significant influence	Equity method

[1] Sienna Capital holds a portfolio of investments in alternative investment funds.

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2019 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 6);
- Investments in jointly controlled corporations and associates (Note 8);
- Goodwill and intangible assets (Note 11); and
- Non-controlling interests (Note 20).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

This MD&A presents and discusses financial measures which are not in accordance with IFRS. Management uses these financial measures in its presentation and analysis of the financial performance of Power Financial, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. The non-IFRS financial measures used in this MD&A are defined as follows:

Non-IFRS financial measure	Definition	Purpose
Non-consolidated basis of presentation	Power Financial's interests in Lifeco, IGM, Portag3 I, Portag3 II, Wealthsimple and Koho are accounted for using the equity method.	Used by the Corporation to present and analyze its results, financial position and cash flows. Presents the holding company's (parent) results separately from the results of its consolidated operating companies. As a holding company, management reviews and assesses the performance of each operating company's contribution to net earnings and adjusted net earnings. This presentation is useful to the reader to assess the impact of the contribution to earnings for each subsidiary.
Adjusted net earnings	Net earnings excluding Adjustments.	Assists in the comparison of the current period's results to those of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries and excludes items that are not considered to be part of the underlying business results.
Adjustments	After-tax impact of any item that in management's judgment would make the period-over-period comparison of results from operations less meaningful. Includes the Corporation's share of Lifeco's impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation.	Identifies items that are not considered part of operating performance by management. The exclusion of these items assists management and the reader in assessing current results as these items are not reflective of underlying business results.
Adjusted net earnings per share	Earnings per share calculated using adjusted net earnings. Adjusted net earnings divided by the weighted average number of common shares outstanding.	Assists in comparing adjusted net earnings on a per share basis.
Net asset value	Net asset value is the fair value of Power Financial's non-consolidated assets less its net debt and preferred shares. The investments held in public entities (Lifeco, IGM and Pargesa) are measured at their market value and investments in private entities are measured at management's estimate of fair value.	Presents the fair value of the net assets of the holding company and is used to assist in assessing value. This measure may be used by investors in determining or comparing the fair value of investments held by the company or its overall fair value.
Net asset value per share	Net asset value calculated on a per share basis. Net asset value divided by the number of common shares outstanding.	Assists the reader in comparing net asset value on a per share basis.

Effective the first quarter of 2020, the Corporation introduced a modified definition of its non-IFRS earnings measure, Adjusted net earnings. This change is consistent with the introduction of base earnings by Lifeco which was introduced in the first quarter of 2020 to reflect management's view of the operating performance of Lifeco. Lifeco defines base earnings (loss) as net earnings excluding the impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, and items that management believes are not indicative of the company's underlying business results. The definition of Adjustments includes what the Corporation previously presented as other items and also includes Lifeco's impact of actuarial assumption changes and management actions, and direct equity and interest rate market impacts on insurance contract liabilities net of hedging. The definition of Adjustments used in Adjusted net earnings is being adopted to enhance comparability of results between reporting periods and in anticipation of Lifeco's implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been restated to reflect the introduction of this modified measure.

These non-IFRS financial measures do not have a standard meaning and may not be comparable to similar measures used by other entities. Reconciliations of the net asset value and the non-IFRS basis of presentation with the presentation in accordance with IFRS are included throughout this MD&A.

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

The following tables present a reconciliation of net earnings reported in accordance with IFRS to non-IFRS financial measures: adjusted net earnings, adjustments and related per share amounts. Adjusted net earnings and adjusted net earnings per share are presented in the section "Non-Consolidated Statements of Earnings":

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Net earnings – IFRS financial measure ^[1]	1,508	1,563	503	676	584
Share of Adjustments ^[2] , net of tax					
Lifeco	(69)	18	(99)	(105)	(35)
IGM	31	1	30	(4)	(1)
Pargesa	6	13	2	3	6
	(32)	32	(67)	(106)	(30)
Adjusted net earnings – Non-IFRS financial measure ^[1]	1,476	1,595	436	570	554

[1] Attributable to common shareholders of Power Financial.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM and Pargesa.

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Net earnings per share – IFRS financial measure ^[1]	2.27	2.29	0.75	1.02	0.88
Share of Adjustments ^[2] , net of tax					
Lifeco	(0.11)	0.02	(0.15)	(0.16)	(0.06)
IGM	0.05	–	0.05	(0.01)	–
Pargesa	0.01	0.02	–	0.01	0.01
	(0.05)	0.04	(0.10)	(0.16)	(0.05)
Adjusted net earnings per share – Non-IFRS financial measure ^[1]	2.22	2.33	0.65	0.86	0.83

[1] Attributable to common shareholders of Power Financial.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM and Pargesa.

Results of Power Financial

This section presents:

- the “Consolidated Statements of Earnings in accordance with IFRS”; and
- the “Non-Consolidated Statements of Earnings”, which present the contributions of operating subsidiaries and Pargesa to the net earnings and adjusted net earnings of Power Financial.

Refer to the section “Non-IFRS Financial Measures and Presentation” for a description of the non-consolidated basis of presentation and a reconciliation of IFRS and non-IFRS financial measures.

DEFERRAL OF IFRS 9, *FINANCIAL INSTRUMENTS* (IFRS 9)

In May 2017, the International Accounting Standards Board (IASB) issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* and will be applied retrospectively. In June 2020, the IASB issued amendments to IFRS 17, which include an amendment to the effective date of the standard to January 1, 2023. In addition, the IASB extended to January 1, 2023 the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments*, so that both IFRS 9 and IFRS 17 will have the same effective date.

IGM, a subsidiary, and Pargesa, held through Parjointco, a jointly controlled corporation, do not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted but not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation decided to continue applying accounting policies in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, to Pargesa's results. On consolidation, the Corporation has adjusted the results of both IGM and Pargesa to be in accordance with IAS 39. Refer to the specific discussion included in the IGM and Pargesa sections “Contribution to net earnings and adjusted net earnings”.

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Financial's consolidated statements of earnings for the nine months and three months ended September 30, 2020 are presented below. The Corporation's operating segments are Lifeco, IGM and Pargesa. This table reflects the contributions to the net earnings attributable to Power Financial's common shareholders from Lifeco, IGM and Pargesa.

Consolidated net earnings - Nine months ended

	Lifeco	IGM ^[1]	Pargesa ^[2]	Corporate ^[3]	Power Financial Consolidated net earnings	
					September 30, 2020	September 30, 2019
Revenues						
Total net premiums ^[4]	31,272	-	-	(15)	31,257	15,017
Net investment income	8,118	127	-	(83)	8,162	13,514
Fee income ^[4]	4,333	2,270	-	(37)	6,566	7,786
Total revenues	43,723	2,397	-	(135)	45,985	36,317
Expenses						
Total paid or credited to policyholders	34,932	-	-	-	34,932	25,322
Commissions	1,739	800	-	(32)	2,507	2,562
Operating and administrative expenses	4,525	864	-	204	5,593	5,361
Financing charges	205	83	-	31	319	325
Total expenses	41,401	1,747	-	203	43,351	33,570
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,322	650	-	(338)	2,634	2,747
Share of earnings of investments in jointly controlled corporations and associates	-	25	72	52	149	176
Earnings before income taxes	2,322	675	72	(286)	2,783	2,923
Income taxes	101	140	-	4	245	398
Net earnings	2,221	535	72	(290)	2,538	2,525
Attributable to						
Non-controlling interests	873	242	-	(188)	927	858
Perpetual preferred shareholders	-	-	-	103	103	104
Common shareholders of Power Financial	1,348	293	72	(205)	1,508	1,563
	2,221	535	72	(290)	2,538	2,525

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. The Corporation's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including the Corporation's share of gains realized on the sale of an investment and impairment charges on investments classified as fair value through other comprehensive income (FVOCI) by Pargesa.

[3] "Corporate" is comprised of the results of Portag3 I, Portag3 II, Wealthsimple and Koho, the Corporation's investment activities, corporate operations and consolidation entries.

[4] In the second quarter of 2019 as a result of Lifeco's sale, via indemnity insurance, of its U.S. individual life insurance and annuity business to Protective Life effective June 1, 2019, total net premiums include \$13.9 billion of premiums ceded to Protective Life and fee income includes \$1.1 billion of ceding commission received from Protective Life.

Consolidated net earnings – Three months ended

	Lifeco	IGM ^[1]	Pargesa ^[2]	Corporate ^[3]	Power Financial Consolidated net earnings		
					September 30, 2020	June 30, 2020	September 30, 2019
Revenues							
Total net premiums	9,976	–	–	(5)	9,971	10,385	9,319
Net investment income	2,277	53	–	(41)	2,289	7,936	3,590
Fee income	1,486	801	–	(32)	2,255	2,125	2,249
Total revenues	13,739	854	–	(78)	14,515	20,446	15,158
Expenses							
Total paid or credited to policyholders	10,668	–	–	–	10,668	16,559	11,440
Commissions	549	273	–	(10)	812	813	830
Operating and administrative expenses	1,542	328	–	121	1,991	1,773	1,730
Financing charges	71	28	–	9	108	108	107
Total expenses	12,830	629	–	120	13,579	19,253	14,107
Earnings before investments in jointly controlled corporations and associates, and income taxes	909	225	–	(198)	936	1,193	1,051
Share of earnings of investments in jointly controlled corporations and associates	1	10	(45)	47	13	53	33
Earnings before income taxes	910	235	(45)	(151)	949	1,246	1,084
Income taxes	19	44	–	2	65	144	109
Net earnings	891	191	(45)	(153)	884	1,102	975
Attributable to							
Non-controlling interests	345	106	–	(104)	347	392	356
Perpetual preferred shareholders	–	–	–	34	34	34	35
Common shareholders of Power Financial	546	85	(45)	(83)	503	676	584
	891	191	(45)	(153)	884	1,102	975

[1] Results reported by IGM are in accordance with IFRS 9. As the Corporation has not adopted IFRS 9, adjustments in accordance with IAS 39 have been recognized on consolidation and included in "Corporate".

[2] Results reported by Pargesa are in accordance with IFRS 9. The Corporation's share of earnings of Pargesa includes adjustments in accordance with IAS 39, including the Corporation's share of gains realized on the sale of an investment and impairment charges on investments classified as FVOCI by Pargesa.

[3] "Corporate" is comprised of the results of Portag3 I, Portag3 II, Wealthsimple and Koho, the Corporation's investment activities, corporate operations and consolidation entries.

As a holding company, the Corporation evaluates the performance of each segment based on its contribution to net earnings and adjusted net earnings. A discussion of the results of Lifeco, IGM and Pargesa is provided in the section "Contribution to net earnings and adjusted net earnings" below.

NON-CONSOLIDATED STATEMENTS OF EARNINGS

In this section, the contributions from Lifeco and IGM to the net earnings and adjusted net earnings attributable to Power Financial's common shareholders are accounted for using the equity method.

Contribution to adjusted and net earnings

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings ^[1]					
Lifeco ^[2]	1,289	1,258	454	472	452
IGM ^[2]	347	348	133	114	126
Pargesa ^[2]	73	130	(15)	84	40
Consolidation entries ^[3]	(28)	39	(53)	(48)	(7)
	1,681	1,775	519	622	611
Corporate operations	(102)	(76)	(49)	(18)	(22)
Dividends on perpetual preferred shares	(103)	(104)	(34)	(34)	(35)
Adjusted net earnings ^[4]	1,476	1,595	436	570	554
Adjustments ^[5]					
Lifeco	69	(18)	99	105	35
IGM	(31)	(1)	(30)	4	1
Pargesa	(6)	(13)	(2)	(3)	(6)
	32	(32)	67	106	30
Net earnings ^[4]	1,508	1,563	503	676	584

Contribution to adjusted and net earnings per share

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share – basic ^[1]					
Lifeco ^[2]	1.94	1.84	0.68	0.71	0.68
IGM ^[2]	0.52	0.51	0.20	0.17	0.19
Pargesa ^[2]	0.11	0.19	(0.02)	0.12	0.06
Consolidation entries ^[3]	(0.03)	0.05	(0.08)	(0.06)	(0.01)
	2.54	2.59	0.78	0.94	0.92
Corporate operations	(0.16)	(0.11)	(0.08)	(0.03)	(0.04)
Dividends on perpetual preferred shares	(0.16)	(0.15)	(0.05)	(0.05)	(0.05)
Adjusted net earnings per share ^[4]	2.22	2.33	0.65	0.86	0.83
Adjustments ^[5]					
Lifeco	0.11	(0.02)	0.15	0.16	0.06
IGM	(0.05)	-	(0.05)	0.01	-
Pargesa	(0.01)	(0.02)	-	(0.01)	(0.01)
	0.05	(0.04)	0.10	0.16	0.05
Net earnings per share ^[4]	2.27	2.29	0.75	1.02	0.88

[1] For a reconciliation of Lifeco and IGM's non-IFRS adjusted net earnings per share to their net earnings per share, refer to the section "Contribution to net earnings and adjusted net earnings" below.

[2] As reported by Lifeco, IGM and Pargesa.

[3] Consolidation entries include an allocation of the results of Wealthsimple, Koho, Portag3 I and Portag3 II, to the contributions from Lifeco and IGM based on their respective interest and reflect adjustments in accordance with IAS 39 for IGM and Pargesa. The third quarter of 2020 includes a charge of \$36 million or \$0.05 per share related to an allocation of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and carried interests payable.

[4] Attributable to common shareholders.

[5] See "Adjustments" section below.

2020 vs. 2019

Q3 2020 vs. Q3 2019 and Q2 2020

Net earnings

\$1,508 million or \$2.27 per share, compared with \$1,563 million or \$2.29 per share in the corresponding period in 2019, a decrease of 0.9% on a per share basis.

\$503 million or \$0.75 per share, compared with \$584 million or \$0.88 per share in the corresponding period in 2019, a decrease of 14.8% on a per share basis, and \$676 million or \$1.02 per share in the second quarter of 2020.

Adjusted net earnings

\$1,476 million or \$2.22 per share, compared with \$1,595 million or \$2.33 per share in the corresponding period in 2019, a decrease of 4.7% on a per share basis.

\$436 million or \$0.65 per share, compared with \$554 million or \$0.83 per share in the corresponding period in 2019, a decrease of 21.7% on a per share basis, and \$570 million or \$0.86 per share in the second quarter of 2020.

Contribution to net earnings and adjusted net earnings from Lifeco, IGM and Pargesa

Contribution to net earnings of \$1,713 million, compared with \$1,743 million in the corresponding period in 2019, a decrease of 1.7%.

Contribution to net earnings of \$586 million, compared with \$641 million in the corresponding period in 2019, a decrease of 8.6%, and \$728 million in the second quarter of 2020.

Contribution to adjusted net earnings of \$1,681 million, compared with \$1,775 million in the corresponding period in 2019, a decrease of 5.3%.

Contribution to adjusted net earnings of \$519 million, compared with \$611 million in the corresponding period in 2019, a decrease of 15.1%, and \$622 million in the second quarter of 2020.

A discussion of the results of the Corporation is provided in the sections "Contribution to net earnings and adjusted net earnings", "Corporate operations", and "Adjustments" below.

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS**LIFECO****Contribution to Power Financial**

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Financial's ^[1] :					
Adjusted net earnings					
As reported by Lifeco	1,289	1,258	454	472	452
Consolidation entries	(10)	(2)	(7)	(2)	1
	1,279	1,256	447	470	453
Adjustments	69	(18)	99	105	35
Net earnings	1,348	1,238	546	575	488

[1] The average direct ownership of Power Financial in Lifeco was 66.9% for the quarter ended September 30, 2020 (66.8% in the corresponding period in 2019).

Adjusted and net earnings per share as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share ^[1, 2]	2.078	1.968	0.732	0.761	0.729
Adjustments ^[3]	0.112	(0.028)	0.159	0.169	0.057
Net earnings per share^[1]	2.190	1.940	0.891	0.930	0.786

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings per common share" by Lifeco; refer to Part C of this MD&A. Effective the first quarter of 2020, Lifeco introduced an enhanced non-IFRS earnings measure to reflect management's view of the operating performance of Lifeco. The measure – base earnings (loss) – is being adopted to enhance comparability of results between reporting periods and in anticipation of the implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been adjusted to reflect this change.

[3] See "Adjustments" section below.

Adjusted and net earnings (loss) as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings (loss) ^[1, 2, 3]					
Canada	858	904	270	315	355
United States	183	261	83	83	79
Europe	493	479	182	179	161
Capital and Risk Solutions	412	244	156	137	86
Lifeco Corporate	(18)	(15)	(12)	(8)	(4)
	1,928	1,873	679	706	677
Adjustments ^[4, 5]					
Actuarial assumption changes and other management actions	136	248	66	122	81
Market-related impacts on liabilities	(96)	(76)	18	35	(28)
Net gain on sale of Irish Progressive Services International Limited	94	-	94	-	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual ^[6]	(31)	-	(31)	-	-
Net charge on the sale, via reinsurance, of U.S. individual life insurance and annuity business	-	(199)	-	-	-
	103	(27)	147	157	53
Net earnings (loss) ^[1, 3]					
Canada	770	863	266	353	300
United States	172	60	89	78	77
Europe	660	669	316	253	282
Capital and Risk Solutions	447	269	167	187	75
Lifeco Corporate	(18)	(15)	(12)	(8)	(4)
Net earnings	2,031	1,846	826	863	730

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings" by Lifeco; refer to Part C of this MD&A.

[3] Effective January 1, 2020, as a result of strategic operational changes, Lifeco has divided the previously reported Europe segment into two separate reporting segments – Europe and Capital and Risk Solutions. Lifeco's other reportable segments – Canada, United States and Lifeco Corporate – are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[4] Described as "items excluded from base earnings" by Lifeco; refer to Part C of this MD&A.

[5] See "Adjustments" section below.

[6] The transaction costs incurred to date relating to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

Net earnings (loss) by segment as reported by Lifeco

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Canada ^[1]					
Individual Customer	326	344	119	195	85
Group Customer	478	518	134	197	206
Canada Corporate	(34)	1	13	(39)	9
	770	863	266	353	300
United States ^[1]					
Financial Services ^[2]	224	178	112	68	63
Asset Management	(17)	15	13	12	13
U.S. Corporate	(35)	3	(36)	(2)	1
Reinsured Insurance & Annuity Business ^[2]	-	(136)	-	-	-
	172	60	89	78	77
Europe ^[1]					
United Kingdom	267	360	67	109	167
Ireland	281	191	196	101	83
Germany	121	125	56	46	36
Europe Corporate	(9)	(7)	(3)	(3)	(4)
	660	669	316	253	282
Capital and Risk Solutions ^[1]					
Reinsurance	450	269	168	188	75
Capital and Risk Solutions Corporate	(3)	-	(1)	(1)	-
	447	269	167	187	75
Lifeco Corporate ^[1]	(18)	(15)	(12)	(8)	(4)
Net earnings ^[3]	2,031	1,846	826	863	730

[1] Effective January 1, 2020, as a result of strategic operational changes, Lifeco has divided the previously reported Europe segment into two separate reporting segments – Europe and Capital and Risk Solutions. Lifeco's other reportable segments – Canada, United States and Lifeco Corporate – are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[2] The Reinsured Insurance & Annuity Business unit reflects business transferred to Protective Life under an indemnity reinsurance agreement effective on June 1, 2019. Comparative figures have been adjusted to reflect the current presentation.

[3] Attributable to Lifeco common shareholders.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
\$2,031 million or \$2.190 per share, compared with \$1,846 million or \$1.940 per share in the corresponding period in 2019, an increase of 12.9% on a per share basis.	\$826 million or \$0.891 per share, compared with \$730 million or \$0.786 per share in the corresponding period in 2019, an increase of 13.4% on a per share basis, and \$863 million or \$0.930 per share in the second quarter of 2020.
Adjusted net earnings	
\$1,928 million or \$2.078 per share, compared with \$1,873 million or \$1.968 per share in the corresponding period in 2019, an increase of 5.6% on a per share basis.	\$679 million or \$0.732 per share, compared with \$677 million or \$0.729 per share in the corresponding period in 2019, an increase of 0.4% on a per share basis, and \$706 million or \$0.761 per share in the second quarter of 2020.

CANADA

Net earnings in the nine-month period ended September 30, 2020 decreased by \$93 million to \$770 million, compared with the corresponding period in 2019. Adjusted net earnings were \$858 million in the nine-month period ended September 30, 2020, and excluded Adjustments of \$88 million as discussed below. Adjustments in the corresponding period in 2019 were \$41 million.

Net earnings in the three-month period ended September 30, 2020 decreased by \$34 million to \$266 million, compared with the corresponding quarter in 2019. Adjusted net earnings were \$270 million in the three-month period ended September 30, 2020, and excluded Adjustments of \$4 million as discussed below. Adjustments in the corresponding period in 2019 were \$55 million.

Individual Customer

Net earnings in the nine-month period ended September 30, 2020 decreased by \$18 million to \$326 million, compared with the same period last year. The decrease was primarily due to:

- Lower net fee income and less favourable impact of new business and morbidity experience; and
- Other market-related impacts, primarily driven by the impact of the equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Partially offset by:

- Favourable mortality experience and improved policyholder behaviour experience; and
- Lower unfavourable contributions from insurance contract liability basis changes.

Net earnings in the three-month period ended September 30, 2020 increased by \$34 million to \$119 million, compared with the same quarter last year. The increase was primarily due to:

- Unfavourable contributions from insurance contract liability basis changes in 2019. Insurance contract liability basis changes in the third quarter of 2019 include the unfavourable impact of updates to policyholder behaviour assumptions and updates to the ultimate reinvestment rate, driven by the actuarial standards updates, partially offset by favourable impact of updates to morbidity assumptions.

Partially offset by:

- Lower contributions from investment experience; and
- Less favourable impact of new business and mortality experience.

Group Customer

Net earnings in the nine-month period ended September 30, 2020 decreased by \$40 million to \$478 million, compared with the same period last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes, partially offset by higher tax benefits.

Net earnings in the three-month period ended September 30, 2020 decreased by \$72 million to \$134 million, compared with the same quarter last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes.

UNITED STATES

Net earnings in the nine-month period ended September 30, 2020 increased by \$112 million to \$172 million, compared with the corresponding period in 2019. Adjusted net earnings were \$183 million in the nine-month period ended September 30, 2020, and excluded Adjustments of \$11 million as discussed below. Adjustments in the corresponding period in 2019 were \$201 million.

Net earnings in the three-month period ended September 30, 2020 increased by \$12 million to \$89 million, compared with the corresponding quarter in 2019. Adjusted net earnings were \$83 million in the three-month period ended September 30, 2020, and excluded Adjustments of a positive earnings impact of \$6 million as discussed below. Adjustments in the corresponding period in 2019 were \$2 million.

Financial Services

For the nine-month period ended September 30, 2020, net earnings were US\$166 million (C\$224 million), compared with US\$135 million (C\$178 million) in the same period last year. The increase of US\$31 million was primarily due to:

- Higher contributions from investment experience and net business growth; and
- Higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.

Partially offset by:

- Personal Capital related net loss of US\$5 million; and
- Market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits.

For the three-month period ended September 30, 2020, net earnings were US\$84 million (C\$112 million), compared with US\$49 million (C\$63 million) in the same quarter last year. The increase of US\$35 million was primarily due to:

- Higher contributions from investment experience and net business growth; and
- Higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.
- Partially offset by Personal Capital related net loss of US\$5 million.

Asset Management

For the nine-month period ended September 30, 2020, the net loss was US\$12 million (C\$17 million), compared with net earnings of US\$11 million (C\$15 million) in the same period last year. The increase in the net loss of US\$23 million was primarily due to lower net investment income on seed capital, driven by the decline in markets during the first quarter of 2020. The net loss in 2020 includes financing and other expenses of US\$26 million (C\$36 million), comparable with the corresponding period in 2019.

For the three-month period ended September 30, 2020, net earnings were US\$10 million (C\$13 million), compared with net earnings of US\$9 million (C\$13 million) in the same quarter last year. The increase in net earnings of US\$1 million was primarily due to higher net investment income on seed capital driven by in-period market recoveries partially offset by higher sales and compensation related expenses. Net earnings in the third quarter of 2020 includes financing and other expenses of US\$9 million (C\$12 million), comparable with the corresponding quarter in 2019.

Reinsured Insurance & Annuity Business

For the nine-month period ended September 30, 2020, there was no earnings impact, compared with a net loss of US\$101 million (C\$136 million) for the same period last year. Following the sale, via indemnity reinsurance, to Protective Life in 2019, there were no additional sales, fee and other income and net earnings related to this business unit.

EUROPE

Net earnings in the nine-month period ended September 30, 2020 decreased by \$9 million to \$660 million, compared with the corresponding period in 2019. Adjusted net earnings in the nine-month period ended September 30, 2020 were \$493 million, and excluded Adjustments, discussed below, of a positive earnings impact of \$167 million. Adjustments in the corresponding period in 2019 were a positive earnings impact of \$190 million.

Net earnings in the three-month period ended September 30, 2020 increased by \$34 million to \$316 million, compared with the corresponding quarter in 2019. Adjusted net earnings in the three-month period ended September 30, 2020 were \$182 million, and excluded Adjustments, discussed below, of a positive earnings impact of \$134 million. Adjustments in the corresponding period in 2019 were a positive earnings impact of \$121 million.

United Kingdom

Net earnings in the nine-month period ended September 30, 2020 decreased by \$93 million to \$267 million, compared with the same period last year. The decrease was primarily due to:

- Lower contributions from insurance contract liability basis changes; and
- Lower impact of new business, adverse group mortality experience, the impact of changes to certain tax estimates and lower contributions from investment experience.

Partially offset by:

- Favourable group morbidity and longevity experience; and
- Favourable impact of changes to certain tax estimates driven by a decline in equity markets and the impact of higher property valuations.

Net earnings in the three-month period ended September 30, 2020 decreased by \$100 million to \$67 million, compared with the same quarter last year. The decrease was primarily due to:

- Lower contributions from insurance contract liability basis changes; and
- Lower impact of new business, unfavourable group mortality, the impact of changes to certain tax estimates and lower contributions from investment experience.
- Partially offset by favourable group morbidity and longevity experience and the impact of higher property valuations.

Ireland

Net earnings were \$281 million in the nine-month period ended September 30, 2020, compared with net earnings of \$191 million for the same period last year. The increase of \$90 million was primarily due to:

- Favourable mortality and morbidity experience; and
- Net gain of \$94 million on the sale of IPSI.

Partially offset by:

- Lower impact of new business, higher expenses and less favourable contributions from insurance contract liability basis changes; and
- Unfavourable market-related impacts related to unhedged market movements in the first quarter of 2020. Market impacts are primarily driven by the impact of the equity market declines and volatility and lower interest rates in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings were \$196 million in the three-month period ended September 30, 2020, compared with net earnings of \$83 million for the same quarter last year. The increase of \$113 million was primarily due to:

- Net gain of \$94 million on the sale of IPSI; and
- Favourable mortality and morbidity experience and favourable market impacts related to unhedged market movements and premium deficiency reserves.
- Partially offset by lower impact of new business, higher expenses and less favourable contributions from insurance contract liability basis changes.

Germany

Net earnings in the nine-month period ended September 30, 2020 decreased by \$4 million to \$121 million, compared with the same period last year, primarily due to unfavourable equity market impacts related to variable annuity guarantees and related hedge ineffectiveness, partially offset by the impact of changes to certain tax estimates.

Net earnings in the three-month period ended September 30, 2020 increased by \$20 million to \$56 million, compared with the same quarter last year, primarily driven by favourable contributions from insurance contract liability basis changes and the impact of changes to certain tax estimates.

CAPITAL AND RISK SOLUTIONS

Reinsurance

Net earnings in the nine-month period ended September 30, 2020 increased by \$181 million to \$450 million, compared with the same period last year. The increase was primarily due to:

- Favourable impacts from new business and favourable claims experience in the longevity business; and
- Higher business volumes and higher contributions from insurance contract liability basis changes.
- Partially offset by less favourable claims experience in the life business.

Net earnings in the three-month period ended September 30, 2020 increased by \$93 million to \$168 million, compared with the same quarter last year. The increase was primarily due to:

- Favourable impacts from new business and favourable claims experience in the longevity business;
- Higher business volumes and higher contributions from insurance contract liability basis changes; and
- A decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting positive market-related experience during the third quarter of 2020.
- Partially offset by less favourable claims experience in the life business.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Lifeco's management.

In the first three quarters of 2020, Adjustments of a positive earnings impact of \$103 million consisted of:

- Actuarial assumption changes and other management actions had a positive impact of \$136 million.
 - During the third quarter of 2020, the net positive impact was \$66 million. In the United States, net earnings were positively impacted by \$38 million, primarily due to updated economic assumptions. In Europe, net earnings were positively impacted by \$22 million, primarily due to updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by \$4 million. In Capital and Risk Solutions, net earnings were positively impacted by \$2 million primarily due to updated annuitant mortality and modelling refinements, partially offset by updated life mortality and policyholder behaviour assumptions.
 - During the second quarter of 2020, Lifeco updated economic assumptions following in-quarter equity market recoveries which had a positive impact of \$98 million. Updated economic assumptions on Canadian real estate returns had a negative impact of \$33 million. In addition, updates to mortality and morbidity assumptions and modelling refinements had a net positive impact of \$57 million. The net impact in the second quarter was a net positive impact of \$122 million.
 - During the first quarter of 2020, Lifeco updated economic assumptions related to in-quarter market impacts which had a negative impact of \$98 million, partially offset by updates to modelling refinements, other economic assumptions and morbidity assumptions which had a positive impact of \$46 million, resulting in a net negative impact of \$52 million on net earnings.
- Negative market-related impacts on liabilities of \$96 million.
 - Positive market-related impacts were \$18 million in the third quarter of 2020, primarily reflecting the equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$18 million in the third quarter of 2020 was a positive impact of \$13 million related to legacy block segregated fund guarantee business.
 - Positive market-related impacts were \$35 million in the second quarter of 2020, primarily reflecting the impact of equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$35 million in the second quarter of 2020 was a positive impact of \$45 million related to legacy blocks of segregated fund guarantee business.
 - Negative market-related impacts were \$149 million in the first quarter of 2020, reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Of the \$149 million total impact, \$68 million related to legacy blocks of segregated fund guarantee business.
- Net gain of \$94 million related to the sale of IPSI in the third quarter of 2020; and
- Transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business MassMutual of \$31 million in the third quarter of 2020.

In the first three quarters of 2019, Adjustments of \$27 million consisted of:

- In the third quarter of 2019, Adjustments were a positive earnings impact of \$53 million which consisted of a positive earnings impact of \$81 million which related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$28 million.
- In the second quarter of 2019, Adjustments were \$168 million which consisted of a positive earnings impact of \$38 million which related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$7 million, and a net loss on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life of \$199 million.
- In the first quarter of 2019, Adjustments were a positive earnings impact of \$88 million which related to actuarial assumption changes and management actions of \$129 million, offset by negative market-related impacts of \$41 million.

The information above has been derived from Lifeco's interim MD&A; see Part C of this MD&A for additional information on Lifeco's results.

IGM FINANCIAL

Contribution to Power Financial

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Financial's ^[1] :					
Adjusted net earnings					
As reported by IGM	347	348	133	114	126
Consolidation entries ^[2, 3]	(23)	(3)	(18)	(4)	(3)
	324	345	115	110	123
Adjustments ^[3]	(31)	(1)	(30)	4	1
Net earnings	293	344	85	114	124

[1] The average direct ownership of Power Financial in IGM was 62.1% for the quarter ended September 30, 2020 (62.1% in the corresponding period in 2019).

[2] Contribution to Power Financial includes adjustments in accordance with IAS 39 and the allocation of the results of Wealthsimple, Portag3 I and Portag3 II. In the third quarter of 2020, the adjustment mainly relates to the allocation of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and an increase in carried interests payable. This charge was offset by IGM's gain on Personal Capital which the Corporation has not included as an Adjustment. In the first quarter of 2019, IGM attained significant influence of Personal Capital, and reclassified its investment from available for sale to an associate, which resulted in a gain in accordance with IAS 39. The contribution to Power Financial was adjusted to include the Corporation's share of this gain.

[3] Includes IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impacts on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings. Refer to the section "Non-IFRS Financial Measures and Presentation". Excludes the Corporation's share of IGM's Adjustments related to the gain on disposal of Personal Capital as described above.

Adjusted and net earnings per share as reported by IGM (in accordance with IFRS 9)

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Adjusted net earnings per share ^[1]	2.34	2.35	0.90	0.77	0.85
Adjustments ^[2, 3]	(0.09)	(0.03)	(0.10)	-	-
Net earnings per share^[1]	2.25	2.32	0.80	0.77	0.85

[1] Available to IGM common shareholders.

[2] See "Adjustments" section below.

[3] Described as "Other items" by IGM; refer to Part D of this MD&A.

Adjusted and net earnings by segments as reported by IGM (in accordance with IFRS 9)

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Wealth Management ^[1]	513	544	187	159	199
Asset Management ^[1]	174	169	71	55	60
Strategic Investments and Other ^[1]	109	93	43	45	30
Adjusted net earnings (before interest, income taxes, preferred share dividends and other) ^[2]	796	806	301	259	289
Interest expense, income taxes, preferred share dividends and other ^[3]	(238)	(243)	(87)	(76)	(87)
Adjusted net earnings ^[4]	558	563	214	183	202
Adjustments ^[5, 6]	(23)	(8)	(23)	-	-
Net earnings^[4]	535	555	191	183	202

[1] In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of its business. IGM has realigned the previously reported IG Wealth Management, Mackenzie Investments and Corporate and Other segments into three segments so that financial reporting characterizes its distinct business lines. The realigned segments include: Wealth Management, Asset Management and Strategic Investments and Other. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

[2] Non-IFRS financial measure described in Part D of this MD&A.

[3] Interest expense includes interest on long-term debt and interest on leases.

[4] Available to IGM common shareholders.

[5] IGM does not allocate Adjustments to segments.

[6] Described as "Other items" by IGM; refer to Part D of this MD&A.

2020 vs. 2019

Q3 2020 vs. Q3 2019 and Q2 2020

Net earnings

\$535 million or \$2.25 per share, compared with \$555 million or \$2.32 per share in the corresponding period in 2019, a decrease of 3.0% on a per share basis.

\$191 million or \$0.80 per share, compared with \$202 million or \$0.85 per share in the corresponding period in 2019, a decrease of 5.9% on a per share basis, and \$183 million or \$0.77 per share in the second quarter of 2020.

Adjusted net earnings

\$558 million or \$2.34 per share, compared with \$563 million or \$2.35 per share in the corresponding period in 2019, a decrease of 0.4% on a per share basis.

\$214 million or \$0.90 per share, compared with \$202 million or \$0.85 per share in the corresponding period in 2019, an increase of 5.9% on a per share basis, and \$183 million or \$0.77 per share in the second quarter of 2020.

On January 1, 2018, IGM adopted IFRS 9, *Financial Instruments*. Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The contribution to Power Financial includes adjustments to reverse the impact of the application of IFRS 9 by IGM.

Adjusted net earnings exclude charges of \$23 million in the nine-month period ended September 30, 2020, and excluded charges of \$8 million in the corresponding period ended September 30, 2019. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

WEALTH MANAGEMENT

Net earnings decreased by \$31 million to \$513 million in the nine-month period ended September 30, 2020, compared with the corresponding period in 2019. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$28 million, primarily due to:

- A decrease in income from advisory fees of \$16 million to \$754 million. The decrease was primarily due to the decrease in the advisory fee rate offset in part by the increase in average assets under advisement of 1.7%. The average advisory fee rate for the nine-month period was 106.6 basis points of average assets under advisement, compared with 110.9 basis points in 2019, reflecting changes in product and client mix and pricing reductions during 2019;
- A decrease in redemption fee income of \$8 million to \$13 million;
- A decrease in other financial planning revenues of \$16 million to \$104 million, primarily due to lower distribution fee income from insurance products;
- A decrease in net investment income and other of \$6 million to \$1 million. Net investment and other primarily relates to income earned on cash and cash equivalents and securities and other income not related to IG Wealth Management's core business; and
- An increase in operations and support expenses of \$12 million to \$305 million which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. The increase in expenses was due to expenses related to IGM's ongoing transformation plan.

Partially offset by:

- A decrease in advisory and business development expenses of \$31 million to \$543 million in the nine-month period which includes compensation paid to Consultants, the majority of which varies directly with asset or sales levels. Sales-based compensation decreased by \$47 million to \$26 million, due to commissions paid on the sales of investment products being capitalized in 2020 due to changes in how IG consultant commissions are paid. Other advisory and business development expenses decreased by \$9 million to \$147 million due to the reduction of certain costs due to COVID-19. These reductions were partially offset by an increase of asset-based compensation of \$34 million mainly due to compensation changes implemented in 2020.

Net earnings decreased by \$12 million to \$187 million in the three-month period ended September 30, 2020, compared with the corresponding quarter in 2019. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$11 million, primarily due to:

- A decrease in other financial planning revenues of \$6 million to \$37 million, primarily due to the same reasons discussed in the nine-month period above;
- A decrease in redemption fees of \$2 million to \$4 million; and
- An increase in operations and support expenses of \$5 million to \$100 million, primarily due to the same reasons discussed in the nine-month period above.

Partially offset by:

- A decrease in advisory and business development expenses of \$3 million to \$182 million in the three-month period. Sales-based compensation decreased by \$13 million to \$10 million as commissions paid on the sales of investment products are capitalized in 2020 due to changes in how IG consultant commissions are paid. Other product commissions also decreased by \$3 million. These reductions were partially offset by an increase of asset-based compensation of \$13 million mainly due to compensation changes implemented in 2020.

ASSET MANAGEMENT

The Asset Management segment includes the fees received from IGM's mutual funds, Wealth Management segment and third parties for investment management services.

Net earnings increased by \$5 million to \$174 million in the nine-month period ended September 30, 2020, compared with the corresponding period in 2019, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$3 million to \$451 million, due to an increase of \$6 million in net asset management fees – third party, primarily due to a 6.2% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 72.2 basis points for the nine months ended September 30, 2020, compared with 75.8 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. The increase in net asset management fees – third party is offset by a decline of \$3 million of management fees – Wealth Management, due to a 3.1% decline in average assets under management coupled with a decline in the effective management fee rate resulting from a change in the composition of assets under management; and
- A decrease in expenses of \$5 million to \$278 million, mainly due to a decrease in advisory and business development expenses of \$6 million which primarily includes wholesale distribution activities; these costs vary directly with assets or sales levels.

Partially offset by:

- A decrease in net investment income and other of \$3 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds.

Net earnings increased by \$11 million to \$71 million in the three-month period ended September 30, 2020, compared with the corresponding quarter in 2019, due to:

- An increase of net asset management fees of \$3 million to \$158 million, mainly due to an increase of \$4 million in net asset management fees – third party, primarily due to an 11.1% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.0 basis points for the three months ended September 30, 2020, compared with 76.7 basis points in the comparative period in 2019. The decline in the net asset management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products;
- An increase in net investment income and other of \$2 million; and
- A decrease in expenses of \$5 million to \$88 million primarily due to a \$3 million decrease in operations and support expenses which include costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions.

ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of IGM's Wealth Management segment's operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment and a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where IGM provides investment management services, and includes investment funds where IGM is the fund manager, investment advisory mandates to institutions, and other client accounts where IGM has discretionary portfolio management responsibilities.

Total assets under management and advisement were as follows:

(In billions of dollars)	September 30, 2020	June 30, 2020	September 30, 2019	June 30, 2019
Wealth Management				
Assets under management	98.0	94.6	96.1	95.6
Other assets under advisement	27.0	25.9	25.6	25.4
Assets under advisement	125.0	120.5	121.7	121.0
Asset Management				
Assets under management excluding sub-advisory to Wealth Management	74.6	70.8	66.4	66.8
Sub-advisory to Wealth Management	72.7	70.2	72.6	73.2
Assets under management	147.3	141.0	139.0	140.0
Consolidated ^[1]				
Assets under management	172.6	165.4	162.5	162.4
Other assets under advisement ^[2]	23.8	22.9	22.6	22.5
Total assets under management and advisement ^[2]	196.4	188.3	185.1	184.9

[1] Represents the consolidated assets under management and advisement of IGM. In the Wealth Management segment, assets under management is a component part of assets under advisement. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

Total average assets under management and advisement were as follows:

(In billions of dollars)	Q3	Q2	2020 Q1	Q4	Q3	Q2	2019 Q1
Wealth Management							
Assets under advisement	124.3	117.1	121.9	123.2	121.2	120.9	117.1
Assets under management	97.7	91.9	96.2	97.3	95.8	95.6	92.3
Asset Management							
Assets under management excluding sub-advisory to Wealth Management	73.7	67.3	67.1	67.2	66.3	66.2	63.6
Total assets under management	145.8	135.6	138.5	140.2	139.2	139.8	135.7
Consolidated ^[1]							
Assets under management	171.4	159.2	163.3	164.5	162.1	161.8	155.9
Assets under management and advisement ^[2]	194.9	181.5	186.0	187.4	184.7	184.2	177.8

[1] Represents the consolidated assets under management and advisement of IGM. All instances where the Asset Management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in IGM reporting such that there is no double counting of the same client assets held at IGM operating companies.

[2] Includes adjustment representing the elimination of double counting where business is reflected within multiple segments.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by IGM's management.

There were no Adjustments in the first and second quarters of 2020. In the third quarter of 2020, adjusted net earnings excluded a net charge of \$23 million, consisting of:

- Restructuring and other charges of \$54 million after tax (\$75 million pre-tax) resulting from IGM's ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also from 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 costs 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.
- Offset by a gain on the sale of the investment in Personal Capital of \$31 million after tax (\$37 million pre-tax). The Corporation has not included the amount of the gain on the sale of Personal Capital in its Adjustments as this gain was eliminated on consolidation. The Corporation recognized a gain as a result of the investment in Personal Capital being remeasured at fair value on the date control was acquired by Lifeco; this gain was not included as an Adjustment, in accordance with the Corporation's definition of Adjusted net earnings.

There were no Adjustments in the first and the third quarters of 2019. In the second quarter of 2019, Adjusted net earnings excluded a net charge of \$8 million, consisting of IGM's proportionate share of Lifeco's Adjustments in accordance with IGM's definition of Adjusted net earnings.

The information above has been derived from IGM's interim MD&A; see Part D of this MD&A for more information on IGM's results.

PARGESA

Contribution to Power Financial

(In millions of Canadian dollars)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution to Power Financial's ^[1] :					
Adjusted net earnings (loss)					
As reported by Pargesa	73	130	(15)	84	40
Consolidation entries ^[2]	5	44	(28)	(42)	(5)
	78	174	(43)	42	35
Adjustments	(6)	(13)	(2)	(3)	(6)
Net earnings (loss)	72	161	(45)	39	29

[1] In the nine-month period ended September 30, 2020, the average ownership of Power Financial in Pargesa was 27.8% until June 16, 2020 and 47.9% thereafter (27.8% in the corresponding period in 2019).

[2] The Corporation has not adopted IFRS 9. The contribution to Power Financial includes an adjustment to account for Pargesa under IAS 39 as described below.

Adjusted and net earnings (loss) as reported by Pargesa (in accordance with IFRS 9)

(In millions of Swiss francs)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Contribution from the portfolio to adjusted net earnings					
Share of earnings of:					
Imerys	30	71	8	7	21
Webhelp	19	-	8	7	-
Parques	(19)	(6)	(1)	(10)	1
Dividends:					
SGS	60	50	-	-	-
LafargeHolcim	49	64	-	49	-
Pernod Ricard	13	14	-	13	-
adidas	-	25	-	-	-
Total	-	17	-	5	7
Umicore	4	20	4	-	10
GEA	4	8	-	4	-
Ontex	-	4	-	-	-
Other ^[1]	13	66	-	6	48
Contribution from private equity activities and other investment funds	24	39	29	68	18
	197	372	48	149	105
Net financial income (charges)	33	5	(54)	70	10
General expenses and taxes	(31)	(24)	(15)	(10)	(8)
Adjusted net earnings (loss) ^[2, 3]	199	353	(21)	209	107
Adjustments	(13)	(37)	(2)	(6)	(16)
Net earnings (loss)^[3]	186	316	(23)	203	91

[1] In 2020, mainly consists of a reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total between 2016 and 2018 (in 2019, mainly consists of reimbursements of withholding taxes relating to dividends received from Total and Engie between 2013 and 2016).

[2] Described as "Economic operating income" in Part E of this MD&A.

[3] Attributable to Pargesa shareholders.

2020 vs. 2019	Q3 2020 vs. Q3 2019 and Q2 2020
Net earnings	
SF186 million, compared with SF316 million in the corresponding period in 2019, a decrease of 41.1%.	A net loss of SF23 million, compared with net earnings of SF91 million in the corresponding period in 2019, and SF203 million in the second quarter of 2020.
Adjusted net earnings	
SF199 million, compared with SF353 million in the corresponding period in 2019, a decrease of 43.6%.	Adjusted net loss of SF21 million, compared with adjusted net earnings of SF107 million in the corresponding period in 2019, and SF209 million in the second quarter of 2020.

Adjustments to the contribution of Pargesa

On January 1, 2018, Pargesa adopted IFRS 9, *Financial Instruments*. The majority of its investments in public entities are classified as FVOCI, an elective classification for equity instruments in which all fair value changes remain permanently in OCI.

The investments in private equity and other investment funds are classified as fair value through profit or loss (FVPL). The transition requirements of IFRS 9 required that all unrealized gains and losses at January 1, 2018 on investments previously classified as available for sale remain permanently in equity. Starting January 1, 2018, subsequent changes in fair value are recorded in earnings.

Power Financial has deferred the adoption of IFRS 9 and continues to apply IAS 39. The following table presents adjustments to the contribution of Pargesa to Power Financial's earnings in accordance with IAS 39:

(In millions of Canadian dollars)	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Disposal of interest in Total ^[1]	70	-	-	-	-
Partial disposal of interest in adidas ^[2]	-	71	-	-	-
Impairment charges ^[3]	(52)	(13)	(7)	(5)	-
Disposal of private equity funds and other ^[4]	14	1	(2)	(4)	1
Reversal of unrealized (gains) losses on private equity funds and other ^[5]	(27)	(15)	(19)	(33)	(6)
Total	5	44	(28)	(42)	(5)

- [1] During the second quarter of 2019, GBL sold its 0.6% interest in Total through forward sales contracts, which matured in January 2020 and resulted in a gain. Pargesa's gain of SF313 million was not reflected in its earnings as the investment is classified as FVOCI. Power Financial's share of this realized gain was \$70 million.
- [2] During the first and second quarters of 2019, a portion of the investment in adidas was disposed of, resulting in gains of SF49 million and SF144 million, respectively. These gains were not reflected in Pargesa's earnings as the investment is classified as FVOCI. Power Financial's share of the realized gain was \$18 million in the first quarter and \$53 million in the second quarter.
- [3] Under IFRS 9, Pargesa classifies the majority of its investments in public entities as FVOCI, and as a result impairment charges are not recognized in earnings. Power Financial recognized impairment charges on the following investments:
- GEA – The investment in GEA has been previously impaired, resulting in an adjusted cost of €22.50 per share. During the first quarter of 2020, the share price decreased to €18.73, resulting in an impairment charge of SF30 million. Power Financial's share was \$13 million.
 - LafargeHolcim – The investment in LafargeHolcim has been previously impaired, resulting in an adjusted cost of €35.83 per share. During the first quarter of 2020, the share price decreased to €33.41, resulting in an impairment charge of SF49 million. Power Financial's share was \$27 million.
 - Ontex – The investment in Ontex has been previously impaired, resulting in an adjusted cost of €14.18 per share. During the second quarter of 2020, the share price decreased to €13.03, resulting in an impairment charge of SF11 million. Power Financial's share was \$5 million. During the third quarter of 2020, the share price decreased to €11.15, resulting in an impairment charge of SF10 million. Power Financial's share was \$7 million. In the second quarter of 2019, Power Financial recorded its share of an impairment charge of \$13 million on Ontex.
- [4] During the second and third quarters of 2020, the Corporation recognized its share of \$4 million and \$2 million, respectively, mainly related to an impairment on an investment held through a private equity fund. During the first quarter of 2020, an investment held through private equity funds, classified as FVPL in accordance with IFRS 9, was disposed of, resulting in a gain. Power Financial's share of the realized gain in accordance with IAS 39 was \$10 million. As well, Power Financial recognized its share of a gain on the sale of an other investment in the amount of \$10 million, which resulted from the reversal of a previous impairment.
- [5] Pargesa classifies private equity investments at FVPL in accordance with IFRS 9, and recognizes unrealized changes in fair value in earnings. Power Financial does not recognize these unrealized fair value changes in earnings as it continues to classify these private equity funds as available for sale in accordance with IAS 39.

Other than the share of earnings of Imerys, Webhelp and Parques, a significant portion of Pargesa's net earnings is composed of dividends from its non-consolidated investments, which are usually declared as follows:

▪ LafargeHolcim (second quarter) ▪ SGS (first quarter) ▪ adidas (second quarter) ▪ Umicore (second and third quarters)	▪ Pernod Ricard (second and fourth quarters) ▪ GEA (second quarter) ▪ Ontex (second quarter)

Due to the impact of COVID-19, adidas, Umicore, Pernod Ricard and Ontex have temporarily suspended or reduced dividend payments.

RESULTS

Net earnings in the nine-month period ended September 30, 2020 decreased by SF130 million to SF186 million, compared with the corresponding period in 2019. Adjusted net earnings in the nine-month period ended September 30, 2020 were SF199 million, compared with SF353 million in the corresponding period in 2019. Adjustments, discussed below, were a charge of SF13 million in the nine-month period ended September 30, 2020, compared with a charge of SF37 million in the corresponding period in 2019. The decrease in net earnings was mainly due to:

- A decrease in the contribution from Imerys to adjusted net earnings of SF41 million to SF30 million at September 30, 2020, primarily due to a decline in Imerys' revenues due to the impact of COVID-19 on global industrial markets, partially offset by positive sales price adjustments and the implementation of cost reduction measures;
- A negative contribution from Parques of SF19 million at September 30, 2020, compared with a negative contribution of SF6 million in the corresponding period in 2019;
- A decrease in dividends of SF125 million to SF143 million, compared with SF268 million in the corresponding period in 2019. An increase in dividends from SGS of SF10 million due to the increase in equity interest was offset by a decrease in the dividends from LafargeHolcim of SF15 million and Total of SF17 million due to a decrease in the equity interests held. Dividends from other portfolio companies decreased by SF50 million reflecting decisions to either temporarily suspend or reduce dividend payments due to the current market environment. Other dividends of SF13 million mainly relates to the reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total between 2016 and 2018, compared with SF62 million received in 2019; and
- A decrease in the contribution from private equity activities and other investment funds of SF15 million, primarily due to negative contributions from consolidated funds offset by positive fair value adjustments of the non-consolidated funds.

Partially offset by:

- An increase in net financial income of SF28 million, which mainly includes the net positive impacts of marking to market the debt held by GBL to Webhelp's minority shareholders of SF10 million, the derivatives held by GBL and the trading activities of GBL; and
- A contribution of SF19 million from Webhelp which was acquired at the end of 2019.

For the three-month period ended September 30, 2020, the net loss was SF23 million, compared with net earnings of SF91 million in the corresponding quarter in 2019. Adjusted net loss in the three-month period ended September 30, 2020 was SF21 million, compared with adjusted net earnings of SF107 million in the corresponding quarter in 2019. Adjustments, discussed below, were a charge of SF2 million in the three-month period ended September 30, 2020, compared with a charge of SF16 million in the corresponding quarter in 2019. The decrease in net earnings was mainly due to:

- A decrease in the contribution from Imerys to adjusted net earnings of SF13 million to SF8 million in the third quarter for the same reasons discussed above;
- An increase in net financial charges of SF64 million to a net charge of SF54 million, mainly related to the negative impact of marking to market the debt held by GBL to Webhelp's minority shareholders of SF53 million; and
- A decrease in dividends of SF61 million to SF4 million, for the same reasons discussed above.

Partially offset by:

- An increase in the contribution from private equity activities and other investment funds of SF11 million, primarily due to positive fair value adjustments of the non-consolidated funds; and
- A contribution of SF8 million from Webhelp which was acquired at the end of 2019.

ADJUSTMENTS

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Pargesa's management.

Adjustments in the first three quarters of 2020 were SF13 million, and mainly consisted of Pargesa's share of charges of Imerys, Parques and Webhelp.

Adjustments in the first three quarters of 2019 were SF37 million, and mainly consisted of:

- Pargesa's share of Imerys' charges of SF21 million relating to the implementation of a strategic restructuring plan and charges related to the temporary shutdown of a U.S. plant primarily recorded in the second quarter; and
- Pargesa's share of Parques' charges of SF16 million in the third quarter relating to non-recurring expenses recorded by Parques.

AVERAGE EXCHANGE RATES

The average exchange rates for the nine-month and three-month periods ended September 30, 2020 and 2019 were as follows:

	Nine months ended			Three months ended		
	September 30, 2020	September 30, 2019	Change %	September 30, 2020	September 30, 2019	Change %
Euro/SF	1.068	1.118	(4.5)	1.075	1.096	(1.9)
SF/CAD	1.425	1.336	6.7	1.449	1.339	8.2

The information above has been derived from Pargesa's third quarter of 2020 press release; see Part E of this MD&A for additional information on Pargesa's results.

CORPORATE OPERATIONS

Corporate operations include income (loss) from investments, operating expenses, financing charges, depreciation and income taxes.

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Income (loss) from investments ^[1]	(38)	(2)	(34)	3	2
Operating and other expenses					
Operating expenses	(48)	(56)	(10)	(15)	(18)
Financing charges	(13)	(14)	(4)	(5)	(5)
Depreciation	(3)	(3)	(1)	(1)	(1)
Income taxes	-	(1)	-	-	-
	(64)	(74)	(15)	(21)	(24)
Corporate operations	(102)	(76)	(49)	(18)	(22)

[1] Includes the Corporation's share in the amount of \$33 million related to the impact of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and an increase in carried interests payable.

ADJUSTMENTS (NOT INCLUDED IN ADJUSTED NET EARNINGS)

The following table presents the Corporation's share of Adjustments:

	Nine months ended		Three months ended		
	September 30, 2020	September 30, 2019	September 30, 2020	June 30, 2020	September 30, 2019
Lifeco					
Actuarial assumption changes and other management actions	91	167	44	82	54
Market-related impacts on liabilities	(64)	(51)	13	23	(19)
Net gain on sale of IPSI	63	-	63	-	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(21)	-	(21)	-	-
Net charge on the sale, via reinsurance, of U.S. individual life insurance and annuity business	-	(134)	-	-	-
	69	(18)	99	105	35
IGM					
Restructuring and other charges	(34)	-	(34)	-	-
Share of Lifeco's adjustments ^[1]	3	(1)	4	4	1
	(31)	(1)	(30)	4	1
Pargesa					
Imerys - Impairments, restructuring charges and other	(3)	(7)	(1)	(2)	-
Parques and other charges	(3)	(6)	(1)	(1)	(6)
	(6)	(13)	(2)	(3)	(6)
	32	(32)	67	106	30

[1] Includes IGM's share of Lifeco's Adjustments for the impact of actuarial assumption changes and management actions and market impact on insurance contract liabilities, in accordance with the Corporation's definition of Adjusted net earnings.

For additional information, refer to the Lifeco, IGM and Pargesa "Adjustments" sections above.

Financial Position

CONSOLIDATED BALANCE SHEETS (CONDENSED)

The condensed balance sheets of Lifeco and IGM, and Power Financial's non-consolidated balance sheet are presented below. This table reconciles the non-consolidated balance sheet, which is not in accordance with IFRS, with the condensed consolidated balance sheet of the Corporation at September 30, 2020.

	Power Financial	Lifeco	IGM	Consolidation adjustments and other ^[1]	Power Financial Consolidated balance sheets	
					September 30, 2020	December 31, 2019
Assets						
Cash and cash equivalents	1,002	5,372	992	(190)	7,176	6,272
Investments	152	176,587	7,392	(373)	183,758	171,248
Investment in:						
Lifeco	14,291	-	943	(15,234)	-	-
IGM	2,776	353	-	(3,129)	-	-
Parjointco	3,860	-	-	-	3,860	3,954
Other ^[2]	-	64	713	58	835	948
Funds held by ceding insurers	-	8,273	-	-	8,273	8,714
Reinsurance assets	-	22,335	-	-	22,335	20,707
Other assets	800	12,261	1,913	936	15,910	13,425
Intangible assets	1	3,976	1,250	60	5,287	5,172
Goodwill	-	7,573	2,660	745	10,978	9,910
Investments on account of segregated fund policyholders	-	236,943	-	-	236,943	231,022
Total assets	22,882	473,737	15,863	(17,127)	495,355	471,372
Liabilities						
Insurance and investment contract liabilities	-	188,426	-	-	188,426	176,177
Obligations to securitization entities	-	-	6,526	-	6,526	6,914
Debentures and other debt instruments	250	9,108	2,100	(78)	11,380	8,250
Other liabilities	284	12,612	2,320	1,192	16,408	15,297
Insurance and investment contracts on account of segregated fund policyholders	-	236,943	-	-	236,943	231,022
Total liabilities	534	447,089	10,946	1,114	459,683	437,660
Equity						
Perpetual preferred shares	2,830	2,714	-	(2,714)	2,830	2,830
Common shareholders' equity	19,518	20,943	4,917	(25,860)	19,518	17,985
Non-controlling interests ^[3, 4]	-	2,991	-	10,333	13,324	12,897
Total equity	22,348	26,648	4,917	(18,241)	35,672	33,712
Total liabilities and equity	22,882	473,737	15,863	(17,127)	495,355	471,372

[1] Consolidation adjustments and other includes Portag3 I, Portag3 II, Wealthsimple and Koho, as well as consolidation entries.

[2] Includes investments in jointly controlled corporations and associates.

[3] Lifeco's non-controlling interests include the Participating Account surplus in subsidiaries.

[4] Non-controlling interests in consolidation adjustments represent non-controlling interests in the equity of Lifeco, IGM, Wealthsimple and Koho.

Total assets of the Corporation increased to \$495.4 billion at September 30, 2020, compared with \$471.4 billion at December 31, 2019, primarily due to the impact of currency movement and the impact of market movement, mostly offset by the sale of IPSI by Lifeco.

Liabilities increased to \$459.7 billion at September 30, 2020, compared with \$437.7 billion at December 31, 2019, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by \$12.2 billion, primarily due to the impact of new business, fair value adjustments, and the weakening of the Canadian dollar.
- Insurance and investment contracts on account of segregated fund policyholders increased by \$5.9 billion, primarily due to the positive impact of currency movement of \$5.5 billion and net deposits of \$1.7 billion, partially offset by the impact of net market value losses and investment income of \$1.5 billion.

Parts C and D of this MD&A include a discussion of the consolidated balance sheets of Lifeco and IGM, respectively.

NON-CONSOLIDATED BALANCE SHEETS

In the non-consolidated basis of presentation shown below, Lifeco and IGM are presented by the Corporation using the equity method. These non-consolidated balance sheets, which are not in accordance with IFRS, enhance the MD&A and assist the reader by identifying changes in Power Financial's non-consolidated balance sheets.

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents ^[1]	1,002	1,021
Investments		
Lifeco	14,291	13,654
IGM	2,776	2,720
Parjointco	3,860	3,954
Other ^[2]	152	203
Other assets ^[3]	801	138
Total assets	22,882	21,690
Liabilities		
Debentures	250	250
Other liabilities ^[4]	284	625
Total liabilities	534	875
Equity		
Perpetual preferred shares	2,830	2,830
Common shareholders' equity	19,518	17,985
Total equity	22,348	20,815
Total liabilities and equity	22,882	21,690

[1] Cash equivalents include \$295 million (\$200 million at December 31, 2019) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Includes Power Financial's investments in Portag3 I, Portag3 II, Wealthsimple and Koho presented using the equity method.

[3] Includes promissory notes from Power Corporation of \$664 million at September 30, 2020 (refer to the section "Transactions with Related Parties") and \$83 million of dividends declared in the third quarter by IGM and received by the Corporation on October 30, 2020 (same as at December 31, 2019).

[4] Other liabilities at December 31, 2019 include the fourth quarter dividend of \$337 million declared by the Corporation and paid on January 31, 2020.

Cash and cash equivalents

Cash and cash equivalents held by Power Financial amounted to \$1,002 million at September 30, 2020, compared with \$1,021 million at the end of December 2019. The dividends declared by the Corporation on its First Preferred Shares in the third quarter and paid on October 31, 2020 are included in other liabilities and amounted to \$34 million. Dividends declared in the third quarter by IGM and received by the Corporation on October 30, 2020 are included in other assets and amounted to \$83 million (see "Non-consolidated Statements of Cash Flows" below for details).

Investments in Lifeco, IGM and Parjointco

The carrying value of Power Financial's investments in Lifeco, IGM and Parjointco, accounted for using the equity method, increased to \$20,927 million at September 30, 2020, compared with \$20,328 million at December 31, 2019:

	Lifeco	IGM	Parjointco	Total
Carrying value, at the beginning of the year	13,654	2,720	3,954	20,328
Share of adjusted net earnings	1,279	324	78	1,681
Share of adjustments	69	(31)	(6)	32
Share of other comprehensive income (loss)	94	12	(123)	(17)
Dividends	(815)	(250)	(88)	(1,153)
Other ^[1]	10	1	45	56
Carrying value, at September 30, 2020	14,291	2,776	3,860	20,927

[1] Other includes the impact of the Reorganization of Pargesa, which results in an increase in retained earnings of \$54 million and a reattribution of accumulated other comprehensive income of \$10 million at September 30, 2020.

EQUITY

Preferred shares

Preferred shares of the Corporation consist of 11 series of Non-Cumulative Fixed Rate First Preferred Shares, two series of Non-Cumulative 5-Year Rate Reset First Preferred Shares, and two series of Floating Rate First Preferred Shares, one of which is Non-Cumulative, with an aggregate stated capital of \$2,830 million at September 30, 2020 (same as at December 31, 2019). All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 to the Corporation's 2019 Consolidated Financial Statements.

Common shareholders' equity

Common shareholders' equity was \$19,518 million at September 30, 2020, compared with \$17,985 million at December 31, 2019:

Nine months ended September 30	2020	2019
Common shareholders' equity, at the beginning of the year	17,985	18,670
Changes in retained earnings		
Net earnings before dividends on perpetual preferred shares	1,611	1,667
Dividends declared	(103)	(1,034)
Repurchase of common shares under PFC SIB	-	(1,650)
Effects of changes in capital and ownership of subsidiaries, and other ^[1]	40	99
	1,548	(918)
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	219	(557)
Investment revaluation and cash flow hedges	28	123
Actuarial gains (losses) on defined benefit plans	(178)	(257)
Share of Pargesa and other associates	(88)	247
Share-based compensation, including the effect of subsidiaries	4	24
	(15)	(420)
Common shareholders' equity, at September 30	19,518	17,332

[1] Mainly relates to effects of changes in ownership on Parjointco's interest in Pargesa.

The book value per common share of the Corporation was \$29.39 at September 30, 2020, compared with \$27.08 at the end of 2019.

Outstanding number of common shares

At the date of this MD&A, there were 664,096,506 common shares of the Corporation outstanding, the same as at December 31, 2019. All of the common shares of the Corporation have been held by Power Corporation since the completion of the Reorganization.

STOCK OPTION PLAN

As part of the Reorganization, Power Corporation assumed the Corporation's stock option plan. The 13,079,888 options outstanding at February 13, 2020 under Power Financial's Employee Stock Option Plan were exchanged for options to acquire Subordinate Voting Shares of Power Corporation. As such, at the date of this MD&A, there were no options outstanding to purchase common shares of the Corporation.

Substantial issuer bids

On April 17, 2019, Lifeco completed a substantial issuer bid (Lifeco SIB) and purchased for cancellation 59,700,974 of its common shares at a purchase price of \$33.50 per common share. The Corporation participated in the Lifeco SIB and as a result, the Corporation's equity interest decreased from 67.8% to 66.8% (excluding IGM's 4.0% interest). The decrease in ownership in Lifeco resulted in a dilution gain of \$108 million recorded in retained earnings and other comprehensive income reserve with a corresponding decrease in non-controlling interests.

Power Corporation, the parent company of the Corporation, participated in the Corporation's substantial issuer bid (PFC SIB). Power Corporation effected its tender offer through a Qualifying Holdco Alternative, as described in the Corporation's substantial issuer bid (PFC SIB offer), which the Corporation also offered to other shareholders, pursuant to which the Corporation issued and subsequently cancelled 467,839,296 common shares. This resulted in a net increase in stated capital of \$556 million and a corresponding decrease in retained earnings, with no impact to equity.

On April 17, 2019, the Corporation completed the PFC SIB and purchased for cancellation 49,999,973 of its common shares at a purchase price of \$33.00 per common share for an aggregate amount of \$1.65 billion. The excess paid under the PFC SIB over the stated capital of \$1.55 billion was recognized as a reduction to retained earnings. Transaction costs incurred in connection with the PFC SIB of \$5 million were recorded in retained earnings.

Net Asset Value

Net asset value represents management's estimate of the fair value of the common shareholders' equity of the Corporation. Net asset value is the fair value of the assets of Power Financial's non-consolidated balance sheet less its net debt and preferred shares. In determining the fair value of assets, investments in subsidiaries, jointly controlled corporations and associates are adjusted to fair value as follows:

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;
- Investments in private entities are valued at fair value based on management's estimate using consistently applied valuation models either based on a valuation multiple or discounted cash flows. Certain valuations are prepared by external valuers or subject to review by external valuers. Market-comparable transactions are generally used to corroborate the estimated fair value. The value of investments in private entities is presented net of any management incentives;
- Investments in investment funds are valued at the fair value reported by the fund which is net of carried interest or other incentives.

The presentation of the investments in subsidiaries, jointly controlled corporations and associates at fair value is not in accordance with IFRS; net asset value is a non-IFRS financial measure.

The Corporation's net asset value per share was \$33.56 at September 30, 2020, compared with \$31.09 at June 30, 2020, representing an increase of 7.9%. The Corporation's net asset value per share was \$39.86 at December 31, 2019.

	September 30, 2020			December 31, 2019		
	Non-consolidated balance sheet	Fair value adjustment	Net asset value	Non-consolidated balance sheet	Fair value adjustment	Net asset value
Assets						
Investments						
Lifeco	14,291	1,848	16,139	13,654	6,976	20,630
IGM	2,776	1,740	4,516	2,720	2,795	5,515
Parjointco ^[1]	3,860	(1,182)	2,678	3,954	(1,413)	2,541
Other ^[2]	152	362	514	203	127	330
Cash and cash equivalents	1,002	-	1,002	1,021	-	1,021
Other assets ^[3]	801	-	801	138	-	138
Total assets	22,882	2,768	25,650	21,690	8,485	30,175
Liabilities and preferred shares						
Debentures	250	-	250	250	-	250
Other liabilities ^[4]	284	-	284	625	-	625
Perpetual preferred shares	2,830	-	2,830	2,830	-	2,830
Total liabilities and preferred shares	3,364	-	3,364	3,705	-	3,705
Net value						
Common shareholders' equity / Net asset value	19,518	2,768	22,286	17,985	8,485	26,470
Per share	29.39		33.56	27.08		39.86

[1] As part of the Pargesa reorganization, Parjointco holds approximately 97% of Pargesa's shares at September 30, 2020; the fair value of Parjointco at September 30, 2020 is based on the market value of GBL. At December 31, 2019, the fair value of Parjointco based on the market value of GBL was \$3,032 million.

[2] Fair value adjustment is related to Power Financial's investments in Portag3 I, Portag3 II, Wealthsimple and Koho.

[3] Includes promissory notes from Power Corporation of \$664 million at September 30, 2020 (refer to the section "Transactions with Related Parties") and \$83 million of dividends declared in the third quarter by IGM and received by the Corporation on October 30, 2020 (same as at December 31, 2019).

[4] In accordance with IAS 12, *Income taxes*, no deferred tax liability is recognized with respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. If the Corporation were to dispose of an investment in a subsidiary or a jointly controlled corporation, income taxes payable on such disposition would be minimized through careful and prudent tax planning and structuring, as well as with the use of available tax attributes not otherwise recognized on the balance sheet, including tax losses, tax basis, safe income and foreign tax surplus associated with the subsidiary or jointly controlled corporation.

Investments measured at market value and cash represent 95.6% of the total assets at fair value at September 30, 2020 (98.4% at December 31, 2019). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's net asset value of \$2,344 million or \$3.53 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)

The condensed cash flows of Lifeco and IGM, and Power Financial's non-consolidated cash flows, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the nine-month period ended September 30, 2020.

	Power Financial	Lifeco	IGM	Consolidation adjustments and other ⁽¹⁾	Power Financial Consolidated	
Nine months ended September 30					2020	2019
Cash flows from:						
Operating activities	1,046	7,714	498	(1,097)	8,161	5,298
Financing activities	(407)	1,629	(847)	1,129	1,504	(3,678)
Investing activities	(658)	(8,666)	622	(126)	(8,828)	(1,652)
Effect of changes in exchange rates on cash and cash equivalents	-	67	-	-	67	(171)
Increase (decrease) in cash and cash equivalents	(19)	744	273	(94)	904	(203)
Cash and cash equivalents, at the beginning of the year	1,021	4,628	720	(97)	6,272	5,624
Cash and cash equivalents, at September 30	1,002	5,372	993	(191)	7,176	5,421

[1] Consolidation adjustments and other includes Portag3 I, Portag3 II, Wealthsimple and Koho, as well as consolidation entries.

Consolidated cash and cash equivalents increased by \$904 million in the nine-month period ended September 30, 2020, compared with a decrease of \$203 million in the corresponding period in 2019.

Operating activities produced a net inflow of \$8,161 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$5,298 million in the corresponding period in 2019.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, repurchase of common shares pursuant to the Lifeco SIB and the PFC SIB, dividends paid on the common and preferred shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests, represented a net inflow of \$1,504 million in the nine-month period ended September 30, 2020, compared with a net outflow of \$3,678 million in the corresponding period in 2019. No dividend was paid by the Corporation on its common shares in the second and third quarters of 2020. In lieu of a dividend, the Corporation advanced an amount of \$664 million to its parent company, included in investing activities.

Cash flows from investing activities resulted in a net outflow of \$8,828 million in the nine-month period ended September 30, 2020, compared with a net outflow of \$1,652 million in the corresponding period in 2019. Investment activities include an advance made to the Corporation's parent company in the second and third quarters of 2020.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of \$95 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$31 million in the corresponding period in 2019.

Parts C and D of this MD&A include a discussion of the cash flows of Lifeco and IGM, respectively.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

As Power Financial is a holding company, corporate cash flows are primarily comprised of dividends received from Lifeco, IGM and Parjointco and income (loss) from cash and cash equivalents, less operating expenses, financing charges, income taxes, and preferred and common share dividends.

The following non-consolidated statements of cash flows of the Corporation, which are not presented in accordance with IFRS, have been prepared to assist the reader as they isolate the cash flows of Power Financial, the parent company.

Nine months ended September 30	2020	2019
Operating activities		
Dividends		
Lifeco ^[1]	815	789
IGM	250	250
Pargesa	88	80
	1,153	1,119
Corporate operations, net of non-cash items	(107)	(25)
	1,046	1,094
Financing activities		
Dividends paid on perpetual preferred shares	(104)	(104)
Dividends paid on common shares	(302)	(937)
Repurchase of common shares under PFC SIB	-	(1,650)
Share repurchase expense and other	(1)	(6)
	(407)	(2,697)
Investing activities		
Promissory notes issued by Power Corporation	(664)	-
Proceeds from tender of Lifeco shares under Lifeco SIB	-	1,652
Investments in Portag3 Funds and Wealthsimple, net of distributions	6	(32)
	(658)	1,620
Increase (decrease) in cash and cash equivalents	(19)	17
Cash and cash equivalents, at the beginning of the year	1,021	1,025
Cash and cash equivalents, at September 30	1,002	1,042

[1] The Corporation participated in the Lifeco SIB in the second quarter of 2019; the number of shares held by Power Financial decreased by 7.4% or 49,318,032.

On a non-consolidated basis, cash and cash equivalents decreased by \$19 million in the nine-month period ended September 30, 2020, compared with an increase of \$17 million in the corresponding period in 2019.

Operating activities resulted in a net inflow of \$1,046 million in the nine-month period ended September 30, 2020, compared with a net inflow of \$1,094 million in the corresponding period in 2019.

- Dividends paid by Lifeco on its common shares during the nine-month period ended September 30, 2020 were \$1.314 per share, compared with \$1.239 in the corresponding period in 2019. In the nine-month period ended September 30, 2020, the Corporation received dividends from Lifeco of \$815 million, compared with \$789 million in the corresponding period in 2019.
- Dividends paid by IGM on its common shares during the nine-month period ended September 30, 2020 were \$1.6875 per share, the same as in the corresponding period in 2019. In the nine-month period ended September 30, 2020, the Corporation received dividends from IGM of \$250 million, the same as in the corresponding period in 2019.
- Pargesa declares and pays an annual dividend in the second quarter. The dividend paid by Pargesa to Parjointco in 2020 amounted to SF2.63 per bearer share, compared with SF2.56 in 2019. The Corporation received dividends of \$88 million (SF61 million) from Parjointco in 2020, compared with \$80 million (SF60 million) in 2019.

The Corporation's financing activities during the nine-month period ended September 30, 2020 were a net outflow of \$407 million, compared with a net outflow of \$2,697 million in the corresponding period in 2019, and included:

- Dividends paid on preferred and common shares by the Corporation of \$406 million, compared with \$1,041 million in the corresponding period in 2019. In the nine-month period ended September 30, 2020, dividends paid on the Corporation's common shares were \$0.4555 per share, compared with \$1.3440 per share in the corresponding period in 2019. No dividend was paid on the common shares in the second and third quarters of 2020. In lieu of the dividend, the Corporation advanced an amount of \$664 million to its parent (refer to the section "Transactions with Related Parties").
- No repurchase of common shares in the period, compared with a repurchase of common shares pursuant to the PFC SIB of \$1,650 million in the corresponding period in 2019.

The Corporation's investing activities during the nine-month period ended September 30, 2020 were a net outflow of \$658 million, compared with a net inflow of \$1,620 million in the corresponding period in 2019, mainly due to an advance made to the Corporation's parent company of \$664 million. The net inflow in the corresponding period was primarily due to proceeds received from participation in the Lifeco SIB.

Capital Management

Subsequent to the Reorganization, Power Corporation holds 100% of the issued and outstanding common shares of the Corporation. The Corporation's preferred shares and debt securities remain outstanding. As a holding company, Power Financial's objectives in managing its capital are to:

- provide attractive long-term returns to the shareholder 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 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 common shares, perpetual preferred shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as those of Pargesa and GBL, oversee and have the responsibility for their respective company's capital management.

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of: debentures, perpetual preferred shares, common shareholders' equity, and non-controlling interests. The Corporation views perpetual preferred shares as a cost-effective source of permanent capital.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Lifeco and IGM are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Perpetual preferred shares and total equity accounted for 76% of consolidated capitalization at September 30, 2020.

	September 30, 2020	December 31, 2019
Debentures and other debt instruments		
Power Financial	250	250
Lifeco	9,108	5,993
IGM	2,100	2,100
Other subsidiaries and consolidation adjustments	(78)	(93)
	11,130	8,000
	11,380	8,250
Preferred shares		
Power Financial	2,830	2,830
Lifeco	2,714	2,714
	5,544	5,544
Equity		
Common shareholders' equity	19,518	17,985
Non-controlling interests ^[1]	10,610	10,183
	30,128	28,168
	47,052	41,962

[1] Represents the non-controlling equity interests of the Corporation's subsidiaries excluding Lifeco's preferred shares, which are shown in this table as preferred shares.

Lifeco

- On May 14, 2020, Lifeco issued \$600 million of 10-year 2.379% debentures at par, maturing on May 14, 2030. The net proceeds were used by Lifeco to repay the principal amount of its maturing 4.65% \$500 million debentures, together with accrued interest on August 13, 2020 and for general corporate purposes.
- On July 8, 2020, Lifeco issued \$250 million of 30-year 2.981% debentures at par, maturing on July 8, 2050. On July 13, 2020, Lifeco reopened the 2.981% debenture offering 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 principal amount value for an effective yield of 3.051%. The net proceeds will be used by Lifeco for general corporate purposes.
- On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of Lifeco, issued \$663 million (US\$500 million) 0.904% senior notes due August 12, 2025. The net proceeds were used by Lifeco to finance a portion of its acquisition in Personal Capital.
- On September 17, 2020, Empower Finance 2020, LP, a subsidiary of Lifeco, issued \$526 million (US\$400 million) 1.357% senior notes due September 17, 2027, \$526 million (US\$400 million) 1.776% senior notes due March 17, 2031 and \$921 million (US\$700 million) 3.075% senior notes due September 17, 2051. Lifeco intends to use the net proceeds to finance a portion of its pending acquisition of the retirement services business of MassMutual and the fees, expenses and costs incurred in connection with the transaction. In the event the acquisition of the MassMutual retirement services business 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.

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. Parts C and D of this MD&A further describe the capital management activities of Lifeco and IGM, respectively. See Note 21 to the Corporation's 2019 Consolidated Financial Statements for additional information.

RATINGS

The current rating by Standard & Poor's (S&P) of the Corporation's debentures is "A+" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Corporation's debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites. These ratings are not a recommendation to buy, sell or hold the securities of a corporation and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The "A+" rating assigned to the Corporation's debentures by S&P is the fifth highest of the 22 ratings used for long-term debt. A long-term debenture rated "A+" is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories; however, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The "A (High)" rating assigned to the Corporation's debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. A long-term debenture rated "A (High)" implies that the capacity for repayment is substantial, but of lesser credit quality than AA, and may be vulnerable to future events, although qualifying negative factors are considered manageable.

Risk Management

Power Financial is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe. Its principal holdings are a controlling interest in each of Lifeco and IGM and a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL through Pargesa. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Lifeco, IGM, Pargesa and GBL are responsible for the risk oversight function at their respective companies. The risk committee of the board of directors of Lifeco is responsible for its risk oversight, and the board of directors of IGM provides oversight and carries out its risk management mandate through various committees. Certain officers of the Corporation are members of these boards and committees of these boards and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies. Parts C and D of this MD&A further describe risks related to Lifeco and IGM, respectively.

RISK OVERSIGHT

The Corporation believes that a prudent approach to risk is achieved through a governance model that focuses on the active oversight of its investments. The Board of Directors and executive officers of the Corporation have overall oversight and responsibility for risk management associated with the investment activities and operations of the holding company and maintain a comprehensive and appropriate set of policies and controls.

Following the Reorganization, the Board of Directors continues to provide oversight and carries out its risk management mandate. It addresses operational risks including the risks related to financial reporting and cybersecurity primarily through its Audit Committee.

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, which investors should carefully consider before investing in securities of the Corporation. The 2019 Annual MD&A reviews certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation, and reflected the effects of the Reorganization. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

During the nine-month period ended September 30, 2020, there were no changes to the Corporation's risk oversight approach, and the identification and management of the specific risks described in the 2019 Annual MD&A.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

At September 30, 2020, there have been changes to the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded at fair value since December 31, 2019. These changes did not have a material impact on the financial condition of the Corporation and its subsidiaries. See Note 17 to the Corporation's Interim Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of their activities, the Corporation and its subsidiaries use derivative financial instruments. When using such derivatives, they only act as limited end-users and not as market makers in such derivatives.

The use of derivatives is monitored and reviewed on a regular basis by senior management of the Corporation and by senior management of its subsidiaries. The Corporation and its subsidiaries have each established operating policies, guidelines and procedures relating to the use of derivative financial instruments, which in particular focus on:

- prohibiting the use of derivative instruments for speculative purposes;
- documenting transactions and ensuring their consistency with risk management policies;
- demonstrating the effectiveness of the hedging relationships; and
- monitoring the hedging relationships.

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the nine-month period ended September 30, 2020. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

	September 30, 2020			December 31, 2019		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Financial	26	1	1	23	6	6
Lifeco	25,744	787	(882)	21,634	451	(930)
IGM	1,087	35	(11)	2,608	15	(2)
Other subsidiaries	7	-	-	8	-	-
	26,838	822	(893)	24,250	466	(932)
	26,864	823	(892)	24,273	472	(926)

During the nine-month period ended September 30, 2020, there was an increase of \$2.6 billion in the notional amount of derivatives outstanding, primarily due to an increase in forward-settling mortgage-backed security transactions ("to-be-announced securities") and regular hedging activities. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$823 million at September 30, 2020 from \$472 million at December 31, 2019. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars.

Parts C and D of this MD&A provide information on the types of derivative financial instruments used by Lifeco and IGM, respectively.

See Note 26 to the Corporation's 2019 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Part C of this MD&A and Note 32 to the Corporation's 2019 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Parts C and D of this MD&A and Note 31 to the Corporation's 2019 Consolidated Financial Statements.

Commitments and Contractual Obligations

At September 30, 2020, there have been no material changes in the contractual obligations of the Corporation and its subsidiaries from those reported in the 2019 Annual MD&A.

Income Taxes (Non-Consolidated Basis)

The Corporation had, at September 30, 2020, non-capital losses of \$354 million (\$346 million for which the benefits have not been recognized) available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2040.

The Corporation had, at September 30, 2020, capital losses of \$84 million (none of which have been recognized) that can be used indefinitely to offset capital gains.

See also "Transactions with Related Parties" below.

Transactions with Related Parties

In the normal course of business, Power Financial and its subsidiaries enter into various transactions which include capital commitments to investment funds, performance and base management fees paid to subsidiaries of the group and loans to employees. Such transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In the normal course of business, Canada Life and Putnam enter into various transactions with related companies which include providing group insurance benefits and subadvisory services, respectively, to other companies within the Power Financial group of companies. Such transactions are at market terms and conditions. These transactions are reviewed by the appropriate related party and conduct review committee.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Financial, and Lifeco and its subsidiaries. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

IGM enters into transactions with subsidiaries of Lifeco. These transactions are in the normal course of operations and include (i) providing certain administrative services, (ii) distributing insurance products and (iii) the sale of residential mortgages to Canada Life. These transactions are at market terms and conditions and are reviewed by the appropriate related party and conduct review committee.

In October 2017, IGM obtained advance tax rulings which permitted tax loss consolidation transactions with a subsidiary of Power Corporation, whereby shares of a subsidiary that has generated tax losses may be acquired by IGM in each year up to and including 2020. The acquisitions are expected to close in the fourth quarter of each year. IGM recognizes the benefit of the tax losses realized throughout the year the shares in the subsidiary are acquired.

On February 13, 2020, the Corporation and Power Corporation completed the Reorganization. Refer to the section "Overview" for more details.

On April 30, 2020 and on July 30, 2020, Power Financial advanced amounts totalling \$664 million to Power Corporation in exchange for non-interest-bearing promissory notes, payable on demand. Subsequent to the quarter end, on October 29, 2020, Power Financial advanced an additional \$332 million to Power Corporation in exchange for a non-interest-bearing promissory note, payable on demand. In its continuing effort to simplify the group structure, which began with the recent Reorganization, the Corporation is currently active on implementing specific strategies to have all of its outstanding common shares held directly by Power Corporation (as some of such common shares are currently held by a wholly-owned subsidiary of Power Corporation). The Corporation expects this activity to be completed in early 2021. Until then, the Corporation is funding what would otherwise be its regularly declared distribution on its common shares to Power Corporation by way of a promissory note.

See also the sections "Overview – Lifeco" and "Overview – IGM Financial" and Note 30 to the Corporation's 2019 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries – Lifeco and IGM – 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 are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the Corporation's 2019 Annual MD&A and in the notes to the Corporation's 2019 Consolidated Financial Statements.

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 portfolio investments (Note 17 of the Interim Consolidated Financial Statements), 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 preparation of the Corporation's 2019 Consolidated Financial Statements.

Changes in Accounting Policies

There were no changes to the Corporation's accounting policies from those reported at December 31, 2019, except for:

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.

The Corporation actively monitors changes in IFRS, both proposed and released, by the International Accounting Standards Board (IASB) for potential impact on the Corporation.

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 their 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)	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. 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.
IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (IAS 37)	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. 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.
IFRS 16 – Leases (IFRS 16)	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. 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.
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)	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. 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.

Internal Control over Financial Reporting

The Corporation's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended September 30, 2020 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Summary of Quarterly Results

	2020			2019				2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenues ^[1]	14,515	20,446	11,024	11,485	15,158	3,511	17,648	12,438	12,787	11,360	10,440
Assets under management [in billions]	983	935	871	934	916	907	904	854	876	877	867
Assets under administration [in billions]	1,853	1,848	1,692	1,816	1,781	1,751	1,731	1,565	1,617	1,598	1,563
Net earnings (attributable to common shareholders)	503	676	329	401	584	443	536	478	523	658	586
per share – basic ^[2]	0.75	1.02	0.50	0.60	0.88	0.66	0.75	0.67	0.74	0.92	0.82
per share – diluted ^[2]	0.75	1.02	0.50	0.60	0.88	0.66	0.75	0.67	0.73	0.92	0.82
Adjusted net earnings (attributable to common shareholders) ^[3]	436	570	470	654	554	567	474	404	412	532	486
per share – basic ^[2, 3]	0.65	0.86	0.71	0.99	0.83	0.85	0.66	0.57	0.58	0.74	0.68
Adjustments ^[3, 4]	67	106	(141)	(253)	30	(124)	62	74	111	126	100
per share – basic ^[3]	0.10	0.16	(0.21)	(0.39)	0.05	(0.19)	0.09	0.10	0.16	0.18	0.14

[1] The decrease in revenues in the second quarter of 2019 is due to the impact of Lifeco's sale, via indemnity reinsurance, of its U.S. individual life insurance and annuity business to Protective Life.

[2] In the second quarter of 2019, pursuant to the PFC SIB, Power Financial repurchased approximately 7% of its issued and outstanding common shares.

[3] Adjusted net earnings and adjusted net earnings per share attributable to common shareholders, and adjustments and adjustments per share are non-IFRS financial measures. For a definition of these non-IFRS financial measures, please refer to the section "Non-IFRS Financial Measures and Presentation" in this MD&A. In the first quarter of 2020, the definition of Adjustments was changed; refer to the section "Non-IFRS Financial Measures and Presentation" in this MD&A for more information. The comparative amounts have been adjusted to reflect this change.

[4] The Corporation's share of Lifeco, IGM and Pargesa's Adjustments is as follows:

	2020			2019				2018			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Lifeco											
Actuarial assumption changes and other management actions	44	82	(35)	(52)	54	25	88	56	138	143	82
Market-related impacts on liabilities	13	23	(100)	(9)	(19)	(4)	(28)	(2)	22	(15)	14
Net gain on sale of IPSI	63	-	-	-	-	-	-	-	-	-	-
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(21)	-	-	-	-	-	-	-	-	-	-
Net charge on the sale of U.S. individual life insurance and annuity business	-	-	-	-	-	(134)	-	-	-	-	-
Net charge on the revaluation of a deferred tax asset	-	-	-	(133)	-	-	-	-	-	-	-
Restructuring charges	-	-	-	(24)	-	-	-	-	(38)	-	-
Net gain on the Scottish Friendly transaction	-	-	-	6	-	-	-	-	-	-	-
Tax legislative changes	-	-	-	-	-	-	-	-	-	3	-
Legal accrual	-	-	-	-	-	-	-	-	-	(9)	-
Share of IGM's adjustments	-	-	-	-	-	-	-	-	(1)	-	-
IGM											
Restructuring and other charges	(34)	-	-	-	-	-	-	-	(10)	-	-
Premium paid on early redemption of debentures	-	-	-	-	-	-	-	-	(5)	-	-
Share of Lifeco's adjustments	4	4	(5)	(8)	1	(4)	2	2	5	4	4
Pargesa											
Imerys – Disposal of roofing activity	-	-	-	-	-	-	-	86	-	-	-
Imerys – Impairments, restructuring charges and other	(1)	(2)	-	(11)	-	(7)	-	(68)	-	-	-
Parques and other charges	(1)	(1)	(1)	(13)	(6)	-	-	-	-	-	-
Corporate operations											
Reorganization charges	-	-	-	(9)	-	-	-	-	-	-	-
	67	106	(141)	(253)	30	(124)	62	74	111	126	100

Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	7,176	6,272
Investments [Note 4]		
Bonds	127,284	115,127
Mortgage and other loans	32,102	31,445
Shares	9,620	10,188
Investment properties	5,853	5,887
Loans to policyholders	8,899	8,601
	183,758	171,248
Funds held by ceding insurers	8,273	8,714
Reinsurance assets [Note 7]	22,335	20,707
Derivative financial instruments	823	472
Investments in jointly controlled corporations and associates [Note 5]	4,695	4,902
Owner-occupied properties and capital assets	1,916	1,885
Other assets [Note 18]	12,344	10,293
Deferred tax assets	827	775
Intangible assets	5,287	5,172
Goodwill	10,978	9,910
Investments on account of segregated fund policyholders [Note 6]	236,943	231,022
Total assets	495,355	471,372
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]	11,380	8,250
Derivative financial instruments	1,715	1,398
Other liabilities	13,479	12,470
Deferred tax liabilities	1,214	1,429
Insurance and investment contracts on account of segregated fund policyholders [Note 6]	236,943	231,022
Total liabilities	459,683	437,660
Equity		
Stated capital [Note 9]		
Perpetual preferred shares	2,830	2,830
Common shares	1,292	1,292
Retained earnings	16,156	14,608
Reserves	2,070	2,085
Total shareholders' equity	22,348	20,815
Non-controlling interests	13,324	12,897
Total equity	35,672	33,712
Total liabilities and equity	495,355	471,372

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	1,508	1,479	4,449	4,783
Change in fair value through profit or loss	781	2,111	3,713	8,731
Net investment income	2,289	3,590	8,162	13,514
Fee income	2,255	2,249	6,566	7,786
Total revenues	14,515	15,158	45,985	36,317
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]	1,991	1,730	5,593	5,361
Financing charges	108	107	319	325
Total expenses	13,579	14,107	43,351	33,570
Earnings before investments in jointly controlled corporations and associates, and income taxes	936	1,051	2,634	2,747
Share of earnings of investments in jointly controlled corporations and associates [Note 5]	13	33	149	176
Earnings before income taxes	949	1,084	2,783	2,923
Income taxes [Note 14]	65	109	245	398
Net earnings	884	975	2,538	2,525
Attributable to				
Non-controlling interests	347	356	927	858
Perpetual preferred shareholders	34	35	103	104
Common shareholders	503	584	1,508	1,563
	884	975	2,538	2,525
Earnings per common share [Note 16]				
Net earnings attributable to common shareholders				
– Basic	0.75	0.88	2.27	2.29
– Diluted	0.75	0.88	2.27	2.29

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	884	975	2,538	2,525
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)	17	74	274	327
Income tax (expense) benefit	(2)	(8)	(46)	(56)
Realized (gains) losses transferred to net earnings	(14)	(22)	(137)	(71)
Income tax expense (benefit)	2	1	14	7
	3	45	105	207
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	17	3	9	9
Income tax (expense) benefit	(1)	(1)	1	(2)
Realized (gains) losses transferred to net earnings	(9)	-	(8)	-
	7	2	2	7
Net unrealized foreign exchange gains (losses) on translation of foreign operations				
Unrealized gains (losses) on translation	120	(184)	380	(865)
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)
	86	(141)	294	(761)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	203	(8)	(81)	231
Income tax (expense) benefit	(2)	2	(5)	6
	201	(6)	(86)	237
Total - items that may be reclassified	297	(100)	315	(310)
Items that will not be reclassified subsequently to net earnings				
Actuarial gains (losses) on defined benefit plans [Note 13]	(33)	(131)	(362)	(498)
Income tax (expense) benefit	4	27	83	107
Revaluation surplus on transfer to investment properties [Note 17]	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	(19)	(104)	(267)	(395)
Other comprehensive income (loss)	278	(204)	48	(705)
Comprehensive income	1,162	771	2,586	1,820
Attributable to				
Non-controlling interests	368	288	1,004	587
Perpetual preferred shareholders	34	35	103	104
Common shareholders	760	448	1,479	1,129
	1,162	771	2,586	1,820

Condensed Consolidated Statements of Changes in Equity

Nine months ended September 30, 2020 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				Total equity
	Perpetual preferred shares	Common shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 15]	Total	Non-controlling interests	
Balance, beginning of year	2,830	1,292	14,608	201	1,884	2,085	12,897	33,712
Net earnings	-	-	1,611	-	-	-	927	2,538
Other comprehensive income (loss)	-	-	-	-	(29)	(29)	77	48
Comprehensive income (loss)	-	-	1,611	-	(29)	(29)	1,004	2,586
Dividends to shareholders								
Perpetual preferred shares	-	-	(103)	-	-	-	-	(103)
Dividends to non-controlling interests	-	-	-	-	-	-	(594)	(594)
Expense for share-based compensation [Note 10]	-	-	-	35	-	35	14	49
Stock options exercised	-	-	-	(36)	-	(36)	36	-
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)
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	12	5	-	5	(33)	(16)
Balance, end of period	2,830	1,292	16,156	205	1,865	2,070	13,324	35,672

Nine months ended September 30, 2019 (unaudited) [in millions of Canadian dollars]	Stated capital			Reserves				Total equity
	Perpetual preferred shares	Common shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 15]	Total	Non-controlling interests	
Balance, beginning of year	2,830	833	15,887	162	1,788	1,950	13,334	34,834
Net earnings	-	-	1,667	-	-	-	858	2,525
Other comprehensive loss	-	-	-	-	(434)	(434)	(271)	(705)
Comprehensive income (loss)	-	-	1,667	-	(434)	(434)	587	1,820
Substantial issuer bid on common shares [Note 9]	-	459	(2,109)	-	-	-	-	(1,650)
Dividends to shareholders								
Perpetual preferred shares	-	-	(104)	-	-	-	-	(104)
Common shares	-	-	(930)	-	-	-	-	(930)
Dividends to non-controlling interests	-	-	-	-	-	-	(580)	(580)
Expense for share-based compensation [Note 10]	-	-	-	25	-	25	10	35
Stock options exercised	-	-	-	(24)	-	(24)	24	-
Effects of changes in capital and ownership of subsidiaries, and other ^[1]	-	-	99	23	(10)	13	(570)	(458)
Balance, end of period	2,830	1,292	14,510	186	1,344	1,530	12,805	32,967

[1] Effects of changes in capital and ownership of subsidiaries relate to the impact of the purchase for cancellation of common shares by Lifeco under its substantial issuer bid 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	2,783	2,923
Income tax paid, net of refunds	(382)	(387)
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	(3,713)	(8,731)
Other	(335)	279
	8,161	5,298
Financing activities		
Dividends paid		
By subsidiaries to non-controlling interests	(592)	(583)
Perpetual preferred shares	(104)	(104)
Common shares	(302)	(937)
	(998)	(1,624)
Issue of common shares and limited-life fund units by subsidiaries	52	128
Repurchase of common shares for cancellation under substantial issuer bid [Note 9]	-	(1,650)
Repurchase of common shares by subsidiaries	-	(368)
Redemption of preferred shares by subsidiaries	-	(150)
Issue of debentures and senior notes [Note 8]	3,713	250
Repayment of debentures [Note 8]	(500)	-
Increase in other debt instruments	15	238
Decrease in other debt instruments	(279)	(173)
Repayment of lease liabilities	(72)	(63)
Increase in obligations to securitization entities	1,148	1,186
Repayments of obligations to securitization entities and other	(1,575)	(1,452)
	1,504	(3,678)
Investment activities		
Bond sales and maturities	16,945	18,435
Mortgage and other loan repayments	3,319	3,137
Sale of shares	3,288	2,171
Sale of investment properties	70	8
Change in loans to policyholders	(170)	(17)
Investment in bonds	(23,483)	(18,767)
Investment in mortgage and other loans	(3,752)	(4,281)
Investment in shares	(3,399)	(1,782)
Investments in jointly controlled corporations and associates [Note 5]	(42)	(76)
Business acquisitions, net of cash and cash equivalents acquired [Note 3]	(827)	(12)
Sale of business, net of cash and cash equivalents in subsidiary [Note 3]	108	-
Promissory notes issued to Power Corporation [Note 18]	(664)	-
Change in cash and cash equivalents classified as held for sale	-	39
Investment in investment properties and other	(221)	(507)
	(8,828)	(1,652)
Effect of changes in exchange rates on cash and cash equivalents	67	(171)
Increase (decrease) in cash and cash equivalents	904	(203)
Cash and cash equivalents, beginning of year	6,272	5,624
Cash and cash equivalents, end of period	7,176	5,421
Net cash from operating activities includes		
Interest and dividends received	3,861	4,353
Interest paid	405	424

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	Power Corporation	Power Corporation of Canada
IGM or IGM Financial	IGM Financial Inc.	Power Financial or the Corporation	Power Financial Corporation
IG Wealth Management	Investors Group Inc.	Putnam	Putnam Investments, LLC
Irish Life	Irish Life Group Limited	Wealthsimple	Wealthsimple Financial Corp.
Lifeco	Great-West Lifeco Inc.		
London Life	London Life Insurance Company		

NOTE 1 Corporate Information

Power Financial Corporation, a reporting issuer in all of the provinces and territories of Canada, is incorporated and domiciled in Canada and located at 751 Victoria Square, Montréal, Québec, Canada, H2Y 2J3.

Power Financial is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe. It also has significant holdings in a portfolio of global companies based in Europe.

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

On February 13, 2020, the Corporation successfully completed the Reorganization and Power Corporation acquired 238,693,580 Power Financial Common Shares. Subsequent to the Reorganization, Power Corporation holds 100% of the issued and outstanding Common Shares of Power Financial, which were delisted from the Toronto Stock Exchange. Power Financial's preferred shares continue to be listed on the Toronto Stock Exchange and the 6.9% debentures due March 11, 2033 remain outstanding.

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Financial 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 Financial 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 Financial 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
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 I 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 Financial include, on a consolidated basis, the results of Lifeco and IGM Financial, 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 Lifeco and IGM Financial, all as at and for the three and nine months ended September 30, 2020. Certain notes to Power Financial's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

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.

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

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]	Joint control	Holding company	50.0	50.0
China Asset Management Co., Ltd. ^[2]	Associate	Asset management company	13.9	13.9

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

[2] Held by IGM Financial.

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.

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 17), 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)	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. 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.
IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (IAS 37)	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. 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.
IFRS 16 – Leases (IFRS 16)	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. 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.
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)	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. 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.

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
	1,135
Liabilities assumed	
	38
Net assets acquired	1,097

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 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	14,255	14,255	11,910	11,910
Loans and receivables	18,044	21,070	17,372	19,344
	127,284	130,310	115,127	117,099
Mortgage and other loans				
Loans and receivables	30,223	32,239	30,131	31,085
Designated as fair value through profit or loss	1,805	1,805	1,314	1,314
Classified as fair value through profit or loss	74	74	-	-
	32,102	34,118	31,445	32,399
Shares				
Designated as fair value through profit or loss	9,178	9,178	9,752	9,752
Classified as fair value through profit or loss	198	198	173	173
Available for sale ^[1]	244	244	263	263
	9,620	9,620	10,188	10,188
Investment properties	5,853	5,853	5,887	5,887
Loans to policyholders	8,899	8,899	8,601	8,601
	183,758	188,800	171,248	174,174

[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:

	Parjointco	China AMC	Personal Capital [Note 3]	Other	Total
September 30, 2020					
Carrying value, beginning of year	3,954	663	194	91	4,902
Investments	-	-	-	42	42
Share of earnings (losses)	72	30	32	15	149
Share of other comprehensive income (loss)	(123)	34	7	3	(79)
Dividends and distributions	(88)	(14)	-	(5)	(107)
Effects of changes in ownership and other	45	-	(233)	(24)	(212)
Carrying value, end of period	3,860	713	-	122	4,695
September 30, 2019					
Carrying value, beginning of year	3,291	683	-	35	4,009
Acquisition ^[1]	-	-	217	-	217
Investments	-	-	-	9	9
Share of earnings (losses)	161	23	(12)	4	176
Share of other comprehensive income (loss)	275	(45)	(2)	(1)	227
Dividends	(80)	(10)	-	-	(90)
Effects of changes in ownership and other	5	-	-	1	6
Carrying value, end of period	3,652	651	203	48	4,554

[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.

NOTE 9 Stated Capital**AUTHORIZED**

The authorized capital of Power Financial consists of an unlimited number of First Preferred Shares, issuable in series; an unlimited number of Second Preferred Shares, issuable in series; and an unlimited number of common shares.

ISSUED AND OUTSTANDING

	September 30, 2020		December 31, 2019	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
First Preferred Shares (perpetual)				
Series A	4,000,000	100	4,000,000	100
Series D	6,000,000	150	6,000,000	150
Series E	8,000,000	200	8,000,000	200
Series F	6,000,000	150	6,000,000	150
Series H	6,000,000	150	6,000,000	150
Series I	8,000,000	200	8,000,000	200
Series K	10,000,000	250	10,000,000	250
Series L	8,000,000	200	8,000,000	200
Series O	6,000,000	150	6,000,000	150
Series P	8,965,485	224	8,965,485	224
Series Q	2,234,515	56	2,234,515	56
Series R	10,000,000	250	10,000,000	250
Series S	12,000,000	300	12,000,000	300
Series T	8,000,000	200	8,000,000	200
Series V	10,000,000	250	10,000,000	250
		2,830		2,830
Common Shares				
Balance, beginning of year	664,096,506	1,292	714,096,479	833
Substantial issuer bid				
Issuance through effect of Qualifying Holdco Alternative	-	-	467,839,296	1,466
Cancellation of shares	-	-	(467,839,296)	(910)
Purchase for cancellation	-	-	(49,999,973)	(97)
Balance, end of period	664,096,506	1,292	664,096,506	1,292

Common Shares

Upon completion of the reorganization transaction on February 13, 2020, Power Corporation acquired all of the issued and outstanding common shares held by shareholders other than Power Corporation and its wholly owned subsidiary. Accordingly, Power Financial shares were delisted from the Toronto Stock Exchange effective as of the close of February 18, 2020 (Note 1).

In its continuing effort to simplify the group structure, which began with the recent Reorganization, the Corporation is currently active on implementing specific strategies to have all of its outstanding common shares held directly by Power Corporation (as some of such common shares are currently held by a wholly owned subsidiary of Power Corporation). The Corporation expects this activity to be completed by early 2021. Until then, the Corporation is funding what would otherwise be its regularly declared distribution on its common shares to Power Corporation by way of a promissory note (Note 18).

During the nine months ended September 30, 2019, dividends declared on the Corporation's common shares amounted to \$1.3665 per share.

Substantial Issuer Bid

On April 17, 2019, the Corporation completed its substantial issuer bid (the PFC SIB) and purchased for cancellation 49,999,973 of its common shares, at a purchase price of \$33.00 per common share, for an aggregate amount of \$1.65 billion. The excess paid under the PFC SIB over the stated capital of \$1.55 billion was recognized as a reduction to retained earnings. Transaction costs incurred in connection with the PFC SIB of \$4 million were recorded in retained earnings in 2019.

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

As part of the Reorganization, Power Corporation assumed the Corporation's 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 options to acquire Subordinate Voting Shares of Power 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.

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

	September 30, 2020		September 30, 2019	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
Outstanding, beginning of year	13,079,888	\$ 32.47	11,292,625	\$ 32.36
Granted	-	-	1,923,445	32.68
Options assumed by Power Corporation	(13,079,888)	32.47	-	-
Expired	-	-	(136,182)	26.22
Outstanding, end of period	-	-	13,079,888	32.47
Options exercisable, end of period	-	-	6,946,905	31.99

Compensation expense

During the nine months ended September 30, 2020, Power Corporation granted options under its Executive Stock Option Plan; a portion of these options were granted in exchange for services to be provided by certain Power Financial employees. Generally, options granted in the nine months ended September 30, 2020 vest on the basis of one third in each of [i] three years from the date of the grant, [ii] four years from the date of the grant, and [iii] five years from the date of the grant.

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

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

Dividend yield and expected volatility have been estimated based on the historical volatility of Power Corporation's share price over the expected option life.

During the nine months ended September 30, 2019, Power Financial granted 1,923,445 options under its Employee Stock Option Plan at a fair value of \$1.54 per share.

Lifeco and IGM have 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 options transferred to and granted by Power Corporation in exchange for services to be provided by certain Power Financial employees and to stock options granted by its subsidiaries amounted to \$12 million (\$11 million in 2019), and \$49 million for the nine months ended September 30, 2020 (\$35 million in 2019), and is recorded in operating and administrative expenses in the statements of earnings.

NOTE 10 Share-Based Compensation (continued)**PERFORMANCE SHARE UNIT PLAN**

Also as part of the Reorganization, the Power Financial Performance Share Unit (PSU) Plan continues under the same terms and conditions as was applicable, except that the number of existing PSUs and existing Performance Deferred Share Units (PDSUs) was adjusted by multiplying such number of PSUs or PDSUs by 1.05. The value of each PSU and PDSU is now based on the share price of a Power Corporation Subordinate Voting Share.

NOTE 11 Capital Management**POWER FINANCIAL**

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

- provide attractive long-term returns to the shareholder 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, perpetual preferred shares, common shareholders' equity and non-controlling interests. The Corporation views perpetual preferred 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 common shares, perpetual preferred 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 11 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 12 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 12 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 FINANCIAL AND OTHER SUBSIDIARIES

The risk management policies and procedures of 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. 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, 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 Financial 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

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 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 12 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 12 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 12 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 13 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	62	56	192	172
Curtailment ^[1]	(10)	(1)	(11)	(2)
Net interest cost	7	10	27	30
	59	65	208	200
Post-employment benefits				
Service costs	1	1	2	3
Net interest cost	4	3	10	11
	5	4	12	14
Expense recognized in net earnings	64	69	220	214
Remeasurements				
Pension plans				
Actuarial losses	185	265	442	1,183
Return on assets greater than discount rate	(128)	(150)	(92)	(710)
Change in the asset ceiling	(26)	13	(10)	(16)
Post-employment benefits				
Actuarial losses	2	3	22	41
Expense recognized in other comprehensive income	33	131	362	498
Total expense	97	200	582	712

[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 14 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	145	85	270	322
Deferred taxes	(80)	24	(25)	76
	65	109	245	398

EFFECTIVE INCOME TAX RATE

The overall effective income tax rate for the Corporation for the nine months ended September 30, 2020 was 8.8%, compared to 15.9% for the full year 2019 and 13.6% 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 15 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	116	829	1,630	(668)	(23)	1,884
Other comprehensive income (loss)	28	219	(100)	(178)	2	(29)
Reattribution on changes in ownership on Parjointco's interest in Pargesa [Note 5]	-	-	11	-	(1)	10
Balance, end of period	144	1,048	1,541	(846)	(22)	1,865

	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	43	1,190	1,107	(535)	(17)	1,788
Other comprehensive income (loss)	123	(541)	250	(263)	(3)	(434)
Other	-	(16)	-	6	-	(10)
Balance, end of period	166	633	1,357	(792)	(20)	1,344

NOTE 16 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	537	619	1,611	1,667
Dividends on perpetual preferred shares	(34)	(35)	(103)	(104)
Net earnings attributable to common shareholders	503	584	1,508	1,563
Dilutive effect of subsidiaries' outstanding stock options	-	-	(1)	-
Net earnings adjusted for dilutive effect	503	584	1,507	1,563
Number of common shares [millions]				
Weighted average number of common shares outstanding - Basic	664.1	664.1	664.1	683.5
Potential exercise of outstanding stock options	-	0.2	-	0.2
Weighted average number of common shares outstanding - Diluted	664.1	664.3	664.1	683.7
Net earnings per common share				
Basic	0.75	0.88	2.27	2.29
Diluted	0.75	0.88	2.27	2.29

For the nine months ended September 30, 2019, 11.0 million stock options were excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 17 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.	- 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	Utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. 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. 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.	- 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	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. 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.	- 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 17 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	-	14,255	-	14,255
Mortgage and other loans				
Fair value through profit or loss	-	74	1,805	1,879
Shares				
Fair value through profit or loss	7,971	57	1,348	9,376
Available for sale	9	49	60	118
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	1,361	-	1,681
	8,380	117,870	9,141	135,391
Liabilities				
Investment contract liabilities	-	4,047	-	4,047
Derivative instruments	1	1,689	25	1,715
Other liabilities	4	92	29	125
	5	5,828	54	5,887

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	-	11,910	-	11,910
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	12	42	59	113
Investment properties	-	-	5,887	5,887
Funds held by ceding insurers	216	6,445	-	6,661
Derivative instruments	-	468	4	472
Reinsurance assets	-	127	-	127
Other assets	375	1,115	-	1,490
	9,614	106,003	8,127	123,744
Liabilities				
Investment contract liabilities	-	1,656	-	1,656
Derivative instruments	3	1,390	5	1,398
Other liabilities	43	355	13	411
	46	3,401	18	3,465

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

NOTE 17 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	59	5,887	(1)	(13)	8,109
Total gains (losses)								
In net earnings	1	90	(10)	7	(157)	(26)	(16)	(111)
In other comprehensive income ^[1]	4	-	-	(8)	10	-	-	6
Purchases	-	-	241	10	155	2	-	408
Issues	-	454	-	-	-	-	-	454
Sales	-	-	(55)	(9)	(70)	-	-	(134)
Settlements	-	(53)	-	-	-	3	-	(50)
Transferred from owner-occupied properties ^[2]	-	-	-	-	28	-	-	28
Transfer into Level 3	-	-	376	1	-	-	-	377
Balance, end of period	72	1,805	1,348	60	5,853	(22)	(29)	9,087

[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	204	5,247	5	(67)	6,722
Total gains (losses)								
In net earnings	5	133	42	27	44	(11)	(4)	236
In other comprehensive income ^[1]	(5)	(53)	-	(27)	(182)	-	-	(267)
Purchases	-	-	162	7	441	(1)	-	609
Issues	-	318	-	-	-	-	-	318
Sales	-	-	(39)	(7)	(8)	-	-	(54)
Settlements	-	(51)	-	-	-	-	45	(6)
Other ^[3]	-	-	-	(150)	-	-	18	(132)
Balance, end of period	67	1,160	618	54	5,542	(7)	(8)	7,426

[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 17 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 18 Related Parties

On April 30, 2020, and July 30, 2020, Power Financial advanced amounts totalling \$664 million to Power Corporation in exchange for non-interest bearing promissory notes, payable on demand. Promissory notes are included in other assets on the balance sheets. Subsequent to the quarter end, on October 29, 2020, Power Financial advanced an additional \$332 million to Power Corporation in exchange for a non-interest bearing promissory note, payable on demand.

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 Financial'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 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	Lifeco	IGM ^[1]	Pargesa	Corporate	Total
Revenues					
Total net premiums	9,976	-	-	(5)	9,971
Net investment income	2,277	53	-	(41)	2,289
Fee income ^[2]	1,486	801	-	(32)	2,255
Total revenues	13,739	854	-	(78)	14,515
Expenses					
Total paid or credited to policyholders	10,668	-	-	-	10,668
Commissions ^[2]	549	273	-	(10)	812
Operating and administrative expenses	1,542	328	-	121	1,991
Financing charges	71	28	-	9	108
Total expenses	12,830	629	-	120	13,579
Earnings before investments in jointly controlled corporations and associates, and income taxes	909	225	-	(198)	936
Share of earnings of investments in jointly controlled corporations and associates	1	10	(45)	47	13
Earnings before income taxes	910	235	(45)	(151)	949
Income taxes	19	44	-	2	65
Net earnings	891	191	(45)	(153)	884
Attributable to					
Non-controlling interests	345	106	-	(104)	347
Perpetual preferred shareholders	-	-	-	34	34
Common shareholders	546	85	(45)	(83)	503
	891	191	(45)	(153)	884

Three months ended September 30, 2019	Lifeco	IGM ^[1]	Pargesa	Corporate	Total
Revenues					
Total net premiums	9,324	-	-	(5)	9,319
Net investment income	3,554	42	-	(6)	3,590
Fee income	1,496	770	-	(17)	2,249
Total revenues	14,374	812	-	(28)	15,158
Expenses					
Total paid or credited to policyholders	11,440	-	-	-	11,440
Commissions	571	273	-	(14)	830
Operating and administrative expenses	1,438	254	-	38	1,730
Financing charges	70	28	-	9	107
Total expenses	13,519	555	-	33	14,107
Earnings before investments in jointly controlled corporations and associates, and income taxes	855	257	-	(61)	1,051
Share of earnings of investments in jointly controlled corporations and associates	-	4	29	-	33
Earnings before income taxes	855	261	29	(61)	1,084
Income taxes	47	59	-	3	109
Net earnings	808	202	29	(64)	975
Attributable to					
Non-controlling interests	320	78	-	(42)	356
Perpetual preferred shareholders	-	-	-	35	35
Common shareholders	488	124	29	(57)	584
	808	202	29	(64)	975

[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, 2020	Lifeco	IGM ^[1]	Pargesa	Corporate	Total
Revenues					
Total net premiums	31,272	-	-	(15)	31,257
Net investment income	8,118	127	-	(83)	8,162
Fee income ^[2]	4,333	2,270	-	(37)	6,566
Total revenues	43,723	2,397	-	(135)	45,985
Expenses					
Total paid or credited to policyholders	34,932	-	-	-	34,932
Commissions ^[2]	1,739	800	-	(32)	2,507
Operating and administrative expenses	4,525	864	-	204	5,593
Financing charges	205	83	-	31	319
Total expenses	41,401	1,747	-	203	43,351
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,322	650	-	(338)	2,634
Share of earnings of investments in jointly controlled corporations and associates	-	25	72	52	149
Earnings before income taxes	2,322	675	72	(286)	2,783
Income taxes	101	140	-	4	245
Net earnings	2,221	535	72	(290)	2,538
Attributable to					
Non-controlling interests	873	242	-	(188)	927
Perpetual preferred shareholders	-	-	-	103	103
Common shareholders	1,348	293	72	(205)	1,508
	2,221	535	72	(290)	2,538

Nine months ended September 30, 2019	Lifeco ^[3]	IGM ^[1]	Pargesa	Corporate	Total
Revenues					
Total net premiums	15,032	-	-	(15)	15,017
Net investment income	13,411	126	-	(23)	13,514
Fee income	5,566	2,272	-	(52)	7,786
Total revenues	34,009	2,398	-	(90)	36,317
Expenses					
Total paid or credited to policyholders	25,322	-	-	-	25,322
Commissions	1,779	823	-	(40)	2,562
Operating and administrative expenses	4,475	788	-	98	5,361
Financing charges	214	81	-	30	325
Total expenses	31,790	1,692	-	88	33,570
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,219	706	-	(178)	2,747
Share of earnings of investments in jointly controlled corporations and associates	-	11	161	4	176
Earnings before income taxes	2,219	717	161	(174)	2,923
Income taxes	230	160	-	8	398
Net earnings	1,989	557	161	(182)	2,525
Attributable to					
Non-controlling interests	751	213	-	(106)	858
Perpetual preferred shareholders	-	-	-	104	104
Common shareholders	1,238	344	161	(180)	1,563
	1,989	557	161	(182)	2,525

[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.

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

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

September 30, 2020	Lifeco	ICM ^[2]	Pargesa	Corporate	Total
Investments and cash and cash equivalents	181,804	7,799	–	1,331	190,934
Investments in jointly controlled corporations and associates	64	713	3,860	58	4,695
Other assets	42,869	1,913	–	1,736	46,518
Goodwill and intangible assets	12,009	4,087	–	169	16,265
Investments on account of segregated fund policyholders	236,943	–	–	–	236,943
Total assets^[1]	473,689	14,512	3,860	3,294	495,355

December 31, 2019	Lifeco	ICM ^[2]	Pargesa	Corporate	Total
Investments and cash and cash equivalents	168,229	7,984	–	1,307	177,520
Investments in jointly controlled corporations and associates	53	857	3,954	38	4,902
Other assets	40,974	1,472	–	400	42,846
Goodwill and intangible assets	10,844	4,067	–	171	15,082
Investments on account of segregated fund policyholders	231,022	–	–	–	231,022
Total assets^[1]	451,122	14,380	3,954	1,916	471,372

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

[2] Assets reported by ICM 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".

Great-West Lifeco Inc.

PART C

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part C contains two different page numbers. A page number with the prefix "C" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by Great-West Lifeco Inc.

The attached documents concerning Great-West Lifeco Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Cautionary Note Regarding Forward-Looking Information. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020
DATED: NOVEMBER 4, 2020**

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and nine months ended September 30, 2020 and includes a comparison to the corresponding periods in 2019, to the three months ended June 30, 2020, and to the Company's financial condition as at December 31, 2019. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions. Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the periods ended September 30, 2020. Also refer to the 2019 Annual MD&A and audited consolidated financial statements in the Company's 2019 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the novel coronavirus ("COVID-19") and related economic and market impacts on the Company's business operations, financial results and financial condition, the cost (including deferred consideration), expected benefits of the acquisition of Personal Capital Corporation (Personal Capital), the U.S. retirement industry, the completion and expected impacts of the sale of GLC Asset Management Group Ltd., the timing of and establishment by Canada Life of a fund management company and in respect of the acquisition of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), the timing (for completion and integration) of the acquisition, the cost and expected benefits and performance of the acquired business, amounts and timing of funding for the acquisition, and future expenses and revenues from the acquisition, including expected cost synergies (including "run rate" cost synergies) and revenue synergies. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance, mutual fund and retirement solutions industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, achievement or waiver of conditions to closing of the acquisition of the retirement services business of MassMutual, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate the acquisitions of Personal Capital and the retirement services of MassMutual, leverage Empower Retirement's, Personal Capital's and MassMutual's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer adoption levels), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), uncertainty regarding the outcome of the upcoming presidential election in the United States, the United Kingdom's exit ("Brexit") from the European Union, business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Important factors that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security

(including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic, and the effects of the governments' and other businesses' responses to the COVID-19 pandemic, on the economy and the Company's financial results, financial condition and operations). The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2019 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 12, 2020 under "Risk Factors", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "base earnings (loss)", "base earnings (loss) (US\$)", "base earnings per common share", "return on equity", "base return on equity", "core net earnings (loss)", "constant currency basis", "impact of currency movement", "premiums and deposits", "pre-tax operating margin", "sales", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the "Non-IFRS Financial Measures" section in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information

(in Canadian \$ millions, except for per share amounts)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Earnings					
Base earnings ⁽¹⁾⁽²⁾	\$ 679	\$ 706	\$ 677	\$ 1,928	\$ 1,873
Net earnings - common shareholders	826	863	730	2,031	1,846
Per common share					
Basic:					
Base earnings ⁽¹⁾⁽²⁾	0.732	0.761	0.729	2.078	1.968
Net earnings	0.891	0.930	0.786	2.190	1.940
Diluted net earnings	0.891	0.930	0.785	2.189	1.939
Dividends paid	0.438	0.438	0.413	1.314	1.239
Book value	22.57	21.98	21.02		
Base return on equity⁽¹⁾⁽²⁾⁽³⁾	13.5 %	13.7 %	12.1 %		
Return on equity⁽¹⁾⁽³⁾	12.4 %	12.1 %	12.4 %		
Total premiums and deposits⁽¹⁾	\$ 40,827	\$ 43,076	\$ 36,417	\$ 130,268	\$ 111,542
Fee and other income	1,486	1,406	1,496	4,333	5,566
Net policyholder benefits, dividends and experience refunds	9,155	9,659	8,468	28,243	26,412
Total assets per financial statements	\$ 473,737	\$ 457,996	\$ 446,626		
Proprietary mutual funds and institutional net assets ⁽¹⁾	341,436	315,326	308,425		
Total assets under management⁽¹⁾	815,173	773,322	755,051		
Other assets under administration ⁽¹⁾	845,862	889,929	841,700		
Total assets under administration⁽¹⁾	\$1,661,035	\$1,663,251	\$1,596,751		
Total equity	\$ 26,648	\$ 26,109	\$ 25,157		
The Canada Life Assurance Company consolidated LICAT Ratio⁽⁴⁾	131 %	132 %	139 %		

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure. Base earnings (loss) are defined as net earnings excluding the impact of actuarial assumption changes and other management actions, direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, and items that management believes are not indicative of the Company's underlying business results. These items would include restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, legislative tax changes and other tax impairments, and net gains, losses or costs related to the disposition or acquisition of a business.

⁽³⁾ Refer to the "Return on Equity" section of this document for additional details.

⁽⁴⁾ The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section of this document for additional details.

COVID-19 PANDEMIC IMPACTS

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, self-imposed quarantine periods and physical distancing, supply chain disruptions, reduced consumer demand and significant market uncertainty. This has caused material disruption to businesses globally, resulting in an economic slowdown. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions. While, due to the evolving and highly uncertain nature of this event, it is currently not possible to estimate its impact precisely, the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, liquidity or prospects in a number of ways. The Company is monitoring the situation closely, including carrying out stress and scenario testing, and has implemented processes for the continuation of operations and to support the well-being of customers, employees and broader communities. The risks associated with the COVID-19 pandemic (financial, operational and other risks) are being managed within the Company's existing risk management framework. Service continuity plans are in operation across the Company, with a significant majority of employees continuing to work remotely to provide service to customers and maintain operations and technology functions. In addition, the Company has provided support to communities through financial donations across the geographic regions in which the Company operates.

Impact on Financial Results

Net Earnings

The Company's third quarter 2020 financial results were positively impacted by market recoveries as markets continued to rebound from the significant declines in the first quarter of 2020 at the onset of the COVID-19 pandemic, although Canadian and European equity markets remain below September 30, 2019 levels. While equity and fixed income markets have improved since March 31, 2020, interest rates remain low and COVID-19 challenges have been observed through investment credit rating downgrades and real estate values, although these were modest in the third quarter of 2020. Investment related and premium deferrals were limited, partially as a result of continued government support in many jurisdictions. While the Company experienced lower sales in certain areas of its business, customer retention remained high. These items are discussed in more detail throughout this MD&A including in the "Net Earnings" and "Invested Assets" sections of this document.

Liquidity and Capital Position

The Company's capital position remained strong at September 30, 2020, with a LICAT ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 131% which is well above the Company's internal target range and the supervisory target. Refer to the "Capital Management and Adequacy" section of this document for additional details on the LICAT Ratio.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of \$12.1 billion including \$1.5 billion held at the Lifeco holding company level. During 2020, the Company and its subsidiaries have issued \$1.1 billion of debentures and \$2.6 billion (US\$2 billion) of senior notes to maintain liquidity, support continued strategic investment, including the acquisition of Personal Capital and the retirement services business of MassMutual, and fund the repayment of \$500 million of debentures that matured on August 13, 2020.

Other Impacts

Assets under administration of \$1.7 trillion at September 30, 2020 were comparable to June 30, 2020 and increased compared to December 31, 2019.

Many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. In the third quarter of 2020, credit spreads continued a trend of narrowing that began in the second quarter and rating agency downgrades continued across industries, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced some impact from the downgrades in period. Depending on the length of the shutdowns and recovery of the economy there could be a larger impact from downgrades in future periods.

Measurement Uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use independent third party credit ratings where available as an input to its internal credit rating process. Investment properties, which are primarily held in the U.K. and Canada, rely upon independent third party appraisals for their valuation which impact the estimation of actuarial liabilities. Independent appraisals for the portfolio occur over the year with management adjustments for material changes in the interim periods. Credit rating changes for fixed income investments and market values for investment properties may lag developments in the current environment. Subsequent credit rating adjustments and market value adjustments on investment properties will impact actuarial liabilities.

During the third quarter of 2020, the Company maintained its temporary suspension of contributions, redemptions and transfers from its real estate segregated funds in Canada and Europe as the economic conditions caused by the COVID-19 situation continue to lead to valuation uncertainty in the real estate industry. Management determined the need to temporarily suspend withdrawals and transfers-out from the funds in order to protect the long term interests of unitholders in the first quarter of 2020.

Valuation certainty is selectively returning to certain sectors and geographies of the real estate market. Subsequent to the third quarter of 2020, on October 8, 2020, the temporary suspension was lifted from the Company's U.K. real estate fund as the material valuation uncertainty clauses that had been in effect across that fund's main asset classes were lifted by the independent third party appraisers. Deferral of redemptions and transfers in the largest Irish property fund is under review following the removal of valuation uncertainty clauses on the majority of sectors in the Irish property market, while the deferral remains in place for the smaller fund focused on individual clients. Property funds in Canada remain in suspension as material uncertainty is still present in those markets.

In addition, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax asset carrying values reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments. Given the uncertainty surrounding the future environment, the actual financial results could differ from the estimates made in preparation of the Company's condensed consolidated interim unaudited financial statements.

Government and Regulatory Responses

While conditions have become more stable, governments and central banks in the jurisdictions in which the Company's subsidiaries operate have extended many of the measures they introduced earlier this year to deal with the economic impacts of the COVID-19 pandemic, including emergency spending, interest rate cuts, wage subsidies and other supports for individuals and businesses. The Office of the Superintendent of Financial Institutions (OSFI), which regulates the Company's Canadian insurance subsidiaries, has begun phasing out capital relief for loan and insurance premium payment deferrals. This capital relief has not been material to the Company.

The overall level of regulatory engagement with the Company's regulated subsidiaries has moderated somewhat to reflect the more stable conditions. However, regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. Regulators in Canada, the U.K. and Ireland, where some of the Company's regulated subsidiaries operate, have maintained the guidance they provided earlier this year on the payment of dividends and other shareholder distributions during the crisis.

On March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments. The Company does not currently intend to increase dividends or engage in share repurchases.

In the U.K., the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones. In July 2020 and September 2020, the Company's subsidiaries that are supervised by the PRA paid dividends in accordance with the PRA guidance.

In Ireland, the position of the Central Bank of Ireland (CBI) is that, as the impact of COVID-19 remains uncertain, insurance firms should, at this time, postpone any payment of dividend distributions or similar transactions until they can forecast their costs and future revenues with a greater degree of certainty. The CBI has indicated that it will continue to review this position in conjunction with ongoing guidance from the European Insurance and Occupational Pension Authority and the European Systemic Risk Board.

The declaration and payment of dividends by the Company in future periods remains in the discretion of its directors and will depend among other things on the Company's financial position, which will in turn depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Company expects that its ability to pay dividends at current levels will not be adversely impacted.

Outlook

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

During the third quarter of 2020, equity markets continued to recover from first quarter of 2020 levels resulting in an increase in earnings; however, sales activity was lower. While the third quarter of 2020 benefited from market recoveries, general economic slowdown as a result of the outbreak could continue to impact total Company sales, net cash flows and net earnings. If this economic uncertainty is sustained, or leads to adverse impacts on claims or sales, it will continue to adversely impact the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has governance structures and processes in place which support regular monitoring of the Company's capital and liquidity positions based on current market information. The Company's financial outlook for the remainder of the year will depend on the duration and intensity of COVID-19 pandemic impacts. Earnings are expected to be lower in future periods if lower markets and interest rates and sales activity persist, premium income reduces and if higher disability incidence occurs. Future market developments could also impact the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets which reflect management's judgement based on current expectations.

There is continued focus on supporting customers and employees through digital platforms to manage the challenges created by physical distancing. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in which the Company operates. Given the increase in confirmed cases, the Company is following a cautious approach for employees to return to the workplace, in line with local government guidance. The Company will monitor and adapt to restrictions as they are announced.

The Company expects to see a continued impact on sales opportunities for certain products given client and prospect concerns about the breadth and severity of the pandemic and its longer-term effect on businesses. Sales teams and financial advisors have been adapting to the new remote environment and are adjusting processes going forward. If lower sales persist it could adversely impact asset, premiums and fee income levels. While sales were lower in the third quarter of 2020, the Company is starting to see improvements following the end of the quarter. The Reinsurance business unit, in the Capital and Risk Solutions segment, continues to have a strong pipeline for new business and has currently not experienced any significant impacts from the COVID-19 pandemic.

The Company's asset liability management strategy is designed to mitigate interest rate risk; however while the Company has limited sensitivity to fluctuations in interest rates, a prolonged period of low interest rates may adversely impact the profitability of certain products the Company provides, and repricing actions have been, and will continue to be, undertaken as necessary. For a further description of the Company's sensitivity to interest rate and equity market fluctuations, including expanded sensitivity disclosures as a result of current market conditions, refer to note 6 "Financial Instruments Risk Management" in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

The impact of the pandemic on mortality is also uncertain at this time. Changes to mortality and longevity rates impact the Company's results. The Company manages risks of changes to mortality and longevity rates by issuing a diversified range of insurance and annuity products along with using reinsurance and capital market solutions.

The shutdown of non-essential health service providers, such as dentists, during the latter part of the first quarter and majority of the second quarter of 2020, as well as physical distancing resulted in lower claims for group customers in the second quarter of 2020. As these businesses started to re-open in most regions towards the end of the second quarter of 2020, claims increased in the third quarter of 2020. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause adverse impacts on disability and other claims experience in future periods.

The Company's businesses are well-diversified. This diversity, combined with business strength, resilience and experience, puts the Company in a strong position to manage the current environment and leverage opportunities for the future. Lifeco's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

NET EARNINGS

Consolidated base earnings and net earnings of Lifeco include the base earnings and net earnings of The Canada Life Assurance Company (Canada Life) and its operating subsidiary, Irish Life Group Limited (Irish Life); Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam); together with Lifeco's Corporate operating results.

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure to reflect management's view of the underlying business performance of the Company. The measure - base earnings (loss) - is being adopted to enhance comparability of results between reporting periods and in anticipation of the implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. Refer to the "Non-IFRS Financial Measures" section in this MD&A for additional details.

Base earnings⁽¹⁾ and Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Base earnings (loss)⁽¹⁾					
Canada	\$ 270	\$ 315	\$ 355	\$ 858	\$ 904
United States	83	83	79	183	261
Europe	182	179	161	493	479
Capital and Risk Solutions	156	137	86	412	244
Lifeco Corporate	(12)	(8)	(4)	(18)	(15)
Lifeco base earnings⁽¹⁾	\$ 679	\$ 706	\$ 677	\$ 1,928	\$ 1,873
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	\$ 66	\$ 122	\$ 81	\$ 136	\$ 248
Market-related impacts on liabilities ⁽²⁾	18	35	(28)	(96)	(76)
Net gain on sale of Irish Progressive Services International Limited ⁽²⁾	94	—	—	94	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual ⁽²⁾⁽³⁾	(31)	—	—	(31)	—
Net charge on sale, via reinsurance, of a U.S. business ⁽²⁾	—	—	—	—	(199)
Items excluded from Lifeco base earnings⁽²⁾	\$ 147	\$ 157	\$ 53	\$ 103	\$ (27)
Net earnings (loss) - common shareholders					
Canada	\$ 266	\$ 353	\$ 300	\$ 770	\$ 863
United States	89	78	77	172	60
Europe	316	253	282	660	669
Capital and Risk Solutions	167	187	75	447	269
Lifeco Corporate	(12)	(8)	(4)	(18)	(15)
Lifeco net earnings - common shareholders	\$ 826	\$ 863	\$ 730	\$ 2,031	\$ 1,846

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

⁽³⁾ The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

The information in the table above is a summary of results of the Company's base earnings and net earnings. Additional commentary is included in the "Segmented Operating Results" section.

Base earnings

Base earnings for the third quarter of 2020 of \$679 million (\$0.732 per common share) increased by \$2 million from \$677 million (\$0.729 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment and favourable morbidity, mortality and longevity experience in the Europe segment. The increase was mostly offset by lower contributions from new business and investment experience in the Canada segment.

For the nine months ended September 30, 2020, Lifeco's base earnings were \$1,928 million (\$2.078 per common share) compared to \$1,873 million (\$1.968 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment. The increase was partially offset by lower base earnings in the Canada and U.S. segments. Base earnings for the nine months ended September 30, 2019 included \$63 million related to the Reinsured Insurance & Annuities business, which reflects substantially all of the individual life insurance and annuity business sold, through indemnity reinsurance, to Protective Life Insurance Company (Protective Life) effective June 1, 2019.

Net earnings

Lifeco's net earnings for the three month period ended September 30, 2020 of \$826 million (\$0.891 per common share) increased by \$96 million or 13% compared to \$730 million (\$0.786 per common share) a year ago. The increase was primarily due to favourable market-related impacts on liabilities and a net gain of \$94 million related to the sale of Irish Progressive Services International Limited (IPSI), partly offset by transaction costs incurred to date of \$31 million related to the acquisitions of Personal Capital and the retirement services business of MassMutual.

For the nine months ended September 30, 2020, Lifeco's net earnings were \$2,031 million (\$2.190 per common share) compared to \$1,846 million (\$1.940 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment and the net gain on the sale of IPSI discussed for the in-quarter results. The increase was partially offset by the transaction costs related to the acquisitions of Personal Capital and the retirement services business of MassMutual discussed for the in-quarter results and lower contributions from insurance contract liability basis changes and market-related impacts on liabilities due to significant market declines and volatility in the first quarter of 2020 driven by the COVID-19 pandemic. In addition, Lifeco's net earnings for the nine months ended September 30, 2019 included a net charge of \$199 million (US\$148 million) relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life.

Actuarial Assumption Changes and Other Management Actions

For the three months ended September 30, 2020, actuarial assumption changes and other management actions resulted in a positive net earnings impact of \$129 million compared to a positive net earnings impact of \$81 million for the same quarter last year and a positive impact of \$122 million for the previous quarter.

Management actions in the third quarter of 2020 included the positive net earnings impact of \$94 million due to the net gain on sale of IPSI and the negative net earnings impact of \$31 million due to the transaction costs related to the acquisitions of Personal Capital and MassMutual. Excluding these items, assumption changes and other management actions in the third quarter of 2020 resulted in a net earnings impact of \$66 million. In the United States, net earnings were positively impacted by \$38 million, primarily due to updated economic assumptions. In Europe, net earnings were positively impacted by \$22 million, primarily due to updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by \$4 million. In Capital and Risk Solutions, net earnings were positively impacted by \$2 million primarily due to updated annuitant mortality and modeling refinements, partially offset by updated life mortality and policyholder behaviour assumptions.

For the nine months ended September 30, 2020, actuarial assumption changes and management actions resulted in a positive net earnings impact of \$199 million compared to \$212 million for the same period in 2019. Excluding the positive net earnings impact of \$94 million due to the net gain on sale of IPSI and the negative net earnings impact of \$31 million due to the transaction costs related to the acquisitions of Personal Capital and MassMutual, assumption changes and other management actions for the nine months ended September 30, 2020 positively impacted net earnings by \$136 million. The positive impact of \$212 million for the same period last year includes a negative impact of \$36 million relating to the reinsurance transaction with Protective Life, which is included in the net charge on sale, via reinsurance, of a U.S. business of \$199 million.

Market-Related Impacts

In the regions where the Company operates, average equity market levels for the three months ended September 30, 2020 were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019; however, markets ended the quarter higher for the U.S. and Canada, and lower in the U.K. and broader Europe compared to June 30, 2020. For the nine months ended September 30, 2020, average equity market levels were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019.

Comparing the third quarter of 2020 to the third quarter of 2019, average equity market levels were up by 12% in the U.S. (as measured by S&P 500), down 1% in Canada (measured by S&P TSX), down 18% in the U.K. (measured by FTSE 100) and down 5% in broader Europe (measured by EURO STOXX 50). The major equity indices finished the third quarter of 2020 up by 4% in Canada, up by 8% in the U.S., down by 5% in the U.K. and down by 1% in broader Europe compared to June 30, 2020.

In countries where the Company operates, government treasury rates for the most part remained consistent, while credit spreads narrowed during the quarter.

Market-related impacts on liabilities positively impacted net earnings by \$18 million in the third quarter of 2020 (negative impact of \$28 million in the third quarter of 2019), primarily reflecting the impact of equity market recoveries in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$18 million in the third quarter of 2020 was a positive impact of \$13 million related to legacy block segregated fund guarantee business.

For the nine months ended September 30, 2020, market-related impacts on liabilities negatively impacted net earnings by \$96 million (negative impact of \$76 million year-to-date in 2019). While equity markets rebounded in the second and third quarter of 2020, the year-to-date negative impact reflects the significant decline and volatility in equity markets and interest rates in the first quarter of 2020 which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness and was only partially recovered in-period. Included in the total negative impact of \$96 million year-to-date in 2020 was a negative impact of \$10 million related to legacy block segregated fund guarantee business.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

Foreign Currency

The average currency translation rate for the third quarter of 2020 increased for the U.S. dollar, the euro and the British pound compared to the third quarter of 2019. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2020 was an increase of \$27 million (increase of \$33 million year-to-date) compared to translation rates a year ago.

From June 30, 2020 to September 30, 2020, the market rates at the end of the reporting period used to translate U.S. dollar to the Canadian dollar decreased, while the euro and British pound increased. The movements in end-of-period exchange rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of \$89 million in-quarter (\$297 million net unrealized gains year-to-date) recorded in other comprehensive income.

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These non-IFRS measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. These non-IFRS measures provide useful information as they facilitate the comparability of results between periods. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the third quarter of 2020, the Company had an effective income tax rate of 2.1%, which was down from 5.5% in the third quarter of 2019. The decrease in the effective income tax rate for the third quarter of 2020 was primarily due to changes in certain tax estimates as well as the non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the third quarter of 2020 was 4.8% compared to 6.9% in the third quarter of 2019.

The Company had an effective income tax rate of 4.3% for the nine months ended September 30, 2020, compared to 10.4% for the same period last year. The decrease in the effective income tax rate for the nine months ended September 30, 2020 was primarily due to changes in certain tax estimates and an increase in the amount of income subject to lower rates in jurisdictions outside of Canada, partially offset by lower non-taxable investment income. The effective income tax rate for the shareholder account for the nine months ended September 30, 2020 was 5.7% compared to 13.2% for the same period last year.

In the third quarter of 2020, the Company had an effective income tax rate of 2.1%, compared to 9.1% in the second quarter of 2020. The decrease in the effective income tax rate for the third quarter of 2020 was primarily due to higher tax exempt investment income and the non-taxable gain on the disposal of the shares of IPSI, partially offset by changes in certain tax estimates. The effective income tax rate for the shareholder account for the third quarter of 2020 was 4.8% compared to 9.0% for the second quarter of 2020.

Refer to note 15 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020 for further details.

The Company recognizes deferred income tax assets based on the probability that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. As at September 30, 2020, the Company has recognized a deferred income tax asset of \$1,186 million on tax loss carryforwards. While \$296 million pertains to losses with no expiry, \$31 million pertains to losses expiring in 2024, \$300 million to losses expiring between 2026 and 2030, \$408 million to losses expiring between 2031 and 2035 and \$151 million to losses expiring between 2036 and 2040. Included in the deferred income tax asset balance was \$710 million (US\$534 million) from one of the Company's subsidiaries with a history of losses, \$320 million (US\$241 million) of which relates to certain restricted losses with an expiry between 2029 and 2034.

Given the economic uncertainty resulting from the COVID-19 pandemic, the Company carried out a review of the recoverability of the deferred income tax asset and concluded that no change in the valuation was required at this time. The Company will continue to monitor market conditions to determine if any valuation adjustments may be required in the future.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits ⁽¹⁾	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Canada	\$ 6,085	\$ 5,602	\$ 7,053	\$ 18,575	\$ 20,117
United States ⁽²⁾	24,138	24,348	17,670	72,897	50,995
Europe	6,114	8,151	7,590	24,725	27,426
Capital and Risk Solutions	4,490	4,975	4,104	14,071	13,004
Total premiums and deposits⁽¹⁾	\$ 40,827	\$ 43,076	\$ 36,417	\$ 130,268	\$ 111,542
Sales ⁽¹⁾⁽³⁾	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Canada	\$ 2,520	\$ 2,390	\$ 3,520	\$ 8,542	\$ 9,640
United States ⁽⁴⁾	27,987	28,227	31,245	109,445	131,306
Europe	5,313	7,141	7,098	22,122	25,410
Total sales⁽¹⁾	\$ 35,820	\$ 37,758	\$ 41,863	\$ 140,109	\$ 166,356

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ For the nine months ended September 30, 2019, premiums and deposits exclude the initial ceded premium of \$13,889 million related to the business transferred to Protective Life under an indemnity reinsurance agreement effective June 1, 2019.

⁽³⁾ Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

⁽⁴⁾ For the nine months ended September 30, 2019, sales for the United States reflect \$0.4 billion related to the Reinsured Insurance & Annuity business unit.

The information in the table above is a summary of results for the Company's total premiums and deposits and sales. Additional commentary regarding premiums and deposits and sales is included in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Investment income earned (net of investment properties expenses)	\$ 1,420	\$ 1,546	\$ 1,470	\$ 4,284	\$ 4,577
Net allowances for credit losses on loans and receivables	(1)	—	—	(10)	(48)
Net realized gains	106	92	28	246	293
Regular investment income	1,525	1,638	1,498	4,520	4,822
Investment expenses	(32)	(42)	(46)	(117)	(123)
Regular net investment income	1,493	1,596	1,452	4,403	4,699
Changes in fair value through profit or loss	785	6,318	2,102	3,715	8,712
Net investment income	\$ 2,278	\$ 7,914	\$ 3,554	\$ 8,118	\$ 13,411

Net investment income in the third quarter of 2020, which includes changes in fair value through profit or loss, decreased by \$1,276 million compared to the same quarter last year. The changes in fair value in the third quarter of 2020 were an increase of \$785 million compared to \$2,102 million for the third quarter of 2019, primarily due to a smaller decline in U.K. bond yields in the current quarter, compared to the same quarter last year.

Regular net investment income in the third quarter of 2020 of \$1,493 million, which excludes changes in fair value through profit or loss, increased by \$41 million compared to the same quarter last year. The increase was primarily due to the gain on sale of IPSI, included in net realized gains, partially offset by lower interest on bond investments. Net realized gains include gains on available-for-sale securities of \$11 million for the third quarter of 2020 compared to \$25 million for the same quarter last year.

For the nine months ended September 30, 2020, net investment income decreased by \$5,293 million compared to the same period last year. The changes in fair value for the nine month period in 2020 were an increase of \$3,715 million compared to \$8,712 million during the same period in 2019. The decrease in the changes in fair value were primarily due to a smaller decline in U.K. bond yields and U.S. corporate bond yields in 2020 and a decrease in Canadian equity markets in 2020, compared to an increase in Canadian equity markets in 2019.

Regular net investment income for the nine months ended September 30, 2020 of \$4,403 million decreased by \$296 million compared to the same period last year. The decrease was primarily due to lower interest on bond and mortgage investments, primarily relating to U.S. segment assets transferred under the indemnity reinsurance agreement with Protective Life in the second quarter of 2019. Net realized gains include gains on available-for-sale securities of \$128 million for the nine months ended September 30, 2020 compared to \$52 million for the same period last year.

Net investment income in the third quarter of 2020 decreased by \$5,636 million compared to the previous quarter, primarily due to an increase in fair values of \$785 million in the third quarter of 2020 compared to an increase of \$6,318 million in the previous quarter. The changes in fair value were primarily due to a smaller decline in corporate bond yields in the third quarter of 2020, compared to the second quarter of 2020, and a smaller increase in Canadian equity markets in the third quarter of 2020, compared to the second quarter of 2020.

Credit Markets

In the third quarter of 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by \$6 million (\$3 million net positive impact in the third quarter of 2019). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable.

Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by \$22 million (\$3 million net negative impact in the third quarter of 2019), primarily due to downgrades of various corporate bond and commercial mortgage holdings.

For the nine months ended September 30, 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by \$10 million (\$19 million net negative impact year-to-date in 2019). Charges for the nine months ended September 30, 2019 were primarily driven by impairment charges on mortgage loans as a result of a U.K. retail tenant entering a prepackaged administration, which was followed by a Company Voluntary Arrangement (CVA). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by \$66 million year-to-date (\$12 million net positive impact year-to-date in 2019), primarily due to the same reasons discussed for the in-quarter results.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Canada					
Segregated funds, mutual funds and other	\$ 397	\$ 374	\$ 396	\$ 1,161	\$ 1,157
ASO contracts	48	36	51	134	152
	<u>445</u>	<u>410</u>	<u>447</u>	<u>1,295</u>	<u>1,309</u>
United States					
Segregated funds, mutual funds and other	696	654	665	2,015	2,008
Life insurance and annuity reinsurance ceding commission ⁽¹⁾	—	—	—	—	1,080
	<u>696</u>	<u>654</u>	<u>665</u>	<u>2,015</u>	<u>3,088</u>
Europe					
Segregated funds, mutual funds and other	342	340	382	1,015	1,162
Capital and Risk Solutions					
Reinsurance and other	3	2	2	8	7
Total fee and other income	<u>\$ 1,486</u>	<u>\$ 1,406</u>	<u>\$ 1,496</u>	<u>\$ 4,333</u>	<u>\$ 5,566</u>

⁽¹⁾ For the nine months ended September 30, 2019, fee and other income included a ceding commission of \$1,080 million related to the Protective Life transaction.

The information in the table above is a summary of gross fee and other income for the Company. Excluding the ceding commission related to the Protective Life transaction, fee and other income for the nine months ended September 30, 2019 was \$4,486 million. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Canada	\$ 2,224	\$ 2,264	\$ 2,328	\$ 6,720	\$ 7,170
United States	1,197	1,236	933	3,956	3,225
Europe	1,015	1,075	906	2,945	2,731
Capital and Risk Solutions	4,719	5,084	4,301	14,622	13,286
Total	\$ 9,155	\$ 9,659	\$ 8,468	\$ 28,243	\$ 26,412

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended September 30, 2020, net policyholder benefits, dividends and experience refunds were \$9.2 billion, an increase of \$0.7 billion from the same quarter last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements as well as volume changes relating to existing business in the Capital and Risk Solutions segment, and higher surrender and ceded policyholder benefits in the U.S. segment.

For the nine months ended September 30, 2020, net policyholder benefits, dividends and experience refunds were \$28.2 billion, an increase of \$1.8 billion from the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the three months ended September 30, 2020, net policyholder benefits, dividends and experience refunds decreased by \$0.5 billion compared to the previous quarter, primarily due to lower net policyholder benefits. The decrease in benefit payments was primarily due to lower surrender and policyholder benefits in the Capital and Risk Solutions segment.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration⁽¹⁾

September 30, 2020					
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 86,224	\$ 40,594	\$ 49,444	\$ 6,114	\$ 182,376
Goodwill and intangible assets	5,578	2,965	3,006	—	11,549
Other assets	4,040	20,457	9,671	8,701	42,869
Investments on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total assets	181,727	97,104	180,091	14,815	473,737
Proprietary mutual funds and institutional net assets ⁽¹⁾	6,979	276,401	58,056	—	341,436
Total assets under management⁽¹⁾	188,706	373,505	238,147	14,815	815,173
Other assets under administration ⁽¹⁾	17,749	817,693	10,420	—	845,862
Total assets under administration⁽¹⁾	\$ 206,455	\$ 1,191,198	\$ 248,567	\$ 14,815	\$ 1,661,035
December 31, 2019					
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	\$ 81,179	\$ 32,768	\$ 48,845	\$ 5,995	\$ 168,787
Goodwill and intangible assets	5,560	1,990	2,834	—	10,384
Other assets	3,953	19,421	8,465	9,135	40,974
Investments on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
Total assets	176,304	85,612	174,121	15,130	451,167
Proprietary mutual funds and institutional net assets ⁽¹⁾	6,986	257,301	56,261	—	320,548
Total assets under management⁽¹⁾	183,290	342,913	230,382	15,130	771,715
Other assets under administration ⁽¹⁾	17,118	792,110	48,738	—	857,966
Total assets under administration⁽¹⁾	\$ 200,408	\$ 1,135,023	\$ 279,120	\$ 15,130	\$ 1,629,681

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Total assets under administration at September 30, 2020 increased by \$31 billion to \$1.7 trillion compared to December 31, 2019, primarily due to the impact of currency movement and the impact of market movement, mostly offset by the sale of IPSI in the Europe segment. IPSI's assets as of December 31, 2019 were approximately \$44 billion (June 30, 2020 were approximately \$45 billion) and were primarily included in other assets under administration. The acquisition of Personal Capital during the third quarter of 2020 added \$18 billion (US\$14 billion) of assets to the United States segment's proprietary mutual funds and institutional net assets at September 30, 2020. The impact of the sale of IPSI on the Europe segment's other assets under administration was partially offset by the acquisitions of Conexim Advisors Limited and Acumen & Trust DAC during the first quarter of 2020 and APT Workplace Pensions Limited and APT Wealth Management Limited during the second quarter of 2020.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was \$127.1 billion or 70% of invested assets at September 30, 2020 compared to \$115.0 billion or 68% at December 31, 2019. The increase in the bond portfolio was primarily related to net purchases and an increase in fair value due to a decline in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 79% rated A or higher. Bond credit ratings reflect bond rating agency activity up to September 30, 2020. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality

	September 30, 2020		December 31, 2019	
AAA	\$ 25,072	20 %	\$ 22,083	19 %
AA	34,082	27	33,272	29
A	41,083	32	37,233	32
BBB	26,091	20	21,922	19
BB or lower	762	1	518	1
Total	\$ 127,090	100 %	\$ 115,028	100 %

At September 30, 2020, non-investment grade bonds were \$0.8 billion or 0.6% of the bond portfolio compared to \$0.5 billion or 0.5% of the bond portfolio at December 31, 2019. The increase in non-investment grade bonds was primarily due to corporate bond downgrades.

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria and held in both the Canada and Europe segments. Equity release mortgages are loans provided to people who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio						
Mortgage loans by type	September 30, 2020				December 31, 2019	
	Insured	Non-insured	Total		Total	
Single family residential	\$ 537	\$ 1,552	\$ 2,089	8 %	\$ 2,069	9 %
Multi-family residential	3,354	3,475	6,829	27	7,004	29
Equity release	—	1,805	1,805	7	1,314	5
Commercial	241	14,405	14,646	58	13,881	57
Total	\$ 4,132	\$ 21,237	\$ 25,369	100 %	\$ 24,268	100 %

The total mortgage portfolio was \$25.4 billion or 14% of invested assets at September 30, 2020, compared to \$24.3 billion or 14% of invested assets at December 31, 2019. The increase in the mortgage portfolio was primarily related to net commercial mortgage and equity release mortgage originations. Total insured loans were \$4.1 billion or 16% of the mortgage portfolio.

The current market environment has led to a small number of mortgage deferral requests during the quarter. Management is closely monitoring and evaluating these requests which are currently not material but may impact the Company's performance going forward.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At September 30, 2020, the total actuarial provision for future credit losses in insurance contract liabilities was \$2,781 million compared to \$2,575 million at December 31, 2019, an increase of \$206 million. The increase was primarily due to normal business activity and rating changes.

The aggregate of impairment provisions of \$54 million (\$51 million at December 31, 2019) and actuarial provision for future credit losses in insurance contract liabilities of \$2,781 million (\$2,575 million at December 31, 2019) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2020 (1.8% at December 31, 2019).

Energy Sector Related Exposures

Holdings of Energy Sector related Bonds, Mortgages and Investment Properties

	September 30, 2020					December 31, 2019
	Canada	U.S.	Europe	Capital and Risk Solutions	Total	Total
Bonds ⁽¹⁾⁽²⁾⁽³⁾	\$ 2,390	\$ 1,666	\$ 762	\$ 500	\$ 5,318	\$ 4,407
Mortgages ⁽⁴⁾	1,836	297	37	—	2,170	2,389
Investment properties	446	—	—	—	446	456
Total	\$ 4,672	\$ 1,963	\$ 799	\$ 500	\$ 7,934	\$ 7,252

⁽¹⁾ Energy sector bond holdings are a sub-category of certain industry sectors presented in note 9(a)(ii) in the Company's 2019 Annual audited consolidated financial statements.

⁽²⁾ Amortized cost of these bonds is \$4,949 million at September 30, 2020 and \$4,133 million at December 31, 2019.

⁽³⁾ Includes certain funds held by ceding insurers with a carrying value of \$224 million and an amortized cost of \$209 million at September 30, 2020.

⁽⁴⁾ Includes \$560 million of insured mortgages at September 30, 2020 and \$615 million at December 31, 2019.

At September 30, 2020, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were \$7.9 billion (\$7.3 billion at December 31, 2019). The increase of \$0.6 billion from December 31, 2019 was primarily due to net bond purchases. Holdings include direct exposure of bond holdings of \$5.3 billion (\$4.4 billion at December 31, 2019), or 2.8% of invested assets including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of \$2.6 billion (\$2.9 billion at December 31, 2019), or 1.4% of invested assets including funds held by ceding insurers.

At September 30, 2020, the Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with approximately 98% rated investment grade (100% at December 31, 2019). 59% of the portfolio was invested in Midstream and Refining entities and 41% in Integrated, Independent, Oil Field Services and Government Agency entities.

In addition, the Company's indirect exposure of energy sector related commercial mortgages and investment properties were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (36%), Industrial/Other (28%), Retail (20%) and Office (16%). 87% of the total portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was 68% at September 30, 2020 (66% at December 31, 2019).

In March 2020, Moody's Investors Service and S&P Global Ratings revised their forecasts for crude oil downward for the remainder of 2020, due to decreased demand resulting from the COVID-19 pandemic. In June 2020, Moody's Investors Service further reduced its short and medium-term forecasts for crude oil downward due to potential longer lasting impacts to global demand for oil. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Increases to provisions for future credit losses as a result of ratings downgrades and impairment charges specific to energy sector holdings were modest in the third quarter of 2020.

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	September 30, 2020						December 31, 2019
	Multi-family residential	Retail & shopping centres	Office buildings	Industrial	Equity release	Other	Total
Mortgages	\$ 711	\$ 1,563	\$ 1,387	\$ 839	\$ 1,805	\$ 555	\$ 6,860
Investment properties	—	797	632	775	—	333	2,537
Total	\$ 711	\$ 2,360	\$ 2,019	\$ 1,614	\$ 1,805	\$ 888	\$ 9,397

At September 30, 2020, the Company's holdings of property related investments in the U.K. were \$9.4 billion, or 5.2% of invested assets, compared to \$8.9 billion at December 31, 2019. The increase from December 31, 2019 was primarily due to originations of commercial and equity release mortgages. These holdings remain well diversified across property type - Industrial/Other (27%), Retail (25%), Office (21%), Equity Release (19%) and Multi-family (8%). Of the Retail sector holdings, 51% relate to warehouse/distribution and other retail, 29% relate to shopping centres and department stores and 20% relate to grocery retail sub-categories.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third quarter of 2020, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At September 30, 2020, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$262 million (\$156 million at December 31, 2019) and pledged on derivative liabilities was \$951 million (\$634 million at December 31, 2019). Collateral received on derivative assets increased, primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. Collateral pledged on derivative liabilities increased, primarily driven by the impact of the U.S. dollar strengthening against the Canadian dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the nine month period ended September 30, 2020, the outstanding notional amount of derivative contracts increased by \$4.1 billion to \$25.7 billion, primarily due to an increase in forward settling mortgage backed security transactions ("to-be-announced-securities") and regular hedging activities. During the second quarter of 2020, the Company entered into total return swaps, with a notional amount of \$119 million, to hedge the expected payouts under its employee performance share unit plan, which are driven by Lifeco's share price. The hedge has been designated as a cash flow hedge.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to \$787 million at September 30, 2020 from \$451 million at December 31, 2019. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. There were no changes to derivative counterparty ratings during the third quarter of 2020 and all had investment grade ratings as of September 30, 2020. Refer to "Financial Instruments Risk Management", note 9 in the Company's 2019 Annual audited consolidated financial statements for details of the Company's derivative counterparties' ratings.

LIABILITIES

Total liabilities	September 30 2020	December 31 2019
Insurance and investment contract liabilities	\$ 188,426	\$ 176,177
Other general fund liabilities	21,720	18,425
Investment and insurance contracts on account of segregated fund policyholders	236,943	231,022
Total	\$ 447,089	\$ 425,624

Total liabilities increased by \$21.5 billion to \$447.1 billion at September 30, 2020 from December 31, 2019.

Insurance and investment contract liabilities increased by \$12.2 billion, primarily due to the impact of new business, fair value adjustments and the weakening of the Canadian dollar. Investment and insurance contracts on account of segregated fund policyholders increased by \$5.9 billion, primarily due to the positive impact of currency movement of \$5.5 billion and net deposits of \$1.7 billion, partially offset by the impact of net market value losses and investment income of \$1.5 billion. Other general fund liabilities increased by \$3.3 billion, primarily due to the net issuance of debentures of \$3.2 billion and an increase in derivative financial instruments, partially offset by a decrease in accounts payable.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2019 Annual MD&A for further details.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At September 30, 2020, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were \$3,306 million (\$3,332 million at December 31, 2019).

Segregated fund and variable annuity guarantee exposure

	Market Value	September 30, 2020			
		Investment deficiency by benefit type			
		Income	Maturity	Death	Total ⁽¹⁾
Canada	\$ 31,954	\$ 4	\$ 18	\$ 95	\$ 95
United States	10,641	6	—	4	10
Europe	10,241	12	—	1,047	1,047
Capital and Risk Solutions ⁽²⁾	841	432	—	—	432
Total	\$ 53,677	\$ 454	\$ 18	\$ 1,146	\$ 1,584

⁽¹⁾ A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2020.

⁽²⁾ Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at September 30, 2020 increased by \$599 million to \$1,584 million compared to December 31, 2019. The increase was primarily due to the year-to-date drop in non-U.S. equity markets and higher value of annuitization benefit guarantee driven by lower year-to-date interest rates in the U.S. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on September 30, 2020 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were \$8 million in-quarter (\$4 million for the third quarter of 2019) and \$20 million year-to-date (\$15 million year-to-date for 2019) with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At September 30, 2020, debentures and other debt instruments increased by \$3,115 million to \$9,108 million compared to December 31, 2019.

On May 14, 2020, the Company issued \$600 million aggregate principal amount 2.379% debentures at par, maturing on May 14, 2030.

On July 8, 2020, the Company issued \$250 million aggregate principal amount 2.981% debentures at par, maturing on July 8, 2050.

On July 13, 2020, the Company 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. Upon issuance of the July 15, 2020 debentures, \$500 million aggregate principal amount of 2050 debentures were issued and outstanding.

On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, issued \$663 million (US\$500 million) aggregate principal amount of 0.904% senior notes due August 12, 2025.

On August 13, 2020, the Company 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 the Company, 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.

Refer to note 10 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020 for further details of the Company's debentures and other debt instruments.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2020 was \$8,361 million, which comprises \$5,647 million of common shares and \$2,714 million of preferred shares. Preferred shares included \$2,464 million of non-cumulative First Preferred Shares, \$213 million of 5-year rate reset First Preferred Shares and \$37 million of floating rate First Preferred Shares.

The Company commenced a normal course issuer bid (NCIB) on January 22, 2020 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the nine months ended September 30, 2020, the Company did not purchase any common shares under the current NCIB (2019 - nil). As a result of the COVID-19 pandemic impacts on markets, on March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks until further notice.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of \$12.1 billion (\$8.9 billion at December 31, 2019) and other liquid assets and marketable securities of \$92.1 billion (\$86.6 billion at December 31, 2019). Included in the cash, cash equivalents and short-term bonds at September 30, 2020 was \$1.5 billion (\$0.7 billion at December 31, 2019) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. Cash and cash equivalents and short-term bonds held increased as a result of debenture issuances totaling \$1.1 billion and \$2.6 billion (US\$2 billion) of senior notes to maintain liquidity, partially offset by the acquisition of Personal Capital and the repayment of \$500 million of debentures that matured on August 13, 2020. Liquid investments of US\$1.5 billion are being held in anticipation of the closing of the MassMutual acquisition. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. Refer to "COVID-19 Pandemic Impact, Government and Regulatory Responses" section for additional discussion of the impact of the current environment.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Cash flows relating to the following activities:				
Operations	\$ 4,326	\$ 1,271	\$ 7,714	\$ 4,819
Financing	2,056	(401)	1,629	(3,200)
Investment	(6,848)	(825)	(8,666)	(1,763)
	(466)	45	677	(144)
Effects of changes in exchange rates on cash and cash equivalents	(31)	(27)	67	(171)
Increase (decrease) in cash and cash equivalents in the period	(497)	18	744	(315)
Cash and cash equivalents, beginning of period	5,869	3,835	4,628	4,168
Cash and cash equivalents, end of period	\$ 5,372	\$ 3,853	\$ 5,372	\$ 3,853

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the third quarter of 2020, cash and cash equivalents decreased by \$497 million from June 30, 2020. Cash flows provided by operations during the third quarter of 2020 were \$4,326 million, an increase of \$3,055 million compared to the third quarter of 2019, primarily due to higher deposits transferred from assets under administration to general fund assets in the U.S. segment. Cash flows provided by financing of \$2,056 million were primarily provided by a net issuance of debentures and senior notes of \$2,616 million, partially offset by the payments of dividends to common and preferred shareholders of \$439 million and a decrease in line of credit of subsidiary of \$122 million. For the three months ended September 30, 2020, cash flows were used by the Company to acquire an additional \$6,848 million of investment assets and for the acquisition of Personal Capital.

For the nine months ended September 30, 2020, cash and cash equivalents increased by \$744 million from December 31, 2019. Cash flows provided by operations were \$7,714 million, an increase of \$2,895 million compared to the same period in 2019. Included in the cash flows provided by operations for the nine months ended September 30, 2019 was \$1.0 billion of cash received during the second quarter of 2019 as a result of the indemnity reinsurance agreement with Protective Life. Cash flows provided by financing of \$1,629 million were primarily provided by a net issuance of debentures and senior notes of \$3,213 million, partially offset by the payment of dividends to common and preferred shareholders of \$1,319 million and a decrease in line of credit of subsidiary of \$278 million. In the first quarter of 2020, the Company increased the quarterly dividend to common shareholders from \$0.413 per common share to \$0.438 per common share. For the nine months ended September 30, 2020, cash flows were used by the Company to acquire an additional \$8,666 million of investment assets and for the acquisition of Personal Capital.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2019.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company's internal assessment of capital requirements in the context of its risks requirements and strategic plans. The Company's practice is 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. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, 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. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer's capital requirements.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT Ratio for Lifeco's major Canadian operating subsidiary is 110% to 120% (on a consolidated basis).

Canada Life's consolidated LICAT Ratio at September 30, 2020 was 131% (The Great-West Life Assurance Company consolidated LICAT Ratio of 135% at December 31, 2019). The LICAT Ratio does not take into account any impact from \$1.5 billion of liquidity at the Lifeco holding company level at September 30, 2020 (\$0.7 billion at December 31, 2019). The decrease in the LICAT Ratio from December 31, 2019 is primarily due to the growth in capital requirements from both new business written in the year and market movements.

The following provides a summary of the LICAT information and ratios for Canada Life:

LICAT Ratio	Sept. 30 2020	Dec. 31 2019
Tier 1 Capital	\$ 11,400	\$ 11,952
Tier 2 Capital	4,787	3,637
Total Available Capital	16,187	15,589
Surplus Allowance & Eligible Deposits	13,788	12,625
Total Capital Resources	\$ 29,975	\$ 28,214
Required Capital	\$ 22,803	\$ 20,911
Total LICAT Ratio (OSFI Supervisory Target = 100%)⁽¹⁾	131 %	135 %

⁽¹⁾ Total Ratio (%) = (Total Capital Resources / Required Capital)

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of sensitivities for certain risks. 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;
- Actual experience differing from the assumptions;
- Changes in business mix, effective income tax rates and other market factors;
- Interactions among these factors and assumptions when more than one changes; and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at September 30, 2020. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	September 30, 2020			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	1 point	0 points	0 points	(3 points)

Interest Rates

Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company's surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards.

Immediate parallel shift in yield curve	September 30, 2020	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

Impact of a LICAT interest rate risk scenario shift is not included in the sensitivity estimates.

LICAT Interest Rate Scenario Shift

The LICAT interest rate requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. During the first quarter of 2020, OSFI introduced a smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility. OSFI has communicated that the smoothing calculation will be in place until at least the end of 2023.

During the third quarter of 2020, the Company experienced a shift to a different most adverse interest rate scenario in North America. The Company previously communicated that a shift to a different adverse scenario was estimated to decrease the Company's consolidated LICAT Ratio by approximately 5.5 points. This impact is spread over a six quarter period resulting in approximately a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 4.5 points being reflected over the next 5 quarters, if the Company remains on the current scenario.

COVID-19 OSFI Regulatory Measures

OSFI is providing capital relief for insurance companies due to the COVID-19 economic environment. During the third quarter of 2020, OSFI updated their relief measures announced earlier in the year to phase out the special capital treatment for payment deferrals. The capital relief provided by this temporary measure is not material to the Company.

OSFI Regulatory Capital Initiatives

The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

RETURN ON EQUITY (ROE)⁽¹⁾

	Sept. 30 2020	June 30 2020	Sept. 30 2019
Base Return on Equity⁽¹⁾			
Canada	16.5 %	17.7 %	16.5 %
U.S. Financial Services	10.1 %	9.1 %	12.0 %
U.S. Asset Management (Putnam)	(0.3)%	(0.3)%	(0.7)%
Europe	13.0 %	12.5 %	10.9 %
Capital and Risk Solutions	38.5 %	38.8 %	27.8 %
Total Lifeco Base Earnings Basis⁽¹⁾	13.5 %	13.7 %	12.1 %
	Sept. 30 2020	June 30 2020	Sept. 30 2019
Return on Equity⁽¹⁾			
Canada	14.0 %	14.4 %	16.3 %
U.S. Financial Services	10.5 %	9.3 %	4.5 %
U.S. Asset Management (Putnam)	(11.7)%	(11.3)%	(0.7)%
Europe	15.9 %	15.2 %	15.0 %
Capital and Risk Solutions	38.2 %	36.7 %	29.5 %
Total Lifeco Net Earnings Basis	12.4 %	12.1 %	12.4 %

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

The Company reported base return on equity of 13.5% at September 30, 2020, compared to 13.7% at June 30, 2020 and 12.1% at September 30, 2019. The Company reported return on equity of 12.4% at September 30, 2020, compared to 12.1% at June 30, 2020 and 12.4% at September 30, 2019.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. In the third quarter of 2020, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in third quarter of 2020.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	GWL&A
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		NR
	Financial Strength		AA		
	Senior Debt	A (high)			
	Subordinated Debt		AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt		A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt		AA-		

As part of its announcement on September 8, 2020 that its subsidiary, GWL&A, through its Empower Retirement business, had reached agreement to acquire the retirement services business of MassMutual, Lifeco announced that the transaction was expected to be funded by US\$1.5 billion of new long-term debt and US\$0.5 billion of short-term financing, as well as existing cash. In addition, Lifeco noted that the short-term financing allows for leverage ratio reduction once the business to be acquired generates meaningful earnings and cash flow.

Following the announcement, and having regard to the financing plan and its impact on leverage, all five rating agencies affirmed the ratings as set out above. Four of the five agencies also affirmed the ratings outlook as stable while Fitch Ratings revised its outlook to negative from stable.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life and its operating subsidiary, Irish Life; GWL&A and Putnam; together with Lifeco's Corporate results.

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor insurance as well as retirement savings and income products and other specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 6,085	\$ 5,602	\$ 7,053	\$ 18,575	\$ 20,117
Sales ⁽¹⁾	2,520	2,390	3,520	8,542	9,640
Fee and other income	445	410	447	1,295	1,309
Base earnings ⁽¹⁾	\$ 270	\$ 315	\$ 355	\$ 858	\$ 904
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	4	43	(55)	(47)	(39)
Market-related impacts on liabilities ⁽²⁾	(8)	(5)	—	(41)	(2)
Net earnings	\$ 266	\$ 353	\$ 300	\$ 770	\$ 863
Total assets	\$ 181,727	\$ 178,345	\$ 174,149		
Proprietary mutual funds and institutional net assets ⁽¹⁾	6,979	6,785	6,853		
Total assets under management ⁽¹⁾	188,706	185,130	181,002		
Other assets under administration ⁽¹⁾	17,749	17,263	17,210		
Total assets under administration⁽¹⁾	\$ 206,455	\$ 202,393	\$ 198,212		

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

• **COVID-19 Pandemic Impacts**

The results of the Canada segment in the third quarter of 2020 reflect the continued positive impact of market recoveries but also the impact of the economic slowdown caused by the COVID-19 pandemic on new business growth and lower contributions from investment experience. The impact of lower sales due to the economic slowdown was mostly offset by lower redemptions or lower business attrition. Many new product launches and digital capabilities are helping to build sales momentum. Experience was generally neutral with limited impact on mortality and lower claims experience and morbidity improvement offsetting pressures on expense recoveries. Insurance premium deferrals for customers were limited in the third quarter of 2020.

As health and dental claim volumes increase, ASO expense recoveries are expected to improve. Physical distancing and self-isolation requirements as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic may cause unfavourable disability experience in future periods. Pricing of disability coverage will be adjusted over time as experience emerges. Paramedical services started to return early in the third quarter of 2020; however, larger case insurance sales are expected to be affected for a period of time due to the absence of these services through the second quarter of 2020.

The Canada segment remains focused on supporting customers, communities and employees by providing Canadians with protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe. The Company has been supporting customers through digital solutions such as SimpleProtect, which provides online insurance policy application and approval, Consult+, which provides group customers virtual health care access, and recently launched a new digital context based messaging feature into the GroupNet for Plan Members mobile application, letting members choose to receive personalized notifications and offers directly to their device. This service has been used to connect members with some of the supports and measures that were introduced as a result of COVID-19. Financial assistance is being provided to plan sponsors and members to help maintain and extend coverage for employees, and to the communities through donations.

The Canadian business is maintaining a cautious approach to employees returning to the office, in line with the Company's principles and local government guidelines. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in Canada in which the Company operates. The Company estimates that maximum occupancy will not exceed the current level of 15% to 20% by the end of the first quarter of 2021 with health and safety protocols recommended by public health authorities in place.

Canada Life continued its temporary suspension of contributions, redemptions and transfers for its real estate segregated funds, as the economic conditions caused by the COVID-19 situation continue to lead to valuation uncertainty in the real estate industry. The suspension will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position. The Company, through its general account, has established a process to facilitate hardship and certain other withdrawals, including minimum registered retirement income fund payments.

- On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. The Company will receive net cash consideration of \$145 million on the transaction and expects to recognize a gain. The transaction is expected to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals. The carrying value and earnings of the business are immaterial to the Company. Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

Canada Life is also in the process of establishing its own fund management company, Canada Life Investment Management Ltd. (CLIML), and subject to first obtaining all necessary registrations and regulatory approvals, is expected to commence operations in the fourth quarter of 2020. Subject to meeting regulatory and fund securityholder requirements, CLIML will assume fund management responsibilities for the Canada Life Mutual Funds, offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds in 2021. CLIML will enter into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life will enter into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie's investment management services at preferred rates.

- On August 20, 2020, Canada Life and Mackenzie launched the newly rebranded Canada Life mutual fund shelf, Canada Life Mutual Funds. The shelf features 18 new mutual funds, which were available for sale starting September 9, 2020, and rebrands the existing Quadrus Group of Funds shelf, creating a curated selection of competitive investment strategies across a range of managers, asset classes and styles. Canada Life Mutual Funds are managed by Mackenzie and will be exclusively available through Quadrus Investment Services Ltd.
- During the third quarter of 2020, the Company completed the roll-out of the new Advisor Workspace to all Freedom 55 Financial and WISE advisors, approximately 75% of whom have registered to use the platform as of September 30, 2020. Advisor Workspace allows advisors to view their clients' complete book of business with Canada Life as well as to complete some simple non-financial transactions. Advisor Workspace will become the platform for all advisor information and activity with Canada Life as it continues to evolve.
- Subsequent to the third quarter of 2020, on October 29, 2020, the Company entered into a strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. (Northleaf) to expand and enhance the private markets product capabilities across distribution channels. Mackenzie and Lifeco jointly acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investments industry, with an obligation and right to purchase the remaining equity and voting interests in the firm commencing in approximately five years and extending into future periods. Lifeco has also committed, as part of the transaction, to make a minimum investment of its balance sheet over the next 18 to 24 months in Northleaf's product offerings.
- In August 2020, Group Customer became the first Group provider in Canada to launch an employer sponsored Registered Education Savings Program (RESP). This digital RESP simplifies the enrollment process and forms, offers lower fees and an easy to use portal.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 2,427	\$ 2,232	\$ 2,490	\$ 7,331	\$ 7,509
Sales ⁽¹⁾	1,928	1,777	2,020	6,607	6,600
Fee and other income	251	233	252	730	737
Base earnings ⁽¹⁾	\$ 123	\$ 159	\$ 165	\$ 420	\$ 437
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	4	41	(80)	(53)	(91)
Market-related impacts on liabilities ⁽²⁾	(8)	(5)	—	(41)	(2)
Net earnings	\$ 119	\$ 195	\$ 85	\$ 326	\$ 344

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the third quarter of 2020 decreased by \$0.1 billion to \$2.4 billion compared to the same quarter last year, primarily due to lower segregated fund deposits.

For the nine months ended September 30, 2020, premiums and deposits decreased by \$0.2 billion to \$7.3 billion compared to the same period last year, primarily due to lower segregated fund deposits, partially offset by higher participating life insurance premiums.

Premiums and deposits for the third quarter of 2020 increased by \$0.2 billion compared to the previous quarter, primarily due to higher premium and deposits across all wealth management products.

Sales

Sales for the third quarter of 2020 decreased by \$0.1 billion to \$1.9 billion compared to the same quarter last year, primarily due to a decrease in segregated fund sales.

For the nine months ended September 30, 2020, sales of \$6.6 billion were comparable to the same period last year as higher third party mutual fund sales were mostly offset by a decrease in segregated fund sales.

Sales for the third quarter of 2020 increased by \$0.2 billion compared to the previous quarter, primarily due to higher segregated fund sales.

For the individual wealth investment fund business, net cash outflows for the third quarter of 2020 were \$125 million compared to \$291 million for the same quarter last year and \$75 million for the previous quarter. Net cash outflows for the nine months ended September 30, 2020 were \$365 million compared to \$1,087 million for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2020 decreased by \$1 million to \$251 million compared to the same quarter last year, primarily due to lower margins.

For the nine months ended September 30, 2020, fee and other income decreased by \$7 million to \$730 million compared to the same period last year. The decrease was primarily due to lower average assets under administration and lower margins, partially offset by higher distributor fees.

Fee and other income for the third quarter of 2020 increased by \$18 million compared to the previous quarter, primarily due to higher average assets under administration and higher distributor fees.

Base earnings

In the third quarter of 2020, base earnings decreased by \$42 million to \$123 million compared to the same quarter last year. The decrease was primarily due to lower contributions from investment experience and less favourable impact of new business and mortality experience. The decrease was partially offset by improved policyholder behaviour experience.

For the nine months ended September 30, 2020, base earnings decreased by \$17 million to \$420 million compared to the same period last year. The decrease was primarily due to lower net fee income and less favourable impact of new business and morbidity experience. The decrease was partially offset by favourable mortality experience and improved policyholder behaviour experience.

Base earnings for the third quarter of 2020 decreased by \$36 million compared to the previous quarter, primarily due to lower contributions from investment experience and less favourable mortality experience, partially offset by higher net fee income and favourable morbidity experience.

Net earnings

Net earnings for the third quarter of 2020 increased by \$34 million to \$119 million compared to the same quarter last year. The increase was primarily due to unfavourable contributions from insurance contract liability basis changes in 2019, partially offset by the same reasons discussed for base earnings for the same period. Insurance contract liability basis changes in the third quarter of 2019 include the unfavourable impact of updates to policyholder behaviour assumptions and updates to the ultimate reinvestment rate, driven by the actuarial standards updates, partially offset by favourable impact of updates to morbidity assumptions.

For the nine months ended September 30, 2020, net earnings decreased by \$18 million to \$326 million compared to the same period last year. The decrease was primarily due to the same reasons discussed for base earnings for the same period and other market-related impacts, partially offset by lower unfavourable contributions from insurance contract liability basis changes. Other market-related impacts were primarily driven by the impact of the equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings for the third quarter of 2020 decreased by \$76 million compared to the previous quarter. The decrease was primarily due to the same reasons discussed for base earnings for the same period as well as lower contributions from insurance contract liability basis changes. Insurance contract liability basis changes for the second quarter of 2020 primarily related to updated economic assumptions for products with long-tail cash flows, as a result of the recovery in equity markets in the quarter, partially offset by a decline in real estate returns.

For the third quarter of 2020, net earnings attributable to the participating account were \$23 million compared to \$47 million for the same quarter last year. The decrease was primarily due to unfavourable contributions from insurance contract liability basis changes, partially offset by higher contributions from investment experience and less unfavourable impact of new business.

For the nine months ended September 30, 2020, net earnings attributable to the participating account were \$67 million compared to net earnings of \$43 million for the same period last year. This increase was primarily due to the favourable impact of new business and higher contributions from investment experience, partially offset by unfavourable contributions from insurance contract liability basis changes.

For the third quarter of 2020, net earnings attributable to the participating account decreased by \$10 million compared to the previous quarter, primarily due to the unfavourable impact of new business and unfavourable contributions from insurance contract liability basis changes, partially offset by favourable contributions from investment experience.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 3,658	\$ 3,370	\$ 4,563	\$ 11,244	\$ 12,608
Sales ⁽¹⁾	592	613	1,500	1,935	3,040
Fee and other income	179	163	179	521	524
Base earnings ⁽¹⁾	\$ 134	\$ 195	\$ 181	\$ 472	\$ 466
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	—	2	25	6	52
Net earnings	\$ 134	\$ 197	\$ 206	\$ 478	\$ 518

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the third quarter of 2020 of \$3.7 billion decreased by \$0.9 billion compared to the same quarter last year, primarily due to lower segregated fund deposits and lower premiums from single premium group annuities (SPGAs).

For the nine months ended September 30, 2020, premiums and deposits decreased by \$1.4 billion to \$11.2 billion compared to the same period last year, primarily due to lower administrative services only (ASO) deposits for group insurance, lower segregated fund deposits and lower premiums from SPGAs. Lower ASO deposits were primarily related to the impact of the COVID-19 pandemic resulting in lower claims of approximately \$0.3 billion.

Premiums and deposits for the third quarter of 2020 of \$3.7 billion increased by \$0.3 billion compared to the previous quarter, primarily due to higher ASO deposits for group insurance.

Sales

Sales for the third quarter of 2020 of \$0.6 billion decreased by \$0.9 billion compared to the same quarter last year, primarily due to large case sales. There has been low market activity as a result of the COVID-19 pandemic, resulting in lower sales.

For the nine months ended September 30, 2020, sales decreased by \$1.1 billion to \$1.9 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales for the third quarter of 2020 of \$0.6 billion were comparable to the previous quarter.

For the group wealth segregated fund business, net cash outflows for the third quarter of 2020 were \$117 million, compared to net cash inflows of \$242 million for the same quarter last year and net cash inflows of \$359 million for the previous quarter. For the nine months ended September 30, 2020, net cash inflows were \$144 million compared to \$407 million for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2020 of \$179 million was comparable to the same quarter last year.

Fee and other income for the nine months ended September 30, 2020 decreased by \$3 million to \$521 million compared to the same period last year, primarily due to lower ASO fee income. The decrease was partially offset by higher fee income for group wealth primarily due to higher average assets under management.

Fee and other income for the third quarter of 2020 of \$179 million increased by \$16 million compared to the previous quarter, primarily due to higher ASO fee income.

Base earnings

In the third quarter of 2020, base earnings decreased by \$47 million to \$134 million compared to the same quarter last year, primarily due to lower contributions from investment experience.

For the nine months ended September 30, 2020, base earnings increased by \$6 million to \$472 million compared to the same period last year, primarily due to higher tax benefits, partially offset by lower contributions from investment experience.

Base earnings for the third quarter of 2020 decreased by \$61 million compared to the previous quarter, primarily due to lower tax benefits.

Net earnings

Net earnings in the third quarter of 2020 of \$134 million decreased by \$72 million compared to the same quarter last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2020, net earnings decreased by \$40 million to \$478 million compared to the same period last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes, partially offset by higher tax benefits.

Net earnings in the third quarter of 2020 of \$134 million decreased by \$63 million compared to the previous quarter, primarily due to lower tax benefits.

CANADA CORPORATE

Canada Corporate consists of items not associated directly with or allocated to the Canadian business units.

For the third quarter of 2020, Canada Corporate had net earnings of \$13 million compared to \$9 million for the same quarter last year. The increase in net earnings was primarily due to lower operating expenses.

The net loss for the nine months ended September 30, 2020 was \$34 million compared to net earnings of \$1 million for the same period last year, primarily due to changes in certain income tax estimates and lower net investment income.

In the third quarter of 2020, net earnings were \$13 million compared to a net loss of \$39 million in the previous quarter. The increase in net earnings was primarily due to changes in certain income tax estimates.

UNITED STATES

The United States operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam and the results of the insurance businesses in the United States branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance. In addition, the Financial Services business unit includes the results of Personal Capital Corporation (Personal Capital), a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020.

Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, the Reinsured Insurance & Annuity Business, which was previously reflected in Financial Services, is reported as a separate business unit. The Reinsured Insurance & Annuity business unit reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distribution and related services, through a broad range of investment products.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - United States

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾⁽⁴⁾	\$ 24,138	\$ 24,348	\$ 17,670	\$ 72,897	\$ 50,995
Sales ⁽¹⁾⁽⁴⁾	27,987	28,227	31,245	109,445	131,306
Fee and other income ⁽⁴⁾	696	654	665	2,015	3,088
Base earnings ⁽¹⁾⁽⁴⁾	\$ 83	\$ 83	\$ 79	\$ 183	\$ 261
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	38	—	(2)	38	(2)
Market-related impact on liabilities ⁽²⁾	(1)	(5)	—	(18)	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual ⁽²⁾⁽³⁾	(31)	—	—	(31)	—
Net charge on sale, via reinsurance, of a U.S. business ⁽²⁾	—	—	—	—	(199)
Net earnings (loss) - common shareholders ⁽⁴⁾	\$ 89	\$ 78	\$ 77	\$ 172	\$ 60
Total assets	\$ 97,104	\$ 91,785	\$ 87,090		
Proprietary mutual funds and institutional net assets ⁽¹⁾	276,401	251,190	250,183		
Total assets under management ⁽¹⁾	373,505	342,975	337,273		
Other assets under administration ⁽¹⁾	817,693	817,404	778,450		
Total assets under administration⁽¹⁾	\$ 1,191,198	\$ 1,160,379	\$ 1,115,723		

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

⁽³⁾ The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

⁽⁴⁾ Included in the United States segment are the results of the Reinsured Insurance & Annuities business unit, which reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. Following the sale there were no additional sales, fee and other income and net earnings related to this business unit and premiums and deposits primarily relate to deposits received on separate accounts, with the economics ceded to Protective Life, resulting in no net earnings impact. Premiums and deposits for the three and nine months ended September 30, 2020 were \$107 million and \$402 million respectively (\$242 million and \$239 million for the three months ended June 30, 2020 and September 30, 2019 respectively). The following table includes the results for the Reinsured Insurance & Annuity business unit for the nine months ended September 30, 2019:

	For the nine months ended	
	Sept. 30 2019	
Premiums and deposits	\$	1,046
Sales		408
Fee and other income		1,157
Base earnings		63
Net earnings (loss) - common shareholders		(136)
Base earnings (US\$)		47
Net earnings (loss) - common shareholders (US\$)		(101)

Base earnings and Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Base earnings (loss)⁽¹⁾					
Financial Services	\$ 75	\$ 73	\$ 65	\$ 204	\$ 180
Asset Management	13	12	13	(17)	15
U.S. Corporate	(5)	(2)	1	(4)	3
Reinsured Insurance & Annuity Business	—	—	—	—	63
Base earnings (loss)⁽¹⁾	\$ 83	\$ 83	\$ 79	\$ 183	\$ 261
Items excluded from base earnings (loss) ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	\$ 38	\$ —	\$ (2)	\$ 38	\$ (2)
Market-related impact on liabilities ⁽²⁾	(1)	(5)	—	(18)	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual ⁽²⁾⁽³⁾	(31)	—	—	(31)	—
Net charge on sale, via reinsurance, of a U.S. business ⁽²⁾	—	—	—	—	(199)
Net earnings (loss) - common shareholders	\$ 89	\$ 78	\$ 77	\$ 172	\$ 60
Base earnings (loss) (US\$)⁽¹⁾					
Financial Services (US\$)	\$ 56	\$ 53	\$ 50	\$ 151	\$ 136
Asset Management (US\$)	10	9	9	(12)	11
U.S. Corporate (US\$)	(3)	(1)	1	(2)	2
Reinsured Insurance & Annuity Business (US\$)	—	—	—	—	47
Base earnings (loss) (US\$)⁽¹⁾	\$ 63	\$ 61	\$ 60	\$ 137	\$ 196
Items excluded from base earnings (loss) (US\$) ⁽²⁾					
Actuarial assumption changes and other management actions (US\$) ⁽²⁾	\$ 29	\$ —	\$ (1)	\$ 29	\$ (1)
Market-related impact on liabilities (US\$) ⁽²⁾	(1)	(4)	—	(14)	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual (US\$) ⁽²⁾⁽³⁾	(24)	—	—	(24)	—
Net charge on sale, via reinsurance, of a U.S. business (US\$) ⁽²⁾	—	—	—	—	(148)
Net earnings (loss) (US\$) - common shareholders	\$ 67	\$ 57	\$ 59	\$ 128	\$ 47

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

⁽³⁾ The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

DEVELOPMENTS

• COVID-19 Pandemic Impacts

The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted on March 27, 2020. Under the CARES Act, the U.S. Federal government authorized broad based economic relief and support for individuals and businesses, including changes to distribution and loan rules from employer retirement plans and Individual Retirement Accounts (IRAs) which are similar to the relief offered in prior disaster relief laws. The Company implemented the distribution and loan changes. The Internal Revenue Service (IRS) and the U.S. Department of Labor (DOL) subsequently issued an interpretive guidance on the CARES Act and the Company updated its CARES Act distribution and loan processes and procedures accordingly. The CARES Act distributions are allowed through December 31, 2020 and loans were allowed through September 22, 2020. The CARES Act has not prevented the Company from executing on its overall business strategy and growth objectives.

- The U.S. presidential election is taking place on November 3, 2020. While the impact of election results on financial markets and economic conditions is uncertain, it could have an impact on the Company's results.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

DEVELOPMENTS AND OUTLOOK

• COVID-19 Pandemic Impacts

During the third quarter of 2020, Empower Retirement operations and technology functions maintained full execution as the market disruption created by the COVID-19 pandemic subsided. The Company maintained a nearly full work-at-home status across the entire enterprise throughout the quarter, including associates in North America and India. Call volumes and web traffic returned to normal levels. For the most part, retirement investors have not engaged in reactive selling with a significant majority of Empower Retirement plan participants making no change to their investments. The Company continued to see increased levels of interest in advisory and financial wellness offerings.

Empower Retirement and others in the retirement industry lobbied for, and received, relief from federal government regulators to help individuals who needed to access their retirement savings in the event of financial hardships. Following the law's passage, Empower Retirement implemented new processes and waived fees on all new retirement plan loans and hardship withdrawals to support these needs. Empower Retirement did not charge origination fees on any new plans and suspended charges for all hardship withdrawals. These changes covered all tax-qualified workplace retirement plans administered by Empower Retirement that permit such distributions, and include new provisions allowed for under the CARES Act. Beginning in the third quarter of 2020, Empower Retirement reinstated fees on certain new retirement plan loans and hardship withdrawals.

- On August 17, 2020, Empower Retirement completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital for US\$825 million on closing and deferred consideration of up to US\$175 million subject to achievement of target growth objectives. The upfront consideration was funded with cash on hand and US\$500 million in debt financing. Financial Services' third quarter 2020 results include the results of Personal Capital from the August 17, 2020 acquisition date.
- Empower Retirement expects to incur one-time integration expenses of US\$57 million pre-tax, with the integration of Personal Capital expected to be completed in the first quarter of 2022. In addition, transaction expenses of US\$20 million post-tax were incurred to date in the third quarter of 2020 which are reflected in the U.S. Corporate business unit.

Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

- On September 8, 2020, Empower Retirement announced that it has reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Based on the terms of the agreement, and subject to regulatory approvals, Empower Retirement will acquire the retirement services business of MassMutual for a total value of approximately US\$3.35 billion. The value includes a reinsurance ceding commission of US\$2.35 billion and US\$1.0 billion of required capital to support the business. The Company intends to fund the transaction with existing cash, short-term debt and US\$1.5 billion of long-term debt issued on September 17, 2020. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.

This transaction increases the synergy potential of Empower Retirement's acquisition of Personal Capital across a larger combined business. In addition, Empower Retirement and MassMutual intend to enter into a strategic partnership through which digital insurance products offered by Haven Life Insurance Agency, LLC and MassMutual's voluntary insurance and lifetime income products will be made available to customers of Empower Retirement and Personal Capital.

Empower Retirement anticipates realizing cost synergies through the migration of the MassMutual's retirement services business onto Empower Retirement's recordkeeping platform. Run rate cost synergies are expected to be US\$160 million pre-tax at the end of integration in 2022. Revenue synergies in 2022 are expected to be US\$30 million pre-tax and continue to grow beyond 2022.

Empower Retirement expects to incur one-time integration expenses of US\$125 million pre-tax and transaction expenses of US\$55 million pre-tax, US\$4 million post-tax of which were incurred in the third quarter of 2020. The integration is expected to be completed within 18 months following closing.

- On September 28, 2020, Empower Retirement announced a definitive agreement to acquire the retirement business of Fifth Third Bank, which is expected to close in the fourth quarter of 2020. The transaction is not expected to have a material impact on Empower Retirement's financial results.
- Empower Retirement participant accounts were 9.4 million at September 30, 2020, which is comparable with December 31, 2019. Participants declined from 9.7 million at June 30, 2020 primarily due to the loss of one large client.
- Empower Retirement assets under administration were US\$683 billion at September 30, 2020, up from US\$673 billion at December 31, 2019, primarily due to higher equity market levels. In addition, Personal Capital assets under management were US\$14 billion at September 30, 2020.
- In July 2020, Empower Retirement was named the 2020 Retirement Leader of the Year in the annual Mutual Fund Industry Awards, organized by Pageant Media. Retirement Leader of the Year is awarded to a firm that has made a key impact on growing retirement assets through unique retirement solutions, marketing campaigns and significant contributions to the retirement industry at large.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾⁽²⁾	\$ 5,665	\$ 3,101	\$ 3,071	\$ 13,474	\$ 8,633
Sales ⁽¹⁾⁽³⁾	9,621	7,222	16,885	50,424	89,582
Fee and other income	395	370	369	1,139	1,052
Base earnings ⁽¹⁾	\$ 75	\$ 73	\$ 65	\$ 204	\$ 180
Items excluded from base earnings ⁽⁴⁾					
Actuarial assumption changes and other management actions ⁽¹⁾⁽⁴⁾	38	—	(2)	38	(2)
Market-related impact on liabilities ⁽⁴⁾	(1)	(5)	—	(18)	—
Net earnings - common shareholders ⁽⁵⁾	\$ 112	\$ 68	\$ 63	\$ 224	\$ 178
Premiums and deposits (US\$) ⁽¹⁾⁽²⁾	\$ 4,260	\$ 2,231	\$ 2,327	\$ 10,005	\$ 6,491
Sales (US\$) ⁽¹⁾⁽³⁾	7,234	5,196	12,792	37,490	67,385
Fee and other income (US\$)	297	266	280	842	791
Base earnings (US\$) ⁽¹⁾	\$ 56	\$ 53	\$ 50	\$ 151	\$ 136
Items excluded from base earnings (US\$) ⁽⁴⁾					
Actuarial assumption changes and other management actions (US\$) ⁽¹⁾⁽⁴⁾	29	—	(1)	29	(1)
Market-related impact on liabilities (US\$) ⁽⁴⁾	(1)	(4)	—	(14)	—
Net earnings - common shareholders (US\$) ⁽⁵⁾	\$ 84	\$ 49	\$ 49	\$ 166	\$ 135

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

(2) For the three and nine months ended September 30, 2020, premiums and deposits included US\$31 million and US\$102 million, respectively, relating to the retained policies (US\$34 million and US\$112 million for the three and nine months ended September 30, 2019 and US\$38 million for the three months ended June 30, 2020).

(3) For the three and nine months ended September 30, 2020, sales included US\$0.2 billion and US\$1.1 billion, respectively, relating to Putnam managed funds sold on the Empower Retirement platform (US\$0.3 billion and US\$0.8 billion for the three and nine months ended September 30, 2019 and US\$0.6 billion for the three months ended June 30, 2020).

(4) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

(5) For the three and nine months ended September 30, 2020, net earnings included US\$3 million and US\$12 million, respectively, relating to the retained policies (US\$6 million and US\$25 million for the three and nine months ended September 30, 2019 and US\$6 million for the three months ended June 30, 2020).

Premiums and deposits

Premiums and deposits for the third quarter of 2020 of US\$4.3 billion increased by US\$1.9 billion compared to the same quarter last year and US\$2.0 billion compared to the previous quarter, primarily due to higher deposits transferred in from assets under administration.

For the nine months ended September 30, 2020, premiums and deposits increased by US\$3.5 billion to US\$10.0 billion compared to the same period last year, primarily due to higher premiums and deposits transferred in from assets under administration and higher deposits from existing Empower Retirement participants.

Sales

Sales in the third quarter of 2020 of US\$7.2 billion decreased by US\$5.6 billion compared to the same quarter last year, primarily due to a decrease in Empower Retirement large and mid-sized plan sales, partly offset by Personal Capital related sales of US\$0.5 billion. Large plan sales can be highly variable from period to period and tend to be lower margin; however, these sales contribute to lowering overall unit costs.

For the nine months ended September 30, 2020, sales decreased by US\$29.9 billion to US\$37.5 billion compared to the same period last year. Included in sales for the nine months ended September 30, 2019 was one large sale relating to a new client with approximately 200,000 participants. Excluding the impact of this sale, Empower Retirement's large plan sales increased.

Sales in the third quarter of 2020 increased by US\$2.0 billion compared to the previous quarter, primarily due to an increase in Empower Retirement mid and small sized plan sales and Personal Capital related sales, partially offset by lower large plan sales.

Fee and other income

Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services and investment advisory services. Generally, fees are earned based on assets under management, assets under administration or the number of plans and participants for which services are provided.

Fee and other income for the third quarter of 2020 of US\$297 million increased by US\$17 million compared to the same quarter last year. The increase was primarily due to Personal Capital related fee income of US\$13 million, higher average equity markets and growth in average participants, partially offset by waived fee income on retirement plan loans.

For the nine months ended September 30, 2020, fee and other income increased by US\$51 million to US\$842 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 increased by US\$31 million compared to the previous quarter, primarily due to Personal Capital related fee income and higher average equity market levels.

Base earnings

Base earnings for the third quarter of 2020 increased by US\$6 million to US\$56 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment experience and net business growth, partially offset by Personal Capital related net loss of US\$5 million.

For the nine months ended September 30, 2020, base earnings increased by US\$15 million to US\$151 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by US\$3 million compared to the previous quarter, primarily due to favorable equity market impacts on fee income.

Net earnings

Net earnings for the third quarter of 2020 increased by US\$35 million to US\$84 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.

For the nine months ended September 30, 2020, net earnings increased by US\$31 million to US\$166 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as discussed for the in-quarter results. The increase was partially offset by market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits.

Net earnings for the third quarter of 2020 increased by US\$35 million compared to the previous quarter. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as discussed for the in-quarter results.

ASSET MANAGEMENT

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

At Putnam and across the broader asset management industry during the first quarter of 2020, client channels experienced reduced gross sales and elevated redemptions given concerns about the breadth and severity of the pandemic and its longer-term effect on an array of economic factors, including corporate earnings. On the investment management front, Putnam's work on risk profiles and portfolio construction has led to solid relative performance across asset classes. Over the ensuing six months since the first quarter, redemptions slowed and turned back into positive net flows, which positioned the Company well for the market recovery that occurred during the second and third quarters of 2020. Activity levels remain high on the distribution side, with a focus on value-add service and communications with clients.

- Putnam's average assets under management (AUM) for the three months ended September 30, 2020 were US\$176.7 billion, an increase of US\$2.5 billion compared to the same quarter last year and an increase of US\$16.5 billion compared to the previous quarter. For the three months ended September 30, 2020, sales increased by US\$2.9 billion compared to the same quarter last year, driven by a US\$2.7 billion increase in institutional sales.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2020, approximately 82% and 90% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Sales ⁽¹⁾	\$ 18,366	\$ 21,005	\$ 14,360	\$ 59,021	\$ 41,316
Fee income					
Investment management fees	\$ 206	\$ 193	\$ 205	\$ 598	\$ 607
Performance fees	2	(2)	(3)	(2)	(12)
Service fees	37	38	37	112	112
Underwriting & distribution fees	56	55	57	168	172
Fee income	\$ 301	\$ 284	\$ 296	\$ 876	\$ 879
Core net earnings (loss) ⁽¹⁾	\$ 25	\$ 26	\$ 22	\$ 19	\$ 50
Less: Financing and other expenses ⁽¹⁾	(12)	(14)	(9)	(36)	(35)
Net earnings (loss) ⁽²⁾	\$ 13	\$ 12	\$ 13	\$ (17)	\$ 15
Sales (US\$) ⁽¹⁾	\$ 13,809	\$ 15,111	\$ 10,879	\$ 43,584	\$ 31,077
Fee income (US\$)					
Investment management fees (US\$)	\$ 155	\$ 138	\$ 155	\$ 442	\$ 456
Performance fees (US\$)	1	(1)	(2)	(2)	(8)
Service fees (US\$)	28	27	28	83	84
Underwriting & distribution fees (US\$)	42	39	43	124	129
Fee income (US\$)	\$ 226	\$ 203	\$ 224	\$ 647	\$ 661
Core net earnings (loss) (US\$) ⁽¹⁾	\$ 19	\$ 19	\$ 17	\$ 14	\$ 38
Less: Financing and other expenses (US\$) ⁽¹⁾	(9)	(10)	(8)	(26)	(27)
Net earnings (loss) (US\$) ⁽²⁾	\$ 10	\$ 9	\$ 9	\$ (12)	\$ 11
Pre-tax operating margin ⁽¹⁾	11.9 %	11.7 %	9.5 %	3.8 %	8.4 %
Average assets under management (US\$) ⁽¹⁾	\$ 176,726	\$ 160,198	\$ 174,268	\$ 169,798	\$ 171,503

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

Sales

Sales in the third quarter of 2020 increased by US\$2.9 billion to US\$13.8 billion compared to the same quarter last year, mainly due to an increase in institutional sales of US\$2.7 billion.

For the nine months ended September 30, 2020, sales increased by US\$12.5 billion to US\$43.6 billion compared to the same period last year, due to an increase in institutional sales of US\$9.1 billion and an increase in mutual fund sales of US\$3.4 billion.

Sales in the third quarter of 2020 decreased by US\$1.3 billion compared to the previous quarter, mainly due to a US\$1.2 billion decrease in institutional sales.

Fee income

Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36-month performance period for mutual funds and a 12-month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the third quarter of 2020 increased by US\$2 million to US\$226 million compared to the same quarter last year. The increase was primarily due to improved mutual fund performance fees, partially offset by lower underwriting and distribution fees.

For the nine months ended September 30, 2020, fee income of US\$647 million decreased by US\$14 million compared to the same period last year. The decrease was primarily due to lower investment management fees, driven by lower average AUM and net asset outflows, and lower underwriting and distribution fees, partially offset by improved mutual fund performance fees.

Fee income for the third quarter of 2020 increased by US\$23 million compared to the previous quarter. The increase was primarily due to higher investment management fees, driven by higher average AUM.

Core net earnings and Net earnings

Core net earnings for the third quarter of 2020 increased by US\$2 million to US\$19 million compared to the same quarter last year, primarily due to higher net investment income on seed capital driven by in-period market recoveries, partially offset by higher sales and compensation related expenses. In the third quarter of 2020, net earnings, including financing and other expenses, were US\$10 million compared to US\$9 million for the same quarter last year. Financing and other expenses for the third quarter of 2020 increased by US\$1 million to US\$9 million compared to the same quarter last year.

For the nine months ended September 30, 2020, core net earnings were US\$14 million compared to core net earnings of US\$38 million for the same period last year. Core net earnings decreased by US\$24 million primarily due to lower net investment income on seed capital, driven by the decline in markets during the first quarter of 2020. The net loss, including financing and other expenses, for the nine months ended September 30, 2020 was US\$12 million compared to net earnings of US\$11 million for the same period last year. Financing and other expenses for the nine months ended September 30, 2020 decreased by US\$1 million to US\$26 million compared to the same period last year.

Core net earnings for the third quarter of 2020 of US\$19 million were comparable to the previous quarter. Net earnings, including financing and other expenses, for the third quarter of 2020 were US\$10 million compared to net earnings of US\$9 million for the previous quarter. Financing and other expenses for the third quarter of 2020 decreased by US\$1 million compared to the previous quarter.

ASSETS UNDER MANAGEMENT⁽¹⁾

Assets under management (US\$)⁽¹⁾

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Beginning assets	\$ 168,526	\$ 148,912	\$ 174,661	\$ 181,724	\$ 160,200
Sales - Mutual funds	6,897	7,012	6,703	23,120	19,676
Redemptions - Mutual funds	(6,210)	(6,036)	(5,642)	(26,337)	(18,715)
Net asset flows - Mutual funds	687	976	1,061	(3,217)	961
Sales - Institutional	6,912	8,099	4,176	20,464	11,401
Redemptions - Institutional	(5,542)	(5,695)	(6,784)	(22,944)	(16,494)
Net asset flows - Institutional	1,370	2,404	(2,608)	(2,480)	(5,093)
Net asset flows - Total	2,057	3,380	(1,547)	(5,697)	(4,132)
Impact of market/performance	8,435	16,234	1,077	2,991	18,123
Ending assets	\$ 179,018	\$ 168,526	\$ 174,191	\$ 179,018	\$ 174,191
<u>Average assets under management</u>					
Mutual funds	86,808	79,341	83,937	84,170	81,827
Institutional assets	89,918	80,857	90,331	85,628	89,676
Total average assets under management	\$ 176,726	\$ 160,198	\$ 174,268	\$ 169,798	\$ 171,503

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Average AUM for the three months ended September 30, 2020 were US\$176.7 billion, an increase of US\$2.5 billion compared to the same quarter last year, primarily due to net asset inflows and positive market impact. Net asset inflows for the third quarter of 2020 were US\$2.1 billion compared to net asset outflows of US\$1.5 billion in the same quarter last year. In-quarter mutual fund net asset inflows were US\$0.7 billion and institutional net asset inflows were US\$1.4 billion.

Average AUM for the nine months ended September 30, 2020 were US\$169.8 billion, a decrease of US\$1.7 billion compared to the same period last year, primarily due to the cumulative net asset outflows. Net asset outflows for the nine months ended September 30, 2020 were US\$5.7 billion compared to US\$4.1 billion in the same period last year. Year-to-date mutual fund net asset outflows were US\$3.2 billion and institutional net asset outflows were US\$2.5 billion. Within the institutional category, Putnam's valuation oriented quantitative manager has been experiencing outflows for several quarters. While their performance in this category has been comparable to peers, this style of investing has been in outflows across the industry. During these same time periods, Putnam's active institutional mandates have experienced positive flows.

Average AUM for the three months ended September 30, 2020 increased by US\$16.5 billion compared to the previous quarter, primarily due to positive market impact.

UNITED STATES CORPORATE

U.S. Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

In the third quarter of 2020, the net loss was US\$27 million compared to net earnings of US\$1 million for the same quarter last year. The net loss increased by US\$28 million primarily due to the transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual and lower net investment income, partially offset by lower operating expenses.

For the nine months ended September 30, 2020, net loss of US\$26 million increased by US\$28 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

In the third quarter of 2020, the net loss was US\$27 million compared to a net loss of US\$1 million for the previous quarter. The net loss increased by US\$26 million primarily due to the transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual and lower net investment income, partially offset by lower operating expenses.

EUROPE

The Europe segment comprises three distinct business units: United Kingdom, Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results.

The core products offered in the U.K. are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants.

The core products offered by Irish Life in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland with approximately €83 billion of assets under management. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional and retail clients, occupational defined benefit and defined contribution pension schemes, large multinational corporations, charities and domestic companies.

The German business unit offers pension, lifetime GMWB and individual protection products that are distributed through independent brokers and multi-tied agents.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 6,114	\$ 8,151	\$ 7,590	\$ 24,725	\$ 27,426
Sales ⁽¹⁾	5,313	7,141	7,098	22,122	25,410
Fee and other income	342	340	382	1,015	1,162
Base earnings ⁽¹⁾	\$ 182	\$ 179	\$ 161	\$ 493	\$ 479
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	22	50	149	110	264
Market-related impact on liabilities ⁽²⁾	18	24	(28)	(37)	(74)
Net gain on sale of IPSI ⁽²⁾	94	—	—	94	—
Net earnings	\$ 316	\$ 253	\$ 282	\$ 660	\$ 669
Total assets	\$ 180,091	\$ 172,705	\$ 170,143		
Proprietary mutual funds and institutional net assets ⁽¹⁾	58,056	57,351	51,389		
Total assets under management ⁽¹⁾	238,147	230,056	221,532		
Other assets under administration ⁽¹⁾	10,420	55,262	46,040		
Total assets under administration⁽¹⁾⁽³⁾	\$ 248,567	\$ 285,318	\$ 267,572		

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

⁽³⁾ At September 30, 2020, total assets under administration excludes \$7.3 billion of assets managed for other business units within the Lifeco group of companies (\$7.5 billion at June 30, 2020 and \$8.2 billion at September 30, 2019).

DEVELOPMENTS AND OUTLOOK

• **COVID-19 Pandemic Impacts**

The European businesses in the U.K., Ireland and Germany remain focused on supporting customers, communities and employees by providing pensions, protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe.

Subsequent to the third quarter of 2020, on October 8, 2020, Canada Life U.K. reopened its real estate fund following a period of valuation uncertainty in the real estate industry caused by COVID-19. The suspension period was introduced in March following advice from the independent valuers that it was not possible to provide accurate and reliable valuations. On October 20, 2020, Irish Life removed deferral periods from its small U.K. and European property funds. The deferral period for redemptions and transfers for Irish Life's property and pension funds is currently under review following the removal of third party appraisal uncertainty clauses on the majority of sectors in the Irish property market. The deferral period remains in place for the smaller fund focused on individual clients. Processes remain in place to facilitate hardship, death claims and certain other withdrawals as required for these funds.

- On January 31, 2020, the U.K. left the European Union (EU) and entered a transition arrangement that will last until the end of 2020. The Company's U.K. and other European businesses have taken the necessary steps to handle the immediate impacts of Brexit and will continue to monitor any further steps that may become necessary as the U.K. and the EU negotiate their future relationship.
- On August 4, 2020, Irish Life completed the previously announced sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary, whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The net gain resulting from the transaction was \$94 million post-tax.

- As of September 30, 2020, £15 million of pre-tax annualized expense reductions have been achieved relating to the Canada Life U.K. restructuring program, compared to £14 million as of December 31, 2019. The Company remains committed to achieving targeted annual expense reductions of £20 million pre-tax; however, due to the COVID-19 pandemic and other factors, this target is now expected to be achieved in 2021. The expense reductions are expected to come from various sources, including systems and process improvements and a reduction in headcount.

BUSINESS UNITS – EUROPE

UNITED KINGDOM

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 677	\$ 1,125	\$ 1,127	\$ 2,830	\$ 4,187
Sales ⁽¹⁾	672	1,059	1,238	2,833	4,202
Fee and other income	42	44	54	125	162
Base earnings ⁽¹⁾	\$ 78	\$ 88	\$ 105	\$ 238	\$ 270
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	(27)	39	81	34	159
Market-related impact on liabilities ⁽²⁾	16	(18)	(19)	(5)	(69)
Net earnings	\$ 67	\$ 109	\$ 167	\$ 267	\$ 360

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the third quarter of 2020 decreased by \$0.5 billion to \$0.7 billion compared to the same quarter last year, primarily due to lower bulk and individual annuity and wealth management sales.

For the nine months ended September 30, 2020, premiums and deposits decreased by \$1.4 billion to \$2.8 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2020 decreased by \$0.4 billion compared to the previous quarter, primarily due to lower bulk annuity sales.

Sales

Sales for the third quarter of 2020 decreased by \$0.6 billion to \$0.7 billion compared to the same period last year, primarily due to lower bulk and individual annuity and wealth management sales.

For the nine months ended September 30, 2020, sales decreased by \$1.4 billion to \$2.8 billion compared to the same period last year. The decrease was primarily due to the same reasons discussed for the in-quarter results.

Sales for the third quarter of 2020 decreased by \$0.4 billion compared to the previous quarter, primarily due to lower bulk annuity sales.

Fee and other income

Fee and other income for the third quarter of 2020 decreased by \$12 million to \$42 million compared to the same quarter last year, primarily due to lower management fees as a result of the unit-linked policies sold to Scottish Friendly in the fourth quarter of 2019.

For the nine months ended September 30, 2020, fee and other income decreased by \$37 million to \$125 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 decreased by \$2 million compared to the previous quarter, primarily due to lower management fees.

Base earnings

Base earnings for the third quarter of 2020 decreased by \$27 million to \$78 million compared to the same quarter last year. The decrease was primarily due to lower impact of new business, unfavourable group mortality, the impact of changes to certain tax estimates and lower contributions from investment experience, partially offset by favourable group morbidity and longevity experience.

Base earnings for the nine months ended September 30, 2020 decreased by \$32 million to \$238 million compared to the same period last year. The decrease was primarily due to lower impact of new business, adverse group mortality experience, the impact of changes to certain tax estimates and lower contributions from investment experience. These items were partially offset by favourable group morbidity and longevity experience.

Base earnings for the third quarter of 2020 decreased by \$10 million compared to the previous quarter. The decrease was primarily due to less favourable group morbidity and longevity experience partially offset by favourable group mortality experience.

Net earnings

Net earnings for the third quarter of 2020 decreased by \$100 million to \$67 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts, partially offset by the impact of higher property valuations.

Net earnings for the nine months ended September 30, 2020 decreased by \$93 million to \$267 million compared to the same period last year, primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts partially offset by the favourable impact of changes to certain tax estimates driven by a decline in equity markets and the impact of higher property valuations.

Net earnings for the third quarter of 2020 decreased by \$42 million compared to the previous quarter. The decrease was primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts, partially offset by the impact of higher property valuations.

IRELAND

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾⁽²⁾	\$ 5,136	\$ 6,729	\$ 6,158	\$ 21,007	\$ 22,409
Sales ⁽¹⁾⁽²⁾	4,561	6,001	5,784	19,042	20,985
Fee and other income	189	185	238	563	698
Base earnings ⁽¹⁾	\$ 70	\$ 53	\$ 29	\$ 150	\$ 114
Items excluded from base earnings ⁽³⁾					
Actuarial assumption changes and other management actions ⁽³⁾	31	11	66	58	87
Market-related impact on liabilities ⁽³⁾	1	37	(12)	(21)	(10)
Net gain on IPSI sale ⁽³⁾	94	—	—	94	—
Net earnings (loss)	\$ 196	\$ 101	\$ 83	\$ 281	\$ 191

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ For the three and nine months ended September 30, 2020, premiums and deposits and sales exclude \$0.1 billion and \$0.6 billion, respectively, of assets managed for other business units within the Lifeco group of companies (\$0.2 billion and \$0.8 billion for the three and nine months ended September 30, 2019 and \$0.1 billion three months ended June 30, 2020).

⁽³⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the third quarter of 2020 decreased by \$1.0 billion to \$5.1 billion compared to the same quarter last year, primarily due to lower fund management sales, partially offset by higher pension sales and the impact of currency movement.

For the nine months ended September 30, 2020, premiums and deposits decreased by \$1.4 billion to \$21.0 billion compared to the same period last year. The decrease is primarily due to the arrangement with NN Investment Partners that was entered into in the first quarter of 2019, partially offset by higher pension sales and the impact of currency movement.

Premiums and deposits for the third quarter of 2020 decreased by \$1.6 billion compared to the previous quarter, primarily due to lower fund management sales, partially offset by higher pension sales and the impact of currency movement.

Sales

Sales for the third quarter of 2020 of \$4.6 billion decreased by \$1.2 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

For the nine months ended September 30, 2020, sales decreased by \$1.9 billion to \$19.0 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the third quarter of 2020 decreased by \$1.4 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

For the fund management businesses, net cash outflows in the third quarter of 2020 were \$1.4 billion compared to net cash inflows of \$1.6 billion for the same period last year and net cash outflows of \$0.3 billion for the previous quarter. Net cash inflows for the nine months ended September 30, 2020 were \$0.4 billion compared to \$8.8 billion for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2020 of \$189 million decreased by \$49 million compared to the same quarter last year, primarily due to a new reinsurance treaty.

For the nine months ended September 30, 2020, fee and other income decreased by \$135 million to \$563 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 increased by \$4 million compared to the previous quarter, primarily due to impact of currency movement.

Base earnings

Base earnings for the third quarter of 2020 of \$70 million increased by \$41 million compared to the same quarter last year, primarily due to favourable mortality and morbidity experience, partially offset by lower impact of new business and higher expenses.

Base earnings for the nine months ended September 30, 2020 increased by \$36 million to \$150 million compared to the same period last year. The increase was primarily due the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by \$17 million compared to the previous quarter. The increase was primarily due to favourable mortality and morbidity experience, partially offset by lower contributions from investment experience.

Net earnings

Net earnings for the third quarter of 2020 increased by \$113 million to \$196 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of \$94 million on the sale of IPSI, favourable market impacts related to unhedged market movements and premium deficiency reserves. The increase was partially offset by less favourable contributions from insurance contract liability basis changes.

Net earnings for the nine months ended September 30, 2020 increased by \$90 million to \$281 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of \$94 million on the sale of IPSI. The increase was partially offset by less favourable contributions from insurance contract liability basis changes and unfavourable market-related impacts related to unhedged market movements in the first quarter of 2020. Market impacts were primarily driven by the impact of the equity market declines and volatility and lower interest rates in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings for the third quarter of 2020 increased by \$95 million compared to the previous quarter. The increase in net earnings was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of \$94 million on the sale of IPSI and higher contributions from insurance contract liability basis changes. The increase was partially offset by unfavourable market-related impacts driven by inflation and equity market recoveries related to investment guarantee and premium deficiency reserves.

GERMANY

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 301	\$ 297	\$ 305	\$ 888	\$ 830
Sales ⁽¹⁾	80	81	76	247	223
Fee and other income	111	111	90	327	302
Base earnings ⁽¹⁾	\$ 37	\$ 41	\$ 31	\$ 114	\$ 102
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	18	—	2	18	18
Market-related impact on liabilities ⁽²⁾	1	5	3	(11)	5
Net earnings	\$ 56	\$ 46	\$ 36	\$ 121	\$ 125

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Premiums and deposits for the third quarter of 2020 of \$301 million decreased by \$4 million compared to the same period last year, primarily due lower pension sales, partially offset by the impact of currency movement.

For the nine months ended September 30, 2020, premiums and deposits increased by \$58 million to \$888 million compared to the same period last year, primarily due to higher pension sales and the impact of currency movement.

Premiums and deposits for the third quarter of 2020 increased by \$4 million compared to the previous quarter, primarily due to the impact of currency movement.

Sales

Sales for the third quarter of 2020 increased by \$4 million to \$80 million compared to the same period last year, primarily due to the impact of currency movement.

For the nine months ended September 30, 2020, sales increased by \$24 million to \$247 million compared to the same period last year, primarily due to higher pension sales.

Sales for the third quarter of 2020 were comparable to the previous quarter.

Fee and other income

Fee and other income for the third quarter of 2020 of \$111 million increased by \$21 million compared to the same quarter last year, primarily due to higher management fees on segregated fund assets and the impact of currency movement.

For the nine months ended September 30, 2020, fee and other income increased by \$25 million to \$327 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 was comparable to the previous quarter.

Base earnings

Base earnings for the third quarter of 2020 of \$37 million increased by \$6 million compared to the same quarter last year, primarily due to the impact of changes to certain tax estimates.

Base earnings for the nine months ended September 30, 2020 increased by \$12 million to \$114 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 decreased by \$4 million compared to the previous quarter, primarily due to the impact of changes to certain tax estimates.

Net earnings

Net earnings for the third quarter of 2020 increased by \$20 million to \$56 million compared to the same quarter last year. The increase was primarily driven by favourable contributions from insurance contract liability basis changes and the base earnings impacts.

For the nine months ended September 30, 2020, net earnings decreased by \$4 million to \$121 million compared to the same period last year. The decrease was primarily due to unfavourable equity market impacts related to variable annuity guarantees and related hedge ineffectiveness, partially offset by the same reasons discussed for base earnings for the same period.

Net earnings for the third quarter of 2020 increased by \$10 million compared to the previous quarter. The increase was primarily due to favourable contributions from insurance contract liability basis changes, partially offset by less favourable equity market impacts related to variable annuity guarantees and the same reasons discussed for base earnings for the same period.

EUROPE CORPORATE

The Europe Corporate account consists of items not associated directly with or allocated to the Europe business units and the impact of certain non-continuing items.

In the third quarter of 2020, Europe Corporate had a net loss of \$3 million compared to \$4 million in the same quarter last year, primarily due to lower expenses.

For the nine months ended September 30, 2020, Europe Corporate had a net loss of \$9 million compared to \$7 million for the same period last year, primarily due to higher expenses.

The net loss for the three months ended September 30, 2020 of \$3 million was comparable to the previous quarter.

CAPITAL AND RISK SOLUTIONS

The Capital and Risk Solutions segment of Lifeco includes the operating results of the Reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland, together with an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions Corporate consists of items not associated directly with or allocated to the Reinsurance business unit as well as the results for the legacy international businesses.

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Capital and Risk Solutions

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 4,490	\$ 4,975	\$ 4,104	\$ 14,071	\$ 13,004
Fee and other income	3	2	2	8	7
Base earnings ⁽¹⁾	\$ 156	\$ 137	\$ 86	\$ 412	\$ 244
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	2	29	(11)	35	25
Market-related impact on liabilities ⁽²⁾	9	21	—	—	—
Net earnings	\$ 167	\$ 187	\$ 75	\$ 447	\$ 269
Total assets	\$ 14,815	\$ 15,161	\$ 15,244		
Proprietary mutual funds and institutional net assets ⁽¹⁾	—	—	—		
Total assets under management ⁽¹⁾	14,815	15,161	15,244		
Other assets under administration ⁽¹⁾	—	—	—		
Total assets under administration⁽¹⁾	\$ 14,815	\$ 15,161	\$ 15,244		

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

• **COVID-19 Pandemic Impacts**

The Capital and Risk Solutions segment continues to have a strong new business pipeline and has not seen a material impact as a result of the COVID-19 pandemic year-to-date in 2020. Capital and Risk Solutions will continue to focus on meeting market demand for life reinsurance involving capital solutions in the U.S. and Europe.

In Europe, low interest rates and the associated financial impact on reserve and capital positions under Solvency II is a key market dynamic. Capital and Risk Solutions continues to help European clients and other affiliated companies meet these capital challenges through innovative reinsurance solutions. Demand for longevity reinsurance remains very strong and will continue to be a focus for 2020.

- The Company offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry losses arising from catastrophe events in the third quarter of 2020 do not reach the level where any claims would be anticipated. As any precautionary claim notifications are unlikely to be received for some period of time, the Company will continue to monitor events and will update any estimates as required.
- In the third quarter of 2020, Capital and Risk Solutions established a subsidiary in Bermuda. The subsidiary, Canada Life International Reinsurance Corporation Limited, has been approved as a Certified Reinsurer by the Michigan Department of Insurance and Financial Services and is a U.S. tax payer.

BUSINESS UNITS – CAPITAL AND RISK SOLUTIONS

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Premiums and deposits ⁽¹⁾	\$ 4,484	\$ 4,970	\$ 4,098	\$ 14,055	\$ 12,988
Fee and other income	3	2	2	8	7
Base earnings ⁽¹⁾	\$ 157	\$ 138	\$ 85	\$ 415	\$ 243
Items excluded from base earnings ⁽²⁾					
Actuarial assumption changes and other management actions ⁽²⁾	2	29	(10)	35	26
Market-related impact on liabilities ⁽²⁾	9	21	—	—	—
Net earnings	\$ 168	\$ 188	\$ 75	\$ 450	\$ 269

⁽¹⁾ This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

⁽²⁾ Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the third quarter of 2020 of \$4.5 billion increased by \$0.4 billion compared to the same quarter last year, primarily due to new reinsurance agreements.

For the nine months ended September 30, 2020, premiums and deposits increased by \$1.1 billion to \$14.1 billion compared to the same period last year, primarily due to new reinsurance agreements, partially offset by the impact of restructured reinsurance agreements and lower volumes relating to existing business.

Premiums and deposits for the third quarter of 2020 decreased by \$0.5 billion compared to the previous quarter, primarily due to lower volumes relating to existing business and the impact of restructured reinsurance agreements.

Fee and other income

Fee and other income for the third quarter of 2020 of \$3 million was comparable to the same quarter last year and to the previous quarter.

For the nine months ended September 30, 2020, fee and other income of \$8 million was comparable to the same period last year.

Base earnings

Base earnings for the third quarter of 2020 increased by \$72 million to \$157 million compared to the same quarter last year. The increase was primarily due to favourable impacts from new business, favourable claims experience in the longevity business and higher business volumes, partially offset by less favourable claims experience in the life business.

For the nine months ended September 30, 2020, base earnings increased by \$172 million to \$415 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by \$19 million compared to the previous quarter. The increase was primarily due to favourable impacts from new business and favourable claims experience in the life business, partially offset by less favourable claims experience in the longevity business.

Net earnings

Net earnings for the third quarter of 2020 increased by \$93 million to \$168 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings, a decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting positive market-related experience during the third quarter of 2020 as well as higher contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2020, net earnings increased by \$181 million to \$450 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes.

Net earnings for the third quarter of 2020 decreased by \$20 million compared to the previous quarter. The decrease was primarily due to lower market-related impacts due to a smaller decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting market recoveries in the third quarter of 2020. In addition, the decrease was driven by lower contributions from insurance contract liability basis changes offset by the base earnings impacts.

CAPITAL AND RISK SOLUTIONS CORPORATE

For the three months ended September 30, 2020, Capital and Risk Solutions Corporate had a net loss of \$1 million compared to net earnings of nil for the same quarter last year, primarily due to higher expenses.

For the nine months ended September 30, 2020, Capital and Risk Solutions Corporate had a net loss of \$3 million compared to net earnings of nil for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

The net loss for the three months ended September 30, 2020 of \$1 million was comparable to the previous quarter.

LIFECO CORPORATE OPERATING RESULTS

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

For the three months ended September 30, 2020, Lifeco Corporate had a net loss of \$12 million compared to a net loss of \$4 million for the same quarter last year, primarily due to lower net investment income and higher operating expenses.

For the nine months ended September 30, 2020, Lifeco Corporate had a net loss of \$18 million compared to a net loss of \$15 million for the same period last year, primarily due to higher operating expenses partly offset by higher investment income.

The net loss for the three months ended September 30, 2020 of \$12 million increased from a net loss of \$8 million in the previous quarter, primarily due to lower net investment income and higher operating expenses.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company's Risk Function is responsible for establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the third quarter of 2020, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2019 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2020, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; and 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 Company's financial statements.

In June 2020, the IASB issued amendments to IFRS 17, *Insurance Contracts* (IFRS 17). 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, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance 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, the Company 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. The Company is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB published amendments to IFRS 16, *Leases* amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.

In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2* (with amendments relevant to the Company 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. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2019 Annual MD&A.

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

The Company uses several non-IFRS measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers.

Base earnings and base earnings per common share

Base earnings (loss) and financial measures based on base earnings (loss), including base earnings per common share and base return on equity, are non-IFRS financial measures. Base earnings reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings. Base earnings (loss) exclude:

- The impact of actuarial assumption changes and other management actions;
- The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
 - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
 - the impact on segregated fund guarantee liabilities not hedged;
 - the impact on general fund equity and investment properties supporting insurance contract liabilities;
 - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements; and
- Certain items that management believes are not indicative of the Company's underlying business results including restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and net gains, losses or costs related to the disposition or acquisition of a business.

Base earnings

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Base earnings	\$ 679	\$ 706	\$ 677	\$ 1,928	\$ 1,873
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	66	122	81	136	248
Market-related impact on liabilities	18	35	(28)	(96)	(76)
Net gain on IPSI sale	94	—	—	94	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(31)	—	—	(31)	—
Net charge on sale, via reinsurance, of a U.S. business	—	—	—	—	(199)
Net earnings - common shareholders	\$ 826	\$ 863	\$ 730	\$ 2,031	\$ 1,846
Base earnings per common share - basic	\$ 0.732	\$ 0.761	\$ 0.729	\$ 2.078	\$ 1.968
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	0.071	0.131	0.087	0.147	0.261
Market-related impact on liabilities	0.020	0.038	(0.030)	(0.103)	(0.080)
Net gain on sale of IPSI	0.101	—	—	0.101	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(0.033)	—	—	(0.033)	—
Net charge on sale, via reinsurance, of a U.S. business	—	—	—	—	(0.209)
Net earnings per common share - basic	\$ 0.891	\$ 0.930	\$ 0.786	\$ 2.190	\$ 1.940

Return on equity (ROE)

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable ROE for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine ROE and base ROE, respectively, net earnings (loss) and base net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.

Premiums and deposits

Total premiums and deposits include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. Total premiums and deposits exclude the initial ceded premium related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	\$ 9,976	\$ 10,390	\$ 9,324	\$ 31,272	\$ 15,032
Policyholder deposits (segregated funds):					
Individual products	3,502	3,098	4,146	10,826	11,501
Group products	1,538	1,597	1,999	5,203	5,825
Premiums and deposits reported in the financial statements	\$ 15,016	\$ 15,085	\$ 15,469	\$ 47,301	\$ 32,358
Self-funded premium equivalents (ASO contracts) and other	3,104	520	813	4,436	2,454
Proprietary mutual funds and institutional deposits	22,707	27,471	20,135	78,531	62,841
Add back: U.S. Individual Life Insurance & Annuity Business - initial reinsurance ceded premiums	—	—	—	—	13,889
Total premiums and deposits	\$ 40,827	\$ 43,076	\$ 36,417	\$ 130,268	\$ 111,542

Assets under management (AUM) and assets under administration (AUA)

Assets under management and assets under administration are non-IFRS measures that provide an indicator of the size and volume of the Company's overall business.

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

Other assets under administration includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional net assets and other assets under administration.

Assets under administration

	Sept. 30 2020	June 30 2020	Sept. 30 2019
Total assets per financial statements	\$ 473,737	\$ 457,996	\$ 446,626
Proprietary mutual funds and institutional net assets	341,436	315,326	308,425
Total assets under management	815,173	773,322	755,051
Other assets under administration	845,862	889,929	841,700
Total assets under administration	\$ 1,661,035	\$ 1,663,251	\$ 1,596,751

Sales

Sales is a non-IFRS measure for which there is no comparable measure in IFRS and is an indicator of new business growth. Sales are measured according to product type:

- For risk-based insurance and annuity products, sales include 100% of single premium and annualized premiums expected in the first twelve months of the plan.
- Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies.
- For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds.
- For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan.

Impact of currency movement

Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. For items impacting the Company's Consolidated Balance Sheets, such as assets and liabilities, period end rates are used for currency translation purposes.

Throughout this document a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

Pre-tax operating margin

For the Company's Asset Management business unit in the U.S. segment, this ratio provides measure of the profitability of the business unit. It is based on the business unit's pre-tax core net earnings (loss) divided by the sum of fee income and net investment income. There is no directly comparable IFRS measure.

Core net earnings (loss)

For its Asset Management business unit in the U.S segment, the Company discloses core net earnings (loss), which is a measure of the business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

Core net earnings⁽¹⁾

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	Sept. 30 2020	Sept. 30 2019
Core net earnings (loss)	\$ 25	\$ 26	\$ 22	\$ 19	\$ 50
Less: Financing and other expenses	(12)	(14)	(9)	(36)	(35)
Net earnings (loss)	<u>\$ 13</u>	<u>\$ 12</u>	<u>\$ 13</u>	<u>\$ (17)</u>	<u>\$ 15</u>
Core net earnings (loss) (US\$)	\$ 19	\$ 19	\$ 17	\$ 14	\$ 38
Less: Financing and other expenses (US\$)	(9)	(10)	(8)	(26)	(27)
Net earnings (loss) (US\$)	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 9</u>	<u>\$ (12)</u>	<u>\$ 11</u>

⁽¹⁾ For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes during the nine month period ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. This is a related party transaction and board of directors of each of the Company and its subsidiary, Canada Life, established a committee of directors independent of management and Mackenzie 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 is subject to customary closing conditions including receipt of required regulatory approvals and is expected to be completed in the fourth quarter of 2020.

On August 17, 2020, Empower Retirement, Lifeco's U.S. retirement services business, acquired Personal Capital. Prior to completion of the Personal Capital acquisition, IGM Financial Inc., an affiliated company controlled by Power Corporation, 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.

No other related party transactions have changed materially from December 31, 2019.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in Canadian \$ millions, except per share amounts)									
	2020			2019				2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Total revenue⁽¹⁾	\$ 13,740	\$ 19,710	\$ 10,273	\$ 10,689	\$ 14,374	\$ 2,746	\$ 16,889	\$ 11,699	
Common shareholders									
Base earnings⁽²⁾									
Total	\$ 679	\$ 706	\$ 543	\$ 831	\$ 677	\$ 627	\$ 569	\$ 630	
Basic - per share	0.732	0.761	0.585	0.895	0.729	0.668	0.576	0.638	
Diluted - per share	0.732	0.761	0.585	0.894	0.728	0.667	0.576	0.638	
Net earnings									
Total	\$ 826	\$ 863	\$ 342	\$ 513	\$ 730	\$ 459	\$ 657	\$ 710	
Basic - per share	0.891	0.930	0.369	0.552	0.786	0.489	0.665	0.719	
Diluted - per share	0.891	0.930	0.369	0.552	0.785	0.489	0.665	0.719	

(1) Revenue includes the changes in fair value through profit or loss on investment assets, an initial premium ceded to Protective Life (\$13,889 million for the three months ended June 30, 2019) and a ceding commission received from Protective Life (\$1,080 million for the three months ended June 30, 2019) related to the sale, via indemnity reinsurance, of the individual life insurance and annuity business.

(2) Base earnings attributable to common shareholders and base earnings per common share are non-IFRS measures of earnings performance. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings									
	2020			2019				2018	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Actuarial assumption changes and other management actions	\$ 66	\$ 122	\$ (52)	\$ (78)	\$ 81	\$ 38	\$ 129	\$ 83	
Market-related impact on liabilities	18	35	(149)	(13)	(28)	(7)	(41)	(3)	
Net gain on sale of IPSI	94	—	—	—	—	—	—	—	
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(31)	—	—	—	—	—	—	—	
Net charge on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business	—	—	—	—	—	(199)	—	—	
Restructuring costs	—	—	—	(36)	—	—	—	—	
Revaluation of a deferred tax asset	—	—	—	(199)	—	—	—	—	
Net gain on Scottish Friendly transaction	—	—	—	8	—	—	—	—	
Total	\$ 147	\$ 157	\$ (201)	\$ (318)	\$ 53	\$ (168)	\$ 88	\$ 80	

Lifeco's consolidated net earnings attributable to common shareholders were \$826 million for the third quarter of 2020 compared to \$730 million reported a year ago. On a per share basis, this represents \$0.891 per common share (\$0.891 diluted) for the third quarter of 2020 compared to \$0.786 per common share (\$0.785 diluted) a year ago.

Total revenue for the third quarter of 2020 was \$13,740 million and comprises premium income of \$9,976 million, regular net investment income of \$1,493 million, a positive change in fair value through profit or loss on investment assets of \$785 million and fee and other income of \$1,486 million.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, U.S. dollar, British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency							
Period ended	Sept. 30 2020	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
United States dollar							
Balance sheet	\$ 1.33	\$ 1.36	\$ 1.40	\$ 1.30	\$ 1.32	\$ 1.31	\$ 1.34
Income and expenses	\$ 1.33	\$ 1.39	\$ 1.34	\$ 1.32	\$ 1.32	\$ 1.34	\$ 1.33
British pound							
Balance sheet	\$ 1.72	\$ 1.68	\$ 1.74	\$ 1.72	\$ 1.63	\$ 1.66	\$ 1.74
Income and expenses	\$ 1.72	\$ 1.72	\$ 1.72	\$ 1.70	\$ 1.63	\$ 1.72	\$ 1.73
Euro							
Balance sheet	\$ 1.56	\$ 1.52	\$ 1.55	\$ 1.46	\$ 1.44	\$ 1.49	\$ 1.50
Income and expenses	\$ 1.56	\$ 1.53	\$ 1.48	\$ 1.46	\$ 1.47	\$ 1.50	\$ 1.51

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian \$ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	September 30 2020	September 30 2019
Income					
Premium income					
Gross premiums written	\$ 11,190	\$ 11,494	\$ 10,660	\$ 34,849	\$ 32,511
Ceded premiums	(1,214)	(1,104)	(1,336)	(3,577)	(17,479)
Total net premiums	9,976	10,390	9,324	31,272	15,032
Net investment income (note 5)					
Regular net investment income	1,493	1,596	1,452	4,403	4,699
Changes in fair value through profit or loss	785	6,318	2,102	3,715	8,712
Total net investment income	2,278	7,914	3,554	8,118	13,411
Fee and other income	1,486	1,406	1,496	4,333	5,566
	13,740	19,710	14,374	43,723	34,009
Benefits and expenses					
Policyholder benefits					
Gross	9,542	9,777	8,878	29,354	27,256
Ceded	(646)	(618)	(762)	(2,241)	(2,051)
Total net policyholder benefits	8,896	9,159	8,116	27,113	25,205
Changes in insurance and investment contract liabilities					
Gross	1,879	8,575	3,399	7,820	12,558
Ceded	(366)	(1,675)	(427)	(1,131)	(13,648)
Total net changes in insurance and investment contract liabilities	1,513	6,900	2,972	6,689	(1,090)
Policyholder dividends and experience refunds	259	500	352	1,130	1,207
Total paid or credited to policyholders	10,668	16,559	11,440	34,932	25,322
Commissions	549	565	571	1,739	1,779
Operating and administrative expenses	1,365	1,294	1,258	3,994	3,933
Premium taxes	119	121	123	356	378
Financing charges	71	69	70	205	214
Amortization of finite life intangible assets	58	61	57	175	164
Earnings before income taxes	910	1,041	855	2,322	2,219
Income taxes (note 15)	19	95	47	101	230
Net earnings before non-controlling interests	891	946	808	2,221	1,989
Attributable to non-controlling interests	32	49	45	90	43
Net earnings	859	897	763	2,131	1,946
Preferred share dividends (note 12)	33	34	33	100	100
Net earnings - common shareholders	\$ 826	\$ 863	\$ 730	\$ 2,031	\$ 1,846
Earnings per common share (note 12)					
Basic	\$ 0.891	\$ 0.930	\$ 0.786	\$ 2.190	\$ 1.940
Diluted	\$ 0.891	\$ 0.930	\$ 0.785	\$ 2.189	\$ 1.939

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian \$ millions)

	For the three months ended			For the nine months ended	
	September 30	June 30	September 30	September 30	September 30
	2020	2020	2019	2020	2019
Net earnings	\$ 859	\$ 897	\$ 763	\$ 2,131	\$ 1,946
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	123	(523)	(183)	383	(863)
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	(40)	30	50	(100)	120
Income tax (expense) benefit	6	(4)	(7)	14	(16)
Unrealized gains (losses) on available-for-sale assets	13	228	71	263	323
Income tax (expense) benefit	(2)	(40)	(8)	(46)	(53)
Realized (gains) losses on available-for-sale assets	(11)	(78)	(17)	(127)	(45)
Income tax expense (benefit)	2	9	1	14	4
Unrealized gains (losses) on cash flow hedges	17	(3)	2	19	4
Income tax (expense) benefit	(1)	1	(1)	(1)	(1)
Realized (gains) losses on cash flow hedges	(9)	1	—	(8)	—
Non-controlling interests	10	(6)	4	(73)	(74)
Income tax (expense) benefit	1	6	(1)	25	15
Total items that may be reclassified	109	(379)	(89)	363	(586)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	(26)	(629)	(125)	(328)	(423)
Income tax (expense) benefit	2	159	25	77	92
Revaluation surplus on transfer to investment properties (note 7)	11	—	—	11	—
Income tax (expense) benefit	(1)	—	—	(1)	—
Non-controlling interests	(1)	64	1	25	28
Income tax (expense) benefit	—	(15)	—	(6)	(7)
Total items that will not be reclassified	(15)	(421)	(99)	(222)	(310)
Total other comprehensive income (loss)	94	(800)	(188)	141	(896)
Comprehensive income	\$ 953	\$ 97	\$ 575	\$ 2,272	\$ 1,050

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian \$ millions)

	September 30 2020	December 31 2019
Assets		
Cash and cash equivalents	\$ 5,372	\$ 4,628
Bonds (note 5)	127,090	115,028
Mortgage loans (note 5)	25,369	24,268
Stocks (note 5)	9,793	10,375
Investment properties (note 5)	5,853	5,887
Loans to policyholders	8,899	8,601
	182,376	168,787
Funds held by ceding insurers	8,273	8,714
Reinsurance assets (note 8)	22,335	20,707
Goodwill	7,573	6,505
Intangible assets	3,976	3,879
Derivative financial instruments	787	451
Owner occupied properties	741	727
Fixed assets	449	455
Other assets	3,211	3,110
Premiums in course of collection, accounts and interest receivable	6,134	5,881
Current income taxes	189	236
Deferred tax assets	750	693
Investments on account of segregated fund policyholders (note 9)	236,943	231,022
Total assets	\$ 473,737	\$ 451,167
Liabilities		
Insurance contract liabilities (note 8)	\$ 184,379	\$ 174,521
Investment contract liabilities (note 8)	4,047	1,656
Debentures and other debt instruments	9,108	5,993
Funds held under reinsurance contracts	1,602	1,433
Derivative financial instruments	1,669	1,381
Accounts payable	2,852	3,352
Other liabilities	5,219	4,689
Current income taxes	374	461
Deferred tax liabilities	896	1,116
Investment and insurance contracts on account of segregated fund policyholders (note 9)	236,943	231,022
Total liabilities	447,089	425,624
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,872	2,759
Non-controlling interests in subsidiaries	119	107
Shareholders' equity		
Share capital		
Preferred shares	2,714	2,714
Common shares (note 11)	5,647	5,633
Accumulated surplus	14,485	13,660
Accumulated other comprehensive income	636	495
Contributed surplus	175	175
Total equity	26,648	25,543
Total liabilities and equity	\$ 473,737	\$ 451,167

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian \$ millions)

September 30, 2020						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non- controlling interests	Total equity
Balance, beginning of year	\$ 8,347	\$ 175	\$ 13,660	\$ 495	\$ 2,866	\$ 25,543
Net earnings	—	—	2,131	—	90	2,221
Other comprehensive income	—	—	—	141	29	170
	8,347	175	15,791	636	2,985	27,934
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,219)	—	—	(1,219)
Shares exercised and issued under share-based payment plans (note 11)	14	(50)	—	—	49	13
Share-based payment plans expense	—	43	—	—	—	43
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	7	—	—	(15)	(8)
Dilution gain on non-controlling interests	—	—	13	—	(13)	—
Balance, end of period	\$ 8,361	\$ 175	\$ 14,485	\$ 636	\$ 2,991	\$ 26,648
September 30, 2019						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non- controlling interests	Total equity
Balance, beginning of year	\$ 9,997	\$ 139	\$ 13,342	\$ 1,045	\$ 2,875	\$ 27,398
Change in accounting policy	—	—	(109)	—	—	(109)
Revised balance, beginning of year	9,997	139	13,233	1,045	2,875	27,289
Net earnings	—	—	1,946	—	43	1,989
Other comprehensive income (loss)	—	—	—	(896)	38	(858)
	9,997	139	15,179	149	2,956	28,420
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,175)	—	—	(1,175)
Shares exercised and issued under share-based payment plans (note 11)	26	(34)	—	—	31	23
Share-based payment plans expense	—	28	—	—	—	28
Equity settlement of Putnam share-based plans	—	—	—	—	(33)	(33)
Shares purchased and cancelled under Substantial Issuer Bid (note 11)	(2,000)	—	—	—	—	(2,000)
Excess of redemption proceeds over stated capital per Substantial Issuer Bid (note 11)	1,628	—	(1,628)	—	—	—
Common share carrying value adjustment per Substantial Issuer Bid (note 11)	(1,304)	—	1,304	—	—	—
Substantial Issuer Bid transaction costs (note 11)	—	—	(3)	—	—	(3)
Shares cancelled under Putnam share-based plans	—	33	—	—	(36)	(3)
Dilution gain on non-controlling interests	—	—	1	—	(1)	—
Balance, end of period	\$ 8,347	\$ 166	\$ 13,578	\$ 149	\$ 2,917	\$ 25,157

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian \$ millions)

	For the nine months ended September 30	
	2020	2019
Operations		
Earnings before income taxes	\$ 2,322	\$ 2,219
Income taxes paid, net of refunds received	(251)	(205)
Adjustments:		
Change in insurance and investment contract liabilities	10,331	12,201
Change in funds held by ceding insurers	556	292
Change in funds held under reinsurance contracts	169	131
Change in reinsurance assets	(1,079)	(1,279)
Changes in fair value through profit or loss	(3,715)	(8,712)
Other	(619)	172
	7,714	4,819
Financing Activities		
Issue of common shares (note 11)	14	26
Purchased and cancelled common shares (note 11)	—	(2,000)
Substantial issuer bid transaction costs (note 11)	—	(3)
Issue of debentures and senior notes (note 10)	3,713	—
Repayment of debentures (note 10)	(500)	—
Decrease in credit line of subsidiary	(278)	(173)
Increase (decrease) in debentures and other debt instruments	(1)	225
Dividends paid on common shares	(1,219)	(1,175)
Dividends paid on preferred shares	(100)	(100)
	1,629	(3,200)
Investment Activities		
Bond sales and maturities	16,650	18,348
Mortgage loan repayments	1,519	1,624
Stock sales	3,257	2,100
Investment property sales	70	8
Change in loans to policyholders	(170)	(17)
Business acquisitions, net of cash and cash equivalents acquired (note 3)	(1,060)	—
Sale of business, net of cash and cash equivalents in subsidiary (note 3)	108	—
Change in cash and cash equivalents classified as assets held for sale	—	39
Investment in bonds	(23,093)	(18,711)
Investment in mortgage loans	(2,418)	(3,003)
Investment in stocks	(3,374)	(1,710)
Investment in investment properties	(155)	(441)
	(8,666)	(1,763)
Effect of changes in exchange rates on cash and cash equivalents	67	(171)
Increase (decrease) in cash and cash equivalents	744	(315)
Cash and cash equivalents, beginning of period	4,628	4,168
Cash and cash equivalents, end of period	\$ 5,372	\$ 3,853
Supplementary cash flow information		
Interest income received	\$ 3,405	\$ 3,899
Interest paid	191	201
Dividend income received	243	214

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian \$ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada (Power Corporation) group of companies and is a subsidiary of Power Corporation.

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2020 were approved by the Board of Directors on November 4, 2020.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2019 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2020 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2019 except as described below.

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments (note 16). The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. The Company's operating segments include Canada, United States, Europe, Capital and Risk Solutions, and Lifeco Corporate. The Canada segment comprises the Individual Customer and Group Customer business units. GWL&A and Putnam are included in the United States segment. The Europe segment comprises United Kingdom, Ireland, and Germany. Reinsurance, which had previously been reported as part of the Europe segment, is reported in the Capital and Risk Solutions segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

Changes in Accounting Policies

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; and 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 Company's financial statements.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2019:

Standard	Summary of Future Changes
IFRS 17 - <i>Insurance Contracts</i>	In June 2020, the IASB issued amendments to IFRS 17, <i>Insurance Contracts</i> (IFRS 17). 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. IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance 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, the Company 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. The Company is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.
IAS 37 - <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	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. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.
<i>Annual Improvements 2018-2020 Cycle</i>	In May 2020, the IASB issued <i>Annual Improvements 2018-2020 Cycle</i> as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, <i>Financial Instruments</i> and IFRS 16, <i>Leases</i>. The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.
IFRS 16 - <i>Leases</i>	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. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Standard	Summary of Future Changes
IAS 39 - <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 - <i>Financial Instruments: Disclosures</i> , IFRS 4 - <i>Insurance Contracts</i> and IFRS 16 - <i>Leases</i>	In August 2020, the IASB published <i>Interest Rate Benchmark Reform – Phase 2</i> (with amendments relevant to the Company 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. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2019 consolidated annual audited financial statements and notes thereto.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company'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 portfolio investments (note 5), the valuation of goodwill and other intangible assets and the recoverability of deferred tax asset carrying values reflect management's judgment.

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

3. Business Acquisitions, Disposals and Other Transactions

(a) Acquisition of Personal Capital Corporation

On August 17, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital Corporation (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 Financial Inc. (IGM), an affiliated company controlled by Power Corporation, 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.

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 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 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 asset	106
Other assets	39

Total assets acquired and goodwill

\$ 1,135

Total liabilities assumed

\$ 38

The estimated purchase consideration has not been finalized as at September 30, 2020. The current estimate of the purchase consideration is \$1,097 (U.S. \$825). In addition, there is a contingent consideration earn-out up to \$233 (U.S. \$175) 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 Company.

During the three and nine months ended September 30, 2020, the Company incurred transaction expenses of \$29 (U.S. \$22) and are included within operating and administrative expenses in the Consolidated Statements of Earnings.

(b) U.S. Individual Life Insurance and Annuity Business Reinsurance Agreement

On January 24, 2019, GWL&A 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 its United States segment. 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 the Company with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, the Company 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

3. Business Acquisitions, Disposals and Other Transactions (cont'd)

materially impact the consolidated financial position of the Company. This matter is expected to be resolved in the fourth quarter of 2020.

(c) **Sale of Irish Progressive Services International Limited**

On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The transaction was completed on August 4, 2020. The Company recognized a net gain of \$94 after-tax in the Consolidated 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 Company.

(d) **Sale of GLC Asset Management**

On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life.

The Company will receive net cash consideration of \$145 as a result of the transaction and expects to recognize a gain. The carrying value and earnings of the business are immaterial to the Company. This is a related party transaction, and board of directors of each of the Company and Canada Life established a committee of directors independent of management and Mackenzie 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 is expected to be completed in the fourth quarter of 2020.

(e) **Acquisition of MassMutual Retirement Services Business**

On September 8, 2020, GWL&A announced that it had entered into an agreement to purchase, via indemnity reinsurance, the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual). The Company will assume the economics and risks associated with the reinsured business, MassMutual will continue to retain the obligation to the contract holders. The Company will pay a ceding commission of U.S. \$2,350 to MassMutual, and intends to fund the transaction with existing cash, short-term debt and U.S. \$1,500 in long-term debt issued on September 17, 2020 (note 10). The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.

(f) **Northleaf Capital Partners Ltd.**

On September 17, 2020, the Company and Mackenzie announced that they had entered into a joint agreement to acquire a non-controlling interest in Northleaf Capital Partners Ltd. (Northleaf), a premier global private equity, private credit and infrastructure fund manager. The Company and Mackenzie will acquire a 49.9% non-controlling interest and a 70% economic interest in Northleaf for consideration that includes a payment on closing of \$245 as well as contingent consideration at the end of five years. The Company has also committed as part of the transaction to make a minimum investment over the next 18 to 24 months in Northleaf's product offerings. Mackenzie and Lifeco will 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. The revenue and net earnings of Northleaf are not expected to be significant to the results of the Company.

Subsequent event

On October 29, 2020, the Company and Mackenzie completed the acquisition of a non-controlling interest in Northleaf.

4. Restructuring Expenses

Putnam Restructuring

At September 30, 2020, the Company has a restructuring provision of \$17 remaining in other liabilities. The change in the restructuring provision for the Putnam restructuring is set out below:

	September 30 2020	December 31 2019
Balance, beginning of year	\$ 37	\$ —
Restructuring expenses	—	52
Amounts used	(20)	(15)
Changes in foreign exchange rates	—	—
Balance, end of period	\$ 17	\$ 37

United Kingdom Business Transformation

At September 30, 2020, the Company has a restructuring provision of \$28 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

	September 30 2020	December 31 2019
Balance, beginning of year	\$ 39	\$ 61
Amounts used	(11)	(21)
Changes in foreign exchange rates	—	(1)
Balance, end of period	\$ 28	\$ 39

Due to COVID-19, the United Kingdom Business Transformation has been delayed and is expected to be completed by the end of 2021.

5. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ⁽¹⁾	\$ 93,221	\$ 93,221	\$ 84,229	\$ 84,229
Classified fair value through profit or loss ⁽¹⁾	1,865	1,865	1,717	1,717
Available-for-sale	13,960	13,960	11,710	11,710
Loans and receivables	18,044	21,070	17,372	19,344
	127,090	130,116	115,028	117,000
Mortgage loans				
Residential				
Designated fair value through profit or loss ⁽¹⁾	1,805	1,805	1,314	1,314
Loans and receivables	8,918	9,532	9,073	9,347
	10,723	11,337	10,387	10,661
Commercial	14,646	15,840	13,881	14,485
	25,369	27,177	24,268	25,146
Stocks				
Designated fair value through profit or loss ⁽¹⁾	9,178	9,178	9,752	9,752
Available-for-sale	17	17	16	16
Available-for-sale, at cost ⁽²⁾	166	166	189	189
Equity method	432	358	418	410
	9,793	9,719	10,375	10,367
Investment properties	5,853	5,853	5,887	5,887
Total	\$ 168,105	\$ 172,865	\$ 155,558	\$ 158,400

⁽¹⁾ A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

⁽²⁾ Fair value cannot be reliably measured, therefore the investments are held at cost.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2020	December 31 2019
Impaired amounts by classification		
Fair value through profit or loss	\$ 22	\$ 21
Available-for-sale	18	16
Loans and receivables	25	29
Total	\$ 65	\$ 66

The carrying amount of impaired investments includes \$38 bonds, \$25 mortgage loans and \$2 stocks at September 30, 2020 (\$37 bonds and \$29 mortgage loans at December 31, 2019). The above carrying values for loans and receivables are net of allowances of \$49 at September 30, 2020 and \$51 at December 31, 2019.

(c) Net investment income comprises the following:

For the three months ended September 30, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 898	\$ 218	\$ 101	\$ 98	\$ 139	\$ 1,454
Net realized gains (losses)						
Available-for-sale	18	—	(7)	—	—	11
Other classifications ⁽¹⁾	1	6	88	—	—	95
Net allowances for credit losses on loans and receivables	—	(1)	—	—	—	(1)
Other income (expenses)	—	—	—	(34)	(32)	(66)
	917	223	182	64	107	1,493
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	7	—	—	—	—	7
Designated fair value through profit or loss	243	(8)	303	—	212	750
Recorded at fair value through profit or loss	—	—	—	28	—	28
	250	(8)	303	28	212	785
Total	\$ 1,167	\$ 215	\$ 485	\$ 92	\$ 319	\$ 2,278

⁽¹⁾ Includes a realized gain on disposal of the shares of IPSI (note 3).

5. Portfolio Investments (cont'd)

For the three months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 940	\$ 218	\$ 78	\$ 93	\$ 171	\$ 1,500
Net realized gains						
Available-for-sale	16	—	9	—	—	25
Other classifications	2	1	—	—	—	3
Net allowances for credit losses on loans and receivables	—	—	—	—	—	—
Other income (expenses)	—	—	—	(30)	(46)	(76)
	958	219	87	63	125	1,452
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	—	—	—	—	—	—
Designated fair value through profit or loss	2,118	66	213	—	(310)	2,087
Recorded at fair value through profit or loss	—	—	—	15	—	15
	2,118	66	213	15	(310)	2,102
Total	\$ 3,076	\$ 285	\$ 300	\$ 78	\$ (185)	\$ 3,554
For the nine months ended September 30, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,724	\$ 659	\$ 264	\$ 299	\$ 433	\$ 4,379
Net realized gains (losses)						
Available-for-sale	134	—	(6)	—	—	128
Other classifications ⁽¹⁾	5	25	88	—	—	118
Net allowances for credit losses on loans and receivables	—	(10)	—	—	—	(10)
Other income (expenses)	—	—	—	(95)	(117)	(212)
	2,863	674	346	204	316	4,403
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	79	—	—	—	—	79
Designated fair value through profit or loss	4,077	98	(702)	—	320	3,793
Recorded at fair value through profit or loss	—	—	—	(157)	—	(157)
	4,156	98	(702)	(157)	320	3,715
Total	\$ 7,019	\$ 772	\$ (356)	\$ 47	\$ 636	\$ 8,118

⁽¹⁾ Includes a realized gain on disposal of the shares of IPSI (note 3).

5. Portfolio Investments (cont'd)

For the nine months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,067	\$ 683	\$ 221	\$ 272	\$ 418	\$ 4,661
Net realized gains						
Available-for-sale	31	—	21	—	—	52
Other classifications	153	88	—	—	—	241
Net allowances for credit losses on loans and receivables	—	(48)	—	—	—	(48)
Other income (expenses)	—	—	—	(84)	(123)	(207)
	3,251	723	242	188	295	4,699
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	58	—	—	—	—	58
Designated fair value through profit or loss	7,529	144	1,244	—	(307)	8,610
Recorded at fair value through profit or loss	—	—	—	44	—	44
	7,587	144	1,244	44	(307)	8,712
Total	\$ 10,838	\$ 867	\$ 1,486	\$ 232	\$ (12)	\$ 13,411

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc., an affiliated company controlled by Power Corporation. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2019 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2019 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments when due.

Concentration of 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.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company 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 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. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These financial statements include 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 income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

6. Financial Instruments Risk Management (cont'd)

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 Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. The Company'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 accumulated 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 the Company's total equity. Correspondingly, the Company'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 in net earnings.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method 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 rate risk considers 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.

6. Financial Instruments Risk Management (cont'd)

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 the Company's view of the range of interest rates to be covered by the provisions.

If sustained however, the parallel shift could impact the Company'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)

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. 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 stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, 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 stocks 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 falls in market values increases with larger falls.

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 stocks on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected change in hedge assets.

6. Financial Instruments Risk Management (cont'd)

	September 30, 2020				December 31, 2019			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock 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 shareholders' net earnings of the Company:

	September 30, 2020				December 31, 2019			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
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)

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 stocks 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 falls.

The best estimate return assumptions for publicly traded common stocks 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 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)

7. Fair Value Measurement

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

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. 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. 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. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements 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. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

7. Fair Value Measurement (cont'd)

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

Assets measured at fair value	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,372	\$ —	\$ —	\$ 5,372
Financial assets at fair value through profit or loss				
Bonds	—	95,014	72	95,086
Mortgage loans	—	—	1,805	1,805
Stocks	7,921	57	1,200	9,178
Total financial assets at fair value through profit or loss	7,921	95,071	3,077	106,069
Available-for-sale financial assets				
Bonds	—	13,960	—	13,960
Stocks	9	—	8	17
Total available-for-sale financial assets	9	13,960	8	13,977
Investment properties	—	—	5,853	5,853
Funds held by ceding insurers	77	6,203	—	6,280
Derivatives ⁽¹⁾	3	784	—	787
Reinsurance assets	—	141	—	141
Other assets:				
Trading account assets	316	585	—	901
Other ⁽²⁾	4	92	—	96
Total assets measured at fair value	\$ 13,702	\$ 116,836	\$ 8,938	\$ 139,476
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 1	\$ 1,668	\$ —	\$ 1,669
Investment contract liabilities	—	4,047	—	4,047
Other liabilities	4	92	—	96
Total liabilities measured at fair value	\$ 5	\$ 5,807	\$ —	\$ 5,812

⁽¹⁾ Excludes collateral received from counterparties of \$258.

⁽²⁾ Includes collateral received under securities lending agreements.

⁽³⁾ Excludes collateral pledged to counterparties of \$831.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,628	\$ —	\$ —	\$ 4,628
Financial assets at fair value through profit or loss				
Bonds	—	85,879	67	85,946
Mortgage loans	—	—	1,314	1,314
Stocks	8,956	118	678	9,752
Total financial assets at fair value through profit or loss	8,956	85,997	2,059	97,012
Available-for-sale financial assets				
Bonds	—	11,710	—	11,710
Stocks	12	—	4	16
Total available-for-sale financial assets	12	11,710	4	11,726
Investment properties	—	—	5,887	5,887
Funds held by ceding insurers	216	6,445	—	6,661
Derivatives ⁽¹⁾	—	451	—	451
Reinsurance assets	—	127	—	127
Other assets:				
Trading account assets	332	760	—	1,092
Other ⁽²⁾	43	355	—	398
Total assets measured at fair value	\$ 14,187	\$ 105,845	\$ 7,950	\$ 127,982
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 3	\$ 1,378	\$ —	\$ 1,381
Investment contract liabilities	—	1,656	—	1,656
Other liabilities	43	355	—	398
Total liabilities measured at fair value	\$ 46	\$ 3,389	\$ —	\$ 3,435

⁽¹⁾ Excludes collateral received from counterparties of \$155.

⁽²⁾ Includes collateral received under securities lending arrangements.

⁽³⁾ Excludes collateral pledged to counterparties of \$580.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	September 30, 2020					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽⁴⁾	Available-for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	\$ 67	\$ 1,314	\$ 678	\$ 4	\$ 5,887	\$ 7,950
Total gains (losses)						
Included in net earnings	1	90	(10)	—	(157)	(76)
Included in other comprehensive income ⁽¹⁾	4	—	—	—	10	14
Purchases	—	—	229	4	155	388
Issues	—	454	—	—	—	454
Sales	—	—	(54)	—	(70)	(124)
Settlements	—	(53)	—	—	—	(53)
Transferred from owner occupied properties ⁽²⁾	—	—	—	—	28	28
Transfers into Level 3 ⁽³⁾	—	—	357	—	—	357
Transfers out of Level 3 ⁽³⁾	—	—	—	—	—	—
Balance, end of period	\$ 72	\$ 1,805	\$ 1,200	\$ 8	\$ 5,853	\$ 8,938
Total gains (losses) for the period included in net investment income	\$ 1	\$ 90	\$ (10)	\$ —	\$ (157)	\$ (76)
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2020	\$ 1	\$ 90	\$ (9)	\$ —	\$ (157)	\$ (75)

- (1) Other comprehensive income includes unrealized gains (losses) on foreign exchange.
- (2) As a result of the sale of IPSI, a property with a fair value of \$28 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 and income tax expense of \$(1) in the Consolidated Statements of Comprehensive Income.
- (3) 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.
- (4) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

	December 31, 2019									
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽³⁾	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Liabilities held for sale	Total Level 3 liabilities	
Balance, beginning of year	\$ 67	\$ 813	\$ 404	\$ 2	\$ 5,218	\$ 29	\$ 6,533	\$ 26	\$ 26	
Change in accounting policy	—	—	—	—	29	—	29	—	—	
Revised balance, beginning of year	67	813	404	2	5,247	29	6,562	26	26	
Total gains (losses)										
Included in net earnings	4	109	40	—	37	(2)	188	—	—	
Included in other comprehensive income ⁽¹⁾	(4)	(5)	—	—	(36)	(1)	(46)	—	—	
Purchases	—	—	299	2	644	—	945	—	—	
Issues	—	469	—	—	—	—	469	—	—	
Sales	—	—	(65)	—	(5)	(26)	(96)	—	—	
Settlements	—	(72)	—	—	—	—	(72)	—	—	
Other	—	—	—	—	—	—	—	(26)	(26)	
Transfers into Level 3 ⁽²⁾	—	—	—	—	—	—	—	—	—	
Transfers out of Level 3 ⁽²⁾	—	—	—	—	—	—	—	—	—	
Balance, end of year	\$ 67	\$ 1,314	\$ 678	\$ 4	\$ 5,887	\$ —	\$ 7,950	\$ —	\$ —	
Total gains (losses) for the year included in net investment income	\$ 4	\$ 109	\$ 40	\$ —	\$ 37	\$ (2)	\$ 188	\$ —	\$ —	
Change in unrealized gains for the year included in earnings for assets held at December 31, 2019	\$ 4	\$ 105	\$ 38	\$ —	\$ 37	\$ —	\$ 184	\$ —	\$ —	

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

⁽²⁾ 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.

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

7. Fair Value Measurement (cont'd)

The following 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 Reversionary rate Vacancy rate	Range of 2.8% - 11.9% Range of 4.0% - 6.8% Weighted average of 2.0%	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. 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. 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 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.

8. Insurance and Investment Contract Liabilities

Insurance contract liabilities
Investment contract liabilities
Total

September 30, 2020		
Gross liability	Reinsurance assets	Net
\$ 184,379	\$ 22,194	\$ 162,185
4,047	141	3,906
\$ 188,426	\$ 22,335	\$ 166,091

Insurance contract liabilities
Investment contract liabilities
Total

December 31, 2019		
Gross liability	Reinsurance assets	Net
\$ 174,521	\$ 20,580	\$ 153,941
1,656	127	1,529
\$ 176,177	\$ 20,707	\$ 155,470

9. Segregated Funds

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

(a) 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
Stocks and units in unit trusts	104,056	104,330
Mutual funds	55,494	55,779
Investment properties ⁽¹⁾	12,657	12,986
	<u>239,651</u>	<u>233,239</u>
Accrued income	394	373
Other liabilities	(4,109)	(3,737)
Non-controlling mutual funds interest	1,007	1,147
Total	<u><u>\$ 236,943</u></u>	<u><u>\$ 231,022</u></u>

⁽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.

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the 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 (losses) gains 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)
Change in Segregated Fund investment in General Fund	27	(10)
Change in General Fund investment in Segregated Fund	235	126
Net transfer from General Fund	1	19
Non-controlling mutual funds interest	(140)	240
Assets held for sale	—	147
Total	<u>5,921</u>	<u>13,077</u>
Balance, end of period	<u><u>\$ 236,943</u></u>	<u><u>\$ 222,604</u></u>

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	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.

	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.

During the first nine months of 2020, certain foreign stock holdings valued at \$2,484 have been transferred from Level 1 to Level 2 (\$153 were transferred from Level 1 to Level 2 at December 31, 2019) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those 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 the Company does not have access to the underlying asset details within an investment fund.

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

	September 30, 2020	December 31, 2019		
	Total ⁽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	\$ 13,235	\$ 9	\$ 13,244
Change in accounting policy	—	136	—	136
Revised 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	—	—	—
Transfers out of Level 3	—	—	—	—
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.

10. Debentures and Other Debt Instruments

On May 14, 2020, the Company issued \$600 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 (as defined in the trust indenture governing the debentures) 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, the Company issued \$250 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 (as defined in the trust indenture governing the debentures) 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, the Company announced the re-opening of the offering of 2.981% debentures due July 8, 2050, and on July 15, 2020 issued an additional \$250 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 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 the Company, issued \$663 (U.S. \$500) aggregate principal amount of 0.904% senior notes due August 12, 2025. The senior notes are fully and unconditionally guaranteed by the Company.

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

On September 17, 2020, Empower Finance 2020, LP, a subsidiary of the Company, issued \$526 (U.S. \$400) aggregate principal amount of 1.357% senior notes due September 17, 2027, \$526 (U.S. \$400) aggregate principal amount of 1.776% senior notes due March 17, 2031 and \$921 (U.S. \$700) aggregate principal amount of 3.075% senior notes due September 17, 2051. The senior notes are fully and unconditionally guaranteed by the Company. 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.

11. Share Capital

Common Shares

	For the nine months ended September 30			
	2020		2019	
	Number	Carrying value	Number	Carrying value
Common shares				
Balance, beginning of year	927,281,186	\$ 5,633	987,739,408	\$ 7,283
Purchased and cancelled under Substantial Issuer Bid	—	—	(59,700,974)	(2,000)
Excess of redemption proceeds over stated capital per Substantial Issuer Bid	—	—	—	1,628
Share issuance - Qualifying Holdco Alternative per Substantial Issuer Bid	—	—	595,747,641	2,306
Cancellation of Shares - Qualifying Holdco Alternative per Substantial Issuer Bid	—	—	(595,747,641)	(3,610)
Exercised and issued under stock option plan	445,520	14	846,966	26
Balance, end of period	927,726,706	\$ 5,647	928,885,400	\$ 5,633

During the nine months ended September 30, 2020, 445,520 common shares were exercised under the Company's stock plan with a carrying value of \$14, including \$2 from contributed surplus transferred upon exercise (846,966 with a carrying value of \$26, including \$4 from contributed surplus transferred upon exercise during the nine months ended September 30, 2019).

On January 17, 2020, the Company announced a normal course issuer bid commencing January 22, 2020 and terminating January 21, 2021 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the nine months ended September 30, 2020, the Company did not purchase any common shares under the current normal course issuer bid (nil during the nine months ended September 30, 2019 under the previous normal course issuer bid).

As a result of the COVID-19 pandemic impact on markets, on March 13, 2020, the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks until further notice.

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to \$2,000 of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019. On April 17, 2019, the Company purchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of \$33.50 per share for an aggregate purchase price of \$2,000. The excess paid over the average carrying value under the Offer was \$1,628 and was recognized as a reduction to accumulated surplus. Transaction costs of \$3 were incurred in connection with the Offer and charged to accumulated surplus.

Related Party Transaction

As part of the substantial issuer bid, Power Financial Corporation (Power Financial) and IGM participated in the Offer. IGM tendered its Lifeco shares proportionately. Power Financial tendered a portion of its Lifeco common shares on a proportionate basis and all remaining Lifeco common shares on a non-proportionate basis and this did not impact Power Financial's voting control of the Company. Power Financial and IGM effected their tender offers through a Qualifying Holdco Alternative, which the Company also offered to other shareholders, to assist them in achieving certain Canadian tax objectives. Under the Qualifying Holdco Alternative, the Corporation

11. Share Capital (cont'd)

issued and subsequently cancelled 595,747,641 shares which resulted in a net decrease in share capital of \$1,304 with a corresponding increase in accumulated surplus.

12. Earnings per Common Share

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Earnings				
Net earnings	\$ 859	\$ 763	\$ 2,131	\$ 1,946
Preferred share dividends	(33)	(33)	(100)	(100)
Net earnings - common shareholders	\$ 826	\$ 730	\$ 2,031	\$ 1,846
Number of common shares				
Average number of common shares outstanding	927,696,986	928,855,248	927,639,358	951,777,203
Add: Potential exercise of outstanding stock options	67,163	343,713	94,541	458,637
Average number of common shares outstanding - diluted basis	927,764,149	929,198,961	927,733,899	952,235,840
Basic earnings per common share	\$ 0.891	\$ 0.786	\$ 2.190	\$ 1.940
Diluted earnings per common share	\$ 0.891	\$ 0.785	\$ 2.189	\$ 1.939
Dividends per common share	\$ 0.4380	\$ 0.4130	\$ 1.3140	\$ 1.2390

13. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company'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 the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders' value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

13. Capital Management (cont'd)

The target level of capitalization for the Company 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 the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, OSFI has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (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. The following provides a summary of the LICAT information and ratios for Canada Life:

	September 30 2020	December 31 2019
Tier 1 Capital	\$ 11,400	\$ 11,952
Tier 2 Capital	4,787	3,637
Total Available Capital	16,187	15,589
Surplus Allowance & Eligible Deposits	13,788	12,625
Total Capital Resources	\$ 29,975	\$ 28,214
 Required Capital	 \$ 22,803	 \$ 20,911
 Total LICAT Ratio (OSFI Supervisory Target = 100%) ⁽¹⁾	 131 %	 135 %

⁽¹⁾ Total Ratio (%) = (Total Capital Resources / Required Capital)

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

14. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Pension plans				
Service costs	\$ 56	\$ 50	\$ 172	\$ 154
Net interest costs	5	7	19	21
Curtailment ⁽¹⁾	(9)	(1)	(10)	(2)
	<u>52</u>	<u>56</u>	<u>181</u>	<u>173</u>
Other post-employment benefits				
Service costs	1	1	2	2
Net interest costs	3	3	9	10
	<u>4</u>	<u>4</u>	<u>11</u>	<u>12</u>
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	<u>56</u>	<u>60</u>	<u>192</u>	<u>185</u>
Pension plans - re-measurements				
Actuarial loss	168	258	417	1,078
Return on assets greater than assumed	(118)	(148)	(98)	(672)
Administrative expenses less than assumed	—	(1)	(2)	(3)
Change in the asset ceiling	(26)	13	(10)	(16)
Pension plans re-measurement loss	<u>24</u>	<u>122</u>	<u>307</u>	<u>387</u>
Other post-employment benefits - re-measurements				
Actuarial loss	<u>2</u>	<u>3</u>	<u>21</u>	<u>36</u>
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	<u>26</u>	<u>125</u>	<u>328</u>	<u>423</u>
Total pension plans and other post- employment benefits expense including re-measurements	<u><u>\$ 82</u></u>	<u><u>\$ 185</u></u>	<u><u>\$ 520</u></u>	<u><u>\$ 608</u></u>

⁽¹⁾ Includes a curtailment gain recognized on disposal of shares of IPSI (note 3).

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		June 30		December 31	
	2020	2019	2020	2019	2019	2018
Weighted average discount rate	2.3 %	2.4 %	2.4 %	2.6 %	2.6 %	3.4 %

15. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current income taxes	\$ 87	\$ 26	\$ 140	\$ 180
Deferred income taxes	(68)	21	(39)	50
Total income tax expense	\$ 19	\$ 47	\$ 101	\$ 230

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended September 30, 2020 was 2.1% compared to 5.5% for the three months ended September 30, 2019. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended September 30, 2019 primarily due to changes in certain tax estimates as well as the non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 4.8% compared to 6.9% for the three months ended September 30, 2019.

The overall effective income tax rate for the nine months ended September 30, 2020 was 4.3% compared to 10.4% for the nine months ended September 30, 2019. The effective income tax rate for the nine months ended September 30, 2020 is lower than the effective income tax rate for the nine months ended September 30, 2019 primarily due to changes in certain tax estimates and an increase in the amount of income subject to lower rates in jurisdictions outside of Canada partially offset by lower non-taxable investment income. The effective income tax rate for the shareholder account for the nine months ended September 30, 2020 was 5.7% compared to 13.2% for the nine months ended September 30, 2019.

The overall effective income tax rate for the three months ended September 30, 2020 was 2.1% compared to 9.1% for the three months ended June 30, 2020. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended June 30, 2020 primarily due to higher tax-exempt investment income as well as the non-taxable gain on the disposal of the shares of IPSI partially offset by changes in certain tax estimates. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 4.8% compared to 9.0% for the three months ended June 30, 2020.

16. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2020

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,230	\$ 1,722	\$ 534	\$ 4,490	\$ —	\$ 9,976
Net investment income						
Regular net investment income	714	313	388	80	(2)	1,493
Changes in fair value through profit or loss	486	136	102	61	—	785
Total net investment income	1,200	449	490	141	(2)	2,278
Fee and other income	445	696	342	3	—	1,486
	<u>4,875</u>	<u>2,867</u>	<u>1,366</u>	<u>4,634</u>	<u>(2)</u>	<u>13,740</u>
Benefits and expenses						
Paid or credited to policyholders	3,694	1,973	594	4,407	—	10,668
Other ⁽²⁾	844	728	398	56	7	2,033
Financing charges	33	25	6	3	4	71
Amortization of finite life intangible assets	25	20	13	—	—	58
Earnings (loss) before income taxes	<u>279</u>	<u>121</u>	<u>355</u>	<u>168</u>	<u>(13)</u>	<u>910</u>
Income taxes (recovery)	(7)	22	12	(5)	(3)	19
Net earnings (loss) before non-controlling interests	<u>286</u>	<u>99</u>	<u>343</u>	<u>173</u>	<u>(10)</u>	<u>891</u>
Non-controlling interests	23	8	—	1	—	32
Net earnings (loss)	<u>263</u>	<u>91</u>	<u>343</u>	<u>172</u>	<u>(10)</u>	<u>859</u>
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	<u>235</u>	<u>91</u>	<u>338</u>	<u>172</u>	<u>(10)</u>	<u>826</u>
Impact of capital allocation	31	(2)	(22)	(5)	(2)	—
Net earnings (loss) - common shareholders	<u>\$ 266</u>	<u>\$ 89</u>	<u>\$ 316</u>	<u>\$ 167</u>	<u>\$ (12)</u>	<u>\$ 826</u>

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

⁽²⁾ Includes commissions, operating and administrative expenses, and premium taxes.

16. Segmented Information (cont'd)

For the three months ended September 30, 2019

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,606	\$ 966	\$ 648	\$ 4,104	\$ —	\$ 9,324
Net investment income						
Regular net investment income	732	319	315	87	(1)	1,452
Changes in fair value through profit or loss	366	201	1,279	256	—	2,102
Total net investment income	1,098	520	1,594	343	(1)	3,554
Fee and other income	447	665	382	2	—	1,496
	5,151	2,151	2,624	4,449	(1)	14,374
Benefits and expenses						
Paid or credited to policyholders	3,867	1,362	1,882	4,329	—	11,440
Other ⁽²⁾	850	655	395	49	3	1,952
Financing charges	32	28	6	3	1	70
Amortization of finite life intangible assets	24	22	11	—	—	57
Earnings (loss) before income taxes	378	84	330	68	(5)	855
Income taxes (recovery)	31	7	21	(10)	(2)	47
Net earnings (loss) before non-controlling interests	347	77	309	78	(3)	808
Non-controlling interests	47	(3)	1	—	—	45
Net earnings (loss)	300	80	308	78	(3)	763
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	272	80	303	78	(3)	730
Impact of capital allocation	28	(3)	(21)	(3)	(1)	—
Net earnings (loss) - common shareholders	\$ 300	\$ 77	\$ 282	\$ 75	(4)	\$ 730

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

⁽²⁾ Includes commissions, operating and administrative expenses, and premium taxes.

16. Segmented Information (cont'd)

For the nine months ended September 30, 2020

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 9,560	\$ 5,387	\$ 2,254	\$ 14,071	\$ —	\$ 31,272
Net investment income						
Regular net investment income	2,137	968	1,038	252	8	4,403
Changes in fair value through profit or loss	1,570	769	1,079	297	—	3,715
Total net investment income	3,707	1,737	2,117	549	8	8,118
Fee and other income	1,295	2,015	1,015	8	—	4,333
	14,562	9,139	5,386	14,628	8	43,723
Benefits and expenses						
Paid or credited to policyholders	10,897	6,696	3,352	13,987	—	34,932
Other ⁽²⁾	2,591	2,067	1,250	163	18	6,089
Financing charges	97	74	19	9	6	205
Amortization of finite life intangible assets	75	63	37	—	—	175
Earnings (loss) before income taxes	902	239	728	469	(16)	2,322
Income taxes (recovery)	75	37	(13)	6	(4)	101
Net earnings (loss) before non-controlling interests	827	202	741	463	(12)	2,221
Non-controlling interests	67	22	1	—	—	90
Net earnings (loss)	760	180	740	463	(12)	2,131
Preferred share dividends	85	—	15	—	—	100
Net earnings (loss) before capital allocation	675	180	725	463	(12)	2,031
Impact of capital allocation	95	(8)	(65)	(16)	(6)	—
Net earnings (loss) - common shareholders	\$ 770	\$ 172	\$ 660	\$ 447	\$ (18)	\$ 2,031

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

⁽²⁾ Includes commissions, operating and administrative expenses, and premium taxes.

16. Segmented Information (cont'd)

For the nine months ended September 30, 2019

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 9,918	\$ (10,647)	\$ 2,757	\$ 13,004	\$ —	\$ 15,032
Net investment income						
Regular net investment income	2,105	1,432	902	259	1	4,699
Changes in fair value through profit or loss	3,602	1,434	2,966	710	—	8,712
Total net investment income	5,707	2,866	3,868	969	1	13,411
Fee and other income	1,309	3,088	1,162	7	—	5,566
	16,934	(4,693)	7,787	13,980	1	34,009
Benefits and expenses						
Paid or credited to policyholders	13,157	(7,049)	5,681	13,533	—	25,322
Other ⁽²⁾	2,570	2,132	1,212	160	16	6,090
Financing charges	96	88	18	9	3	214
Amortization of finite life intangible assets	67	62	35	—	—	164
Earnings (loss) before income taxes	1,044	74	841	278	(18)	2,219
Income taxes (recovery)	137	4	93	1	(5)	230
Net earnings (loss) before non-controlling interests	907	70	748	277	(13)	1,989
Non-controlling interests	43	—	—	—	—	43
Net earnings (loss)	864	70	748	277	(13)	1,946
Preferred share dividends	85	—	15	—	—	100
Net earnings (loss) before capital allocation	779	70	733	277	(13)	1,846
Impact of capital allocation	84	(10)	(64)	(8)	(2)	—
Net earnings (loss) - common shareholders	\$ 863	\$ 60	\$ 669	\$ 269	\$ (15)	\$ 1,846

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

⁽²⁾ Includes commissions, operating and administrative expenses, and premium taxes.

16. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

September 30, 2020					
	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total
Assets					
Invested assets	\$ 86,224	\$ 40,594	\$ 49,444	\$ 6,114	\$ 182,376
Goodwill and intangible assets	5,578	2,965	3,006	—	11,549
Other assets	4,040	20,457	9,671	8,701	42,869
Investments on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	\$ 181,727	\$ 97,104	\$ 180,091	\$ 14,815	\$ 473,737
September 30, 2020					
	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total
Liabilities					
Insurance and investment contract liabilities	\$ 79,483	\$ 50,604	\$ 46,822	\$ 11,517	\$ 188,426
Other liabilities	8,753	7,595	4,471	901	21,720
Investment and insurance contracts on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	\$ 174,121	\$ 91,287	\$ 169,263	\$ 12,418	\$ 447,089

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

16. Segmented Information (cont'd)

		December 31, 2019								
		Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total				
Assets										
Invested assets	\$	81,179	\$	32,768	\$	48,845	\$	5,995	\$	168,787
Goodwill and intangible assets		5,560		1,990		2,834		—		10,384
Other assets		3,953		19,421		8,465		9,135		40,974
Investments on account of segregated fund policyholders		85,612		31,433		113,977		—		231,022
Total	\$	176,304	\$	85,612	\$	174,121	\$	15,130	\$	451,167
		December 31, 2019								
		Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total				
Liabilities										
Insurance and investment contract liabilities	\$	74,939	\$	43,689	\$	45,662	\$	11,887	\$	176,177
Other liabilities		8,448		5,035		3,653		1,289		18,425
Investment and insurance contracts on account of segregated fund policyholders		85,612		31,433		113,977		—		231,022
Total	\$	168,999	\$	80,157	\$	163,292	\$	13,176	\$	425,624

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

IGM Financial Inc.

PART D

Management's Discussion and Analysis

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Financial Statements and Notes

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Please note that the bottom of each page in Part D contains two different page numbers. A page number with the prefix "D" refers to the number of such page in this document and the page number without any prefix refers to the number of such page in the original document issued by IGM Financial Inc.

The attached documents concerning IGM Financial Inc. are documents prepared and publicly disclosed by such subsidiary. Certain statements in the attached documents, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the current expectations of the subsidiary as set forth therein. Forward-looking statements are provided for the purposes of assisting the reader in understanding the subsidiary's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about the subsidiary's management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

For further information provided by the subsidiary as to the material factors that could cause actual results to differ materially from the content of forward-looking statements, the material factors and assumptions that were applied in making the forward-looking statements, and the subsidiary's policy for updating the content of forward-looking statements, please see the attached documents, including the section entitled Forward-Looking Statements. The reader is cautioned to consider these factors and assumptions carefully and not to put undue reliance on forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) presents management's view of the results of operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) as at and for the three and nine months ended September 30, 2020 and should be read in conjunction with the unaudited Interim Condensed Consolidated Financial Statements (Interim Financial Statements) as well as the 2019 IGM Financial Inc. Annual Report and the 2020 IGM Financial Inc. First and Second Quarter Reports to Shareholders filed on www.sedar.com. Commentary in the MD&A as at and for the three and nine months ended September 30, 2020 is as of November 5, 2020.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The Interim Financial Statements of IGM Financial, which are the basis of the information presented in the Company's MD&A, have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (IFRS) and are presented in Canadian dollars (Note 2 of the Interim Financial Statements).

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect IGM Financial's current expectations. Forward-looking statements are provided to assist the reader in understanding the Company's financial position and results of operations as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Company, as well as the outlook for North American and international economies, for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking statements, including the perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate in the circumstances. While the Company considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved.

A variety of material factors, many of which are beyond the Company's and its subsidiaries' control, affect the operations, performance and results of the Company, and

its subsidiaries, and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, operational and reputational risks, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), the Company's ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Company's and its subsidiaries' success in anticipating and managing the foregoing factors.

The reader is cautioned that the foregoing list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not place undue reliance on forward-looking statements.

Other than as specifically required by applicable Canadian law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Company's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including this Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

NON-IFRS FINANCIAL MEASURES AND ADDITIONAL IFRS MEASURES

Net earnings available to common shareholders, which is an additional measure in accordance with IFRS, may be subdivided into two components consisting of:

- Adjusted net earnings available to common shareholders; and
- Other items, which include the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful.

"Adjusted net earnings available to common shareholders", "adjusted diluted earnings per share" (EPS) and "adjusted return on average common equity" (ROE) are non-IFRS financial measures which are used to provide management and investors with additional measures to assess earnings performance. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before interest and taxes" (EBIT), "adjusted earnings before interest and taxes" (adjusted EBIT), "earnings before interest, taxes, depreciation and amortization before sales commissions" (EBITDA before sales commissions), and "earnings before interest, taxes, depreciation and amortization after sales commissions" (EBITDA after sales commissions) are also non-IFRS financial measures. EBIT, Adjusted EBIT, EBITDA before

sales commissions and EBITDA after sales commissions are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA before sales commissions excludes all mutual fund sales commissions and is comparable to prior periods. EBITDA after sales commissions includes all sales commissions and highlights aggregate cash flows. Other items of a non-recurring nature, or that could make the period-over-period comparison of results from operations less meaningful, are further excluded to arrive at EBITDA before sales commissions and EBITDA after sales commissions. These non-IFRS financial measures do not have standard meanings prescribed by IFRS and may not be directly comparable to similar measures used by other companies.

"Earnings before income taxes" and "net earnings available to common shareholders" are additional IFRS measures which are used to provide management and investors with additional measures to assess earnings performance. These measures are considered additional IFRS measures as they are in addition to the minimum line items required by IFRS and are relevant to an understanding of the entity's financial performance.

Refer to the appropriate reconciliations of non-IFRS financial measures to reported results in accordance with IFRS in Tables 1, 4, 5 and 6.

IGM FINANCIAL INC.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

IGM Financial Inc. (TSX:IGM) is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. The Company operates through a number of operating subsidiaries and also holds a number of strategic investments that provide benefits to these subsidiaries while furthering the Company's growth prospects. The Company's principle operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. The Company also operates through wealth manager Investment Planning Counsel and has strategic investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), and Wealthsimple Financial Corp. (Wealthsimple) as described more fully later in this MD&A.

In the third quarter of 2020, the Company has realigned its financial reporting and related disclosures to reflect its current reportable segments of Wealth Management, Asset Management and Strategic Investments and Other. These segments are described later in this MD&A.

IGM Financial's assets under management and advisement were \$196.4 billion as at September 30, 2020, compared with \$185.1 billion at September 30, 2019 and \$190.0 billion at December 31, 2019, as detailed in Table 8. Average total assets under management and advisement for the third quarter of 2020 were \$194.9 billion compared to \$184.7 billion in the third quarter of 2019. Average total assets under management and advisement for the nine months ended September 30, 2020 were \$187.4 billion compared to \$182.2 billion for the nine months ended September 30, 2019.

Total assets under management were \$172.6 billion at September 30, 2020, compared with \$162.5 billion at September 30, 2019 and \$166.8 billion at December 31, 2019. Average total assets under management for the third quarter of 2020 were \$171.4 billion compared to \$162.1 billion in the third quarter of 2019. Average total assets under management for the nine months ended September 30, 2020 were \$164.6 billion compared to \$159.9 billion for the nine months ended September 30, 2019.

Net earnings available to common shareholders for the three months ended September 30, 2020 were \$190.9 million or 80 cents per share compared with net earnings available to common shareholders of \$202.5 million or 85 cents per share for the comparative period in 2019. Net earnings available to common shareholders for the nine months ended September 30, 2020 were \$535.3 million or \$2.25 per share compared to net earnings available to common shareholders of \$555.1 million or \$2.32 per share for the comparative period in 2019.

Adjusted net earnings available to common shareholders, excluding other items outlined below, for the three months ended September 30, 2020 were \$214.2 million or 90 cents per share. Adjusted net earnings available to common shareholders, excluding other items outlined below, for the nine months ended September 30, 2020 were \$558.6 million or \$2.34 per share compared to adjusted net earnings available to common shareholders, excluding other items, of \$563.1 million or \$2.35 per share for the comparative period in 2019.

Other items for the three and nine months ended September 30, 2020 consisted of:

- A gain on the sale of the investment in Personal Capital Corporation of \$31.4 million after-tax (\$37.2 million pre-tax).
- Restructuring and other charges of \$54.7 million after-tax (\$74.5 million pre-tax) resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC Asset Management Group Ltd. (GLC) and other changes to our 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. During the quarter, IGM Financial announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

Other items of \$8.0 million for the nine months ended September 30, 2019 represented the Company's proportionate share in Great-West Lifeco Inc.'s (Lifeco) after-tax loss on the sale of its United States individual life insurance and annuity business.

Shareholders' equity was \$4.9 billion as at September 30, 2020 compared to \$4.5 billion at December 31, 2019. Return on average common equity based on adjusted net earnings for the nine months ended September 30, 2020 was 15.9% compared with 17.0% for the comparative period in 2019. The quarterly dividend per common share declared in the third quarter of 2020 was 56.25 cents, unchanged from the second quarter of 2020.

2020 DEVELOPMENTS

COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Volatility in global equity markets in 2020 has been significant. In the first quarter of 2020, the S&P TSX Composite index declined by 21.6%, increased by 16.0% in the second quarter, and in the third quarter increased by 3.9%. Year to date returns were negative 5.5%. U.S. equity markets, as measured by the S&P 500 index, for those same periods declined by 20.0%, increased by 20.0%, and increased by 8.5% for a year to date return of positive 4.1%. Our clients experienced an average investment return of

negative 11.7% in the first quarter, positive returns of 9.7% in the second quarter of 2020, positive returns of 4.2% in the third quarter, and year to date positive returns of 1.0%. IGM Financial's assets under management and advisement increased 4.3% from \$188.3 billion at June 30, 2020 to \$196.4 billion at September 30, 2020. Assets under management and advisement have increased by 3.4% since December 31, 2019, despite the volatility in global equity markets during the year. The volatility of IGM Financial's assets under management and advisement in 2020 has not been as severe as overall market changes, reflecting the diversified nature of IGM Financial's overall asset mix.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, 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 Company and its operating subsidiaries in future periods.

In response to the impact of COVID-19, the Company continues to support our employees, advisors, clients and communities with actions as described in the following table.

COVID-19 COMPANY RESPONSE – SUPPORTING OUR EMPLOYEES, ADVISORS, CLIENTS AND COMMUNITIES

Employees & Advisors	Clients	Communities
a) Safety: Rapid move to work from home model for virtually all employees and company advisors. Investments in hardware and supported people to take desktops home b) Financial peace of mind: Commitment to no COVID-19 job loss across IGM in 2020 Special allowance for non-executive employees to cover work from home costs Allowance for the few essential workers still travelling to the office c) Work-life balance: Accommodations for childcare and flexible work days d) Mental and physical health: Enhanced employee benefits e) Advisor support to work with clients	a) Enhanced communication: Increased support on managing market volatility, the value of advice and portfolio manager commentary b) Taking advantage of digitization and technology to work with clients: At IG, increased utilization of digital forms, e-signatures Increased use of virtual client interactions at IG and IPC At Mackenzie, increased utilization of virtual wholesaling with advisors c) Financial hardship support: Ongoing delivery of financial planning, helping clients access government programs where needed, mortgage deferral program at IG	a) \$1 million joint contribution: Along with Power Corporation of Canada and Canada Life, support crisis relief efforts in our communities – Local and national food banks – Vulnerable people – Small businesses b) IG Wealth Management will strengthen its support of United Way and their work with isolated seniors c) Mackenzie Investments Charitable Foundation will increase its support for women and children in community shelters d) Free financial planning advice to small and medium business owners
Foundations to Support our Stakeholders		
a) Executive COVID-19 Committee: Leadership decision making and direction setting, as well as coordination of divisional support b) Business continuity and emergency preparedness: We plan for and test our ability to securely operate in a variety of scenarios including work-at-home capabilities		

During the third quarter, the Company started to open some corporate and region offices following standards at or higher than those established by governments in relevant jurisdictions. The Company is prioritizing its employee and advisor safety and work-life balance in its reopening plans. Restrictions have been implemented to ensure appropriate physical distancing within the offices. The Company continues to monitor government and health officials' recommendations and will adapt its plans as required.

COVID-19 has the current and ongoing potential to expose the Company to a number of risks inherent in our business activities. These include: liquidity risk; credit risk; business risk and risks related to assets under management; operational risk; governance, oversight and strategic risk; regulatory developments; and people risk. These risks are discussed in further detail in the Risk Management section of this MD&A.

SALE OF PERSONAL CAPITAL CORPORATION (PERSONAL CAPITAL)

During the quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of \$37.2 million (\$31.4 million net of tax) in Net investment income and other in the Interim Financial Statements.

The Company's economic gain, based on the cost of its investment in Personal Capital of \$189.1 million, was approximately \$43.7 million (\$37.9 million net of tax).

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On August 4, 2020, the Company's subsidiary, Mackenzie, entered into a definitive agreement to acquire all of the common shares of GLC, a wholly-owned subsidiary of The Canada Life Assurance Company (Canada Life), for cash consideration of \$175 million. Canada Life is a wholly-owned subsidiary of Lifeco.

GLC has \$37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, individual and group segregated funds offered by and through Canada Life.

As part of the deal, Canada Life will acquire the fund management contracts relating to private label Quadrus Group of Funds (QGOF) from Mackenzie for total 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.

The transaction is expected to close in the fourth quarter of 2020 subject to customary closing conditions, including regulatory approvals.

Northleaf Capital Partners Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Great-West Lifeco Inc. (Lifeco), acquired a non-controlling interest in Northleaf Capital Partners Ltd. (Northleaf) through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco 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.

The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase an additional equity and voting interest in the firm commencing in approximately five years and extending into future periods.

Northleaf is a global private equity, private credit and infrastructure fund manager, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Headquartered in Toronto, the firm has \$17 billion in assets under management, reflecting commitments since inception, on behalf of institutional investors and high-net worth individuals around the world.

The financial results of Northleaf will be recorded in the Company's Strategic Investments and Other segment.

INVESTMENT IN WEALTHSIMPLE FINANCIAL CORP. (WEALTHSIMPLE)

On October 14, 2020, WealtheSimple announced a \$114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. Pro forma for the investment, the new investors will have an ownership stake of 7.4%. The purchase price associated with this fundraising values the common equity of WealtheSimple at \$1.5 billion (\$1.4 billion pre-money valuation).

IGM Financial is the largest shareholder in WealtheSimple and holds, directly and indirectly, a 41% interest and subsequent to this fundraising will hold a 36% interest. At June 30, 2020, its fair value was \$252 million. As a result of this valuation, the fair value of the Company's investment has increased by \$298 million to \$550 million at September 30, 2020. The change in fair value was recognized through Other Comprehensive Income.

TABLE 1: RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

(\$ millions)	THREE MONTHS ENDED			NINE MONTHS ENDED	
	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30
Adjusted net earnings available to common shareholders – Non-IFRS measure	\$ 214.2	\$ 183.5	\$ 202.5	\$ 558.6	\$ 563.1
Gain on sale of Personal Capital, net of tax	31.4	–	–	31.4	–
Restructuring and other, net of tax	(54.7)	–	–	(54.7)	–
Proportionate share of associate's one-time charges	–	–	–	–	(8.0)
Net earnings available to common shareholders – IFRS	\$ 190.9	\$ 183.5	\$ 202.5	\$ 535.3	\$ 555.1
Adjusted net earnings per share⁽¹⁾ available to common shareholders – Non-IFRS measure	\$ 0.90	\$ 0.77	\$ 0.85	\$ 2.34	\$ 2.35
Gain on sale of Personal Capital, net of tax	0.13	–	–	0.13	–
Restructuring and other, net of tax	(0.23)	–	–	(0.22)	–
Proportionate share of associate's one-time charges	–	–	–	–	(0.03)
Net earnings per share⁽¹⁾ available to common shareholders – IFRS	\$ 0.80	\$ 0.77	\$ 0.85	\$ 2.25	\$ 2.32
EBITDA before sales commissions – Non-IFRS measure	\$ 336.3	\$ 292.0	\$ 337.1	\$ 900.0	\$ 957.5
Sales-based commissions paid	(30.0)	(27.5)	(38.2)	(98.2)	(119.9)
EBITDA after sales commissions – Non-IFRS measure	306.3	264.5	298.9	801.8	837.6
Sales-based commissions paid subject to amortization	25.1	23.4	16.3	81.5	43.7
Amortization of capitalized sales commissions	(9.5)	(8.6)	(5.9)	(25.8)	(15.9)
Amortization of capital, intangible and other assets	(21.5)	(20.4)	(19.9)	(62.0)	(59.6)
Adjusted earnings before interest and income taxes – Non-IFRS measure	300.4	258.9	289.4	795.5	805.8
Interest expense ⁽²⁾	(27.9)	(27.5)	(27.7)	(82.7)	(80.6)
Adjusted earnings before income taxes – Non-IFRS measure	272.5	231.4	261.7	712.8	725.2
Gain on sale of Personal Capital	37.2	–	–	37.2	–
Restructuring and other	(74.5)	–	–	(74.5)	–
Proportionate share of associate's one-time charges	–	–	–	–	(8.0)
Earnings before income taxes	235.2	231.4	261.7	675.5	717.2
Income taxes	(44.3)	(47.9)	(59.2)	(140.2)	(159.9)
Perpetual preferred share dividends	–	–	–	–	(2.2)
Net earnings available to common shareholders – IFRS	\$ 190.9	\$ 183.5	\$ 202.5	\$ 535.3	\$ 555.1

(1) Diluted earnings per share.

(2) Interest expense includes interest on long-term debt and interest on leases.

REPORTING CHANGES

In the third quarter of 2020, the Company has realigned its reportable segments and made disclosure enhancements to its Consolidated Statements of Earnings to better characterize the Company's business lines and improve transparency into the key drivers of the business. Prior period comparative information has been restated to reflect the disclosure enhancements and realigned segments.

These changes have no impact on the reported earnings of the Company.

REPORTABLE SEGMENTS

We have realigned our three reportable segments so that financial reporting and related disclosures better characterize our distinct business lines. The changes are intended to improve transparency into key drivers of each business, and facilitate appropriate valuation of each segment. The new segments as described below reflect the Company's internal financial reporting and performance measurement (Tables 4, 5 and 6):

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This

segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Wealthsimple Financial Corp., and Portag3 Ventures LPs, as well as unallocated capital. Investments are classified in this segment (as opposed to the Wealth Management or Asset Management segment) when warranted due to different market segments, growth profiles or other unique characteristics.

At the consolidated IGM Financial level, the change in reportable segments has no effect on financial results. The key differences include the financial presentation changes and segment changes noted above. In addition, the Asset Management segment includes assets under management that are managed for other IGM businesses in the Wealth Management segment.

Assets under Management and Advisement (AUM&A)

represents the consolidated AUM and AUA of IGM Financial. In the Wealth Management segment, AUM is a component part of AUA. All instances where the asset management segment is providing investment management services or distributing its products through the Wealth Management segment are eliminated in our reporting such that there is no double-counting of the same client savings held at IGM operating companies.

Assets under Advisement (AUA) are the key driver of the Wealth Management segment. AUA are savings and investment products held within client accounts of our Wealth Management segment operating companies.

Assets under Management (AUM) are the key driver of the Asset Management segment. AUM are a secondary driver of revenues and expenses within the Wealth Management segment in relation to its investment management activities. AUM are client assets where we provide investment management services, and include investment funds where we are the fund manager, investment advisory mandates to institutions, and other client accounts where we have discretionary portfolio management responsibilities.

COMPARISON OF IGM FINANCIAL REPORTABLE SEGMENTS

Segments Effective Third Quarter 2020⁽¹⁾	Previous Segments
Wealth Management includes: • IG Wealth Management • Investment Planning Counsel Inc.	IG Wealth Management
Asset Management includes: • Mackenzie Investments • Results include the \$73 billion sub-advisory relationship⁽²⁾ with IG Wealth Management and Investment Planning Counsel	Mackenzie Investments
Strategic Investments and Other includes: • Great-West Lifeco Inc. • China AMC • Wealthsimple • Portag3 Ventures • Unallocated capital	Corporate and Other included: • Great-West Lifeco Inc. • China AMC • Wealthsimple • Portag3 Ventures • Personal Capital Corporation • Net investment income not allocated to the IG Wealth Management or Mackenzie segments • Investment Planning Counsel Inc.

(1) Prior period segment reporting and disclosure has been restated for comparison purposes.

(2) Previously recorded as a cost-sharing arrangement.

FINANCIAL PRESENTATION

The financial presentation changes include the reclassification of certain revenues and expenses to provide greater alignment with the key drivers of business activity and to reflect our emphasis on business growth and operational efficiency. The changes to the categories are as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and net investment income and other revenue relating to mortgage lending activities.
- **Asset management revenue** – revenues earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset-based and sales-based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product & planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations, including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

The reconciliations of IGM's previous presentation of its revenues and expenses to the new presentation are included in Tables 2 and 3.

Certain items reflected in Tables 4, 5 and 6 are not allocated to segments:

- *Interest expense* – represents interest expense on long-term debt and interest expense on leases. The change in interest expense for the nine month period resulted from the impact of the issuance of \$250 million 4.206% debentures on March 20, 2019.
- *2020 Gain on sale of Personal Capital* – \$37.2 million (\$31.4 million after-tax) resulting from the sale of the Company's investment in Personal Capital in the third quarter.
- *2020 Restructuring and other* – \$74.5 million (\$54.7 million after-tax) resulting from our ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC and other changes to our 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. During the quarter, IGM announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, the Company also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.
- *2019 Proportionate share of associate's one-time charges* – \$8.0 million which represented the Company's proportionate share in Lifeco's after-tax loss, recorded in the second quarter, on the sale of its United States individual life insurance and annuity business.
- *Income taxes* – changes in the effective tax rates are shown in Table 7.

Tax planning may result in the Company recording lower levels of income taxes. Management monitors the status of its income tax filings and regularly assesses the overall adequacy of its provision for income taxes and, as a result, income taxes recorded in prior years may be adjusted in the current year. The effect of changes in management's best estimates

reported in adjusted net earnings is reflected in Other items, which also includes, but is not limited to, the effect of lower effective income tax rates on foreign operations.

- *Perpetual preferred share dividends* – represents the dividends declared on the Company's 5.90% non-cumulative first preferred shares. The decrease in the preferred share dividends reflects the redemption of the \$150.0 million in preferred shares on April 30, 2019.

TABLE 2: STATEMENT OF EARNINGS RECONCILIATION

THREE MONTHS ENDED SEPTEMBER 30, 2020

(\$ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 580.9	\$ 101.9	\$ 83.5	\$ 54.9	\$ 43.5	\$ 272.4	\$ 329.2	\$ 27.9	\$ 235.2
CURRENT PRESENTATION										
Revenues										
Wealth management	\$ 571.6	397.6	76.0	82.5	15.5					
Asset management	207.4	183.3	25.9	1.0				(2.8)		
Dealer compensation	(71.3)						(71.3)			
Net asset management	136.1	183.3	25.9	1.0			(71.3)	(2.8)		
Net investment income and other ⁽¹⁾	39.4				39.4					
Proportionate share of associates' earnings	43.5					43.5				
	790.6	580.9	101.9	83.5	54.9	43.5	(71.3)	(2.8)		
Expenses										
Advisory and business development	252.6						201.1	51.5		
Operations and support ⁽²⁾	256.4							256.4		
Sub-advisory	18.5							18.5		
Interest	27.9								27.9	
	555.4						201.1	326.4	27.9	
Earnings before income taxes	\$ 235.2									

(1) Net investment income includes the gain on the sale of Personal Capital of \$37.2 million.

(2) Operations and support includes restructuring and other charges of \$74.5 million.

TABLE 3: STATEMENT OF EARNINGS RECONCILIATION

NINE MONTHS ENDED SEPTEMBER 30, 2020

(\$ millions)

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 1,683.1	\$ 300.1	\$ 252.5	\$ 79.6	\$ 106.9	\$ 799.5	\$ 864.5	\$ 82.7	\$ 675.5
CURRENT PRESENTATION										
Revenues										
Wealth management	\$ 1,665.4	1,155.8	225.8	249.2	34.6					
Asset management	596.6	527.3	74.3	3.3				(8.3)		
Dealer compensation	(208.8)						(208.8)			
Net asset management	387.8	527.3	74.3	3.3			(208.8)	(8.3)		
Net investment income and other ⁽¹⁾	45.0				45.0					
Proportionate share of associates' earnings	106.9					106.9				
	<u>2,205.1</u>	1,683.1	300.1	252.5	79.6	106.9	(208.8)	(8.3)		
Expenses										
Advisory and business development	757.1						590.7	166.4		
Operations and support ⁽²⁾	636.9							636.9		
Sub-advisory	52.9							52.9		
Interest	82.7								82.7	
	<u>1,529.6</u>						590.7	856.2	82.7	
Earnings before income taxes	\$ 675.5									

(1) Net investment income includes the gain on the sale of Personal Capital of \$37.2 million.

(2) Operations and support includes restructuring and other charges of \$74.5 million.

TABLE 4: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q3 2020 VS. Q3 2019

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30
Revenues										
Wealth management	\$ 575.7	\$ 585.2	\$ –	\$ –	\$ –	\$ –	\$ (4.1)	\$ (4.1)	\$ 571.6	\$ 581.1
Asset management	–	–	233.1	227.5	–	–	(25.7)	(26.3)	207.4	201.2
Dealer compensation expense	–	–	(75.5)	(73.0)	–	–	4.2	4.1	(71.3)	(68.9)
Net asset management	–	–	157.6	154.5	–	–	(21.5)	(22.2)	136.1	132.3
Net investment income and other	0.7	2.0	1.1	(1.3)	0.6	1.5	(0.2)	(0.2)	2.2	2.0
Proportionate share of associates' earnings	–	–	–	–	43.5	28.9	–	–	43.5	28.9
	576.4	587.2	158.7	153.2	44.1	30.4	(25.8)	(26.5)	753.4	744.3
Expenses										
Advisory and business development	236.5	239.7	16.0	17.5	–	–	0.1	(0.1)	252.6	257.1
Operations and support	111.2	107.2	69.7	72.7	1.2	0.5	(0.2)	(0.1)	181.9	180.3
Sub-advisory	41.7	41.1	2.5	2.6	–	–	(25.7)	(26.3)	18.5	17.4
	389.4	388.0	88.2	92.8	1.2	0.5	(25.8)	(26.5)	453.0	454.8
Adjusted earnings before interest and taxes	\$ 187.0	\$ 199.2	\$ 70.5	\$ 60.4	\$ 42.9	\$ 29.9	\$ –	\$ –	300.4	289.5
Interest expense ⁽¹⁾									(27.9)	(27.8)
Gain on sale of Personal Capital									37.2	–
Restructuring and other									(74.5)	–
Earnings before income taxes									235.2	261.7
Income taxes									44.3	59.2
Net earnings available to common shareholders									\$ 190.9	\$ 202.5
Adjusted net earnings available to common shareholders ⁽²⁾									\$ 214.2	\$ 202.5

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

TABLE 5: CONSOLIDATED OPERATING RESULTS BY SEGMENT – YTD 2020 VS. YTD 2019

NINE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30
Revenues										
Wealth management	\$ 1,677.5	\$ 1,724.1	\$ –	\$ –	\$ –	\$ –	\$ (12.1)	\$ (12.2)	\$ 1,665.4	\$ 1,711.9
Asset management	–	–	671.4	666.9	–	–	(74.8)	(78.0)	596.6	588.9
Dealer compensation expense	–	–	(220.9)	(219.0)	–	–	12.1	11.8	(208.8)	(207.2)
Net asset management	–	–	450.5	447.9	–	–	(62.7)	(66.2)	387.8	381.7
Net investment income and other	1.3	9.1	1.9	4.5	4.9	4.7	(0.3)	(0.2)	7.8	18.1
Proportionate share of associates' earnings	–	–	–	–	106.9	89.8	–	–	106.9	89.8
	1,678.8	1,733.2	452.4	452.4	111.8	94.5	(75.1)	(78.6)	2,167.9	2,201.5
Expenses										
Advisory and business development	705.2	737.9	51.9	57.4	–	–	–	(0.2)	757.1	795.1
Operations and support	340.4	331.8	219.1	217.5	3.2	1.6	(0.3)	(0.4)	562.4	550.5
Sub-advisory	120.5	120.0	7.2	8.1	–	–	(74.8)	(78.0)	52.9	50.1
	1,166.1	1,189.7	278.2	283.0	3.2	1.6	(75.1)	(78.6)	1,372.4	1,395.7
Adjusted earnings before interest and taxes	\$ 512.7	\$ 543.5	\$ 174.2	\$ 169.4	\$ 108.6	\$ 92.9	\$ –	\$ –	795.5	805.8
Interest expense ⁽¹⁾									(82.7)	(80.6)
Gain on sale of Personal Capital									37.2	–
Restructuring and other									(74.5)	–
Proportionate share of associate's one-time charges									–	(8.0)
Earnings before income taxes									675.5	717.2
Income taxes									140.2	159.9
Net earnings									535.3	557.3
Perpetual preferred share dividends									–	2.2
Net earnings available to common shareholders									\$ 535.3	\$ 555.1
Adjusted net earnings available to common shareholders⁽²⁾									\$ 558.6	\$ 563.1

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

TABLE 6: CONSOLIDATED OPERATING RESULTS BY SEGMENT – Q3 2020 VS. Q2 2020

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT		ASSET MANAGEMENT		STRATEGIC INVESTMENTS & OTHER		INTERSEGMENT ELIMINATIONS		TOTAL	
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	SEP. 30	JUN. 30	SEP. 30	JUN. 30	SEP. 30	JUN. 30	SEP. 30	JUN. 30	SEP. 30	JUN. 30
Revenues										
Wealth management	\$ 575.7	\$ 535.0	\$ –	\$ –	\$ –	\$ –	\$ (4.1)	\$ (3.9)	\$ 571.6	\$ 531.1
Asset management	–	–	233.1	214.5	–	–	(25.7)	(23.8)	207.4	190.7
Dealer compensation expense	–	–	(75.5)	(69.9)	–	–	4.2	3.8	(71.3)	(66.1)
Net asset management	–	–	157.6	144.6	–	–	(21.5)	(20.0)	136.1	124.6
Net investment income and other	0.7	1.8	1.1	3.0	0.6	2.8	(0.2)	–	2.2	7.6
Proportionate share of associates' earnings	–	–	–	–	43.5	43.3	–	–	43.5	43.3
	576.4	536.8	158.7	147.6	44.1	46.1	(25.8)	(23.9)	753.4	706.6
Expenses										
Advisory and business development	236.5	229.4	16.0	16.0	–	–	0.1	–	252.6	245.4
Operations and support	111.2	109.6	69.7	74.7	1.2	1.1	(0.2)	–	181.9	185.4
Sub-advisory	41.7	38.6	2.5	2.2	–	–	(25.7)	(23.9)	18.5	16.9
	389.4	377.6	88.2	92.9	1.2	1.1	(25.8)	(23.9)	453.0	447.7
Adjusted earnings before interest and taxes	\$ 187.0	\$ 159.2	\$ 70.5	\$ 54.7	\$ 42.9	\$ 45.0	\$ –	\$ –	300.4	258.9
Interest expense ⁽¹⁾									(27.9)	(27.5)
Gain on sale of Personal Capital									37.2	–
Restructuring and other									(74.5)	–
Earnings before income taxes									235.2	231.4
Income taxes									44.3	47.9
Net earnings available to common shareholders									\$ 190.9	\$ 183.5
Adjusted net earnings available to common shareholders ⁽²⁾									\$ 214.2	\$ 183.5

(1) Interest expense includes interest on long-term debt and interest on leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A for an explanation of the Company's use of non-IFRS financial measures.

TABLE 7: EFFECTIVE INCOME TAX RATE

	THREE MONTHS ENDED			NINE MONTHS ENDED	
	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30
Income taxes at Canadian federal and provincial statutory rates	26.82 %	26.68 %	26.75 %	26.72 %	26.76 %
Effect of:					
Proportionate share of associates' earnings	(4.50)	(4.67)	(2.89)	(3.89)	(3.27)
Tax loss consolidation ⁽¹⁾	(1.20)	(1.20)	(1.32)	(1.23)	(1.42)
Other items	(0.12)	(0.13)	0.09	(0.09)	(0.08)
Effective income tax rate – adjusted net earnings	21.00	20.68	22.63	21.51	21.99
Disposition of investment in Personal Capital	(2.14)	–	–	(0.74)	–
Proportionate share of associate's one-time charges	–	–	–	–	0.30
Effective income tax rate – net earnings	18.86 %	20.68 %	22.63 %	20.77 %	22.29 %

(1) See Note 26 – Related Party Transactions of the Consolidated Financial Statements included in the 2019 IGM Financial Inc. Annual Report (Annual Financial Statements).

SUMMARY OF CHANGES IN TOTAL ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement were \$196.4 billion at September 30, 2020 compared to \$185.1 billion at September 30, 2019, an increase of 6.1%. Total assets under management were \$172.6 billion at September 30, 2020 compared to \$162.5 billion at September 30, 2019, an increase of 6.2%. Changes in assets under management and advisement are detailed in Table 8.

Changes in assets under management for the Wealth Management and Asset Management segments are discussed further in each of their respective Review of the Business sections in the MD&A.

SUMMARY OF QUARTERLY RESULTS

The Summary of Quarterly Results in Table 9 includes the eight most recent quarters and the reconciliation of non-IFRS financial measures to net earnings in accordance with IFRS.

Changes in average daily investment fund assets under management over the eight most recent quarters, as shown in Table 9, largely reflect the impact of changes in domestic and foreign markets and net sales of the Company.

TABLE 8: ASSETS UNDER MANAGEMENT AND ADVISEMENT

THREE MONTHS ENDED (\$ millions)	WEALTH MANAGEMENT				ASSET MANAGEMENT				CONSOLIDATED	
	IG WEALTH MANAGEMENT		INVESTMENT PLANNING COUNSEL		MACKENZIE INVESTMENTS		INTERCOMPANY ELIMINATIONS ⁽¹⁾			
	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30	2020 SEP. 30	2019 SEP. 30
Gross flows										
Mutual fund gross sales ⁽²⁾⁽³⁾	\$ 1,949	\$ 2,077	\$ 97	\$ 154	\$ 2,903	\$ 2,253	\$ –	\$ –	\$ 4,949	\$ 4,484
Dealer gross inflows	2,132	2,189	892	947	–	–	–	–	3,024	3,136
Net flows										
Mutual fund net sales ⁽²⁾⁽³⁾	(259)	(291)	(77)	(60)	849	139	–	–	513	(212)
Net creations ⁽⁴⁾	–	–	–	–	97	315	–	–	97	315
Investment fund net sales	(259)	(291)	(77)	(60)	946	454	–	–	610	103
Institutional SMA net sales	–	–	–	–	(319)	(1,132)	–	–	(319)	(1,132)
Managed asset net sales	(259)	(291)	(77)	(60)	627	(678)	–	–	291	(1,029)
Other dealer net flows	250	58	(69)	(119)	–	–	(64)	(26)	117	(87)
Total net flows	(9)	(233)	(146)	(179)	627	(678)	(64)	(26)	408	(1,116)
NINE MONTHS ENDED										
Gross flows										
Mutual fund gross sales ⁽²⁾⁽³⁾	\$ 6,415	\$ 6,472	\$ 400	\$ 547	\$ 9,064	\$ 7,299	\$ –	\$ –	\$ 15,879	\$ 14,318
Dealer gross inflows	7,039	6,840	3,273	3,195	–	–	–	–	10,312	10,035
Net flows										
Mutual fund net sales ⁽²⁾⁽³⁾	(442)	(842)	(218)	(158)	1,580	494	–	–	920	(506)
Net creations ⁽⁴⁾	–	–	–	–	860	505	–	–	860	505
Investment fund net sales	(442)	(842)	(218)	(158)	2,440	999	–	–	1,780	(1)
Institutional SMA net sales	–	–	–	–	2,137	(1,419)	–	–	2,137	(1,419)
Managed asset net sales	(442)	(842)	(218)	(158)	4,577	(420)	–	–	3,917	(1,420)
Other dealer net flows	752	171	342	(408)	–	–	(133)	–	961	(237)
Total net flows	310	(671)	124	(566)	4,577	(420)	(133)	–	4,878	(1,657)
Assets under Management and Advice										
Wealth Management										
AUM	\$ 92,874	\$ 90,779	\$ 5,139	\$ 5,365			\$ –	\$ –	\$ 98,013	\$ 96,144
Other AUA	4,664	3,750	22,345	21,811			(7)	(8)	27,002	25,553
AUA	97,538	94,529	27,484	27,176			(7)	(8)	125,015	121,697
Asset Management										
Mutual funds					\$ 63,599	\$ 59,275			63,599	59,275
ETFs					3,330	2,159			3,330	2,159
Investment funds					66,929	61,434			66,929	61,434
Institutional SMA					7,671	4,958			7,671	4,958
Total ex sub-advisory to Wealth Management					74,600	66,392			74,600	66,392
Sub-advisory to Wealth Management					72,660	72,565			72,660	72,565
Total AUM					147,260	138,957			147,260	138,957
ETFs										
Distributed to third parties					3,330	2,159			3,330	2,159
Held within IGM investment funds					4,136	1,892	(4,136)	(1,892)	–	–
Total ETFs					7,466	4,051	(4,136)	(1,892)	3,330	2,159
Consolidated										
AUM	92,874	90,779	5,139	5,365	147,260	138,957	(72,660)	(72,565)	172,613	162,536
Other AUA	4,664	3,750	22,345	21,811	–	–	(3,202)	(2,948)	23,807	22,613
AUM&A	97,538	94,529	27,484	27,176	147,260	138,957	(75,862)	(75,513)	196,420	185,149

(1) Consolidated results eliminate double counting where business is reflected within multiple segments.

(2) IG Wealth Management and Investment Planning Counsel AUM and net sales include separately managed accounts.

(3) During the third quarter of 2020, institutional clients which include Mackenzie mutual funds within their investment offerings made fund allocation changes which resulted in sales and net sales of \$290 million.

(4) During the third quarter of 2020, Wealthsimple made allocation changes which resulted in \$325 million of redemptions from Mackenzie's ETFs.

TABLE 9: SUMMARY OF QUARTERLY RESULTS

	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1	2018 Q4
Consolidated statements of earnings (\$ millions)								
Revenues								
Wealth management	\$ 571.6	\$ 531.1	\$ 562.7	\$ 587.2	\$ 581.1	\$ 577.5	\$ 553.3	\$ 557.1
Asset management	207.4	190.7	198.5	203.4	201.2	198.5	189.2	191.4
Dealer compensation expense	(71.3)	(66.1)	(71.4)	(69.9)	(68.9)	(69.6)	(68.7)	(65.9)
Net asset management	136.1	124.6	127.1	133.5	132.3	128.9	120.5	125.5
Net investment income and other	2.2	7.6	(2.0)	6.7	2.0	4.9	11.2	5.7
Proportionate share of associates' earnings	43.5	43.3	20.1	32.6	28.9	28.2	32.7	34.6
	753.4	706.6	707.9	760.0	744.3	739.5	717.7	722.9
Expenses								
Advisory and business development	252.6	245.4	259.1	270.9	257.1	267.7	270.3	273.8
Operations and support	181.9	185.4	195.1	182.6	180.3	178.5	191.7	182.9
Sub-advisory	18.5	16.9	17.5	18.1	17.4	17.0	15.7	16.1
Interest ⁽¹⁾	27.9	27.5	27.3	27.8	27.8	27.6	25.2	24.1
	480.9	475.2	499.0	499.4	482.6	490.8	502.9	496.9
Earnings before undernoted	272.5	231.4	208.9	260.6	261.7	248.7	214.8	226.0
Gain on sale of Personal Capital	37.2	—	—	—	—	—	—	—
Restructuring and other	(74.5)	—	—	—	—	—	—	—
Proportionate share of associate's one-time charges	—	—	—	(9.2)	—	(8.0)	—	—
Earnings before income taxes	235.2	231.4	208.9	251.4	261.7	240.7	214.8	226.0
Income taxes	44.3	47.9	48.0	59.8	59.2	55.6	45.1	43.9
Net earnings	190.9	183.5	160.9	191.6	202.5	185.1	169.7	182.1
Perpetual preferred share dividends	—	—	—	—	—	—	2.2	2.2
Net earnings available to common shareholders	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1	\$ 167.5	\$ 179.9
Reconciliation of Non-IFRS financial measures⁽²⁾ (\$ millions)								
Adjusted net earnings available to common shareholders – non-IFRS measure	\$ 214.2	\$ 183.5	\$ 160.9	\$ 200.8	\$ 202.5	\$ 193.1	\$ 167.5	\$ 179.9
Other items:								
Gain on sale of Personal Capital, net of tax	31.4	—	—	—	—	—	—	—
Restructuring and other, net of tax	(54.7)	—	—	—	—	—	—	—
Proportionate share of associate's one-time charges	—	—	—	(9.2)	—	(8.0)	—	—
Net earnings available to common shareholders – IFRS	\$ 190.9	\$ 183.5	\$ 160.9	\$ 191.6	\$ 202.5	\$ 185.1	\$ 167.5	\$ 179.9
Earnings per Share (¢)								
Adjusted net earnings available to common shareholders ⁽¹⁾								
– Basic	90	77	68	84	85	81	70	75
– Diluted	90	77	68	84	85	81	70	75
Net earnings available to common shareholders								
– Basic	80	77	68	80	85	77	70	75
– Diluted	80	77	68	80	85	77	70	75
Average daily investment fund assets (\$ billions)	\$ 163.7	\$ 152.6	\$ 158.5	\$ 159.5	\$ 156.8	\$ 155.7	\$ 149.9	\$ 147.0
Total investment fund assets under management (\$ billions)	\$ 164.9	\$ 157.8	\$ 143.2	\$ 161.8	\$ 157.6	\$ 156.3	\$ 154.3	\$ 143.3
Total assets under management (\$ billions)	\$ 172.6	\$ 165.4	\$ 147.5	\$ 166.8	\$ 162.5	\$ 162.3	\$ 160.5	\$ 149.1
Assets under management and advisement (\$ billions)	\$ 196.4	\$ 188.3	\$ 168.4	\$ 190.0	\$ 185.1	\$ 184.9	\$ 182.8	\$ 170.2

(1) Interest expense includes interest on long-term debt and, beginning in Q1 2019, also includes interest on leases as a result of the Company's adoption of IFRS 16, Leases.

(2) Refer to Non-IFRS Financial Measures and Additional IFRS Measures in this MD&A in addition to the Summary of Consolidated Operating Results section included in the MD&A of the 2019 IGM Financial Inc. Annual Report for an explanation of Other items used to calculate the Company's Non-IFRS financial measures.

WEALTH MANAGEMENT

The Wealth Management segment consists of both IG Wealth Management and Investment Planning Counsel, Inc. (IPC). Previously, IG Wealth Management was disclosed as a separate segment and IPC was included as part of the Corporate and other segment.

Other key differences of the reporting changes are as follows:

- **Wealth management revenue** includes Advisory fees, Product and program fees and Other financial planning revenues. Revenues were previously recorded by function (i.e. management, administration, distribution). Wealth management revenues depend largely on the level and composition of client assets under advisement. Advisory fees are fees for providing financial advice to clients including fees related to the distribution of products.
- **Product and program fees** are related to the management of investment products and include management, administration and other related fees.

- **Other financial planning revenues** are fees related to providing clients other financial products including mortgages, insurance and banking products.
- Expenses include **Advisory and business development, Operations and support and Sub-advisory fees**. Expenses were previously categorized as either commission or non-commission.
- **Sub-advisory fees** are fees paid between segments and to third parties for investment management services provided to our investment products. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

REVIEW OF THE BUSINESS

IG Wealth Management, founded in 1926, provides comprehensive personal financial planning and wealth management services to Canadians through our exclusive network of 3,363 Consultants. IG Wealth Management clients are more than one million individuals, families and business owners.

Investment Planning Counsel, founded in 1996, is an independent distributor of financial products, services and advice in Canada, with 709 financial advisors.

The Wealth Management segment provides a comprehensive planning approach, through IG Wealth Management Consultants and IPC Advisors, by offering a broad range of financial products and services.

The review of the business in the Wealth Management section primarily relates to IG Wealth Management as it represents 97% of earnings before interest and taxes of the total segment.

2020 DEVELOPMENTS

COVID-19 AND CLIENT OUTREACH

As a result of COVID-19 and the resulting impact to global financial markets, we have significantly increased communications to clients and Consultants. We have provided comprehensive information and ongoing market updates to our Consultants, so they have the tools they need to support our clients and their

long-term financial planning needs. Our Consultants continue to actively reach out and communicate with our clients, continuing to reinforce the importance of long term planning and a diversified investment portfolio.

During the second quarter, IG Wealth Management launched "Answering the Call," a new program to support Canadian small and medium-sized businesses (SMBs) and their communities as they navigate the financial challenges presented by the COVID-19 crisis.

As of March 2020, there were almost 1.1 million SMBs in Canada, which employed 70 per cent of all private sector workers. IG Wealth Management counts several thousand SMBs among its clients and has been working closely with them throughout this period. The firm has now extended its financial planning expertise to SMB owners across the country.

The Answering the Call initiative was inspired by and is an extension of the work IG Consultants have been doing in their communities since the crisis began. It includes:

- free live regional webinars with tax, financial planning and investing specialists;
- videos from experts on a variety of topics;
- insights on tax planning and how to better understand and access government programs; and

- the opportunity for SMB owners across Canada to be matched with a local IG Wealth Management advisor for a no-obligation consultation.

The firm has also set up an initiative that will see as much as \$500,000 donated by IG Wealth Management to support local businesses and their communities. This is in addition to the \$1 million donation IGM Financial made along with Canada Life and Power Corporation of Canada to support crisis relief efforts.

FEE TRANSPARENCY FOR ALL CLIENTS AND PRICING CHANGES

IG Wealth Management is delivering on its client-focused commitment by expanding fee transparency while introducing product and pricing changes to accelerate growth.

We increased fee transparency by making unbundled solutions available to all client segments in the fourth quarter of 2019. This means clients pay an advisory fee to the dealer for its services as opposed to dealer compensation being bundled within mutual fund management fees. Previously, these solutions were available only to high net worth clients.

IG Wealth Management introduced the IG Advisory Account (IGAA) in the fourth quarter of 2019. IGAA is a fee-based account that offers clients the ability to simplify and consolidate investments into a single account while providing unbundled pricing solutions and improved fee transparency. IGAA accounts can hold both IG Wealth Management and eligible external assets. IG Wealth Management earns fees from these external assets while also compensating its Consultants on these assets.

IG WEALTH MANAGEMENT STRATEGY

IG Wealth Management's promise is to inspire financial confidence.

Our strategic mandate is to be Canada's financial partner of choice.

Canadians hold \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics, and we view these savings as IG Wealth's addressable market. 75% of these savings are held by households with over \$1 million, which we refer to as high net worth, and another 21% reside with households with between \$100,000 and \$1 million, which we refer to as mass affluent. These segments tend to have more complicated financial needs, and IG Wealth Management's focus on providing comprehensive financial planning solutions positions it well to compete and grow in these segments.

Our value proposition is to deliver better Gamma, better Beta and better Alpha.

We seek to deliver our value proposition through:

- Superior Advice – Acquiring a deep knowledge of Canadian investors and using those insights to shape everything we do.
- Segmented Client Experiences – Creating segmented experiences personalized throughout our clients' lifetimes.
- Entrepreneurial Advisors – Inspiring our entrepreneurial advisors to constantly deliver an engaging experience and a holistic plan that seeks to deliver superior outcomes.
- Powerful Financial Solutions – Providing our clients with a comprehensive suite of well-constructed, high-performing and competitively priced solutions.
- Business processes that are simple, easy and digitized – Re-designing client and advisor interactions to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure.
- A high-performing and diverse culture.

DELIVERING GAMMA

THE VALUE OF ALL EFFORTS THAT SIT OUTSIDE OF INVESTMENT PORTFOLIO CONSTRUCTION. THIS INCLUDES THE VALUE THAT A FINANCIAL ADVISOR ADDS TO A CLIENT RELATIONSHIP, AND COMES FROM THE CREATION AND FOLLOW THROUGH OF A WELL-CONSTRUCTED FINANCIAL PLAN.

Entrepreneurial Advisors, Superior Advice

Our financial advisors provide value to clients by developing insight into their specific needs, creating and implementing well-constructed financial plans and offering superior advice. IG Wealth Management has a national distribution network of more than 3,000 highly qualified financial advisors (called Consultants) in communities throughout Canada. Our advisory services are most suited to individuals with complicated financial needs.

All IG Wealth Management Consultant practices hold the Certified Financial Planner (CFP) or its Quebec equivalent, Financial Planner (F.Pl.) designation or are enrolled in the program. The CFP and F.Pl. designations are nationally recognized financial planning qualifications that require an individual to demonstrate financial planning competence through education, standardized examinations, continuing education requirements, and accountability to ethical standards.

The following provides a breakdown of the IG Wealth Management Consultant network into its significant components at September 30, 2020:

- 1,856 Consultant practices (1,912 at September 30, 2019), which reflect Consultants with more than four years of experience. These practices may include Associates as described below. The level and productivity of Consultant

practices is a key measurement of our business as they serve clientele representing approximately 95% of AUM.

- 474 New Consultants (565 at September 30, 2019), which are those Consultants with less than four years of experience.
- 1,033 Associates and Regional Directors (1,009 at September 30, 2019). Associates are licensed team members of Consultant practices who provide financial planning services and advice to the clientele served by the team.
- IG Wealth Management had a total Consultant network of 3,363 (3,486 at September 30, 2019).

IG Wealth Management's recruiting standards increase the likelihood of success while also enhancing our culture and brand.

Our training curriculum is reviewed and refreshed each year to offer new Consultants important building blocks to develop client relationships. As Consultants progress, they develop their skills as financial planners and business managers through a selection of focused educational programs.

We also support Consultants and clients through our network of product and planning specialists, who assist in the areas of advanced financial planning, mortgages and banking, insurance, and securities. These specialists help to ensure that we are providing comprehensive financial planning across all elements of a client's financial life. Clients are served by our Mutual Fund Dealers Association of Canada (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) licensed Consultants or specialists.

Segmented Client Experiences

IG Wealth Management distinguishes itself from our competition by offering comprehensive planning to our clients within the context of long-term relationships. We focus on advising and attracting high net worth clients, while continuing to offer financial advice to all clients.

For the distinct needs of the high net worth market, we offer IG Private Wealth Management which includes investment management, retirement, tax and estate planning services.

IG Living Plan™ is our holistic, client-centric approach to financial planning that reflects the evolving needs, goals and aspirations of Canadian families and individuals. The IG Living Plan provides a single, integrated view of all aspects of a client's finances. It incorporates integrated investments, tax and risk management strategies, for a truly personalized plan.

The IG Living Plan leverages the experience and expertise of IG Wealth Management's Consultants who serve approximately one million clients located in communities throughout Canada.

IG Wealth Management has a full range of products that allow us to provide a tailored IG Living Plan that evolves over time. These products include:

- Powerful financial solutions that include investment vehicles that match risk and investment performance to each client's needs and requirements.
- Insurance products that include a variety of different policy types from the leading insurers in Canada.
- Mortgage and banking to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.
- Charitable Giving Program, a donor-advised giving program which enables Canadians to make donations and build an enduring charitable giving legacy with considerably less expense and complexity than setting up and administering their own private foundation.

The National Service Centre allows us to offer a targeted, consistent and improved real-time experience for clients with smaller accounts, while our Consultant practices focus on those clients who have more complicated and sophisticated needs.

Business Processes

IG Wealth Management continually seeks to enhance our systems and business processes so our Consultants can serve clients more effectively. We look to enhance client and advisor interactions on an ongoing basis to simplify processes, reduce errors, and digitize the experience with an appropriate cost structure as shown by our recent introduction of our enhanced Advisor Portal.

The IG Wealth Management Advisor Portal is a customer relationship management platform based on Salesforce. It enables our Consultants to manage client relationships, improve their efficiency through digitized workflows, and access data-driven reporting to help better run their practices.

IG Wealth Management's dealer platform provides increased automation and supports both MFDA and IIROC licensed advisors as well as new products on our investment dealer platform designed to support the high net worth segment of our client base.

A High-Performing and Diverse Culture

It is essential that we offer competitive compensation and benefits to attract and retain outstanding people. Our training and development approach, along with our use of feedback from periodic employee and advisor surveys, positions our employees and advisors to better serve our clients.

DELIVERING BETA AND ALPHA

BETA – THE VALUE CREATED BY WELL-CONSTRUCTED INVESTMENT PORTFOLIOS – ACHIEVING EXPECTED INVESTMENT RETURNS FOR THE LOWEST POSSIBLE RISK.

ALPHA – THE VALUE OF ACTIVE MANAGEMENT – ACHIEVING RETURNS SUPERIOR TO PASSIVE BENCHMARKS WITH A SIMILAR COMPOSITION AND RISK PROFILE.

IG Wealth Management strives to achieve expected investment returns for the lowest possible risk through well-constructed investment portfolios (Beta), and to create value for clients through active management (Alpha). To do this, we select and engage high-quality global sub-advisors so our clients have access to a diverse range of investment products and solutions. Each asset manager is selected through a proven and rigorous process. We oversee all sub-advisors to ensure that their activities are consistent with their investment philosophies and with the investment objectives and strategies of the products they advise.

IG Wealth Management's relationships include Mackenzie Investments and other world class investment firms such as BlackRock, T. Rowe Price, PIMCO, China AMC and JP Morgan Asset Management.

Powerful Financial Solutions

We provide clients with an extensive suite of well-constructed and competitively priced financial solutions. We regularly enhance the scope and diversity of our investment offering with new funds and product changes that enable clients to achieve their goals.

Our solutions include:

- A deep and broad selection of mutual funds, diversified by manager, asset category, investment style, geography, market capitalization and sector.
- Managed portfolios that rebalance investments to ensure that a chosen mix of risk and return is maintained. These solutions include IG Core Portfolios, IG Managed Payout Portfolios, Investors Portfolios, and IG Managed Risk Portfolios.
- *IG Advisory Account (IGAA) and unbundled fee structures* – The IGAA was introduced in the fourth quarter of 2019 and is a fee-based account that improves client experience by offering the ability to simplify and consolidate selected investments into a single account while providing all of our clients with unbundled pricing solutions. IGAA accounts increase fee transparency and can hold both IG Wealth Management and eligible external assets.
- *iProfile™ Private Portfolios* – iProfile Private portfolios are unique portfolio management programs that are available for

households with investments held at IG Wealth Management in excess of \$250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions.

During the quarter, the iProfile Fixed Income Private Pool revised its investment strategies by adding a Private Credit Mandate that provides diversified exposure to private credit investments in privately held companies from around the world. The Pool subsequently made commitments to three of Northleaf Capital Partners' private credit investments that focus on loans to middle market companies in North America and Europe.

- *iProfile™ Portfolios* – iProfile Portfolios are a suite of four managed solutions that provide comprehensive diversification and designed to suit personal preferences for risk tolerance and investment goals. These portfolios are available to households with investments held at IG Wealth Management in excess of \$100,000.
- Segregated funds that provide for long-term investment growth potential combined with risk management, benefit guarantee features and estate planning efficiencies.
- Separately managed accounts (discretionary dealer-managed accounts) and fee-based brokerage accounts.

A growing portion of IG Wealth Management's client assets are in unbundled fee structures. We are in the process of migrating our clients to unbundled fee products, a significant change for IG Wealth Management and the Canadian mutual fund industry overall. Unbundled fee products separate the advisory fee that is charged directly to a client's account from the fees charged to the underlying investment funds. This separation provides clients with greater transparency into the fees they pay, and allows IG Wealth Management to offer competitive pricing, particularly for high net worth clients. This allows IG Wealth Management to differentiate pricing by client segment, ensuring that it is competitive and rewards client loyalty while encouraging consolidation of client wealth at IG and attracting new clients.

We intend to discontinue offering bundled purchase options for substantially all investment products.

IG Wealth Management monitors its investment performance by comparing to certain benchmarks. Morningstar[†] fund ranking service is one of the rankings monitored when determining fund performance.

At September 30, 2020, 93.1% of IG Wealth Management mutual fund unbundled series had a rating of three stars or better from Morningstar[†] fund ranking service and 45.8% had a rating of four or five stars. This compared to the Morningstar[†] universe of 71.1% for three stars or better and 37.1% for four

and five star funds at September 30, 2020. These are available within the IG Advisory Account to which we are in the process of migrating IG client accounts. Morningstar Ratings¹ are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

Assets under management and advisement are key performance indicators for the Wealth Management segment.

Wealth Management's assets under advisement were \$125.0 billion at September 30, 2020, an increase of 2.7% from September 30, 2019. The level of assets under advisement are influenced by three factors: client inflows, client outflows and investment returns.

Wealth Management's assets under management were \$98.0 billion, an increase of 1.9% from September 30, 2019.

The level of assets under management are influenced by sales, redemptions and investment returns.

Changes in Wealth Management assets under advisement and assets under management for the periods under review are reflected in Tables 10 and 11.

IG WEALTH MANAGEMENT ASSETS UNDER MANAGEMENT AND ADVISEMENT

The introduction of the IG Advisory Account means that fees are charged on eligible external assets under advisement. Assets under advisement are therefore a key performance indicator for IG Wealth Management. Revenues from the IG Advisory Account are earned on eligible external assets under advisement. Our Consultants' compensation is also based on assets contributed into the IG Advisory Account and other fee-based programs.

TABLE 10: CHANGE IN ASSETS UNDER ADVISEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Gross client inflows	\$ 3,024	\$ 2,964	\$ 3,136	2.0 %	(3.6) %
Gross client outflows	3,179	2,871	3,546	10.7	(10.3)
Net flows	(155)	93	(410)	N/M	62.2
Investment returns	4,703	10,175	1,076	(53.8)	N/M
Net change in assets	4,548	10,268	666	(55.7)	N/M
Beginning assets	120,467	110,199	121,031	9.3	(0.5)
Ending assets under advisement	\$ 125,015	\$ 120,467	\$ 121,697	3.8 %	2.7 %
IG Wealth Management	97,538	93,836	94,529	3.9	3.2
Investment Planning Counsel	27,484	26,637	27,176	3.2	1.1
Average assets under advisement	\$ 124,327	\$ 117,084	\$ 121,248	6.2 %	2.5 %
IG Wealth Management	97,045	91,156	94,058	6.5	3.2
Investment Planning Counsel	27,288	25,934	27,198	5.2	0.3

NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE
Gross client inflows	\$ 10,312	\$ 10,035	2.8 %
Gross client outflows	9,876	11,268	(12.4)
Net flows	436	(1,233)	N/M
Investment returns	(241)	10,809	N/M
Net change in assets	195	9,576	(98.0)
Beginning assets	124,820	112,121	11.3
Ending assets under advisement	\$ 125,015	\$ 121,697	2.7 %
IG Wealth Management	97,538	94,529	3.2
Investment Planning Counsel	27,484	27,176	1.1
Average assets under advisement	\$ 121,087	\$ 119,745	1.1 %
IG Wealth Management	94,375	92,780	1.7
Investment Planning Counsel	26,719	26,973	(0.9)

TABLE 11: CHANGE IN ASSETS UNDER MANAGEMENT – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Sales	\$ 2,046	\$ 1,890	\$ 2,231	8.3 %	(8.3) %
Redemptions	2,382	2,083	2,582	14.4	(7.7)
Net sales (redemptions)	(336)	(193)	(351)	(74.1)	4.3
Investment returns	3,775	8,168	923	(53.8)	N/M
Net change in assets	3,439	7,975	572	(56.9)	N/M
Beginning assets	94,574	86,599	95,572	9.2	(1.0)
Ending assets under management	\$ 98,013	\$ 94,574	\$ 96,144	3.6 %	1.9 %
IG Wealth Management	92,874	89,533	90,779	3.7	2.3
Investment Planning Counsel	5,139	5,041	5,365	1.9	(4.2)
Daily average mutual fund assets	\$ 97,687	\$ 91,911	\$ 95,736	6.3 %	2.0 %
IG Wealth Management	92,543	86,985	90,363	6.4	2.4
Investment Planning Counsel	5,144	4,926	5,373	4.4	(4.3)

NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE
Sales	\$ 6,815	\$ 7,019	(2.9) %
Redemptions	7,475	8,019	(6.8)
Net sales (redemptions)	(660)	(1,000)	34.0
Investment returns	121	8,882	(98.6)
Net change in assets	(539)	7,882	N/M
Beginning assets	98,552	88,262	11.7
Ending assets under management	\$ 98,013	\$ 96,144	1.9 %
IG Wealth Management	92,874	90,779	2.3
Investment Planning Counsel	5,139	5,365	(4.2)
Daily average mutual fund assets	\$ 95,257	\$ 94,556	0.7 %
IG Wealth Management	90,155	89,182	1.1
Investment Planning Counsel	5,102	5,374	(5.1)

IG Wealth Management's assets under advisement were \$97.5 billion at September 30, 2020, an increase of 3.2% from September 30, 2019, and mutual fund assets under management were \$92.9 billion, an increase of 2.3%.

Changes in IG Wealth Management assets under advisement and management for the periods under review are reflected in Tables 12 and 13.

For the quarter ended September 30, 2020, gross client inflows of IG Wealth Management assets under advisement were \$2.1 billion, a decrease of 2.6% from \$2.2 billion in the comparable period in 2019. Net client outflows were \$9 million in the third quarter, an improvement of \$242 million from net client outflows of \$233 million in the comparable period in 2019. During the third quarter, investment returns resulted in an increase of \$3.7 billion in assets under advisement compared to an increase of \$0.9 billion in the third quarter of 2019.

For the nine months ended September 30, 2020, gross client inflows of IG Wealth Management assets under advisement were \$7.0 billion, an increase of 2.9% from \$6.8 billion in the comparable period in 2019. Net client inflows were \$310 million in the nine month period, an increase of \$1.0 billion from net client outflows of \$671 million in the comparable period in 2019. During the nine month period, investment returns resulted in an increase of \$128 million in assets under advisement compared to an increase of \$8.8 billion in 2019.

Changes in mutual fund assets under management for the periods under review are reflected in Table 13.

At September 30, 2020, \$43.6 billion, or 47% of IG Wealth Management's mutual fund assets under management, were in products with unbundled fee structures, up 31.5% from \$33.2 billion at September 30, 2019 which represented 37% of assets under management.

TABLE 12: CHANGE IN ASSETS UNDER ADVISEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Gross client inflows	\$ 2,132	\$ 1,901	\$ 2,189	12.2 %	(2.6) %
Gross client outflows	2,141	1,963	2,422	9.1	(11.6)
Net flows	(9)	(62)	(233)	85.5	96.1
Investment returns	3,711	8,064	904	(54.0)	N/M
Net change in assets	3,702	8,002	671	(53.7)	N/M
Beginning assets	93,836	85,834	93,858	9.3	–
Ending assets	\$ 97,538	\$ 93,836	\$ 94,529	3.9 %	3.2 %
Average assets under advisement	\$ 97,045	\$ 91,156	\$ 94,058	6.5 %	3.2 %

NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE	
Gross client inflows	\$ 7,039	\$ 6,840		2.9 %
Gross client outflows	6,729	7,511		(10.4)
Net flows	310	(671)		N/M
Investment returns	128	8,778		(98.5)
Net change in assets	438	8,107		(94.6)
Beginning assets	97,100	86,422		12.4
Ending assets	\$ 97,538	\$ 94,529		3.2 %
Average assets under advisement	\$ 94,375	\$ 92,780		1.7 %

TABLE 13: CHANGE IN ASSETS UNDER MANAGEMENT – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Sales	\$ 1,949	\$ 1,780	\$ 2,077	9.5 %	(6.2) %
Redemptions	2,208	1,913	2,368	15.4	(6.8)
Net sales (redemptions)	(259)	(133)	(291)	(94.7)	11.0
Investment returns	3,600	7,765	894	(53.6)	N/M
Net change in assets	3,341	7,632	603	(56.2)	N/M
Beginning assets	89,533	81,901	90,176	9.3	(0.7)
Ending assets	\$ 92,874	\$ 89,533	\$ 90,779	3.7 %	2.3 %
Daily average assets under management	\$ 92,543	\$ 86,985	\$ 90,363	6.4 %	2.4 %

NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE	
Sales	\$ 6,415	\$ 6,472		(0.9) %
Redemptions	6,857	7,314		(6.2)
Net sales (redemptions)	(442)	(842)		47.5
Investment returns	155	8,484		(98.2)
Net change in assets	(287)	7,642		N/M
Beginning assets	93,161	83,137		12.1
Ending assets	\$ 92,874	\$ 90,779		2.3 %
Daily average assets under management	\$ 90,155	\$ 89,182		1.1 %

Of the \$43.6 billion held in unbundled fee structures at September 30, 2020, \$41.5 billion, or 45% of IG Wealth Management's mutual fund assets under management were in products with unbundled fee structures related to households with investments in IG Wealth Management's funds in excess of \$500,000. These assets were up 25% from \$33.2 billion at September 30, 2019 which represented 37% of assets under management. Sales of these products to high net worth clients totalled \$999 million for the third quarter of 2020, an increase of \$48 million from the third quarter of 2019, representing 93% of total high net worth sales and 51% of total mutual fund sales. For the nine months ended September 30, 2020, sales totalled \$2.9 billion, an increase of \$250 million from 2019, representing 89% of total high net worth sales and 45% of total mutual fund sales.

HIGH NET WORTH OFFERINGS

IG Wealth Management has several offerings to address the needs of high net worth clients, who represent a growing segment of our client base, and continues to look at improving our offerings to this segment. Assets under management for clients in this category totalled \$53.0 billion at September 30, 2020, an increase of 10.9% from one year ago, and represented 57% of total assets under management. Sales of high net worth solutions totalled \$1.1 billion for the third quarter of 2020, a decrease of 4.2% from a year ago, and represented 55% of total sales up from 54% in 2019. For the nine month period, sales of high net worth solutions totalled \$3.3 billion, unchanged from a year ago, and represented 51% of total sales up from 50% in 2019.

- Series U is available to all clients and provides an unbundled pricing structure that separates the advisory fee, which is charged directly to a client's account, from the fees charged to the underlying investment funds. At September 30, 2020, Series U assets under management related to households with investments held at IG Wealth Management in excess of \$500,000 had increased to \$24.1 billion, compared to \$19.7 billion at September 30, 2019, an increase of 22.3%.
- iProfile™ Private Portfolios – are unique portfolio management programs that are available for households with investments held at IG Wealth Management in excess of \$250,000. The iProfile program also has an unbundled pricing structure. At September 30, 2020, the iProfile program assets under management were \$17.4 billion, an increase of 28.9% from \$13.5 billion at September 30, 2019.
- Series J is available for households with investments in IG Wealth Management funds in excess of \$500,000 and had assets of \$11.5 billion at September 30, 2020, a decrease of 21.2% from \$14.6 billion at September 30, 2019, largely as

a result of transfer activity from Series J to Series U. Series J pricing structure bundles the cost of asset management and advice into one fee. We continue to migrate clients from Series J to Series U.

NATIONAL SERVICE CENTRE

Our National Service Centre supports more than 200,000 clients and \$1.7 billion assets under management.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – 2020 VS. 2019

IG Wealth Management's assets under advisement were \$97.5 billion at September 30, 2020, up 3.2% from \$94.5 billion at September 30, 2019. IG Wealth Management's mutual fund assets under management were \$92.9 billion at September 30, 2020, representing an increase of 2.3% from \$90.8 billion at September 30, 2019. Average daily mutual fund assets were \$92.5 billion in the third quarter of 2020, up 2.4% from \$90.4 billion in the third quarter of 2019. Average daily mutual fund assets were \$90.2 billion for the nine months ended September 30, 2020, up 1.1% from \$89.2 billion in 2019.

For the quarter ended September 30, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$1.9 billion, a decrease of 6.2% from the comparable period in 2019. Mutual fund redemptions totalled \$2.2 billion, a decrease of 6.8% from 2019. IG Wealth Management mutual fund net redemptions for the third quarter of 2020 were \$259 million compared with net redemptions of \$291 million in 2019. During the third quarter, investment returns resulted in an increase of \$3.6 billion in mutual fund assets compared to an increase of \$894 million in the third quarter of 2019.

IG Wealth Management's annualized quarterly redemption rate for long-term funds was 9.0% in the third quarter of 2020, compared to 9.9% in the third quarter of 2019. IG Wealth Management's twelve month trailing redemption rate for long-term funds was 9.8% at September 30, 2020, compared to 10.2% at September 30, 2019, and remains well below the corresponding average redemption rate for all other members of the Investment Funds Institute of Canada (IFIC) of approximately 15.8% at September 30, 2020. IG Wealth Management's redemption rate has been very stable compared to the overall mutual fund industry, reflecting our focus on financial planning.

For the nine months ended September 30, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$6.4 billion, a decrease of 0.9% from 2019. Mutual fund redemptions totalled \$6.9 billion, a decrease of 6.2% from 2019. Net redemptions of IG Wealth Management mutual funds were \$442 million compared with net redemptions of \$842 million in 2019. During 2020, investment returns resulted

in an increase of \$155 million in mutual fund assets compared to an increase of \$8.5 billion in 2019.

CHANGE IN ASSETS UNDER MANAGEMENT AND ADVISEMENT – Q3 2020 VS. Q2 2020

IG Wealth Management's assets under advisement were \$97.5 billion at September 30, 2020, an increase of 3.9% from \$93.8 billion at June 30, 2020. IG Wealth Management's mutual fund assets under management were \$92.9 billion at September 30, 2020, an increase of 3.7% from \$89.5 billion at June 30, 2020. Average daily mutual fund assets were \$92.5 billion in the third quarter of 2020 compared to \$87.0 billion in the second quarter of 2020, an increase of 6.4%.

For the quarter ended September 30, 2020, sales of IG Wealth Management mutual funds through its Consultant network were \$1.9 billion, an increase of 9.5% from the second quarter of 2020. Mutual fund redemptions, which totalled \$2.2 billion for the third quarter, increased 15.4% from the previous quarter and the annualized quarterly redemption rate was 9.0% in the third quarter compared to 8.3% in the second quarter of 2020. IG Wealth Management mutual fund net redemptions were \$259 million for the current quarter compared to net redemptions of \$133 million in the previous quarter.

IG WEALTH MANAGEMENT OTHER PRODUCTS AND SERVICES

SEGREGATED FUNDS

IG Wealth Management offers segregated funds which include the IG Series of Guaranteed Investment Funds (GIFs). Select GIF policies allow for a Lifetime Income Benefit (LIB) option to provide guaranteed retirement income for life. The investment components of these segregated funds are managed by IG Wealth Management. At September 30, 2020, total segregated fund assets were \$1.5 billion, compared to \$1.6 billion at September 30, 2019.

INSURANCE

IG Wealth Management continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, IG Wealth Management offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. The Canada Life Assurance Company is a leading provider of the Company's insurance products. Effective as of January 1, 2020, Great-West, London Life and Canada Life, amalgamated into a single company, The Canada Life Assurance Company.

The average number of policies sold by each insurance-licensed Consultant was 2.1 for the quarter ended September 30,

2020, compared to 2.5 in 2019. For the nine months ended September 30, 2020, the average number of policies sold by each insurance-licensed Consultant was 6.4 compared to 7.5 in 2019. Distribution of insurance products is enhanced through IG Wealth Management's Insurance Planning Specialists, located throughout Canada, who assist Consultants with advanced estate planning solutions for high net worth clients.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all Canadian provinces and territories providing clients with securities services to complement their financial and investment planning. IG Wealth Management Consultants can refer clients to one of our Wealth Planning Specialists available through Investors Group Securities Inc.

MORTGAGE AND BANKING OPERATIONS

IG Wealth Management Mortgage Planning Specialists are located throughout each province in Canada, and work with our clients and their Consultants to develop mortgage and other lending strategies that meet the individual needs and goals of each client as part of their comprehensive financial plan.

Mortgages are offered to clients by IG Wealth Management, a national mortgage lender, and through IG Wealth Management's Solutions Banking[†], provided by National Bank of Canada under a long-term distribution agreement. An All-in-One product, a comprehensive cash management solution that integrates the features of a mortgage, term loan, revolving line of credit and deposit account, is also offered through Solutions Banking[†].

The Company supports and is participating in the deferral of mortgage payments enacted to support homeowners as a result of the economic disruption caused by COVID-19. This assessment is being made on a case by case basis, subject to client needs and in the context of their overall financial plan. At September 30, 2020, clients with mortgages of \$94.5 million, representing 1.1% of the Company's total mortgages, have elected to participate in the mortgage deferral programs. This compared to \$306.0 million at June 30, 2020 which represented 3.3% of the Company's total mortgages.

Mortgage fundings offered through IG Wealth Management and through Solutions Banking[†] for the three and nine months ended September 30, 2020 were \$318 million and \$823 million compared to \$356 million and \$900 million in 2019, a decrease of 10.6% and 8.6%, respectively. At September 30, 2020, mortgages offered through both sources totalled \$9.8 billion, compared to \$10.5 billion at September 30, 2019, a decrease of 6.1%.

Available credit associated with Solutions Banking[†] All-in-One accounts originated for the three and nine month periods

ended September 30, 2020 were \$285 million and \$745 million, respectively, compared to \$207 million and \$530 million in 2019. At September 30, 2020, the balance outstanding of Solutions Banking[†] All-in-One products was \$3.2 billion, compared to \$2.8 billion one year ago, and represented approximately 50% of total available credit associated with these accounts.

Other products and services offered through IG Wealth Management's Solutions Banking[†] include investment loans, lines of credit, personal loans, creditor insurance, deposit accounts, and credit cards. Through Solutions Banking[†], clients

have access to a network of banking machines, as well as a private labeled client website and client service centre. The Solutions Banking[†] offering supports IG Wealth Management's approach to delivering total financial solutions for our clients through a broad financial planning platform. Total lending products of IG Wealth Management clients in the Solutions Banking[†] offering, including Solutions Banking[†] mortgages totalled \$4.9 billion at September 30, 2020, compared to \$4.4 billion at September 30, 2019.

REVIEW OF SEGMENT OPERATING RESULTS

The Wealth Management segment's earnings before interest and taxes are presented in Table 14 and include the operations of IG Wealth Management and Investment Planning Counsel.

IG WEALTH MANAGEMENT

IG Wealth Management earnings before interest and taxes are presented in Table 15.

2020 VS. 2019

FEE INCOME

Advisory fees include fees for providing financial advice to clients including fees related to the distribution of products, and depend largely on the level and composition of assets under advisement. Advisory fees were \$259.1 million in the third quarter of 2020, a decrease of \$2.0 million or 0.8% from \$261.1 million in 2019. For the nine months ended September 30, 2020, advisory fees were \$753.6 million, a decrease of \$16.4 million or 2.1% from \$770.0 million in 2019.

The net decrease in advisory fees in the three and nine month periods of 2020 was primarily due to the decrease in the advisory fee rate offset in part by the increase in average assets under advisement of 3.2% and 1.7%, respectively, as shown in Table 12. The average advisory fee rate for the third quarter was 106.2 basis points of average assets under advisement compared to 110.1 basis points in 2019, reflecting changes in product and client mix. The average advisory fee rate for the nine months ended September 30, 2020, was 106.6 basis points of average assets under advisement compared to 110.9 basis points in 2019, reflecting changes in product and client mix and pricing reductions during 2019. We have more high net worth clients who are eligible for lower rates.

Product and program fees depend largely on the level and composition of mutual fund assets under management. Product and program fees totalled \$201.0 million in the current quarter, up 1.5% from \$198.1 million a year ago. Product and program fees were \$584.8 million for the nine month period ended September 30, 2020 compared to \$583.6 million in 2019, increase of 0.2%.

The increase in product and program fees in the third quarter of 2020 was primarily due to the increase in average assets under management of 2.4%, as shown in Table 13. The average product and program fee rate for the third quarter was 86.2 basis points of average assets under management compared to 87.2 basis points in 2019, reflecting changes in product mix.

The increase in product and program fees in the nine month period ended September 30, 2020 was primarily due to the

increase in average assets under management of 1.1%, as shown in Table 13. The average product and program fee rate for the nine months was 86.5 basis points of average assets under management compared to 87.7 basis points in 2019, reflecting changes in product mix.

Other financial planning revenues is primarily earned from:

- Mortgage banking operations
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†]

Other financial planning revenues of \$37.2 million for the third quarter of 2020 decreased by \$5.5 million from \$42.7 million in 2019. For the nine month period, other financial planning revenues of \$104.2 million decreased by \$15.5 million from \$119.7 million in 2019. The decrease in the three and nine month periods was primarily due to lower distribution fee income from insurance products.

A summary of mortgage banking operations for the three and nine month periods under review is presented in Table 16.

NET INVESTMENT INCOME AND OTHER

Net investment income and other is primarily related to investment income earned on our cash and cash equivalents and securities and other income not related to our core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital.

EXPENSES

IG Wealth Management incurs advisory and business development expenses that include compensation paid to our Consultants. The majority of these costs vary directly with asset or sales levels. Also included are other distribution and business development activities which do not vary directly with asset or sales levels, such as direct marketing and advertising, financial planning specialist support, wholesaling and other costs incurred to support our adviser networks. These expenses tend to be discretionary or vary based upon the number of consultants or clients.

Asset-based compensation fluctuates with the value of assets under advisement. Asset-based compensation, increased by \$13.3 million and \$33.5 million for the three and nine month periods ended September 30, 2020 to \$113.1 million and \$328.7 million, compared to 2019. The increase was primarily due to compensation changes implemented in 2020.

Sales-based compensation paid fluctuates with the level of new assets contributed to IG Wealth Management accounts.

TABLE 14: OPERATING RESULTS – WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020	2020	2019	% CHANGE	
	SEP. 30	JUN. 30	SEP. 30	2020 JUN. 30	2019 SEP. 30
Revenues					
Wealth Management					
Advisory fees	\$ 315.3	\$ 296.4	\$ 318.1	6.4 %	(0.9) %
Product and program fees	214.9	200.4	213.0	7.2	0.9
	530.2	496.8	531.1	6.7	(0.2)
Redemption fees	3.7	2.9	6.1	27.6	(39.3)
Other financial planning revenues	41.8	35.3	48.0	18.4	(12.9)
Total Wealth Management	575.7	535.0	585.2	7.6	(1.6)
Net investment income and other	0.7	1.8	2.0	(61.1)	(65.0)
	576.4	536.8	587.2	7.4	(1.8)
Expenses					
Advisory and business development					
Asset-based compensation	158.9	148.1	144.7	7.3	9.8
Sales-based compensation	9.5	8.6	22.4	10.5	(57.6)
Other					
Other product commissions	15.7	15.8	19.6	(0.6)	(19.9)
Business development	52.4	56.9	53.0	(7.9)	(1.1)
	68.1	72.7	72.6	(6.3)	(6.2)
Total advisory and business development	236.5	229.4	239.7	3.1	(1.3)
Operations and support	111.2	109.6	107.2	1.5	3.7
Sub-advisory	41.7	38.6	41.1	8.0	1.5
	389.4	377.6	388.0	3.1	0.4
Earnings before interest and taxes	\$ 187.0	\$ 159.2	\$ 199.2	17.5 %	(6.1) %
NINE MONTHS ENDED (\$ millions)					
			2020 SEP. 30	2019 SEP. 30	% CHANGE
Revenues					
Wealth Management					
Advisory fees			\$ 920.2	\$ 939.6	(2.1) %
Product and program fees			626.5	628.4	(0.3)
			1,546.7	1,568.0	(1.4)
Redemption fees			12.8	20.7	(38.2)
Other financial planning revenues			118.0	135.4	(12.9)
Total Wealth Management			1,677.5	1,724.1	(2.7)
Net investment income and other			1.3	9.1	(85.7)
			1,678.8	1,733.2	(3.1)
Expenses					
Advisory and business development					
Asset-based compensation			461.7	429.2	7.6
Sales-based compensation			25.8	72.9	(64.6)
Other					
Other product commissions			49.6	59.8	(17.1)
Business development			168.1	176.0	(4.5)
			217.7	235.8	(7.7)
Total advisory and business development			705.2	737.9	(4.4)
Operations and support			340.4	331.8	2.6
Sub-advisory			120.5	120.0	0.4
			1,166.1	1,189.7	(2.0)
Earnings before interest and taxes			\$ 512.7	\$ 543.5	(5.7) %

TABLE 15: OPERATING RESULTS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020	2020	2019	% CHANGE	
	SEP. 30	JUN. 30	SEP. 30	2020 JUN. 30	2019 SEP. 30
Revenues					
Wealth Management					
Advisory fees	\$ 259.1	\$ 242.8	\$ 261.1	6.7 %	(0.8) %
Product and program fees	201.0	187.1	198.1	7.4	1.5
	460.1	429.9	459.2	7.0	0.2
Redemption fees	3.7	2.9	6.0	27.6	(38.3)
Other financial planning revenues	37.2	31.1	42.7	19.6	(12.9)
Total Wealth Management	501.0	463.9	507.9	8.0	(1.4)
Net investment income and other	0.6	1.6	1.7	(62.5)	(64.7)
	501.6	465.5	509.6	7.8	(1.6)
Expenses					
Advisory and business development					
Asset-based compensation	113.1	106.0	99.8	6.7	13.3
Sales-based compensation	9.5	8.6	22.3	10.5	(57.4)
Other					
Other product commissions	12.9	13.2	16.4	(2.3)	(21.3)
Business development	46.0	50.0	46.4	(8.0)	(0.9)
	58.9	63.2	62.8	(6.8)	(6.2)
Total advisory and business development	181.5	177.8	184.9	2.1	(1.8)
Operations and support	100.0	97.6	95.0	2.5	5.3
Sub-advisory	38.4	35.5	37.0	8.2	3.8
	319.9	310.9	316.9	2.9	0.9
Earnings before interest and taxes	\$ 181.7	\$ 154.6	\$ 192.7	17.5 %	(5.7) %
NINE MONTHS ENDED (\$ millions)					
			2020 SEP. 30	2019 SEP. 30	% CHANGE
Revenues					
Wealth Management					
Advisory fees			\$ 753.6	\$ 770.0	(2.1) %
Product and program fees			584.8	583.6	0.2
			1,338.4	1,353.6	(1.1)
Redemption fees			12.7	20.4	(37.7)
Other financial planning revenues			104.2	119.7	(12.9)
Total Wealth Management			1,455.3	1,493.7	(2.6)
Net investment income and other			0.5	6.1	(91.8)
			1,455.8	1,499.8	(2.9)
Expenses					
Advisory and business development					
Asset-based compensation			328.7	295.2	11.3
Sales-based compensation			25.8	72.6	(64.5)
Other					
Other product commissions			41.3	50.2	(17.7)
Business development			146.8	155.5	(5.6)
			188.1	205.7	(8.6)
Total advisory and business development			542.6	573.5	(5.4)
Operations and support			305.3	293.4	4.1
Sub-advisory			110.5	107.8	2.5
			958.4	974.7	(1.7)
Earnings before interest and taxes			\$ 497.4	\$ 525.1	(5.3) %

TABLE 16: MORTGAGE BANKING OPERATIONS – IG WEALTH MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Total mortgage banking income					
Net interest income on securitized loans					
Interest income	\$ 44.7	\$ 44.4	\$ 52.4	0.7 %	(14.7) %
Interest expense	35.5	39.7	42.9	(10.6)	(17.2)
Net interest income	9.2	4.7	9.5	95.7	(3.2)
Gains on sales ⁽¹⁾	3.2	1.1	0.9	190.9	255.6
Fair value adjustments	–	(1.4)	0.7	100.0	(100.0)
Other	1.8	2.3	2.8	(21.7)	(35.7)
	\$ 14.2	\$ 6.7	\$ 13.9	111.9 %	2.2 %
Average mortgages serviced					
Securizations	\$ 6,444	\$ 6,562	\$ 7,185	(1.8) %	(10.3) %
Other	2,736	2,816	2,750	(2.8)	(0.5)
	\$ 9,180	\$ 9,378	\$ 9,935	(2.1) %	(7.6) %
Mortgage sales to: ⁽²⁾					
Securizations	\$ 606	\$ 318	\$ 469	90.6 %	29.2 %
Other ⁽¹⁾	167	120	166	39.2	0.6
	\$ 773	\$ 438	\$ 635	76.5 %	21.7 %
NINE MONTHS ENDED (\$ millions)			2020 SEP. 30	2019 SEP. 30	% CHANGE
Total mortgage banking income					
Net interest income on securitized loans					
Interest income			\$ 137.0	\$ 157.5	(13.0) %
Interest expense			115.0	130.6	(11.9)
Net interest income			22.0	26.9	(18.2)
Gains on sales ⁽¹⁾			6.1	2.6	134.6
Fair value adjustments			(4.1)	(4.5)	8.9
Other			6.7	7.6	(11.8)
			\$ 30.7	\$ 32.6	(5.8) %
Average mortgages serviced					
Securizations			\$ 6,578	\$ 7,310	(10.0) %
Other			2,774	2,795	(0.8)
			\$ 9,352	\$ 10,105	(7.5) %
Mortgage sales to: ⁽²⁾					
Securizations			\$ 1,171	\$ 1,234	(5.1) %
Other ⁽¹⁾			513	303	69.3
			\$ 1,684	\$ 1,537	9.6 %

(1) Represents sales to institutional investors through private placements, to Investors Mortgage and Short Term Income Fund, and to Investors Canadian Corporate Bond Fund as well as gains realized on those sales.

(2) Represents principal amounts sold.

Sales-based compensation paid on the sale of investment products are capitalized and amortized over their estimated useful lives where the Company receives a fee directly from the client. All other sales-based compensation paid on investment product sales are expensed as incurred.

Sales-based compensation was \$9.5 million for the third quarter of 2020, a decrease of \$12.8 million from \$22.3 million in 2019 and for the nine month period, sales-based compensation expense was \$25.8 million, a decrease of \$46.8 million from \$72.6 million in 2019. There was lower sales-based compensation expense in 2020 primarily due to sales-based compensation paid on the sales of investment products being capitalized in 2020.

Effective January 1, 2020, IG Wealth Management Consultant sales-based compensation is based upon the level of new assets contributed to client accounts at IG Wealth Management (subject to eligibility requirements), where previously they were based upon gross sales of IG Wealth Management mutual funds. All sales-based compensation payments are now capitalized and amortized as they reflect incremental costs to obtain a client contract. Previously, sales-based compensation associated with sales of IG Wealth Management mutual funds with bundled pricing were expensed as incurred as these commissions were deemed to be fulfillment of an existing contract with a mutual fund.

Other advisory and business development expenses were \$46.0 million in the third quarter of 2020, compared to \$46.4 million in 2019. Other advisory and business development expenses were \$146.8 million in the nine months ended September 30, 2020 compared to \$155.5 million in 2019 due to the reduction of certain costs due to COVID-19 as communicated in the first quarter of 2020.

Operations and support includes costs that support our wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. Operations and support expenses were \$100.0 million for the third quarter of 2020 compared to \$95.0 million in 2019, an increase of \$5.0 million or 5.3%. For the nine month period, operations and support expenses were \$305.3 million in 2020 compared to \$293.4 million in 2019, an increase of \$11.9 million or 4.1% due to expenses related to our ongoing transformation plan.

Sub-advisory expenses were \$38.4 million for the third quarter of 2020 compared to \$37.0 million in 2019, an increase of \$1.4 million or 3.8%. For the nine month period, sub-advisory expenses were \$110.5 million in 2020 compared to \$107.8 million in 2019, an increase of \$2.7 million or 2.5%.

Q3 2020 VS. Q2 2020

FEE INCOME

Advisory fee income increased by \$16.3 million or 6.7% to \$259.1 million in the third quarter of 2020 compared with the second quarter of 2020. The increase in advisory fees in the third quarter was primarily due to the increase in average assets under advisement of 6.5% for the quarter, as shown in Table 12. The average advisory fee rate for the third quarter was 106.2 basis points of average assets under management compared to 105.6 basis points in the second quarter of 2020.

Product and program fees were \$201.0 million in the third quarter of 2020, an increase of \$13.9 million from \$187.1 in the second quarter of 2020. The increase in product and program fees was due to higher assets under management. The average product and program fee rate in the third quarter was 86.2 basis points compared to 85.7 basis points in the second quarter of 2020.

Other financial planning revenues of \$37.2 million in the third quarter of 2020 increased by \$6.1 million from \$31.1 million in the second quarter primarily due to higher mortgage banking revenue. IG Wealth Management's mortgage banking operations totalled \$14.2 million in the third quarter, an increase of \$7.5 million from \$6.7 million in the previous quarter as shown in Table 16. The change in mortgage banking income was primarily related to decreases in credit spreads on funding sources and higher gains on sales.

NET INVESTMENT INCOME AND OTHER

Net investment income and other was \$0.6 million in the third quarter of 2020 compared to \$1.6 million in the previous quarter, a decrease of \$1.0 million. The decrease was primarily due to lower unrealized gains on our equity securities and proprietary mutual funds in the third quarter compared to the second quarter.

EXPENSES

Advisory and business development expenses in the current quarter were \$181.5 million compared with \$177.8 million in the previous quarter due to the reduction of certain costs related to COVID-19 as communicated in the first quarter of 2020.

Operations and support expenses increased to \$100.0 million in the current quarter compared to \$97.6 million in the prior quarter primarily due to expenses related to our ongoing transformation plan.

INVESTMENT PLANNING COUNSEL

2020 VS. 2019

Earnings before interest and taxes related to Investment Planning Counsel were \$1.2 million lower in the third quarter of 2020 compared to the third quarter of 2019 and were \$3.1 million lower in the nine months ended September 30, 2020 compared to 2019.

Q3 2020 VS. Q2 2020

Earnings before interest and taxes related to Investment Planning Counsel were \$0.7 million higher in the third quarter of 2020 compared to the prior quarter.

ASSET MANAGEMENT

The Asset Management segment includes Mackenzie Investments.

The key differences of the disclosure enhancements made to the Asset Management segment are as follows:

- Assets managed for IG Wealth Management are included in the Asset Management segment's assets under management. Revenue earned on these sub-advised assets are included in Asset Management's revenue. Previously, the costs of the investment management teams were allocated based on a cost sharing agreement.
- Asset management fees include fees received from our mutual funds, Wealth Management segment, and third parties for

investment management services. Under the new segments, Wealth Management is considered a client of the Asset Management segment and transfer pricing is based on values for similar sized asset management mandates.

- Introduction of net asset management fees which offsets management fees with dealer compensation expenses.
- Expenses include Advisory and business development, Operations and support, and Sub-advisory fees as previously discussed in this MD&A. Expenses were previously categorized as either commission or non-commission.

REVIEW OF THE BUSINESS

Mackenzie Investments is a diversified asset management solutions provider founded in 1967. We offer a wide range of investment mandates through a boutique structure and use multiple distribution channels. We are committed to delivering strong investment performance for our clients by drawing on more than 50 years of investment management experience.

2020 DEVELOPMENTS

COVID-19 AND COMMUNICATION

As a result of COVID-19 and the resulting impact to global financial markets, we significantly increased communications to support the independent financial advisors and our institutional clients. Our focus has been to provide capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the tools and resources they need to support their clients. Our multi-boutique approach ensures that investors can find the right solution in any market condition.

ACQUISITIONS

GLC Asset Management Group Ltd. (GLC)

On August 4, 2020, Mackenzie entered into a definitive agreement to acquire GLC, a leading Canadian investment management firm, from Canada Life for total consideration of \$175 million.

As part of the deal, Canada Life will acquire the fund management contracts relating to 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.

Benefits of the deal to Mackenzie include the following:

- The addition of \$37 billion in assets under management resulting in Mackenzie becoming one of Canada's largest asset managers.
- Expands Mackenzie's distribution reach to the fast growing group retirement business and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.
- Enhances Mackenzie's investment capabilities with the addition of a new Canadian Equity boutique.

The transaction is expected to close in the fourth quarter of 2020 subject to customary closing conditions, including regulatory approvals.

Northleaf Capital Partners Ltd. (Northleaf)

The Northleaf investment, which closed on October 28, 2020, expands Mackenzie's capabilities to offer global private equity, private credit and infrastructure investment solutions through our retail advisory channels and financial institution distribution partners.

Northleaf is a global private equity, private credit and infrastructure fund manager, with more than 150 employees across seven offices in Canada, the U.S., UK and Australia. Headquartered in Toronto, the firm has \$17 billion in assets under management, reflecting commitments since inception, on behalf of institutional investors and high-net worth individuals around the world.

ASSET MANAGEMENT STRATEGY

Mackenzie seeks to be Canada's preferred global asset management solutions provider and business partner.

Mackenzie's vision: We are committed to the financial success of investors, through *their* eyes. This vision impacts our strategic priorities and drives future business growth. Our strategic mandate is two-fold: win in the Canadian retail space and build meaningful strategic relationships. We aim to achieve this mandate by attracting and fostering the best minds in the investment industry, responding to changing needs of financial advisors and investors with distinctive and innovative solutions, and continuing to deliver institutional quality in everything we do.

To support this vision and strategic mandate our employees strive to:

- Deliver competitive and consistent risk-adjusted performance
- Offer innovative and high quality investment solutions
- Accelerate distribution
- Advance brand leadership
- Drive operational excellence and discipline
- Enable a high-performing and diverse culture

Mackenzie seeks to maximize returns on business investment by focusing our resources in areas that directly impact the success of our strategic mandate: investment management, distribution and client experience.

Our investment management capabilities are delivered through a boutique structure, with separate in-house teams having distinct focuses and diverse styles. Our research and portfolio management teams are located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong. In addition to our own investment teams, we supplement our investment capabilities with strategic partners (third party sub-advisors) in selected areas. The development of a broad range of investment capabilities and products is a key strength in supporting the evolving financial needs of investors.

Our business focuses on three key distribution channels: retail, strategic alliances and institutional.

Mackenzie primarily distributes its retail investment products through third-party financial advisors. Our sales teams work with many of the more than 30,000 independent financial advisors and their firms across Canada. Our innovative, comprehensive lineup of investment solutions covers all asset classes and parts of the globe. We offer a range of relevant products and investment solutions designed to help advisors meet the evolving needs of their clients. We regularly introduce new funds and we may merge or streamline our fund offerings to provide enhanced investment solutions.

In addition to our retail distribution team, Mackenzie also has specialty teams focused on strategic alliances and the institutional marketplace.

Within the strategic alliance channel, Mackenzie offers certain series of our mutual funds and provides sub-advisory services to third-party and related party investment programs offered by banks, insurance companies and other investment companies. Strategic alliances with related parties include providing advisory services to IG Wealth Management, Investment Planning Counsel and Great-West Lifeco Inc. (Lifeco) subsidiaries. During the second quarter of 2020, Mackenzie partnered with Wealthsimple and launched two Socially Responsible ETFs. Within the strategic alliance channel, Mackenzie's primary distribution relationship is with the head office of the respective bank, insurance company or investment company.

In the institutional channel, Mackenzie provides investment management services to pension plans, foundations and other institutions. We attract new institutional business through our relationships with pension and management consultants.

Gross sales and redemption activity in strategic alliance and institutional accounts can be more pronounced than in the retail channel, given the relative size and the nature of the distribution relationships of these accounts. These accounts are also subject to ongoing reviews and rebalance activities which may result in a significant change in the level of assets under management.

Mackenzie continues to be positioned to continue to build and enhance our distribution relationships given our team of experienced investment professionals, strength of our distribution network, broad product shelf, competitively priced products and our focus on client experience and investment excellence.

ASSETS UNDER MANAGEMENT

Assets managed for the Wealth Management segment are included in total assets under management. Assets managed by Mackenzie for IG Wealth Management were previously excluded from the Mackenzie reportable segment.

The changes in investment fund assets under management are summarized in Table 17 and the changes in total assets under management are summarized in Table 18.

At September 30, 2020, Mackenzie's total assets under management (including sub-advisory to Wealth Management) were \$147.3 billion, an all-time high. Mackenzie's investment fund assets under management (mutual funds, ETFs) were \$66.9 billion, also an all-time high. The change in Mackenzie's assets under management is determined by investment returns generated for our clients and net contributions from our clients.

TABLE 17: CHANGE IN INVESTMENT FUND ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
				2020 JUN. 30	2019 SEP. 30
Sales	\$ 2,903	\$ 2,505	\$ 2,253	15.9 %	28.9 %
Redemptions	2,054	2,129	2,114	(3.5)	(2.8)
Mutual fund net sales (redemptions) ⁽²⁾	849	376	139	125.8	N/M
ETF net creations ⁽³⁾	97	681	315	(85.8)	(69.2)
Investment fund net sales (redemptions)	946	1,057	454	(10.5)	108.4
Investment returns	2,719	5,584	251	(51.3)	N/M
Net change in assets	3,665	6,641	705	(44.8)	N/M
Beginning assets	63,264	56,623	60,729	11.7	4.2
Ending assets	\$ 66,929	\$ 63,264	\$ 61,434	5.8 %	8.9 %
Consists of:					
Mutual funds	\$ 63,599	\$ 60,132	\$ 59,275	5.8 %	7.3 %
ETFs	3,330	3,132	2,159	6.3	54.2
Investment funds	\$ 66,929	\$ 63,264	\$ 61,434	5.8 %	8.9 %
Daily average investment fund assets	\$ 66,026	\$ 60,668	\$ 61,105	8.8 %	8.1 %

NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE
Sales	\$ 9,064	\$ 7,299	24.2 %
Redemptions	7,484	6,805	10.0
Mutual fund net sales (redemptions) ⁽²⁾	1,580	494	N/M
ETF net creations ⁽³⁾	860	505	70.3
Investment fund net sales (redemptions)	2,440	999	144.2
Investment returns	1,278	5,415	(76.4)
Net change in assets	3,718	6,414	(42.0)
Beginning assets	63,211	55,020	14.9
Ending assets	\$ 66,929	\$ 61,434	8.9 %
Daily average investment fund assets	\$ 63,019	\$ 59,615	5.7 %

(1) Investment Fund assets under management and net sales excludes investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(2) Mutual funds – During 2020, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

- First quarter – Resulted in sales of \$373 million, redemptions of \$192 million and net sales of \$181 million.
- Second quarter – Resulted in sales and net sales of \$109 million.
- Third quarter – resulted in sales and net sales of \$290 million.
- Year to date – Resulted in sales of \$772 million, redemptions of \$192 million and net sales of \$580 million.

(3) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in \$370 million of purchases in Mackenzie ETFs and \$325 million of redemptions from Mackenzie's ETFs respectively.

(4) Total investment fund net sales and assets under management exclude Mackenzie mutual fund investments in ETFs.

CHANGE IN ASSETS UNDER MANAGEMENT – 2020 VS. 2019

Mackenzie's total assets under management at September 30, 2020 were \$147.3 billion, an increase of 6.0% from \$139.0 billion at September 30, 2019. Assets under management excluding sub-advisory to the Wealth Management segment were \$74.6 billion, an increase of 12.4% from \$66.4 billion at September 30, 2019.

Investment fund assets under management were \$66.9 billion at September 30, 2020, an increase of 8.9% from September 30, 2019. Mackenzie's mutual fund assets under management were \$63.6 billion at September 30, 2020, an increase of 7.3% from \$59.3 billion at September 30, 2019. Mackenzie's ETF assets excluding ETFs held within IGM investment funds were \$3.3 billion at September 30, 2020, an increase of 54.2% from

TABLE 18: CHANGE IN TOTAL ASSETS UNDER MANAGEMENT – ASSET MANAGEMENT⁽¹⁾

THREE MONTHS ENDED (\$ millions)	% CHANGE				
	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	2020 JUN. 30	2019 SEP. 30
Assets under management excluding sub-advisory to Wealth Management					
Net sales (redemptions)					
Mutual funds ⁽¹⁾	\$ 849	\$ 376	\$ 139	125.8 %	N/M %
ETF net creations ⁽²⁾	97	681	315	(85.8)	(69.2)
Investment funds ⁽³⁾	946	1,057	454	(10.5)	108.4
Sub-advisory, institutional and other accounts ⁽⁴⁾	(319)	2,542	(1,132)	N/M	71.8
Total net sales (redemptions)	627	3,599	(678)	(82.6)	N/M
Investment returns	3,152	6,324	313	(50.2)	N/M
Net change in assets	3,779	9,923	(365)	(61.9)	N/M
Beginning assets	70,821	60,898	66,757	16.3	6.1
Ending assets	\$ 74,600	\$ 70,821	\$ 66,392	5.3 %	12.4 %
Consolidated Assets under management					
Assets under management excluding sub-advisory to Wealth Management					
Mutual funds	\$ 63,599	\$ 60,132	\$ 59,275	5.8 %	7.3 %
ETFs	3,330	3,132	2,159	6.3	54.2
Investment funds ⁽³⁾	66,929	63,264	61,434	5.8	8.9
Sub-advisory, institutional and other accounts	7,671	7,557	4,958	1.5	54.7
	\$ 74,600	\$ 70,821	\$ 66,392	5.3	12.4
Sub-advisory to Wealth Management	72,660	70,135	72,565	3.6	0.1
Consolidated assets under management	147,260	140,956	138,957	4.5 %	6.0
Average total assets⁽⁵⁾					
Excluding sub-advisory to Wealth Management	\$ 73,698	\$ 67,304	\$ 66,333	9.5 %	11.1 %
Consolidated	145,750	135,618	139,219	7.5	4.7
NINE MONTHS ENDED					
(\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE		
Net sales (redemptions)					
Mutual funds ⁽¹⁾	\$ 1,580	\$ 494		N/M %	
ETF net creations ⁽²⁾	860	505		70.3	
Investment funds ⁽³⁾	2,440	999		144.2	
Sub-advisory, institutional and other accounts ⁽⁴⁾	2,137	(1,419)		N/M	
Total net sales (redemptions)	4,577	(420)		N/M	
Investment returns	1,766	6,008		(70.6)	
Net change in assets	6,343	5,588		13.5	
Beginning assets	68,257	60,804		12.3	
Ending assets	\$ 74,600	\$ 66,392		12.4 %	
Average total assets⁽⁵⁾					
Excluding sub-advisory to Wealth Management	\$ 69,380	\$ 65,360		6.2 %	
Consolidated	139,970	138,242		1.2	

(1) Mutual funds – During 2020, institutional clients, which include Mackenzie mutual funds within their investment offerings, made fund allocation changes:

- First quarter – Resulted in sales of \$373 million, redemptions of \$192 million and net sales of \$181 million.
- Second quarter – Resulted in sales and net sales of \$109 million.
- Third quarter – resulted in sales and net sales of \$290 million.
- Year to date – Resulted in sales of \$772 million, redemptions of \$192 million and net sales of \$580 million.

(2) ETFs – During the second and third quarters of 2020, Wealthsimple made allocation changes which resulted in \$370 million of purchases in Mackenzie ETFs and \$325 million of redemptions from Mackenzie's ETFs respectively.

(3) Investment Fund assets under management and net sales exclude investments into Mackenzie mutual funds and ETFs by IGM investment funds.

(4) Sub-advisory, institutional and other accounts – During the second quarter of 2020, Mackenzie onboarded \$2.6 billion of sub-advisory and institutional wins from various clients. During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling \$1.2 billion on mandates advised by Mackenzie.

(5) Based on daily average investment fund assets and month-end average sub-advisory, institutional and other assets.

\$2.2 billion at September 30, 2019. ETF assets inclusive of IGM investment funds were \$7.5 billion at September 30, 2020 compared to \$4.1 billion at September 30, 2019.

In the three months ended September 30, 2020, Mackenzie's mutual fund gross sales were \$2.9 billion, an increase of 28.9% from \$2.3 billion in 2019. Mutual fund redemptions in the current quarter were \$2.1 billion, a decrease of 2.8% from last year. Mutual fund net sales for the three months ended September 30, 2020 were \$849 million, as compared to net sales of \$139 million last year. In the three months ended September 30, 2020, ETF net creations were \$97 million compared to \$315 million last year. Investment fund net sales in the current quarter were \$946 million compared to net sales of \$454 million last year. During the current quarter, investment returns resulted in investment fund assets increasing by \$2.7 billion compared to an increase of \$251 million last year.

During the third quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross and net sales of \$290 million. Excluding these transactions in 2020, mutual fund gross sales increased 16.0% in the three months ended September 30, 2020 compared to last year and mutual fund net sales of \$559 million in 2020 compared to mutual fund net sales of \$139 million last year.

During the third quarter of 2020, Wealthsimple made allocation changes which resulted in \$325 million of redemptions from Mackenzie ETFs. Excluding this transaction in 2020, ETF net creations were \$422 million for the three months ended September 2020, compared to \$315 million last year.

Total net sales excluding sub-advisory to the Wealth Management segment for the three months ended September 30, 2020 were \$627 million compared to net redemptions of \$678 million last year. During the current quarter, investment returns resulted in assets increasing by \$3.2 billion compared to an increase of \$313 million last year.

In the nine months ended September 30, 2020, Mackenzie's mutual fund gross sales were \$9.1 billion, an increase of 24.2% from \$7.3 billion in the comparative period last year. Mutual fund redemptions in the current period were \$7.5 billion, an increase of 10.0% from last year. Mutual fund net sales for the nine months ended September 30, 2020 were \$1.6 billion, as compared to net sales of \$494 million last year. In the nine months ended September 30, 2020, ETF net creations were \$860 million compared to ETF net creations of \$505 million last year. Investment fund net sales in the current period were \$2.4 billion, compared to \$1.0 billion last year. During the current period, investment returns resulted in investment fund assets increasing by \$1.3 billion as compared to an increase of \$5.4 billion last year.

During the nine months ended September 30, 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross sales of \$772 million, redemptions of \$192 million and net sales of \$580 million. Excluding these transactions in 2020, mutual fund gross sales increased 13.6% and mutual fund redemptions increased 7.2% in the nine months ended September 30, 2020 compared to last year and mutual fund net sales were \$1.0 billion in the current year compared to \$494 million last year.

Redemptions of long-term mutual funds in the three and nine months ended September 30, 2020, were \$1.9 billion and \$7.2 billion, respectively, as compared to \$2.0 billion and \$6.5 billion last year. Redemptions of long-term mutual funds excluding mutual fund allocation changes made by third party programs were \$7.0 billion in the nine months ended September 30, 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds was 12.6% in the third quarter of 2020, compared to 13.7% in the third quarter of 2019. Mackenzie's twelve-month trailing redemption rate for long-term mutual funds was 16.2% at September 30, 2020, as compared to 15.7% last year. Mackenzie's twelve month trailing redemption rate for long-term funds, excluding rebalance transactions, was 15.5% at September 30, 2020, compared to 15.2% at September 30, 2019. The corresponding average twelve-month trailing redemption rate for long-term mutual funds for all other members of IFIC was approximately 15.4% at September 30, 2020. Mackenzie and the mutual fund industry saw increased redemptions in the month March 2020 as a result of COVID-19 and these redemption rates have stabilized and declined during the second and third quarters. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load assets with redemption fees, and deferred sales charge assets without redemption fees (matured assets). Generally, redemption rates for front-end load assets and matured assets are higher than the redemption rates for deferred sales charge and low load assets with redemption fees.

During 2020, Wealthsimple made allocation changes which resulted in net sales of \$45 million into Mackenzie ETFs. Excluding these transactions in 2020, ETF net creations were \$815 million for the nine months ended September 2020, compared to \$505 million last year.

Total net sales excluding sub-advisory to the Wealth Management segment for the nine months ended September 30, 2020 were \$4.6 billion, as compared to net redemptions of \$420 million last year. During the nine months ended September 30, 2020, investment returns resulted in assets increasing by \$1.8 billion compared to an increase of \$6.0 billion last year.

During the second quarter of 2020, Mackenzie onboarded \$2.6 billion of sub-advisory and institutional wins from various clients. These wins were spread across a diverse range of investment strategies, including Global Equity, U.S. Equity, Fixed Income and Currency Overlay strategies. Excluding this transaction and the mutual fund and ETF allocation changes made by third party programs noted above, total net sales were \$1.4 billion in the nine months ended September 2020.

During the third quarter of 2019, MD Management reassigned sub-advisory responsibilities totalling \$1.2 billion on mandates advised up on by Mackenzie. Excluding this transaction, total net sales were \$0.8 billion in the nine months ended September 30, 2019.

As at September 30, 2020, Mackenzie's sub-advisory to the Wealth Management segment were \$72.7 billion or 74.1% of total Wealth Management assets under management compared to \$72.6 billion or 75.5% of total Wealth Management assets under management at September 30, 2019.

CHANGE IN ASSETS UNDER MANAGEMENT – Q3 2020 VS. Q2 2020

Mackenzie's total assets under management at September 30, 2020, were \$147.3 billion, an increase of 4.5% from \$141.0 billion at June 30, 2020. Assets under management excluding sub-advisory to the Wealth Management segment were \$74.6 billion, an increase of 5.3% from \$70.8 billion at June 30, 2020.

Mackenzie's investment fund assets under management were \$66.9 billion at September 30, 2020, an increase of 5.8% from \$63.3 billion at June 30, 2020. Mackenzie's mutual fund assets under management were \$63.6 billion at September 30, 2020, an increase of 5.8% from \$60.1 billion at June 30, 2020. Mackenzie's ETF assets were \$3.3 billion at September 30, 2020 compared to \$3.1 billion at June 30, 2020. ETF assets inclusive of IGM investment funds were \$7.5 billion at September 30, 2020 compared to \$6.6 billion at June 30, 2020.

For the quarter ended September 30, 2020, Mackenzie mutual fund gross sales were \$2.9 billion, an increase of 15.9% from the second quarter of 2020. Mutual fund redemptions, which totalled \$2.1 billion were consistent with the previous quarter. Net sales of Mackenzie mutual funds for the current quarter were \$849 million compared with net sales of \$376 million in the previous quarter.

During the current quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross and net sales of \$290 million. During the second quarter of 2020, certain third party programs, which include Mackenzie mutual funds, made fund allocation changes resulting in gross and net sales of \$109 million. Excluding these

mutual fund allocation changes made by third party programs during the second and third quarters of 2020, mutual fund gross sales increased 9.1% and mutual fund net sales of \$559 million in the current quarter compared to net sales of \$267 million in the previous quarter.

Redemptions of long-term mutual fund assets in the current quarter were \$1.9 billion, compared to \$2.0 billion in the second quarter of 2020. Mackenzie's annualized quarterly redemption rate for long-term mutual funds for the current quarter was 12.6%, a decline from 14.1% in the second quarter. Net sales of long-term funds for the current quarter were \$784 million compared to net sales of \$303 million in the previous quarter.

For the quarter ended September 30, 2020, Mackenzie ETF net creations were \$97 million, compared to \$681 million in the second quarter. Excluding the Wealthsimple allocation changes during the second and third quarters of 2020 previously discussed, ETF net creations were \$422 in the current quarter compared to \$311 million in the second quarter.

Investment fund net sales in the current quarter were \$946 million compared to net sales of \$1.1 billion in the second quarter. Excluding the mutual fund and ETF allocation changes made by third party programs, investment fund net sales of \$981 million in the current quarter compared to net sales of \$578 million in the prior quarter.

As at September 30, 2020, Mackenzie's sub-advisory to the Wealth Management segment were \$72.7 billion or 74.1% of total Wealth Management assets under management compared to \$70.1 billion or 74.2% of total Wealth Management assets under management at June 2020.

INVESTMENT MANAGEMENT

Mackenzie has \$147.3 billion in assets under management at September 30, 2020, including \$72.7 billion of sub-advisory mandates to the Wealth Management segment. Our investment team consists of fourteen boutiques located in Toronto, Montreal, Winnipeg, Boston, Dublin and Hong Kong. Upon closing of the acquisition of GLC during the fourth quarter of 2020, Mackenzie's investment capabilities will be enhanced with the addition of a new Canadian Equity boutique. The investment in Northleaf will also enhance our investment capabilities by offering global private equity, private credit and infrastructure investment solutions to our clients.

We continue to deliver our investment offerings through a boutique structure, with separate in-house investment teams which each have a distinct focus and investment approach. This boutique approach promotes diversification of styles and ideas and provides Mackenzie with a breadth of capabilities.

Oversight is conducted through a common process intended to promote superior risk-adjusted returns over time. This oversight process focuses on i) identifying and encouraging each team's performance edge, ii) promoting best practices in portfolio construction, and iii) emphasizing risk management.

In addition to our own investment teams, Mackenzie supplements investment capabilities through the use of third party sub-advisors and strategic beta index providers in selected areas. These include Putnam Investments Inc., TOBAM, China AMC, Impax Asset Management LLC, Rockefeller Capital Management and Greenchip Financial.

Long-term investment performance is a key measure of Mackenzie's ongoing success. At September 30, 2020, 78.2% of Mackenzie mutual fund assets were rated in the top two performance quartiles for the one year time frame, 69.9% for the three year time frame and 64.3% for the five year time frame. Mackenzie also monitors its fund performance relative to the ratings it receives on its mutual funds from the Morningstar[†] fund ranking service. At September 30, 2020, 90.8% of Mackenzie mutual fund assets measured by Morningstar[†] had a rating of three stars or better and 61.2% had a rating of four or five stars. This compared to the Morningstar[†] universe of 83.4% for three stars or better and 49.6% for four and five star funds at September 30, 2020. These ratings exclude the Quadrus Group of Funds[†].

PRODUCTS

Mackenzie continues to evolve its product shelf by providing enhanced investment solutions for financial advisors to offer their clients. During the third quarter, Mackenzie launched a number of new products.

EXCHANGE TRADED FUNDS

The addition of Exchange Traded Funds (ETF) has complemented Mackenzie's broad and innovative fund line-up and reflects its investor-focused vision to provide advisors and investors with new solutions to drive investor outcomes and achieve their personal goals. These ETFs offer investors another investment option when building long-term diversified portfolios.

Mackenzie's current line-up consists of 41 ETFs: 21 active and strategic beta ETFs and 20 traditional index ETFs. ETF assets under management ended the quarter at \$7.5 billion, inclusive of \$4.1 billion in investments from IGM mutual funds. This ranks Mackenzie in sixth place in the Canadian ETF industry for assets under management.

On September 24, 2020, Mackenzie launched nine new ETFs and two USD series. These ETFs fill meaningful gaps in the product line-up as well as provide unique exposures in the Canadian market. With Mackenzie's continued focus on multi-channel distribution, many of these ETFs cater to multi-channel opportunities.

- Mackenzie U.S. Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed ex-North America Aggregate Bond Index ETF (CAD-Hedged)
- Mackenzie Developed Markets Real Estate Index ETF
- Mackenzie Global Fixed Income Allocation ETF
- Mackenzie Balanced Allocation ETF
- Mackenzie Conservative Allocation ETF
- Mackenzie Growth Allocation ETF
- Mackenzie Global Infrastructure Index ETF
- Mackenzie Global Sustainable Dividend Index ETF (CAD units and USD units)
- Mackenzie US Large Cap Equity ETF (USD units)

MUTUAL FUNDS

Mackenzie manages its product shelf through new fund launches and fund mergers to streamline fund offerings for advisors and investors.

On September 28, 2020, Mackenzie announced that the Mackenzie US Small-Mid Cap Growth Class and the Mackenzie US Small-Mid Cap Growth Currency Neutral Class will be soft capped as of October 29, 2020 due to capacity constraints. These funds have delivered strong investment performance versus their benchmark and peers, which has led to sustained asset growth in recent years. Closing the funds to new investors will help to ensure that the integrity of the portfolio managers' investment process is protected, and the fund continues to meet its objectives.

New investors will be able to access US mid caps through the Mackenzie US Mid Cap Opportunities Fund launched during the second quarter of 2020, and the US Mid Cap Opportunities Currency Neutral Fund launched early in the fourth quarter of 2020. The funds are managed by the same Mackenzie Growth Team with a focus on high-quality innovative US mid cap companies.

Early in the fourth quarter, the Mackenzie Growth Fund merged into the Mackenzie Canadian Growth Fund to streamline the product shelf for investors and advisors.

REVIEW OF SEGMENT OPERATING RESULTS

The Asset Management segment includes revenue earned on advisory mandates to the Wealth Management segment and investments into Mackenzie mutual fund and ETFs by the Wealth Management segment.

The Asset Management segment earnings before interest and taxes are presented in Table 19.

2020 VS. 2019

REVENUES

Asset management fees are classified as either Asset management fees – third party or Asset management fees – Wealth Management.

- Net asset management fees – third party is comprised of the following:
 - Asset management fees – third party consists of management and administration fees earned from our investment funds and management fees from our third party sub-advisory, institutional and other accounts. The largest component is management fees from our investment funds. The amount of management fees depends on the level and composition of assets under management. Management fee rates vary depending on the investment objective and the account type of the underlying assets under management. For example, equity-based mandates have higher management fee rates than fixed income mandates and retail mutual fund accounts have higher management fee rates than sub-advised and institutional accounts. The majority of Mackenzie's mutual fund assets are retail and sold through third party financial advisors.
 - Redemption fees – consists of fees earned from the redemptions of mutual fund assets sold on a deferred sales charge purchase option and on a low load purchase option. Redemption fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Redemption fees for low load assets range from 2.0% to 3.0% in the first year and decrease to zero after two or three years, depending on the purchase option.
 - Dealer compensation expenses – consists of asset-based and sales-based compensation. Asset-based compensation represents trailing commissions paid to dealers on certain classes of retail mutual funds and are calculated as a percentage of mutual fund assets under management. These fees vary depending on the fund type and the purchase option upon which the fund was sold: front-end, deferred sales charge or low load. Sales based compensation are paid to dealers on the sale of mutual funds under the deferred sales charge purchase option and on a low load purchase option.

- Asset management fees – Wealth Management consists of sub-advisory fees earned from the Wealth Management segment.

Net asset management fees – third party were \$131.8 million for the three months ended September 30, 2020, an increase of \$3.6 million or 2.8% from \$128.2 million last year. The increase in net asset management fees – third party was primarily due to an 11.1% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.0 basis points for the three months ended September 30, 2020 compared to 76.7 basis points in the comparative period in 2019. The decline in the net asset management fee rate in the current quarter was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. Contributing to the increase in non-retail assets was the onboarding of \$2.6 billion of sub-advisory and institutional wins during the second quarter of 2020.

Net asset management fees – third party were \$375.7 million for the nine months ended September 30, 2020, an increase of \$5.8 million or 1.6% from \$369.9 million last year. The increase in net asset management fees – third party was primarily due to a 6.2% increase in average assets under management partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 72.2 basis points for the nine months ended September 30, 2020 compared to 75.8 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products.

Management fees – Wealth Management were \$25.8 million for the three months ended September 30, 2020, a decline of \$0.5 million or 1.9% from \$26.3 million last year. The decline in management fees was due to a 1.1% decline in average assets under management coupled with a decline in the effective management fee rate. Mackenzie's management fee rate was 14.2 basis points for the three months ended September 30, 2020 compared to 14.4 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

Management fees – Wealth Management were \$74.8 million for the nine months ended September 30, 2020, a decline of \$3.2 million or 4.1% from \$78.0 million last year. The decline in management fees was due to a 3.1% decline in average assets under management coupled with a decline in the effective management fee rate. Mackenzie's management fee rate was

TABLE 19: OPERATING RESULTS – ASSET MANAGEMENT

THREE MONTHS ENDED (\$ millions)	2020 SEP. 30	2020 JUN. 30	2019 SEP. 30	% CHANGE	
Revenues					
Asset management					
Asset management fees – third party	\$ 206.4	\$ 189.8	\$ 199.8	8.7 %	3.3 %
Redemption fees	0.9	0.9	1.4	–	(35.7)
	207.3	190.7	201.2	8.7	3.0
Dealer compensation expenses					
Asset-based compensation	(70.6)	(65.8)	(67.6)	7.3	4.4
Sales-based compensation	(4.9)	(4.1)	(5.4)	19.5	(9.3)
	(75.5)	(69.9)	(73.0)	8.0	3.4
Net asset management fees – third party	131.8	120.8	128.2	9.1	2.8
Asset management fees – Wealth Management	25.8	23.8	26.3	8.4	(1.9)
Net asset management	157.6	144.6	154.5	9.0	2.0
Net investment income and other	1.1	3.0	(1.3)	(63.3)	N/M
	158.7	147.6	153.2	7.5	3.6
Expenses					
Advisory and business development	16.0	16.0	17.5	–	(8.6)
Operations and support	69.7	74.7	72.7	(6.7)	(4.1)
Sub-advisory	2.5	2.2	2.6	13.6	(3.8)
	88.2	92.9	92.8	(5.1)	(5.0)
Earnings before interest and taxes	\$ 70.5	\$ 54.7	\$ 60.4	28.9 %	16.7 %
NINE MONTHS ENDED (\$ millions)	2020 SEP. 30	2019 SEP. 30	% CHANGE		
Revenues					
Asset management					
Asset management fees – third party			\$ 593.3	\$ 584.6	1.5 %
Redemption fees			3.3	4.3	(23.3)
			596.6	588.9	1.3
Dealer compensation expenses					
Asset-based compensation			(204.2)	(199.8)	2.2
Sales-based compensation			(16.7)	(19.2)	(13.0)
			(220.9)	(219.0)	0.9
Net asset management fees – third party			375.7	369.9	1.6
Asset management fees – Wealth Management			74.8	78.0	(4.1)
Net asset management			450.5	447.9	0.6
Net investment income and other			1.9	4.5	(57.8)
			452.4	452.4	–
Expenses					
Advisory and business development			51.9	57.4	(9.6)
Operations and support			219.1	217.5	0.7
Sub-advisory			7.2	8.1	(11.1)
			278.2	283.0	(1.7)
Earnings before interest and taxes			\$ 174.2	\$ 169.4	2.8 %

14.1 basis points for the nine months ended September 30, 2020 compared to 14.3 basis points in the comparative period in 2019. The decrease in the management fee rate was due to a change in the composition of assets under management.

Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds. These investments are generally made in the process of launching a fund and are sold as third party investors subscribe. Net investment income and other was \$1.1 million for the three months ended September 30, 2020, compared to \$(1.3) million last year and was \$1.9 million for the nine months ended September 30, 2020, compared to \$4.5 million last year.

EXPENSES

Mackenzie incurs advisory and business development expenses that primarily includes wholesale distribution activities and these costs vary directly with assets or sales levels. Advisory and business development expenses were \$16.0 million for the three months ended September 30, 2020, a decrease of \$1.5 million or 8.6% from \$17.5 million in 2019. Expenses for the nine months ended September 30, 2020 were \$51.9 million, a decrease of \$5.5 million or 9.6% from \$57.4 million last year.

Operations and support includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses. Operations and support expenses were \$69.7 million for the three months ended September 30, 2020, a decrease of \$3.0 million or 4.1% from \$72.7 million in 2019. Expenses for the nine months ended September 30, 2020 were \$219.1 million, an increase of \$1.6 million or 0.7% from \$217.5 million last year.

Sub-advisory expenses were \$2.5 million for the three months ended September 30, 2020, a decrease of \$0.1 million or 3.8% from \$2.6 million in 2019. Expenses for the nine months ended September 30, 2020 were \$7.2 million, a decrease of \$0.9 million or 11.1% from \$8.1 million last year.

Q3 2020 VS. Q2 2020

REVENUES

Net asset management fees – third party were \$131.8 million for the current quarter, an increase of \$11.0 million or 9.1% from \$120.8 million in the second quarter. The increase in net asset management fees – third party was primarily due to a 9.5% increase in average assets under management coupled with an additional \$1.4 million of net asset management fees received during the quarter as a result of one additional calendar day in the current quarter compared to the second quarter. These increases were slightly offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.0 basis points for the current quarter compared to 72.0 basis points in the second quarter.

Management fees – Wealth Management were \$25.8 million in the current quarter, an increase of \$2.0 million or 8.4% when compared to \$23.8 million in the second quarter. The increase in management fees in the current quarter was due to a 5.5% increase in average assets under management, an additional \$0.3 million of management fees received during the quarter as a result of one additional calendar day in the current quarter when compared to the second quarter and an increase in the effective management fee rate. The management fee rate was 14.2 basis points in the current quarter compared to 14.0 basis points in the second quarter.

Net investment income and other was \$1.1 million for the current quarter, a decrease of \$1.9 million from the second quarter.

EXPENSES

Advisory and business development expenses were \$16.0 million for the current quarter, consistent with the second quarter.

Operations and support expenses were \$69.7 million for the current quarter, a decrease of \$5.0 million or 6.7% from \$74.7 million compared to the second quarter due to the reduction of certain costs related to COVID-19 as communicated in the first quarter of 2020.

Sub-advisory expenses were \$2.5 million for the current quarter, an increase of \$0.3 million from the second quarter primarily attributed to an increase in average sub-advised assets during the third quarter.

STRATEGIC INVESTMENTS AND OTHER

REVIEW OF SEGMENT OPERATING RESULTS

The Strategic Investments and Other segment includes investments in Great-West Lifeco Inc. (Lifeco), China Asset Management Co., Ltd. (China AMC), Northleaf Capital Partners Ltd. (Northleaf), Wealthsimple Financial Corp., Portag3 Ventures LPs, and unallocated capital.

Earnings from the Strategic Investments and Other segment include the Company's proportionate share of earnings of its associates, Lifeco, and China AMC as well as net investment income on unallocated capital.

In the third quarter of 2020, the Company sold its 24.8% equity interest in Personal Capital as discussed in the Consolidated Financial Position section of this MD&A. The gain on sale is excluded from segment results.

Assets held by the Strategic Investments and Other segment are included in Table 20.

Unallocated capital represents capital not allocated to any of the operating companies and which would be available for investment, debt repayment, distribution to shareholders or other corporate purposes. This capital is invested in highly liquid, high quality financial instruments in accordance with the Company's Investment Policy.

Strategic investments and other segment earnings before interest and taxes are presented in Table 21.

2020 VS. 2019

The proportionate share of associates' earnings increased by \$14.6 million in the third quarter of 2020 compared to the third quarter of 2019 and increased by \$17.1 million in the nine months ended September 30, 2020, compared to 2019. These earnings reflect equity earnings from Lifeco, China AMC and, until the third quarter of 2020, Personal Capital, as discussed in the Consolidated Financial Position section of this MD&A. The increase in the third quarter resulted from increases in the proportionate share of Lifeco's earnings of \$7.5 million and China AMC's earnings of \$2.8 million and an increase in Personal Capital reflecting the sale of the Company's investment in the second quarter of 2020. The increase in the nine months ended September 30, 2020 resulted from the increases in the proportionate share of Lifeco's earnings of \$2.6 million, China AMC's earnings of \$6.8 million and Personal Capital's earnings of \$7.7 million. Net investment income and other decreased to \$0.6 million in the third quarter of 2020 compared to \$1.5 million in 2019. For the nine month period, net investment income and other increased to \$4.9 million compared to \$4.7 million in 2019.

Q3 2020 VS. Q2 2020

The proportionate share of associates' earnings was \$43.5 million in the third quarter of 2020, an increase of \$0.2 million from the second quarter of 2020. Net investment income and other was \$0.6 million in the third quarter of 2020, compared to \$2.8 million in the second quarter.

TABLE 20: TOTAL ASSETS – STRATEGIC INVESTMENTS AND OTHER

(\$ millions)	2020 SEPTEMBER 30	2019 DECEMBER 31
Investments in associates		
Lifeco	\$ 942.8	\$ 896.7
China AMC	713.0	662.7
Personal Capital	–	194.5
	1,655.8	1,753.9
FVTOCI investments		
Wealthsimple (direct investment only)	511.6	236.2
Portag3 and other investments	86.5	64.9
	598.1	301.1
Unallocated capital and other	582.9	321.0
Total assets	\$ 2,836.8	\$ 2,376.0
Lifeco fair value	\$ 970.8	\$ 1,242.0

TABLE 21: OPERATING RESULTS – STRATEGIC INVESTMENTS AND OTHER

THREE MONTHS ENDED (\$ millions)	2020	2020	2019	% CHANGE	
	SEP. 30	JUN. 30	SEP. 30	2020 JUN. 30	2019 SEP. 30
Revenues					
Net investment income and other	\$ 0.6	\$ 2.8	\$ 1.5	(78.6) %	(60.0) %
Proportionate share of associates' earnings					
Investment in Lifeco	33.0	34.5	25.5	(4.3)	29.4
Investment in China AMC	10.5	10.3	7.7	1.9	36.4
Investment in Personal Capital	–	(1.5)	(4.3)	100.0	100.0
	43.5	43.3	28.9	0.5	50.5
	44.1	46.1	30.4	(4.3)	45.1
Expenses					
Operations and support	1.2	1.1	0.5	9.1	140.0
Earnings before interest and taxes	\$ 42.9	\$ 45.0	\$ 29.9	(4.7) %	43.5 %
NINE MONTHS ENDED (\$ millions)	2020		2019	% CHANGE	
	SEP. 30		SEP. 30		
Revenues					
Net investment income and other			\$ 4.9	\$ 4.7	4.3 %
Proportionate share of associates' earnings					
Investment in Lifeco			81.8	79.2	3.3
Investment in China AMC			29.7	22.9	29.7
Investment in Personal Capital			(4.6)	(12.3)	62.6
			106.9	89.8	19.0
			111.8	94.5	18.3
Expenses					
Operations and support			3.2	1.6	100.0
Earnings before interest and taxes			\$ 108.6	\$ 92.9	16.9 %

IGM FINANCIAL INC.

CONSOLIDATED FINANCIAL POSITION

IGM Financial's total assets were \$15.9 billion at September 30, 2020, compared to \$15.4 billion at December 31, 2019.

OTHER INVESTMENTS

The composition of the Company's securities holdings is detailed in Table 22.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Gains and losses on FVTOCI investments are recorded in Other comprehensive income.

Corporate Investments

Corporate investments is primarily comprised of the Company's investments in Wealthsimple Financial Corp., and Portag3 Ventures LP and Portag3 Ventures II LP.

Portag3 Ventures LP and Portag3 Ventures II LP (Portag3) are early-stage investment funds dedicated to backing innovating financial services companies and are controlled by Power Financial Corporation, a subsidiary of Power Corporation of Canada. As at September 30, 2020, the Company had invested a total of \$51.0 million in Portag3.

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. As at September 30, 2020, the Company had invested a total of \$186.9 million in Wealthsimple through a limited partnership controlled by Power Financial Corporation. The investment is classified at Fair value through other comprehensive income.

On October 14, 2020, Wealthsimple announced a \$114 million equity fundraising led by TCV, one of the largest growth equity investors focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. Pro forma for the investment, the new investors will have an ownership stake of 7.4%. The purchase price associated with

this fundraising values the common equity of Wealthsimple at \$1.5 billion (\$1.4 billion pre-money valuation).

IGM Financial Inc. is the largest shareholder in Wealthsimple and holds, directly and indirectly, a 41% interest and, subsequent to this fundraising, will hold a 36% interest. At June 30, 2020, its fair value was \$252 million. As a result of this valuation, the fair value of the Company's investment has increased by \$298 million to \$550 million at September 30, 2020.

The total fair value of Corporate investments of \$598.1 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Securities classified as FVTPL include equity securities and proprietary investment funds. Gains and losses are recorded in Net investment income and other in the Consolidated Statements of Earnings.

Certain proprietary investment funds are consolidated where the Company has made the assessment that it controls the investment fund. The underlying securities of these funds are classified as FVTPL.

LOANS

The composition of the Company's loans is detailed in Table 23.

Loans consisted of residential mortgages and represented 42.5% of total assets at September 30, 2020, compared to 46.8% at December 31, 2019.

Loans measured at amortized cost are primarily comprised of residential mortgages sold to securitization programs sponsored by third parties that in turn issue securities to investors. An offsetting liability, Obligations to securitization entities, has been recorded and totalled \$6.5 billion at September 30, 2020, compared to \$6.9 billion at December 31, 2019.

TABLE 22: OTHER INVESTMENTS

(\$ millions)	SEPTEMBER 30, 2020		DECEMBER 31, 2019	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income				
Corporate investments	\$ 249.4	\$ 598.1	\$ 245.0	\$ 301.2
Fair value through profit or loss				
Equity securities	1.6	1.5	1.6	1.8
Proprietary investment funds	46.6	48.8	51.3	54.4
	48.2	50.3	52.9	56.2
	\$ 297.6	\$ 648.4	\$ 297.9	\$ 357.4

TABLE 23: LOANS

(\$ millions)	2020 SEPTEMBER 30	2019 DECEMBER 31
Amortized cost	\$ 6,670.9	\$ 7,198.7
Less: Allowance for expected credit losses	0.8	0.7
	6,670.1	7,198.0
Fair value through profit or loss	73.5	–
	\$ 6,743.6	\$ 7,198.0

The Company holds loans pending sale or securitization. Loans measured at fair value through profit or loss are residential mortgages held temporarily by the Company pending sale. Loans held for securitization are carried at amortized cost. Total loans being held pending sale or securitization are \$383.9 million at September 30, 2020, compared to \$344.5 million at December 31, 2019.

Residential mortgages originated by IG Wealth Management are funded primarily through sales to third parties on a fully serviced basis, including Canada Mortgage and Housing Corporation (CMHC) or Canadian bank sponsored securitization programs. At September 30, 2020, IG Wealth Management serviced \$11.4 billion of residential mortgages, including \$2.5 billion originated by subsidiaries of Lifeco.

SECURITIZATION ARRANGEMENTS

Through the Company's mortgage banking operations, residential mortgages originated by IG Wealth Management mortgage planning specialists are sold to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company securitizes residential mortgages through the CMHC sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) and the Canada Mortgage Bond Program (CMB Program) and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. The Company retains servicing responsibilities and certain elements of credit risk and prepayment risk associated with the transferred assets. The Company's credit risk on its securitized mortgages is partially mitigated through the use of insurance. Derecognition of financial assets in accordance with IFRS is based on the transfer of risks and rewards of ownership. As the Company has retained prepayment risk and certain elements of credit risk associated with the Company's securitization transactions through the CMB and ABCP programs, they are accounted for as secured borrowings. The Company records the transactions under these programs as follows: i) the mortgages and related obligations are carried at amortized cost, with interest income and interest expense, utilizing the effective interest rate method, recorded

over the term of the mortgages, ii) the component of swaps entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal, are recorded at fair value, and iii) cash reserves held under the ABCP program are carried at amortized cost.

In the third quarter of 2020, the Company securitized loans through its mortgage banking operations with cash proceeds of \$593.4 million compared to \$462.5 million in 2019. Additional information related to the Company's securitization activities, including the Company's hedges of related reinvestment and interest rate risk, can be found in the Financial Risk section of this MD&A and in Note 6 to the Interim Financial Statements.

INVESTMENT IN ASSOCIATES

Great-West Lifeco Inc. (Lifeco)

At September 30, 2020, the Company held a 4% equity interest in Lifeco. IGM Financial and Lifeco are controlled by Power Corporation of Canada.

The equity method is used to account for IGM Financial's investment in Lifeco, as it exercises significant influence. Changes in the carrying value for the three and nine months ended September 30, 2020 compared with 2019 are shown in Table 24.

In April 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.

In June 2019, Lifeco recorded a one-time loss in relation to the sale of substantially all of its United States individual life insurance and annuity business. The Company's after-tax proportionate share of this loss was \$8.0 million.

China Asset Management Co., Ltd. (China AMC)

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained a position among the market leaders in China's asset management industry.

TABLE 24: INVESTMENT IN ASSOCIATES

(\$ millions)	SEPTEMBER 30, 2020				SEPTEMBER 30, 2019			
	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
THREE MONTHS ENDED								
Carrying value, July 1	\$ 958.1	\$ 689.2	\$ –	\$ 1,647.3	\$ 910.1	\$ 662.3	\$ 204.9	\$ 1,777.3
Dividends	(16.4)	–	–	(16.4)	(15.4)	–	–	(15.4)
Proportionate share of:								
Earnings (losses) ⁽¹⁾	33.0	10.5	–	43.5	25.5	7.7	(4.3)	28.9
Other comprehensive income (loss) and other adjustments	(31.9)	13.3	–	(18.6)	(21.5)	(18.8)	2.2	(38.1)
Carrying value, September 30	\$ 942.8	\$ 713.0	\$ –	\$ 1,655.8	\$ 898.7	\$ 651.2	\$ 202.8	\$ 1,752.7
NINE MONTHS ENDED								
Carrying value, January 1	\$ 896.7	\$ 662.7	\$ 194.5	\$ 1,753.9	\$ 967.8	\$ 683.5	\$ –	\$ 1,651.3
Transfer from corporate investments (FVTOCI)	–	–	–	–	–	–	217.0	217.0
Proceeds from substantial issuer bid	–	–	–	–	(80.4)	–	–	(80.4)
Dividends	(49.1)	(13.7)	–	(62.8)	(47.2)	(10.3)	–	(57.5)
Proportionate share of:								
Earnings (losses) ⁽¹⁾	81.8	29.7	(4.6)	106.9	79.2	22.9	(12.3)	89.8
Associate's one-time charges ⁽¹⁾	–	–	–	–	(8.0)	–	–	(8.0)
Other comprehensive income (loss) and other adjustments	13.4	34.3	8.8	56.5	(12.7)	(44.9)	(1.9)	(59.5)
Disposition	–	–	(198.7)	(198.7)	–	–	–	–
Carrying value, September 30	\$ 942.8	\$ 713.0	\$ –	\$ 1,655.8	\$ 898.7	\$ 651.2	\$ 202.8	\$ 1,752.7

(1) The proportionate share of earnings from the Company's investment in associates is recorded in the Strategic Investment and Other segment.

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥ 1,247.8 billion (\$239.7 billion) at June 30, 2020, representing an increase of 20.9% (CAD\$ increase of 24.6%) from RMB¥ 1,032.1 billion (\$192.4 billion) at December 31, 2019.

The equity method is used to account for the Company's 13.9% equity interest in China AMC, as it exercises significant influence. Changes in the carrying value for the three and nine months ended September 30, 2020 are shown in Table 24. The change in other comprehensive income of \$13.3 million in the three month period ended September 30, 2020 was due to a 2.1% appreciation of the Chinese yuan relative to the Canadian dollar.

Personal Capital Corporation (Personal Capital)

During the quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting

gain of \$37.2 million (31.4 million net of tax) in Net investment income and other in the Interim Financial Statements.

The Company's economic gain based on the cost of its investment in Personal Capital of \$189.1 million was approximately \$43.7 million (\$37.9 million net of tax).

Northleaf Capital Partners Ltd. (Northleaf)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Great-West Lifeco Inc. Lifeco, acquired a non-controlling interest in Northleaf Capital Partners Ltd. (Northleaf) through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco 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.

The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase an additional equity and voting interest in the firm commencing in approximately five years and extending into future periods.

CONSOLIDATED LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

Cash and cash equivalents totalled \$992.4 million at September 30, 2020 compared with \$720.0 million at December 31, 2019 and \$683.2 million at September 30, 2019. Cash and cash equivalents related to the Company's deposit operations were \$2.8 million at September 30, 2020, compared to \$2.2 million at December 31, 2019 and \$2.4 million at September 30, 2019, as shown in Table 25.

Client funds on deposit represents cash balances held by clients within their investment accounts and with the offset included in deposit liabilities. The increase in the balance since December 31, 2019 is primarily due to market volatility that has caused clients to hold larger cash positions.

Working capital, which consists of current assets less current liabilities, totalled \$696.1 million at September 30, 2020 compared with \$464.3 million at December 31, 2019 and \$462.0 million at September 30, 2019 (Table 26). The increase in working capital reflects the proceeds from the sale of the Company's investment in Personal Capital.

Working capital, which includes unallocated capital, is utilized to:

- Finance ongoing operations, including the funding of sales commissions.
- Temporarily finance mortgages in its mortgage banking operations.
- Pay interest and dividends related to long-term debt and preferred shares.
- Maintain liquidity requirements for regulated entities.

- Pay quarterly dividends on its outstanding common shares.
- Finance common share repurchases and retirement of long-term debt.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization before sales commissions (EBITDA before sales commissions) totalled \$336.3 million for the third quarter of 2020 compared to \$337.1 million for the third quarter of 2019 and \$292.0 million for the second quarter of 2020. For the nine months ended September 30, 2020, EBITDA before sales commissions totalled \$900.0 million compared to \$957.5 million for the comparative period of 2019. EBITDA before sales commissions excludes the impact of both commissions paid and commission amortization (refer to Table 1).

Earnings before interest, taxes, depreciation and amortization after sales commissions (EBITDA after sales commissions) totalled \$306.3 million in the third quarter of 2020 compared to \$298.9 million in the third quarter of 2019 and \$264.5 million in the second quarter of 2020. For the nine months ended September 30, 2020, EBITDA after sales commissions totalled \$801.8 million compared to \$837.6 million for the comparative period of 2019. EBITDA after sales commissions excludes the impact of commission amortization (refer to Table 1).

Refer to the Financial Instruments Risk section of this MD&A for information related to other sources of liquidity and to the Company's exposure to and management of liquidity and funding risk.

TABLE 25: DEPOSIT OPERATIONS – FINANCIAL POSITION

(\$ millions)	2020 SEP. 30	2019 DEC. 31	2019 SEP. 30
Assets			
Cash and cash equivalents	\$ 2.8	\$ 2.2	\$ 2.4
Client funds on deposit	821.6	561.3	489.9
Accounts and other receivables	18.0	12.3	13.1
Loans	14.0	20.4	23.1
Total assets	\$ 856.4	\$ 596.2	\$ 528.5
Liabilities and shareholders' equity			
Deposit liabilities	\$ 845.7	\$ 584.3	\$ 516.8
Other liabilities	0.4	0.5	0.6
Shareholders' equity	10.3	11.4	11.1
Total liabilities and shareholders' equity	\$ 856.4	\$ 596.2	\$ 528.5

TABLE 26: WORKING CAPITAL

(\$ millions)	2020 SEP. 30	2019 DEC. 31	2019 SEP. 30
Current assets			
Cash and cash equivalents	\$ 992.4	\$ 720.0	\$ 683.2
Client funds on deposit	821.6	561.3	489.9
Accounts receivable and other assets	408.2	345.3	347.2
Current portion of mortgages and other	1,723.3	1,531.7	1,501.1
	3,945.5	3,158.3	3,021.4
Current liabilities			
Accounts and other payables	723.2	611.9	622.7
Deposits and certificates	841.8	579.0	510.2
Current portion of long-term liabilities	1,684.4	1,503.1	1,426.5
	3,249.4	2,694.0	2,559.4
Working capital	\$ 696.1	\$ 464.3	\$ 462.0

CASH FLOWS

Table 27 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which forms part of the Interim Financial Statements for the three and nine month periods ended September 30, 2020. Cash and cash equivalents increased by \$355.5 million in the third quarter of 2020 compared to an increase of \$81.9 million in 2019. For the nine months ended September 30, 2020, cash and cash equivalents increased by \$272.4 million, compared to an increase of \$33.0 million in 2019.

Adjustments to determine net cash from operating activities during the three and nine month periods of 2020 compared to 2019 consist of non-cash operating activities offset by cash operating activities:

- The add-back of amortization of capitalized sales commissions offset by the deduction of capitalized sales commissions paid.
- The add-back of amortization of capital, intangible and other assets.
- The deduction of investment in associates' equity earnings offset by dividends received.
- The add-back of pension and other post-employment benefits offset by cash contributions.
- Changes in operating assets and liabilities and other.
- The adjustment for other items in 2020, which included the add-back of restructuring provision and other and

TABLE 27: CASH FLOWS

(\$ millions)	THREE MONTHS ENDED SEPTEMBER 30			NINE MONTHS ENDED SEPTEMBER 30		
	2020	2019	% CHANGE	2020	2019	% CHANGE
Operating activities						
Earnings before income taxes	\$ 235.3	\$ 261.7	(10.1) %	\$ 675.6	\$ 717.2	(5.8) %
Income taxes paid	(70.3)	(37.7)	(86.5)	(131.9)	(180.4)	26.9
Adjustments to determine net cash from operating activities	9.9	18.7	(47.1)	(46.1)	(8.0)	N/M
	174.9	242.7	(27.9)	497.6	528.8	(5.9)
Financing activities	(210.7)	(282.4)	25.4	(847.2)	(631.7)	(34.1)
Investing activities	391.3	121.6	221.8	622.0	135.9	N/M
Change in cash and cash equivalents	355.5	81.9	N/M	272.4	33.0	N/M
Cash and cash equivalents, beginning of period	636.9	601.3	5.9	720.0	650.2	10.7
Cash and cash equivalents, end of period	\$ 992.4	\$ 683.2	45.3 %	\$ 992.4	\$ 683.2	45.3 %

the deduction of the gain on the sale of the Company's investment in Personal Capital.

- The deduction of restructuring provision cash payments.

Financing activities during the third quarter of 2020 compared to 2019 related to:

- An increase in obligations to securitization entities of \$595.4 million and repayments of obligations to securitization entities of \$664.7 million in 2020 compared to an increase in obligations to securitization entities of \$445.9 million and repayments of obligations to securitization entities of \$585.5 million in 2019.
- The payment of regular common share dividends which totalled \$134.0 million in 2020 were unchanged from 2019.

Financing activities during the nine months ended September 30, 2020 compared to 2019 related to:

- An increase in obligations to securitization entities of \$1,147.9 million and repayments of obligations to securitization entities of \$1,569.7 million in 2020 compared to an increase in obligations to securitization entities of \$1,185.7 million and repayments of obligations to securitization entities of \$1,393.0 million in 2019.
- The payment of regular common share dividends which totalled \$402.1 million in 2020 compared to \$405.0 million in 2019.

The nine month period of 2019 also included the following financing activities:

- Issuance of debentures of \$250.0 million.
- Redemption of preferred shares of \$150.0 million.
- The purchase of 2,762,788 common shares under IGM Financial's normal course issuer bid at a cost of \$100.0 million.
- Payment of perpetual preferred share dividends which totalled \$4.4 million.

Investing activities during the third quarter of 2020 compared to 2019 primarily related to:

- The purchases of other investments totalling \$0.7 million and sales of other investments with proceeds of \$6.9 million in 2020 compared to \$13.0 million and \$5.3 million, respectively, in 2019.
- An increase in loans of \$516.7 million with repayments of loans and other of \$696.4 million in 2020 compared to \$526.8 million and \$673.7 million, respectively, in 2019 primarily related to residential mortgages in the Company's mortgage banking operations.

- Net cash used in additions to intangible assets was \$13.3 million in 2020 compared to \$13.5 million in 2019.
- The sale of the Company's investment in Personal Capital in 2020 with proceeds of \$231.0 million.

Investing activities during the nine months ended September 30, 2020 compared to 2019 related to:

- The purchases of other investments totalling \$26.5 million and sales of other investments with proceeds of \$21.9 million in 2020 compared to \$110.5 million and \$61.5 million, respectively, in 2019.
- An increase in loans of \$1,333.9 million with repayments of loans and other of \$1,799.5 million in 2020 compared to \$1,277.6 million and \$1,513.4 million, respectively, in 2019 primarily related to residential mortgages in the Company's mortgage banking operations.
- Net cash used in additions to intangible assets was \$42.5 million in 2020 compared to \$50.4 million in 2019.
- The sale of the Company's investment in Personal Capital in the third quarter of 2020 with proceeds of \$231.0 million.

The nine month period of 2019 also included the following investing activities:

- An additional investment in Personal Capital of \$66.8 million in the first quarter of 2019.
- Proceeds of \$80.4 million from the sale of 2,400,255 Lifeco shares in 2019 as a result of the Company's participation in the Lifeco substantial issuer bid.

CAPITAL RESOURCES

The Company's capital management objective is to maximize shareholder returns while ensuring that the Company is capitalized in a manner which appropriately supports regulatory capital requirements, working capital needs and business expansion. The Company'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. Capital of the Company consists of long-term debt and common shareholders' equity which totalled \$7.0 billion at September 30, 2020, compared to \$6.6 billion at December 31, 2019. The Company regularly assesses its capital management practices in response to changing economic conditions.

The Company's capital is primarily utilized in its ongoing business operations to support working capital requirements, long-term investments made by the Company, business expansion and other strategic objectives. Subsidiaries subject to regulatory capital requirements include investment dealers,

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

The total outstanding long-term debt was \$2.1 billion at September 30, 2020, unchanged from December 31, 2019. Long-term debt is comprised of debentures which are senior unsecured debt obligations of the Company subject to standard covenants, including negative pledges, but which do not include any specified financial or operational covenants.

Other activities in 2020 included the declaration of common share dividends of \$402.1 million or \$1.6875 per share. Changes in common share capital are reflected in the Interim Consolidated Statements of Changes in Shareholders' Equity.

Standard & Poor's (S&P) current rating on the Company's senior unsecured debentures is "A" with a stable outlook. Dominion Bond Rating Service's (DBRS) current rating on the Company's senior unsecured debentures is "A (High)" with a stable rating trend.

Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a company and are indicators of the likelihood of payment and the capacity of a company to meet its obligations in accordance with the terms of each obligation. Descriptions of the rating categories for each of the agencies set forth below have been obtained from the respective rating agencies' websites.

These ratings are not a recommendation to buy, sell or hold the securities of the Company and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating organization.

The A rating assigned to IGM Financial's senior unsecured debentures by S&P is the sixth highest of the 22 ratings used for long-term debt. This rating indicates S&P's view that the Company's capacity to meet its financial commitment on the obligation is strong, but the obligation is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories.

The A (High) rating assigned to IGM Financial's senior unsecured debentures by DBRS is the fifth highest of the 26 ratings used for long-term debt. Under the DBRS long-term rating scale, debt securities rated A (High) are of good credit quality and the capacity for the payment of financial obligations is substantial. While this is a favourable rating, entities in the A (High) category may be vulnerable to future events, but qualifying negative factors are considered manageable.

FINANCIAL INSTRUMENTS

Table 28 presents the carrying amounts and fair values of financial assets and financial liabilities. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable

TABLE 28: FINANCIAL INSTRUMENTS

(\$ millions)	SEPTEMBER 30, 2020		DECEMBER 31, 2019	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets recorded at fair value				
Other investments				
– Fair value through other comprehensive income	\$ 598.1	\$ 598.1	\$ 301.2	\$ 301.2
– Fair value through profit or loss	50.3	50.3	56.2	56.2
Loans	73.5	73.5	–	–
Derivative financial instruments	34.6	34.6	15.2	15.2
Financial assets recorded at amortized cost				
Loans				
– Amortized cost	6,670.1	6,878.3	7,198.0	7,273.8
Financial liabilities recorded at fair value				
Derivative financial instruments	45.2	45.2	17.2	17.2
Financial liabilities recorded at amortized cost				
Deposits and certificates	845.7	846.1	584.3	584.7
Obligations to securitization entities	6,525.8	6,699.2	6,913.6	6,997.0
Long-term debt	2,100.0	2,605.1	2,100.0	2,453.6

approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

Fair value is determined using the following methods and assumptions:

- Other investments and other financial assets and liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.
- Loans classified as held for trading are valued using market interest rates for loans with similar credit risk and maturity, specifically lending rates offered to retail borrowers by financial institutions.
- Loans classified as amortized cost are valued by discounting the expected future cash flows at prevailing market yields.

- Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.
- Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.
- Long-term debt is valued using quoted prices for each debenture available in the market.
- Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

See Note 13 of the Interim Financial Statements which provides additional discussion on the determination of fair value of financial instruments.

Although there were changes to both the carrying values and fair values of financial instruments, these changes did not have a material impact on the financial condition of the Company for the nine months ended September 30, 2020.

RISK MANAGEMENT

IGM Financial is exposed to a variety of risks that are inherent in our business activities. Our ability to manage these risks is key to our ongoing success. The Company emphasizes a strong risk management culture and the implementation of an effective risk management approach. Our approach coordinates risk management across the organization and its business units and seeks to ensure prudent and measured risk-taking in order to achieve an appropriate balance between risk and return. Fundamental to our enterprise risk management program is protecting and enhancing our reputation.

RISK MANAGEMENT FRAMEWORK

The Company's risk management approach is undertaken through our comprehensive Enterprise Risk Management (ERM) Framework which is composed of five core elements: risk governance, risk appetite, risk principles, a defined risk management process, and risk management culture. The ERM Framework is established under our ERM Policy, which is approved by the Executive Risk Management Committee.

RISK GOVERNANCE

Our risk governance structure emphasizes ownership of risk management in each business unit and oversight by an executive Risk Management Committee accountable to the Risk Committee of the Board (Risk Committee) and ultimately to the Board of Directors. Additional oversight is provided by the ERM Department, compliance groups, and Internal Audit Department.

The Risk Committee provides primary oversight and carries out its risk management mandate. The Risk Committee is responsible for assisting the Board in reviewing and overseeing the risk governance structure and risk management program of the Company by: i) ensuring that appropriate procedures are in place to identify and manage risks and establish risk tolerances, ii) ensuring that appropriate policies, procedures and controls are implemented to manage risks, and iii) reviewing the risk management process on a regular basis to ensure that it is functioning effectively.

Other specific risks are managed with the support of the following Board committees:

- The Audit Committee has specific risk oversight responsibilities in relation to financial disclosure, internal controls and the control environment as well as our compliance activities.
- The Human Resource Committee oversees compensation policies and practices.
- The Governance and Nominating Committee oversees corporate governance practices.

- The Related Party and Conduct Review Committee oversees conflicts of interest as well as administration of the Code of Business Conduct and Ethics for Directors, Officers and Employees (Code of Conduct).

Management oversight for risk management resides with the executive Risk Management Committee which is comprised of the Chief Executive Officers of IGM Financial, IG Wealth Management and Mackenzie Investments, the Chief Financial Officer, the General Counsel, the Chief Operating Officer, the Chief Strategy and Corporate Development Officer and the Chief Human Resources Officer. The committee is responsible for oversight of IGM Financial's risk management process by: i) establishing and maintaining the risk framework and policy; ii) defining the risk appetite; iii) ensuring our risk profile and processes are aligned with corporate strategy and risk appetite; and iv) establishing "tone at the top" and reinforcing a strong culture of risk management.

The Chief Executive Officers of the operating companies have overall responsibility for overseeing risk management of their respective companies.

The Company has assigned responsibility for risk management using the Three Lines of Defence model, with the First Line reflecting the business units having primary responsibility for risk management, supported by Second Line risk management functions and a Third Line (the Internal Audit function) providing assurance and validation of the design and effectiveness of the ERM Framework.

In response to the impact of COVID-19, the Company is focusing our teams on addressing and managing COVID-19 issues and has established new committees and processes where required.

For more detail about the Three Lines of Defence model, along with discussion of the Company's risk governance, risk appetite, risk process and risk culture, refer to the Risk Management section of IGM Financial's 2019 Annual Report.

First Line of Defence

The leaders of the various business units and support functions have primary ownership and accountability for the ongoing risk management associated with their respective activities. Responsibilities of business unit and support function leaders include: i) establishing and maintaining procedures for the identification, assessment, documentation and escalation of risks, ii) implementing control activities to mitigate risks, iii) identifying opportunities for risk reduction or transfer, and iv) aligning business and operational strategies with the risk culture and risk appetite of the organization as established by the Risk Management Committee.

Second Line of Defence

The Enterprise Risk Management (ERM) Department provides oversight, analysis and reporting to the Risk Management Committee on the level of risks relative to the established risk appetite for all activities of the Company. Other responsibilities include: i) developing and maintaining the enterprise risk management program and framework, ii) managing the enterprise risk management process, and iii) providing guidance and training to business unit and support function leaders.

The Company has a number of committees of senior business leaders which provide oversight of specific business risks, including the Financial Risk Management and Operational Risk Management committees. These committees perform critical reviews of risk assessments, risk management practices and risk response plans developed by business units and support functions.

Other oversight accountabilities reside with the Company's corporate and compliance groups which are responsible for ensuring compliance with policies, laws and regulations.

Third Line of Defence

The Internal Audit Department is the third line of defence and provides independent assurance to senior management and the Board of Directors on the effectiveness of risk management policies, processes and practices.

RISK APPETITE AND RISK PRINCIPLES

The Risk Management Committee establishes the Company's appetite for different types of risk through the Risk Appetite Framework. Under the Risk Appetite Framework, one of four appetite levels is established for each risk type and business activity of the Company. These appetite levels range from those where the Company has no appetite for risk and seeks to minimize any losses, to those where the Company readily accepts exposure while seeking to ensure that risks are well understood and managed. These appetite levels guide our business units as they engage in business activities, and inform them in establishing policies, limits, controls and risk transfer activities.

A Risk Appetite Statement and Risk Principles provide further guidance to business leaders and employees as they conduct risk management activities. The Risk Appetite Statement's emphasis is to maintain the Company's reputation and brand, ensure financial flexibility, and focus on mitigating operational risk.

RISK MANAGEMENT PROCESS

The Company's risk management process is designed to foster:

- Ongoing assessment of risks and tolerance in a changing operating environment.

- Appropriate identification and understanding of existing and emerging risks and risk response.
- Timely monitoring and escalation of risks based upon changing circumstances.

Significant risks that may adversely affect the Company's ability to achieve its strategic and business objectives are identified through the Company's ongoing risk management process.

We use a consistent methodology across our organizations and business units for identification and assessment of risks. Risks are assessed by evaluating the impact and likelihood of the potential risk event after consideration of controls and any risk transfer activities. The results of these assessments are considered relative to risk appetite and tolerances and may result in action plans to adjust the risk profile.

Risk assessments are monitored and reviewed on an ongoing basis by business units and by oversight areas including the ERM Department. The ERM Department promotes and coordinates communication and consultation to support effective risk management and escalation. The ERM Department regularly reports on the results of risk assessments and on the assessment process to the Risk Management Committee and to the Board of Directors.

RISK MANAGEMENT CULTURE

Risk management is intended to be everyone's responsibility within the organization. The ERM Department engages all business units in workshops to foster awareness and incorporation of our risk framework into our business activities.

We have an established business planning process which reinforces our risk management culture. Our compensation programs are typically objectives-based, and do not encourage or reward excessive or inappropriate risk taking, and often are aligned specifically with risk management objectives.

Our risk management program emphasizes integrity, ethical practices, responsible management and measured risk-taking with a long-term view. Our standards of integrity and ethics are reflected within our Code of Conduct which applies to directors, officers and employees.

KEY RISKS OF THE BUSINESS

Significant risks that may adversely affect our ability to achieve strategic and business objectives are identified through our ongoing risk management process.

We use a consistent methodology across our organizations and business units to identify and assess risks, considering factors both internal and external to the organization. These risks are

broadly grouped into five categories: financial, operational, strategic, business, and environmental and social.

1) FINANCIAL RISK

LIQUIDITY AND FUNDING RISK

This is the risk of an inability to generate or obtain sufficient cash in a timely and cost-effective manner to meet contractual or anticipated commitments as they come due or arise.

Our liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and the Company's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity management by the Financial Risk Management Committee, a committee of finance and other business leaders.

A key funding requirement is the funding of Consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS) securities including sales to Canada Housing Trust under the CMB Program. The Company maintains committed capacity within certain Canadian bank-sponsored securitization trusts. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in the Principal Reinvestment Accounts. The Company's continued ability to fund residential mortgages through Canadian bank-sponsored securitization trusts and NHA MBS is dependent on securitization market conditions and government regulations that are subject to change. A condition of the NHA MBS and CMB Program is that securitized loans be insured by an insurer that is approved by CMHC. The availability of mortgage insurance is dependent upon market conditions and is subject to change.

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. For mortgages sold to the NHA MBS program, IGM Wealth Management is obligated to make timely payment of interest and principal payments regardless of payment by the client. This creates a timing difference between the receipt of cash from clients deferring mortgage payments and the payment to the NHA MBS program of those amounts until the mortgage term renews and is refinanced. All mortgages in the NHA MBS program are insured against default. Management believes that this will not have a significant impact on the Company and sufficient liquidity exists to meet the cash flow requirements of this program.

Since the start of the program, the number of mortgages that applied for the mortgage deferral program peaked at 10% . As at September 30, 2020, payments on approximately 1% of the mortgage portfolio were being deferred.

As part of ongoing liquidity management during 2020 and 2019, the Company:

- Continued to assess additional funding sources for the Company's mortgage banking operations.
- Issued \$250 million 4.206% debentures in March 2019 maturing March 21, 2050. The net proceeds were used by the Company to fund the redemption of \$150 million 5.90% Non-Cumulative First Preferred Shares, Series B and for general corporate purposes. The Company redeemed the Series B Preferred Shares on April 30, 2019.
- Participated in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.
- Received proceeds from the Sale of Personal Capital of \$231.0 million.

The Company's contractual obligations are reflected in Table 29.

In addition to IGM Financial's current balance of cash and cash equivalents, liquidity is available through the Company's lines of credit. The Company's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million at September 30, 2020, unchanged from December 31, 2019. The lines of credit at September 30, 2020 consisted of committed lines of \$650 million and uncommitted lines of \$175 million, unchanged from December 31, 2019. The Company has accessed its uncommitted lines of credit in the past; however, any advances made by a bank under the uncommitted lines of credit are at the bank's sole discretion. As at September 30, 2020 and December 31, 2019, the Company was not utilizing its committed lines of credit or its uncommitted lines of credit.

TABLE 29: CONTRACTUAL OBLIGATIONS

AS AT SEPTEMBER 30, 2020 (\$ millions)	DEMAND	LESS THAN 1 YEAR	1-5 YEARS	AFTER 5 YEARS	TOTAL
Derivative financial instruments	\$ –	\$ 16.3	\$ 28.6	\$ 0.3	\$ 45.2
Deposits and certificates	839.1	2.7	2.8	1.1	845.7
Obligations to securitization entities	–	1,668.0	4,827.5	30.3	6,525.8
Leases ⁽¹⁾	–	27.5	59.9	43.5	130.9
Long-term debt	–	–	–	2,100.0	2,100.0
Pension funding ⁽²⁾	–	6.5	–	–	6.5
Total contractual obligations	\$ 839.1	\$ 1,721.0	\$ 4,918.8	\$ 2,175.2	\$ 9,654.1

(1) Includes remaining lease payments related to office space and equipment used in the normal course of business.

(2) The next required actuarial valuation will be completed based on a measurement date of December 31, 2020. Pension funding requirements beyond 2020 are subject to significant variability and will be determined based on future actuarial valuations. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

The actuarial valuation for funding purposes related to the Company's registered defined benefit pension plan, based on a measurement date of December 31, 2017, was completed in May 2018. The valuation determines the plan surplus or deficit on both a solvency and going concern basis. The solvency basis determines the relationship between the plan assets and its liabilities assuming that the plan is wound up and settled on the valuation date. A going concern valuation compares the relationship between the plan assets and the present value of the expected future benefit cash flows, assuming the plan will be maintained indefinitely. Based on the actuarial valuation, the registered pension plan had a solvency deficit of \$47.2 million compared to \$82.7 million in the previous actuarial valuation, which was based on a measurement date of December 31, 2016. The decrease in the solvency deficit resulted primarily from higher assets due to contribution and investment returns and is required to be funded over five years. The registered pension plan had a going concern surplus of \$46.1 million compared to \$24.4 million in the previous valuation. The next required actuarial valuation will be based on a measurement date of December 31, 2020. During the nine months ended September 30, 2020, the Company made contributions of \$19.2 million (2019 – \$18.9 million). The Company expects to make contributions of approximately \$6.5 million in the remainder of 2020. Pension contribution decisions are subject to change, as contributions are affected by many factors including market performance, regulatory requirements, changes in assumptions and management's ability to change funding policy.

Management believes cash flows from operations, available cash balances and other sources of liquidity described above are sufficient to meet the Company's liquidity needs. The Company continues to have the ability to meet its operational cash flow requirements, its contractual obligations, and its declared

dividends. The current practice of the Company is to declare and pay dividends to common shareholders on a quarterly basis at the discretion of the Board of Directors. The declaration of dividends by the Board of Directors is dependent on a variety of factors, including earnings which are significantly influenced by the impact that debt and equity market performance has on the Company's fee income and commission and certain other expenses. The Company's liquidity position and its management of liquidity and funding risk have not changed materially since December 31, 2019.

CREDIT RISK

This is the risk of financial loss to the Company if a counterparty to a transaction fails to meet its obligations.

The Company's cash and cash equivalents, other investment holdings, mortgage portfolios, and derivatives are subject to credit risk. The Company monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

Cash and Cash Equivalents and Client Funds on Deposit

At September 30, 2020, cash and cash equivalents of \$992.4 million (December 31, 2019 – \$720.0 million) consisted of cash balances of \$57.2 million (December 31, 2019 – \$68.0 million) on deposit with Canadian chartered banks and cash equivalents of \$935.2 million (December 31, 2019 – \$652.0 million). Cash equivalents are comprised of Government of Canada treasury bills totalling \$455.9 million (December 31, 2019 – \$34.5 million), provincial government treasury bills and promissory notes of \$153.0 million (December 31, 2019 – \$206.5 million), and bankers' acceptances and other short-term notes issued by Canadian chartered banks of \$326.3 million (December 31, 2019 – \$411.0 million).

Client funds on deposit of \$821.6 million (December 31, 2019 – \$61.3 million) represent cash balances held in client accounts which are deposited at Canadian financial institutions.

The Company manages credit risk related to cash and cash equivalents by adhering to its Investment Policy that outlines credit risk parameters and concentration limits. The Company regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

The Company's exposure to and management of credit risk related to cash and cash equivalents and fixed income securities have not changed materially since December 31, 2019.

Mortgage Portfolio

As at September 30, 2020, residential mortgages, recorded on the Company's balance sheet, of \$6.7 billion (December 31, 2019 – \$7.2 billion) consisted of \$6.3 billion sold to securitization programs (December 31, 2019 – \$6.8 billion), \$383.9 million held pending sale or securitization (December 31, 2019 – \$344.5 million) and \$17.7 million related to the Company's intermediary operations (December 31, 2019 – \$24.2 million).

The Company manages credit risk related to residential mortgages through:

- Adhering to its lending policy and underwriting standards;
- Its loan servicing capabilities;
- Use of client-insured mortgage default insurance and mortgage portfolio default insurance held by the Company; and
- Its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$3.5 billion (December 31, 2019 – \$3.9 billion), the Company is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.8 billion (December 31, 2019 – \$2.9 billion) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$72.5 million (December 31, 2019 – \$71.9 million) and \$49.0 million (December 31, 2019 – \$37.9 million), respectively, at September 30, 2020.

Cash reserve accounts are reflected on the balance sheet, whereas rights to future net interest income are not reflected on the balance sheet and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 3.7% of mortgages held in ABCP Trusts insured at September 30, 2020 (December 31, 2019 – 4.6%).

At September 30, 2020, residential mortgages recorded on balance sheet were 56.5% insured (December 31, 2019 – 59.1%). As at September 30, 2020, impaired mortgages on these portfolios were \$5.1 million, compared to \$2.4 million at December 31, 2019. Uninsured non-performing mortgages over 90 days on these portfolios were \$3.5 million at September 30, 2020, compared to \$1.6 million at December 31, 2019.

The Company also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on the Company's balance sheet as the Company has transferred substantially all of the risks and rewards of ownership associated with these loans.

The Company regularly reviews the credit quality of the mortgages and the adequacy of the allowance for expected credit losses.

The Company's allowance for expected credit losses was \$0.8 million at September 30, 2020, compared to \$0.7 million at December 31, 2019, and is considered adequate by 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) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

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

Derivatives

The Company is exposed to credit risk through derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain stock-based compensation arrangements. These derivatives are discussed more fully under the Market Risk section of this MD&A.

To the extent that the fair value of the derivatives is in a gain position, the Company is exposed to credit risk that

its counterparties fail to fulfil their obligations under these arrangements.

The Company's derivative activities are managed in accordance with its Investment Policy which includes counterparty limits and other parameters to manage counterparty risk. The aggregate credit risk exposure related to derivatives that are in a gain position of \$32.0 million (December 31, 2019 – \$15.7 million) does not give effect to any netting agreements or collateral arrangements. The exposure to credit risk, considering netting agreements and collateral arrangements and including rights to future net interest income, was nil at September 30, 2020 (December 31, 2019 – \$0.7 million). Counterparties are all Canadian Schedule I chartered banks and, as a result, management has determined that the Company's overall credit risk related to derivatives was not significant at September 30, 2020. Management of credit risk related to derivatives has not changed materially since December 31, 2019.

Additional information related to the Company's securitization activities and utilization of derivative contracts can be found in Note 6 to the Interim Financial Statements and Notes 2, 6 and 22 to the Annual Financial Statements.

MARKET RISK

This is the risk of loss arising from changes in the values of the Company's financial instruments due to changes in foreign exchange rates, interest rates or equity prices.

Interest Rate Risk

IGM Financial is exposed to interest rate risk on its mortgage portfolio and on certain of the derivative financial instruments used in our mortgage banking operations.

The Company manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- The Company has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, the Company is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$22.7 million (December 31, 2019 – negative \$0.9 million) and an outstanding notional amount of \$0.7 billion at September 30, 2020 (December 31, 2019 – \$0.8 billion). The Company enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled

\$20.9 million (December 31, 2019 – negative \$4.9 million), on an outstanding notional amount of \$1.6 billion at September 30, 2020 (December 31, 2019 – \$1.6 billion). The net fair value of these swaps of negative \$1.8 million at September 30, 2020 (December 31, 2019 – negative \$5.8 million) is recorded on the balance sheet and has an outstanding notional amount of \$2.3 billion (December 31, 2019 – \$2.4 billion).

- The Company is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. The Company enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by the Company pending sale or securitization. Beginning in 2018, hedge accounting is applied to the cost of funds on certain securitization activities. The effective portion of fair value changes of the associated interest rate swaps are initially recognized in Other comprehensive income and subsequently recognized in Net investment income and other over the term of the related Obligations to securitization entities. The negative fair value of these swaps was \$0.9 million (December 31, 2019 – positive \$0.6 million) on an outstanding notional amount of \$143.2 million at September 30, 2020 (December 31, 2019 – \$180.4 million).

As at September 30, 2020, the impact to annual net earnings of a 100 basis point increase in interest rates would have been a decrease of approximately \$2.8 million (December 31, 2019 – decrease of \$2.0 million). The Company's exposure to and management of interest rate risk have not changed materially since December 31, 2019.

Equity Price Risk

IGM Financial is exposed to equity price risk on our equity investments which are classified as either fair value through other comprehensive income or fair value through profit or loss. The fair value of the equity investments was \$648.4 million at September 30, 2020 (December 31, 2019 – \$357.4 million), as shown in Table 22.

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. The Company hedges its exposure to this risk through the use of forward agreements and total return swaps.

Foreign Exchange Risk

IGM Financial is exposed to foreign exchange risk on its investment in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in Other comprehensive income. A 5% appreciation (depreciation) in

Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investments by approximately \$33.7 million (\$37.2 million).

The Company's proportionate share of China AMC's earnings, recorded in Proportionate share of associates' earnings in the Consolidated Statements of Earnings, is also affected by changes in foreign exchange rates. A 5% appreciation (depreciation) in Canadian currency relative to foreign currencies would decrease (increase) the Company's proportionate share of associates' earnings (losses) by approximately \$0.5 million (\$0.6 million).

RISKS RELATED TO ASSETS UNDER MANAGEMENT AND ADVISEMENT

At September 30, 2020, IGM Financial's total assets under management and advisement were \$196.4 billion compared to \$190.0 billion at December 31, 2019.

The Company's primary sources of revenues are advisory fees and asset management fees which are applied as an annual percentage of the level of assets under management and advisement. As a result, the level of the Company's revenues and earnings are indirectly exposed to a number of financial risks that affect the value of assets under management and advisement on an ongoing basis. These include market risks, such as changes in equity prices, interest rates and foreign exchange rates, as well as credit risk on debt securities, loans and credit exposures from other counterparties within our client portfolios.

Changing financial market conditions may also lead to a change in the composition of the Company's assets under management between equity and fixed income instruments, which could result in lower revenues depending upon the management fee rates associated with different asset classes and mandates.

In the nine months of 2020, there has been significant global market volatility, as discussed in the Operational Assessment section of the MD&A.

The Company believes that over the long term, exposure to investment returns on its client portfolios is beneficial to the Company's results and consistent with stakeholder expectations, and generally it does not engage in risk transfer activities such as hedging in relation to these exposures.

The Company has increased its communication to clients and others of market conditions and changes and the Company and its Consultants have actively been reaching out to clients to discuss their financial planning needs and goals in light of COVID-19 and will continue those efforts. The Company has also increased communication to support the independent financial advisors and its institutional clients with a focus on providing capital market and economic updates, ongoing commentary, and access to investment management to ensure they have the resources they need to support their clients in light of COVID-19.

The Company's exposure to the value of assets under management and advisement aligns it with the experience of its clients. Assets under management are broadly diversified by asset class, geographic region, industry sector, investment team and style. The Company regularly reviews the sensitivity of its assets under management, revenues, earnings and cash flow to changes in financial markets.

2) OPERATIONAL RISK

This is the risk of financial loss, reputational damage or regulatory actions resulting from inadequate or failed internal processes or systems, human interaction or external events. This excludes business risk, which is a separate category in our ERM framework.

TABLE 30: IGM FINANCIAL ASSETS UNDER MANAGEMENT – ASSET AND CURRENCY MIX

AS AT SEPTEMBER 30, 2020	INVESTMENT FUNDS	TOTAL
Cash	1.4 %	2.5 %
Short-term fixed income and mortgages	4.7	4.5
Other fixed income	27.4	26.8
Domestic equity	19.6	19.5
Foreign equity	44.3	44.3
Real Property	2.6	2.4
	100.0 %	100.0 %
CAD	54.1 %	54.3 %
USD	29.9	29.4
Other	16.0	16.3
	100.0 %	100.0 %

We are exposed to a broad range of operational risks, including information technology security and system failures, errors relating to transaction processing, financial models and valuations, fraud and misappropriation of assets, and inadequate application of internal control processes.

Operational risks relating to people and processes are mitigated through policies and process controls. Oversight of risks and ongoing evaluation of the effectiveness of controls is provided by the Company's Compliance Department, ERM Department and Internal Audit Department.

The Company has an insurance review process where it assesses and determines the nature and extent of insurance that is appropriate to provide adequate protection against unexpected losses, and where it is required by law, regulators or contractual agreements.

Operational risk affects all business activities, including the processes in place to manage other risks. As a result, operational risk can be difficult to measure, given that it forms part of other risks of the Company and may not always be separately identified.

The Company's risk management framework emphasizes operational risk management and internal control. The Company has a very low appetite for risk in this area.

The business unit leaders are responsible for management of the day to day operational risks of their respective business units. Specific programs, policies, training, standards and governance processes have been developed to help manage operational risk.

The Company has a crisis response plan which outlines crisis response coordination policies and procedures in the event of a crisis that could significantly impact the organization's reputation, brands or business operations. The Company executes annual simulation exercises. The Company has a crisis assessment team comprised of senior leadership who are responsible for crisis confirmation and management. In addition, this team is responsible for setting strategy, overseeing response and ensuring appropriate subject matter experts are engaged in the scenario-dependent crisis response team.

The Company also has a business continuity management program to enable critical operations and processes to function in the event of a business disruption.

For the health and safety of the Company's employees and clients and to help efforts to limit the speed and spread of the COVID-19 infection, the Company moved substantially all of its employees and Consultants to work from home and temporarily closed its offices in March 2020. In the third quarter of 2020, the Company has developed plans and protocols to allow employees and advisors to return to the office on a managed basis.

The Company's business continuity plan has been effective at ensuring the Company is able to continue operations and provide client service with minimal disruptions.

TECHNOLOGY AND CYBER RISK

We use systems and technology to support business operations and the client and financial advisor experience. As a result, we are exposed to risks relating to technology and cyber security such as data breaches, identity theft and hacking, including the risk of denial of service or malicious software attacks.

The volume of these activities in our society has increased since the onset of COVID-19. Such attacks could compromise confidential information of the Company and that of clients or other stakeholders, and could result in negative consequences including lost revenue, litigation, regulatory scrutiny or reputational damage. To remain resilient to such threats, we have established enterprise-wide cyber security programs, benchmarked capabilities to sound industry practices, and implemented threat and vulnerability assessment and response capabilities. Extended duration of work from home programs introduces increased need to mitigate risk of potential data loss.

OUTSOURCING

We regularly engage third parties to provide expertise and efficiencies that support our operational activities. Our exposure to third party service provider risk could include reputational, regulatory and other operational risks. Policies, standard operating procedures and dedicated resources, including a supplier code of conduct and outsourcing policy, have been developed and implemented to specifically address third party service provider risk. We perform due diligence and monitoring activities before entering into contractual relationships with third-party service providers and on an ongoing basis. As our reliance on external service providers continues to grow, we continue to enhance resources and processes to support third party risk management.

MODEL RISK

We use a variety of models to assist in: the valuation of financial instruments, operational scenario testing, management of cash flows, capital management, and assessment of potential acquisitions. These models incorporate internal assumptions, observable market inputs and available market prices. Effective controls exist over the development, implementation and application of these models. However, changes in the internal assumptions or other factors affecting the models could have an adverse effect on the Company's consolidated financial position and reputation.

LEGAL AND REGULATORY COMPLIANCE

This is the risk of not complying with laws, contractual agreements or regulatory requirements. These risks relate to regulation governing product distribution, investment management, accounting, reporting and communications.

IGM Financial is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company and its activities. The Company and its subsidiaries are also subject to the requirements of self-regulatory organizations to which they belong. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company and its subsidiaries. These requirements include those that apply to IGM Financial as a publicly traded company and those that apply to the Company's subsidiaries based on the nature of their activities. They include regulations related to the management and provision of financial products and services, including securities, insurance and mortgages, and other activities carried on by the Company in the markets in which it operates. Regulatory standards affecting the Company and the financial services industry are significant and continually evolve. The Company and its subsidiaries are subject to reviews as part of the normal ongoing process of oversight by the various regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages legal and regulatory compliance risk through its efforts to promote a strong culture of compliance. The monitoring of regulatory developments and their impact on the Company is overseen by the Regulatory Initiatives Committee chaired by the Executive Vice-President, General Counsel. The Company also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Board receives regular reporting on compliance initiatives and issues.

IGM Financial promotes a strong culture of ethics and integrity through its Code of Conduct approved by the Board of Directors, which outlines standards of conduct that apply to all IGM Financial directors, officers and employees. The Code of Conduct references many policies relating to the conduct of directors, officers and employees. Other corporate policies cover anti-money laundering and privacy. Training is provided on these policies on an annual basis. Individuals subject to the Code of Conduct attest annually that they understand the requirements and have complied with its provisions.

Business units are responsible for management of legal and regulatory compliance risk, and implementing appropriate

policies, procedures and controls. The Company's Compliance Departments are responsible for providing oversight of all regulated compliance activities. The Internal Audit Department also provides oversight and investigations concerning regulatory compliance matters.

CONTINGENCIES

The Company is subject to legal actions arising in the normal course of its business. In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie which alleges that the company should not have paid mutual fund trailing commissions to order execution only dealers. Although it is difficult to predict the outcome of any such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

3) STRATEGIC RISK

This is the risk of potential adverse impacts resulting from inadequate or inappropriate governance, oversight, management of incentives and conflicts, regulatory developments and strategy.

IGM Financial believes in the importance of good corporate governance and the central role played by directors in the governance process. We believe that sound corporate governance is essential to the well-being of the Company and our shareholders.

Oversight of IGM Financial is performed by the Board of Directors directly and through its five committees. The Company's President and Chief Executive Officer has overall responsibility for management of the Company. The Company's activities are carried out principally by three operating companies – Investors Group Inc., Mackenzie Financial Corporation and Investment Planning Counsel Inc. – each of which are managed by a President and Chief Executive Officer.

We have a business planning process that supports development of an annual business plan, approved by the Board of Directors, which incorporates objectives and targets for the Company. Components of management compensation are associated with the achievement of earnings targets and other objectives associated with the plan. Strategic plans and direction are part of this planning process and are integrated into the Company's risk management program.

REGULATORY DEVELOPMENT RISK

This is the potential for changes to regulatory, legal, or tax requirements that may have an adverse impact on the Company's business activities or financial results.

We are exposed to the risk of changes in laws, taxation and regulation that could have an adverse impact on the Company. Particular regulatory initiatives may have the effect of making the products of the Company's subsidiaries appear to be less competitive than the products of other financial service providers, to third party distribution channels and to clients. Regulatory differences that may impact the competitiveness of the Company's products include regulatory costs, tax treatment, disclosure requirements, transaction processes or other differences that may be as a result of differing regulation or application of regulation. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While the Company and its subsidiaries actively monitor such initiatives, and where feasible comment upon or discuss them with regulators, the ability of the Company and its subsidiaries to mitigate the imposition of differential regulatory treatment of financial products or services is limited.

The Company continuously monitors regulatory developments, guidance and communications, and has been engaged in ongoing discussions with regulators as the industry works to address issues resulting from COVID-19.

ACQUISITION RISK

The Company is exposed to risks related to its acquisitions and strategic investments. The Company undertakes thorough due diligence prior to completing an acquisition, but there is no assurance that the Company will achieve the expected strategic objectives or cost and revenue synergies subsequent to an acquisition. Subsequent changes in the economic environment and other unanticipated factors may affect the Company's ability to achieve expected earnings growth or expense reductions. The success of an acquisition is dependent on retaining assets under management, clients, and key employees of an acquired company.

4) BUSINESS RISK

GENERAL BUSINESS CONDITIONS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from competitive or other external factors relating to the marketplace.

Global economic conditions, changes in equity markets, demographics and other factors including geopolitical risk and government instability, can affect investor confidence, income levels and savings decisions. This could result in reduced sales of IGM Financial's products and services and/or result in investors redeeming their investments. These factors may also affect the level and volatility of financial markets and the value of the Company's assets under management, as described more fully under the Risks Related to Assets Under Management section of this MD&A.

To manage this risk, the Company, across its operating subsidiaries, communicates with clients and underscores the importance of financial planning across economic cycles. The Company and the industry continue to take steps to educate Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility, Consultants and independent financial advisors play a key role in assisting investors in maintaining perspective and focus on their long-term objectives.

Redemption rates for long-term funds are summarized in Table 31 and are discussed in the Wealth Management and the Asset Management Segment Operating Results sections of this MD&A.

CATASTROPHIC EVENTS OR LOSS

Catastrophic events or loss refers to the risk that events such as earthquakes, floods, fire, tornadoes, pandemics, or terrorism could adversely affect the Company's financial performance.

Catastrophic events can cause economic uncertainty, affect investor confidence, income levels and financial planning decisions. This could affect the level and volatility of financial markets and the level of the Company's assets under management and advisement.

The global COVID-19 pandemic has caused economic disruption, adversely impacted economic conditions, has caused significant volatility and reductions in the level of financial markets, and has increased unemployment in Canada and globally.

TABLE 31: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

	2020 SEP. 30	2019 SEP. 30
IGM Financial Inc.		
IG Wealth Management	9.8 %	10.2 %
Mackenzie	16.2 %	15.7 %
Counsel	19.0 %	20.9 %

In response, the Company has implemented its business continuity plans and has transitioned substantially all of its employees and Consultants to working from home.

It is difficult to predict how significant the COVID-19 pandemic and government measures taken in response will be to world economies, our clients and our business. This event could have a material impact on the financial positions and results of the Company, subject to duration and severity.

PRODUCT / SERVICE OFFERING

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from inadequate product or service performance, quality or breadth.

IGM Financial and its subsidiaries operate in a highly competitive environment, competing with other financial service providers, investment managers and product and service types. Client development and retention can be influenced by a number of factors, including investment performance, products and services offered by competitors, relative service levels, relative pricing, product attributes, reputation and actions taken by competitors. This competition could have an adverse impact upon the Company's financial position and operating results. Please refer to The Competitive Landscape section of this MD&A for further discussion.

We provide Consultants, independent financial advisors, as well as retail and institutional clients with a high level of service and support and a broad range of investment products, with a focus on building enduring relationships. The Company's subsidiaries also continually review their respective product and service offering and pricing to ensure competitiveness in the marketplace.

We strive to deliver strong investment performance on our products relative to benchmarks and peers. Poor investment performance relative to benchmarks or peers could reduce the level of assets under management and sales and asset retention, as well as adversely impact our brands and reputation. Meaningful and/or sustained underperformance could affect the Company's results. Our objective is to cultivate investment processes and disciplines that give us a competitive advantage, and we do this by diversifying our assets under management and product shelf by investment team, brand, asset class, mandate, style and geographic region.

BUSINESS / CLIENT RELATIONSHIPS

This risk refers to the potential for unfavourable impacts on IGM Financial resulting from changes to key business or client relationships. These relationships primarily include IG Wealth Management clients and Consultants, Mackenzie retail

distribution, strategic and significant business partners, clients of Mackenzie funds, and sub-advisors and other product suppliers.

IG Wealth Management Consultant network – IG Wealth Management derives all of its mutual fund sales through its Consultant network. IG Wealth Management Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on IG Wealth Management's results of operations and business prospects. IG Wealth Management is focused on strengthening its distribution network of Consultants and on responding to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice, as discussed in the Wealth Management Review of the Business section of this MD&A.

Asset Management – Mackenzie derives the majority of its mutual fund sales through third party financial advisors. Financial advisors generally offer their clients investment products in addition to, and in competition with Mackenzie. Mackenzie also derives sales of its investment products and services from its strategic alliance and institutional clients. Due to the nature of the distribution relationship in these relationships and the relative size of these accounts, gross sale and redemption activity can be more pronounced in these accounts than in a retail relationship. Mackenzie's ability to market its investment products is highly dependent on continued access to these distribution networks. Lack of access could have a material adverse effect on Mackenzie's operating results and business prospects. Mackenzie is well positioned to manage this risk and to continue to build and enhance its distribution relationships. Mackenzie's diverse portfolio of financial products and its long-term investment performance record, marketing, educational and service support has made Mackenzie one of Canada's leading investment management companies. These factors are discussed further in the Asset Management Review of the Business section of this MD&A.

PEOPLE RISK

This risk refers to the potential inability to attract or retain key employees or Consultants, develop them to an appropriate level of proficiency, or manage personnel succession or transition.

Management, investment and distribution personnel play an important role in developing, implementing, managing and distributing products and services offered by IGM Financial. The loss of these individuals or an inability to attract, retain and motivate sufficient numbers of qualified personnel could negatively affect IGM Financial's business and financial performance.

We have a Diversity and Inclusion Strategy with the purpose of driving an inclusive, equitable and consistent experience for employees and clients that supports our business objectives now and into the future. To achieve the desired outcomes, we focus on three pillars of action: raising awareness; improving inclusive leadership behaviours; and building external partnerships and community engagement.

Our activities have a current focus on enabling the upward mobility of women and other under-represented groups. We have a goal to have at least 35% of our executive roles – Vice-President and above – held by women by the end of 2020. As of September 30, 2020, 32% of these roles were held by women and 28% of IGM Wealth Management Consultants were women. We are supporters of the UN Women's Empowerment Principles and also work with Catalyst, the Institute for Gender and the Economy and Women in Capital Markets to advance gender equality. In July, the IGM Financial companies signed a pledge through the BlackNorth Initiative that reinforces our shared commitment to end anti-Black systemic racism. As part of that pledge we are aiming to have at least 3.5% of executive and board roles being held by Black leaders by 2025.

COVID-19 has caused significant disruption in peoples' lives both professionally and personally. The Company's actions have included:

- Implementing a work at home strategy to maintain social distance for our employees and Consultants.
- Providing the tools and processes to enable our employees and Consultants to continue to operate effectively from home.
- Providing Employee Assistance Programs and other programs to support the mental and physical well-being of our employees, Consultants, and their families.
- Developing a return to office strategy to safely allow employees and advisors to return to the office when appropriate.

5) ENVIRONMENTAL AND SOCIAL RISK

This is the potential for financial loss or other unfavourable impacts resulting from environmental or social issues connected to our business operations or investment activities.

Environmental risks include issues such as climate change, biodiversity, pollution, waste, and the unsustainable use of energy, water and other resources. Social risks include issues such as human rights, labour standards, diversity and inclusion, and community impacts.

IGM Financial has a long-standing commitment to responsible management, as articulated in our Corporate Responsibility Statement approved by the Board of Directors. The Board's risk management oversight includes ensuring that material

environmental and social risks are appropriately identified, managed and monitored.

The Company's executive Risk Management Committee is responsible for oversight of the risk management process. Other management committees provide oversight of specific risks including the Corporate Responsibility (CR) Committee. The CR Committee is composed of senior executives who are responsible for ensuring implementation of policy and strategy, establishing goals and initiatives, measuring progress, and approving annual reporting for environmental, social and governance (ESG) matters.

Our commitment to responsible management is demonstrated through various mechanisms. These include our Code of Conduct for employees, contractors, and directors; our Supplier Code of Conduct for the firms that do business with us; our Respectful Workplace Policy; our Diversity Policy; our Environmental Policy; and other related policies.

IGM Wealth Management and Mackenzie Investments are signatories to the Principles for Responsible Investment (PRI). IGM Wealth Management sub-advisors were also required to be signatories to the PRI by the end of 2019. Under the PRI, investors formally commit to incorporate ESG issues into their investment decision making and active ownership processes. In addition, IGM Wealth Management, Mackenzie Investments and Investment Planning Counsel have implemented Responsible Investment Policies outlining the practices at each company.

IGM Financial also reports annually on ESG management and performance in its Corporate Responsibility Report available on our website. The Company has been recognized for demonstrating strong performance through positions earned on the FTSE4Good Index Series, Jantzi Social Index, and Corporate Knights' 2020 Global 100 and Best 50 Corporate Citizens.

CLIMATE CHANGE

We believe that financial services companies have an important role to play in addressing climate change. Global practices are continually evolving relating to the identification, analysis, and management of climate risks and opportunities.

IGM Financial is a long-standing participant in the CDP (formerly Carbon Disclosure Project), which promotes corporate disclosures on greenhouse gas emissions and climate change management including setting and monitoring emission reduction targets. For the 2018 and 2019 surveys, IGM Financial was recognized by CDP as a corporate leader in climate change disclosure with a position on CDP's Climate Change A List.

The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) was established in response

to investor demand for enhanced information on climate-related risks and opportunities. IGM Financial and its operating companies support the TCFD recommendations which include a framework for consistent, voluntary climate-related financial disclosures that provide decision-useful information to investors, analysts, rating agencies and other stakeholders.

The TCFD recommends that organizations disclose information about climate-related risks and opportunities in four areas: governance, strategy, risk management, and metrics and targets. Full implementation of TCFD will be a multi-year journey.

THE FINANCIAL SERVICES ENVIRONMENT

Canadians held \$5.0 trillion in discretionary financial assets with financial institutions at December 31, 2019 based on the most recent report from Investor Economics. The nature of holdings was diverse, ranging from demand deposits held for short-term cash management purposes to longer-term investments held for retirement purposes. Approximately 66% (\$3.3 trillion) of these financial assets are held within the context of a relationship with a financial advisor, and this is the primary channel serving the longer-term savings needs of Canadians. Of the \$1.7 trillion held outside of a financial advisory relationship, approximately 61% consisted of bank deposits.

Financial advisors represent the primary distribution channel for IGM Financial's products and services, and the core emphasis of our business model is to support these financial advisors as they work with clients to plan for and achieve their financial goals. Multiple sources of emerging research show significantly better financial outcomes for Canadians who use financial advisors compared to those who do not. We actively promote the value of financial advice and the importance of a relationship with an advisor to develop and remain focused on long-term financial plans and goals.

Approximately 41% of Canadian discretionary financial assets or \$2.0 trillion resided in investment funds at December 31, 2019, making it the largest financial asset class held by Canadians. Other asset types include deposit products and direct securities such as stocks and bonds. Approximately 77% of investment funds are comprised of mutual fund products, with other product categories including segregated funds, hedge funds, pooled funds, closed end funds and exchange traded funds. With \$165 billion in investment fund assets under management at September 30, 2020, IGM Financial is among the country's largest investment fund managers. We believe that investment funds are likely to remain the preferred savings vehicle of Canadians. They offer the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

Traditional distinctions between bank branches, full-service brokerages, financial planning firms and insurance agent sales forces have become obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf. Accordingly, the Canadian financial services industry is characterized by a number of large, diversified, vertically-integrated participants, similar to IGM Financial, that offer both financial planning and investment management services.

Canadian banks distribute financial products and services through their traditional bank branches, as well as through their

full service and discount brokerage subsidiaries. Bank branches continue to place increased emphasis on both financial planning and mutual funds. In addition, each of the "big six" banks has one or more mutual fund management subsidiaries. Collectively, mutual fund assets of the "big six" bank-owned mutual fund managers and affiliated firms represented 44% of total industry long-term mutual fund assets at September 30, 2020.

The Canadian mutual fund industry continues to be very concentrated, with the 10 largest firms and their subsidiaries representing 73% of industry long-term mutual fund assets and 73% of total mutual fund assets under management at September 30, 2020. We anticipate continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

We believe that the financial services industry will continue to be influenced by the following trends:

- Shifting demographics as the number of Canadians in their prime savings and retirement years continues to increase.
- Changes in investor attitudes based on economic conditions.
- Continued importance of the role of the financial advisor.
- Public policy related to retirement savings.
- Changes in the regulatory environment.
- A highly competitive landscape.
- Advancing and changing technology.

THE COMPETITIVE LANDSCAPE

Our subsidiaries IG Wealth Management and Investment Planning Counsel compete directly with other retail financial service providers in the advice segment, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Our asset management subsidiary, Mackenzie Investments, competes directly with other investment managers for assets under management, and our products compete with stocks, bonds and other asset classes for a share of Canadians' investment assets.

Competition from other financial service providers, alternative product types or delivery channels, and changes in regulations or public preferences could impact the characteristics of our product and service offerings, including pricing, product structures, dealer and advisor compensation and disclosure. We monitor developments on an ongoing basis, and engage in policy discussions and develop product and service responses as appropriate.

IGM Financial continues to focus on our commitment to provide quality investment advice and financial products, service innovations, effective and responsible management of the

Company and long-term value for our clients and shareholders. We are midway through a five-year transformation to modernize our digital platforms and technology infrastructure to enhance operations, achieve efficiencies and improve the service experience for our clients. We believe that IGM Financial is well-positioned to meet competitive challenges and capitalize on future growth opportunities.

Our competitive strength includes:

- Broad and diversified distribution through more than 35,000 financial advisors, with an emphasis on comprehensive financial planning.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.
- Benefits of being part of the Power Corporation group of companies.

BROAD AND DIVERSIFIED DISTRIBUTION

In addition to owning two of Canada's largest financial planning organizations, IG Wealth Management and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to

distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing strategic alliance business, partners with global manufacturing and distribution entities to provide investment management services.

BROAD PRODUCT CAPABILITIES

Our subsidiaries continue to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

ENDURING CLIENT RELATIONSHIPS

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors have developed with clients. In addition, our subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

PART OF THE POWER CORPORATION GROUP OF COMPANIES

As part of the Power Corporation group of companies, IGM Financial benefits through expense savings from shared service arrangements, as well as through access to distribution, products and capital.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The nine months ended September 30, 2020 were characterized by increased uncertainty due to COVID-19 which could impact the Company's significant assumptions related to critical estimates compared to those reported at December 31, 2019.

- *Goodwill and intangible assets* – The Company completed its annual impairment tests of goodwill and indefinite life intangible assets based on April 1, 2020 financial information and determined there was no impairment in the value of those assets.

The Company tests the fair value of goodwill and indefinite life intangible assets for impairment at least once a year and more frequently if an event or circumstance indicates the asset may be impaired.

An impairment loss is recognized if the amount of the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units). Finite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

These tests involve the use of estimates and assumptions appropriate in the circumstances. In assessing the recoverable amounts, valuation approaches are used that include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes, discount rates, and capitalization multiples.

- *Employee benefits* – The Company maintains a number of employee benefit plans. These plans include a funded

registered defined benefit pension plan (RPP) for all eligible employees, unfunded supplementary executive retirement plans for certain executive officers (SERPs) and an unfunded post-employment health care and life insurance plan for eligible retirees.

Markets have been volatile during the nine months ended September 30, 2020. After the lows reached in March 2020, the markets have rebounded. At September 30, 2020, the discount rate on the Company's RPP was 2.85% compared to 3.20% at December 31, 2019. The pension plan assets increased to \$474.7 million at September 30, 2020 from \$466.5 million at December 31, 2019. The total defined benefit pension plan obligation was \$591.7 million at September 30, 2020 compared to \$565.6 million at December 31, 2019. As a result of these changes, the defined benefit pension plan had an accrued benefit liability of \$117.0 million at September 30, 2020 compared to \$99.1 million at December 31, 2019. Total losses recorded in Other comprehensive income, including the defined benefit pension plan, the SERPs and post-employment benefit plans, were \$19.4 million (\$14.1 million after tax) for the nine months ended September 30, 2020.

CHANGES IN ACCOUNTING POLICIES

IGM Financial has not adopted any changes in accounting policies in 2020.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the International Accounting Standards Board (IASB) and analyzes the effect that changes in the standards may have on the Company's operations.

The IASB is currently undertaking a number of projects which will result in changes to existing IFRS standards that may affect the Company. Updates will be provided as the projects develop.

INTERNAL CONTROL OVER FINANCIAL REPORTING

During the third quarter of 2020, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

TRANSACTIONS WITH RELATED PARTIES

There were no changes to the types of related party transactions from those reported at December 31, 2019. For further information on transactions involving related parties, see Notes 8 and 26 to the Company's Annual Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at September 30, 2020 totalled 238,308,284. Outstanding stock options as at September 30, 2020 totalled 11,939,809 of which 6,296,407 were exercisable. As at October 31, 2020, outstanding common shares totalled 238,308,284 and outstanding stock options totalled 11,937,463 of which 6,294,061 were exercisable.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF EARNINGS

(unaudited) (in thousands of Canadian dollars, except per share amounts)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
Revenues				
Wealth management	\$ 571,640	\$ 581,100	\$ 1,665,439	\$ 1,711,936
Asset management	207,412	201,232	596,611	588,891
Dealer compensation expense	(71,366)	(69,006)	(208,843)	(207,259)
Net asset management	136,046	132,226	387,768	381,632
Net investment income and other (Note 7)	39,501	2,043	45,104	18,109
Proportionate share of associates' earnings (Note 7)	43,434	28,902	106,858	81,816
	790,621	744,271	2,205,169	2,193,493
Expenses				
Advisory and business development	252,529	257,127	757,062	795,047
Operations and support	256,361	180,326	636,885	550,537
Sub-advisory	18,518	17,369	52,919	50,080
Interest	27,911	27,764	82,688	80,628
	555,319	482,586	1,529,554	1,476,292
Earnings before income taxes	235,302	261,685	675,615	717,201
Income taxes	44,389	59,208	140,284	159,884
Net earnings	190,913	202,477	535,331	557,317
Perpetual preferred share dividends	—	—	—	2,213
Net earnings available to common shareholders	\$ 190,913	\$ 202,477	\$ 535,331	\$ 555,104
Earnings per share (in dollars) (Note 14)				
– Basic	\$ 0.80	\$ 0.85	\$ 2.25	\$ 2.32
– Diluted	\$ 0.80	\$ 0.85	\$ 2.25	\$ 2.32

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (in thousands of Canadian dollars)	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
Net earnings	\$ 190,913	\$ 202,477	\$ 535,331	\$ 557,317
Other comprehensive income (loss), net of tax				
Items that will not be reclassified to Net earnings				
Fair value through other comprehensive income investments				
Other comprehensive income (loss) (Note 4), net of tax of \$(39,457), \$244, \$(39,495), and \$(1,829)	252,811	(1,567)	253,038	11,714
Employee benefits				
Net actuarial gains (losses), net of tax of \$721, \$1,095, \$5,230 and \$14,550	(1,950)	(2,965)	(14,137)	(39,352)
Investment in associates – employee benefits and other				
Other comprehensive income (loss), net of tax of nil	(16,945)	(5,256)	(2,748)	(15,151)
Items that may be reclassified subsequently to Net earnings				
Investment in associates and other				
Other comprehensive income (loss), net of tax of \$(1,126), \$2,072, \$(1,500) and \$5,191	(6,980)	(30,357)	48,514	(31,091)
	226,936	(40,145)	284,667	(73,880)
Total comprehensive income	\$ 417,849	\$ 162,332	\$ 819,998	\$ 483,437

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED BALANCE SHEETS

(unaudited)
(in thousands of Canadian dollars)

SEPTEMBER 30
2020

DECEMBER 31
2019

Assets

Cash and cash equivalents	\$ 992,393	\$ 720,005
Other investments (Note 4)	648,445	357,362
Client funds on deposit	821,556	561,269
Accounts and other receivables	437,578	394,210
Income taxes recoverable	27,759	11,925
Loans (Note 5)	6,743,603	7,198,043
Derivative financial instruments	34,582	15,204
Other assets	63,827	45,843
Investment in associates (Note 7)	1,655,821	1,753,882
Capital assets	247,815	216,956
Capitalized sales commissions	205,562	149,866
Deferred income taxes	74,288	76,517
Intangible assets	1,249,635	1,230,127
Goodwill	2,660,267	2,660,267
	\$ 15,863,131	\$ 15,391,476

Liabilities

Accounts payable and accrued liabilities	\$ 443,204	\$ 434,957
Income taxes payable	8,168	4,867
Derivative financial instruments	45,238	17,193
Deposits and certificates	845,668	584,331
Other liabilities	518,154	441,902
Obligations to securitization entities (Note 6)	6,525,759	6,913,636
Lease obligations	109,730	90,446
Deferred income taxes	349,982	305,049
Long-term debt	2,100,000	2,100,000
	10,945,903	10,892,381

Shareholders' Equity

Share capital (Note 8)		
Common shares	1,598,381	1,597,860
Contributed surplus	50,849	48,677
Retained earnings	3,111,033	2,980,260
Accumulated other comprehensive income (loss) (Note 11)	156,965	(127,702)
	4,917,228	4,499,095
	\$ 15,863,131	\$ 15,391,476

These interim condensed consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 5, 2020.

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30						
	SHARE CAPITAL			RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Note 11)	TOTAL SHAREHOLDERS' EQUITY	
	PERPETUAL PREFERRED SHARES (Note 8)	COMMON SHARES (Note 8)	CONTRIBUTED SURPLUS				
2020							
Balance, beginning of period	\$ –	\$ 1,597,860	\$ 48,677	\$ 2,980,260	\$ (127,702)	\$ 4,499,095	
Net earnings	–	–	–	535,331	–	535,331	
Other comprehensive income (loss), net of tax	–	–	–	–	284,667	284,667	
Total comprehensive income	–	–	–	535,331	284,667	819,998	
Common shares							
Issued under stock option plan	–	521	–	–	–	521	
Stock options							
Current period expense	–	–	2,196	–	–	2,196	
Exercised	–	–	(24)	–	–	(24)	
Common share dividends	–	–	–	(402,145)	–	(402,145)	
Common share cancellation excess and other	–	–	–	(2,413)	–	(2,413)	
Balance, end of period	\$ –	\$ 1,598,381	\$ 50,849	\$ 3,111,033	\$ 156,965	\$ 4,917,228	
2019							
Balance, beginning of period	\$ 150,000	\$ 1,611,263	\$ 45,536	\$ 2,834,998	\$ (45,798)	\$ 4,595,999	
Net earnings	–	–	–	557,317	–	557,317	
Other comprehensive income (loss), net of tax	–	–	–	–	(73,880)	(73,880)	
Total comprehensive income	–	–	–	557,317	(73,880)	483,437	
Redemption of preferred shares	(150,000)	–	–	–	–	(150,000)	
Common shares							
Issued under stock option plan	–	4,161	–	–	–	4,161	
Purchased for cancellation	–	(18,514)	–	–	–	(18,514)	
Stock options							
Current period expense	–	–	2,556	–	–	2,556	
Exercised	–	–	(223)	–	–	(223)	
Perpetual preferred share dividends	–	–	–	(2,213)	–	(2,213)	
Common share dividends	–	–	–	(403,548)	–	(403,548)	
Transfer out of fair value through other comprehensive income	–	–	–	21,468	(21,468)	–	
Common share cancellation excess and other	–	–	–	(85,633)	–	(85,633)	
Balance, end of period	\$ –	\$ 1,596,910	\$ 47,869	\$ 2,922,389	\$ (141,146)	\$ 4,426,022	

(See accompanying notes to interim condensed consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of Canadian dollars)	NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019
Operating activities		
Earnings before income taxes	\$ 675,615	\$ 717,201
Income taxes paid	(131,859)	(180,446)
Adjustments to determine net cash from operating activities		
Capitalized sales commission amortization	25,788	15,902
Capitalized sales commissions paid	(81,484)	(43,646)
Amortization of capital, intangible and other assets	62,000	59,557
Proportionate share of associates' earnings, net of dividends	(44,110)	(24,263)
Pension and other post-employment benefits	(1,795)	(1,584)
Restructuring provisions and other	74,460	–
Gain on sale of Personal Capital Corporation	(37,232)	–
Changes in operating assets and liabilities and other	(38,711)	9,905
Cash from operating activities before restructuring provision payments	502,672	552,626
Restructuring provision cash payments	(5,067)	(23,884)
	497,605	528,742
Financing activities		
Net (decrease) increase in deposits and certificates	(4,833)	545
Increase in obligations to securitization entities	1,147,867	1,185,701
Repayments of obligations to securitization entities and other	(1,569,728)	(1,393,012)
Repayments of lease obligations	(18,869)	(19,511)
Issue of debentures	–	250,000
Redemption of preferred shares	–	(150,000)
Issue of common shares	498	3,940
Common shares purchased for cancellation	–	(99,963)
Perpetual preferred share dividends paid	–	(4,425)
Common share dividends paid	(402,137)	(405,020)
	(847,202)	(631,745)
Investing activities		
Purchase of other investments	(26,511)	(110,499)
Proceeds from the sale of other investments	21,921	61,546
Increase in loans	(1,333,880)	(1,277,625)
Repayment of loans and other	1,799,511	1,513,354
Net additions to capital assets	(27,512)	(14,066)
Net cash used in additions to intangible assets	(42,549)	(50,379)
Proceeds from sale of Personal Capital Corporation	231,005	–
Investment in Personal Capital Corporation	–	(66,811)
Proceeds from substantial issuer bid (Note 7)	–	80,408
	621,985	135,928
Increase in cash and cash equivalents	272,388	32,925
Cash and cash equivalents, beginning of period	720,005	650,228
Cash and cash equivalents, end of period	\$ 992,393	\$ 683,153
Cash	\$ 57,153	\$ 62,026
Cash equivalents	935,240	621,127
	\$ 992,393	\$ 683,153
Supplemental disclosure of cash flow information related to operating activities		
Interest and dividends received	\$ 205,543	\$ 228,262
Interest paid	\$ 195,774	\$ 203,927

(See accompanying notes to interim condensed consolidated financial statements.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020 (unaudited) (In thousands of Canadian dollars, except shares and per share amounts)

NOTE 1 CORPORATE INFORMATION

IGM Financial Inc. (the Company) is a publicly listed company (TSX: IGM), incorporated and domiciled in Canada. The registered address of the Company is 447 Portage Avenue, Winnipeg, Manitoba, Canada. The Company is controlled by Power Corporation of Canada.

IGM Financial Inc. is a wealth and asset management company which serves the financial needs of Canadians through its principal subsidiaries, each operating distinctly within the advice segment of the financial services market. The Company's wholly-owned principal subsidiaries are Investors Group Inc. and Mackenzie Financial Corporation (Mackenzie).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited Interim Condensed Consolidated Financial Statements of the Company (Interim Financial Statements) have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using the accounting policies as set out in this note and in Note 2 to the Consolidated Financial Statements for the year ended December 31, 2019. The Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report.

CHANGES IN PRESENTATION

In the third quarter of 2020, the Company has realigned its reportable segments and made disclosure enhancements to its Consolidated Statements of Earnings to better characterize the Company's business lines and improve transparency into the key drivers of the business. These changes have had no impact on the reported earnings of the Company.

COMPARATIVE FIGURES

The Company has restated comparative figures in its Consolidated Statements of Earnings and Segmented information note to conform to the current period's presentation. The changes had no impact to prior period earnings and no impact to the Consolidated Balance Sheets.

SEGMENT REPORTING

The Company has realigned its reportable segments (Note 16) as follows:

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.
- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

STATEMENTS OF EARNINGS

The Company has reclassified its Statement of Earnings as follows:

- **Wealth management revenue** – revenues earned by the Wealth Management segment for providing financial planning, investment advisory and related financial services. Revenues include financial advisory fees, investment management and related administration fees, distribution revenue associated with insurance and banking products and services, and net investment income and other revenue relating to mortgage lending activities.
- **Asset management revenue** – revenue earned by the Asset Management segment related to investment management advisory and administrative services.
- **Dealer compensation** – asset based and sales based compensation paid to dealers by the Asset Management segment.
- **Advisory and business development expenses** – expenses incurred on activities directly associated with providing financial planning services to clients of the Wealth Management segment. Expenses include compensation, recognition and other support provided to our financial advisors, field management, product and planning specialists; expenses associated with facilities, technology and training relating to our financial advisors and specialists; other business development activities including direct marketing and advertising; and wholesale distribution activities performed by the Asset Management segment. A significant component of these expenses vary directly with levels of assets under management or advisement, business development measures including sales and client acquisition, and the number of advisor and client relationships.
- **Operations and support expenses** – expenses associated with business operations including technology and business processes; in-house investment management and product shelf management; corporate management and support functions. These expenses primarily reflect compensation and technology and other service provider expenses.
- **Sub-advisory expenses** – reflects fees relating to investment management services provided by third party or related party investment management organizations. These fees typically are variable with the level of assets under management. These fees include investment advisory services performed for the Wealth Management segment by the Asset Management segment.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STATEMENTS OF EARNINGS (continued)

The following tables provide a reconciliation from current to prior period presentation for the current quarter and year to date Consolidated Statement of Earnings.

THREE MONTHS ENDED SEPTEMBER 30, 2020

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON-COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 580,933	\$ 101,928	\$ 83,453	\$ 54,970	\$ 43,434	\$ 272,342	\$ 329,163	\$ 27,911	\$ 235,302
CURRENT PRESENTATION										
Revenues										
Wealth management	\$ 571,640	397,633	76,049	82,489	15,469					
Asset management	207,412	183,300	25,879	964				(2,731)		
Dealer compensation	(71,366)						(71,366)			
Net asset management	136,046	183,300	25,879	964			(71,366)	(2,731)		
Net investment income and other	39,501				39,501					
Proportionate share of associates' earnings (Note 7)	43,434					43,434				
	<u>790,621</u>	<u>580,933</u>	<u>101,928</u>	<u>83,453</u>	<u>54,970</u>	<u>43,434</u>	<u>(71,366)</u>	<u>(2,731)</u>		
Expenses										
Advisory and business development	252,529						200,976	51,553		
Operations and support	256,361							256,361		
Sub-advisory	18,518							18,518		
Interest	27,911								27,911	
	<u>555,319</u>						<u>200,976</u>	<u>326,432</u>	<u>27,911</u>	
Earnings before income taxes	<u>\$ 235,302</u>									

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STATEMENTS OF EARNINGS (continued)

NINE MONTHS ENDED SEPTEMBER 30, 2020

PRIOR PRESENTATION		MANAGEMENT AND ADVISORY FEES	ADMINISTRATION FEES	DISTRIBUTION FEES	NET INVESTMENT INCOME AND OTHER	PROPORTIONATE SHARE OF ASSOCIATES' EARNINGS	COMMISSION EXPENSE	NON- COMMISSION EXPENSE	INTEREST EXPENSE	EARNINGS BEFORE INCOME TAXES
		\$ 1,682,988	\$ 300,217	\$ 252,531	\$ 79,683	\$ 106,858	\$ 799,501	\$ 864,473	\$ 82,688	\$ 675,615
CURRENT PRESENTATION										
Revenues										
Wealth management	\$1,665,439	1,155,783	225,867	249,210	34,579					
Asset management	596,611	527,205	74,350	3,321				(8,265)		
Dealer compensation	(208,843)						(208,843)			
Net asset management	387,768	527,205	74,350	3,321			(208,843)	(8,265)		
Net investment income and other	45,104				45,104					
Proportionate share of associates' earnings (Note 7)	106,858					106,858				
	<u>2,205,169</u>	<u>1,682,988</u>	<u>300,217</u>	<u>252,531</u>	<u>79,683</u>	<u>106,858</u>	<u>(208,843)</u>	<u>(8,265)</u>		
Expenses										
Advisory and business development	757,062						590,658	166,404		
Operations and support	636,885							636,885		
Sub-advisory	52,919							52,919		
Interest	82,688								82,688	
	<u>1,529,554</u>						<u>590,658</u>	<u>856,208</u>	<u>82,688</u>	
Earnings before income taxes	\$ 675,615									

COVID-19

The nine months ended September 30, 2020 were characterized by increased uncertainty due to COVID-19. The Company is closely monitoring the current environment and assessing the impacts, if any, on its significant assumptions related to critical estimates.

FUTURE ACCOUNTING CHANGES

The Company continuously monitors the potential changes proposed by the IASB and analyzes the effect that changes in the standards may have on the Company's operations.

NOTE 3 OPERATIONS AND SUPPORT

During the third quarter, the Company incurred restructuring and other charges of \$74.5 million related to the ongoing multi-year transformation initiatives and efforts to enhance our operational effectiveness and also from the acquisition of GLC asset management and other changes to our 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. During the quarter, the Company announced outsourcing initiatives with Soroc for IT end-user services, with IBM for hosting of mainframe solutions, with Google for cloud-based data storage and other services, and also announced an agreement with CAPCO for process automation. As a result of these initiatives, the Company is recording costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the quarter, the Company also incurred severance and other charges relating to the acquisition of GLC Asset Management as well as other personnel changes.

NOTE 4 OTHER INVESTMENTS

	SEPTEMBER 30, 2020		DECEMBER 31, 2019	
	COST	FAIR VALUE	COST	FAIR VALUE
Fair value through other comprehensive income (FVTOCI)				
Corporate investments	\$ 249,359	\$ 598,099	\$ 244,989	\$ 301,196
Fair value through profit or loss (FVTPL)				
Equity securities	1,580	1,487	1,575	1,759
Proprietary investment funds	46,611	48,859	51,304	54,407
	48,191	50,346	52,879	56,166
	\$ 297,550	\$ 648,445	\$ 297,868	\$ 357,362

INVESTMENT IN WEALTHSIMPLE

Wealthsimple Financial Corp. (Wealthsimple) is an online investment manager that provides financial investment guidance. As at September 30, 2020, the Company had invested a total of \$186.9 million in Wealthsimple through a limited partnership controlled by Power Financial Corporation, a subsidiary of Power Corporation of Canada. The investment is classified at Fair Value Through Other Comprehensive Income.

On October 14, 2020, Wealthsimple announced a \$114 million equity fundraising led by TCV, a growth equity investor focused on technology, along with Greylock, Meritech, Two Sigma Ventures and existing investor Allianz X. The purchase price associated with this fundraising values the common equity of Wealthsimple at \$1.5 billion (\$1.4 billion pre-money valuation).

IGM Financial Inc. holds, directly and indirectly, a 41% interest in Wealthsimple and, subsequent to this fundraising, will hold a 36% interest. At June 30, 2020, its fair value was \$252 million. As a result of this valuation, the fair value of the Company's investment has increased by \$298 million to \$550 million at September 30, 2020.

The total fair value of Corporate investments of \$598.1 million is presented net of certain costs incurred within the limited partnership structures holding the underlying investments.

NOTE 5 LOANS

	CONTRACTUAL MATURITY			SEPTEMBER 30 2020 TOTAL	DECEMBER 31 2019 TOTAL
	1 YEAR OR LESS	1 – 5 YEARS	OVER 5 YEARS		
Amortized cost					
Residential mortgages	\$ 1,639,031	\$ 5,026,153	\$ 5,716	\$ 6,670,900	\$ 7,198,718
Less: Allowance for expected credit losses				808	675
				6,670,092	7,198,043
Fair value through profit or loss				73,511	–
				\$ 6,743,603	\$ 7,198,043

The change in the allowance for expected credit losses is as follows:

Balance, beginning of period	\$ 675	\$ 801
Write-offs, net of recoveries	(500)	(863)
Provision for credit losses	633	737
Balance, end of period	\$ 808	\$ 675

Total credit impaired loans as at September 30, 2020 were \$5,109 (December 31, 2019 – \$2,381).

The Company is working with clients that have been financially impacted by COVID-19 to defer mortgage payments for up to six months.

The International Accounting Standards Board (IASB) has provided guidance intended to support the consistent application of IFRS requirements related to the assessment of expected credit losses in light of the current uncertainty resulting from the COVID-19 pandemic. Recommendations include assessing whether the risk of default has changed over the life of the mortgages, not applying the expected credit loss mechanically (for example the payment holiday extensions should not automatically result in a significant increase in credit risk), developing estimates based on the best available information about past events, current conditions and forecasts of economic conditions, and continuous monitoring for any possible changes and new information. At September 30, 2020, after incorporating the impact of the mortgage deferral program and the IASB guidance, the Company's allowance for expected credit losses was \$808 compared to \$675 at December 31, 2019.

Total interest income on loans was \$144.8 million (2019 – \$164.8 million). Total interest expense on obligations to securitization entities, related to securitized loans, was \$115.0 million (2019 – \$130.6 million). Gains realized on the sale of residential mortgages totalled \$6.1 million (2019 – \$2.6 million). Fair value adjustments related to mortgage banking operations totalled negative \$4.1 million (2019 – negative \$4.5 million). These amounts were included in Wealth management revenue. Wealth management revenue also includes other mortgage banking related items including portfolio insurance, issue costs, and other items.

NOTE 6 SECURITIZATIONS

The Company securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC) sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as the Company retains prepayment risk and certain elements of credit risk. Accordingly, the Company has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as Obligations to securitization entities which are recorded at amortized cost.

NOTE 6 SECURITIZATIONS (continued)

The Company earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, the Company enters into a swap transaction whereby the Company pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, and the hedging swap used to manage exposure to changes in variable rate investment returns, are recorded as derivatives with a negative fair value of \$1.8 million at September 30, 2020 (December 31, 2019 – negative \$5.8 million).

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. Under the NHA MBS and CMB Program, the Company has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Program are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, the Company has provided cash reserves for credit enhancement which are recorded at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP Trusts have no recourse to the Company's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

	SECURITIZED MORTGAGES	OBLIGATIONS TO SECURITIZATION ENTITIES	NET
SEPTEMBER 30, 2020			
Carrying value			
NHA MBS and CMB Program	\$ 3,477,317	\$ 3,551,631	\$ (74,314)
Bank sponsored ABCP	2,865,326	2,974,128	(108,802)
Total	\$ 6,342,643	\$ 6,525,759	\$ (183,116)
Fair value	\$ 6,548,851	\$ 6,699,227	\$ (150,376)
DECEMBER 31, 2019			
Carrying value			
NHA MBS and CMB Program	\$ 3,890,955	\$ 3,938,732	\$ (47,777)
Bank sponsored ABCP	2,938,910	2,974,904	(35,994)
Total	\$ 6,829,865	\$ 6,913,636	\$ (83,771)
Fair value	\$ 6,907,742	\$ 6,996,953	\$ (89,211)

The carrying value of Obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation on an effective interest rate basis.

NOTE 7 INVESTMENT IN ASSOCIATES

	LIFECO	CHINA AMC	PERSONAL CAPITAL	TOTAL
SEPTEMBER 30, 2020				
Balance, beginning of period	\$ 896,651	\$ 662,694	\$ 194,537	\$ 1,753,882
Dividends	(49,062)	(13,686)	–	(62,748)
Proportionate share of:				
Earnings (losses)	81,850	29,648	(4,640)	106,858
Other comprehensive income (loss) and other adjustments	13,413	34,313	8,817	56,543
Disposition	–	–	(198,714)	(198,714)
Balance, end of period	\$ 942,852	\$ 712,969	\$ –	\$ 1,655,821
SEPTEMBER 30, 2019				
Balance, beginning of period	\$ 967,829	\$ 683,475	\$ –	\$ 1,651,304
Transfer from corporate investments (FVTOCI)	–	–	216,952	216,952
Proceeds from substantial issuer bid	(80,408)	–	–	(80,408)
Dividends	(47,252)	(10,301)	–	(57,553)
Proportionate share of:				
Earnings (losses)	79,231	22,864	(12,279)	89,816
Associate's one-time loss	(8,000)	–	–	(8,000)
Other comprehensive income (loss) and other adjustments	(12,710)	(44,841)	(1,829)	(59,380)
Balance, end of period	\$ 898,690	\$ 651,197	\$ 202,844	\$ 1,752,731

The Company uses the equity method to account for its investments in Great-West Lifeco Inc. (Lifeco) and China Asset Management Co., Ltd. (China AMC) as it exercises significant influence. The equity method was used up to June 29, 2020 to account for the Company's 24.8% equity interest in Personal Capital Corporation (Personal Capital), as it exercised significant influence.

During the quarter, the Company sold its equity interest in Personal Capital to a subsidiary of Lifeco, Empower Retirement, for proceeds of \$232.8 million (USD \$176.2 million) and up to an additional USD \$24.6 million in consideration subject to Personal Capital achieving certain target growth objectives.

As a result of the sale, the Company has derecognized its investment in Personal Capital and recorded an accounting gain of \$37.2 million (\$31.4 million net of tax) in Net investment and other.

In April 2019, the Company participated on a proportionate basis in the Lifeco substantial issuer bid by selling 2,400,255 of its shares in Lifeco for proceeds of \$80.4 million.

In June 2019, Lifeco recorded a one-time loss in relation to the sale of substantially all of its United States individual life insurance and annuity business. The Company's after-tax proportionate share of this loss was \$8.0 million.

NOTE 8 SHARE CAPITAL

AUTHORIZED

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares, no par value

NOTE 8 SHARE CAPITAL (continued)

ISSUED AND OUTSTANDING

	SEPTEMBER 30, 2020		SEPTEMBER 30, 2019	
	SHARES	STATED VALUE	SHARES	STATED VALUE
Common shares:				
Balance, beginning of period	238,294,090	\$ 1,597,860	240,885,317	\$ 1,611,263
Issued under Stock Option Plan	14,194	521	145,568	4,161
Purchased for cancellation	–	–	(2,762,788)	(18,514)
Balance, end of period	238,308,284	\$ 1,598,381	238,268,097	\$ 1,596,910

NORMAL COURSE ISSUER BID

The Company commenced a normal course issuer bid on March 26, 2019 which was effective until March 25, 2020. Pursuant to this bid, the Company was authorized to purchase up to 4.0 million or 1.7% of its common shares outstanding as at March 14, 2019.

There were no common shares purchased in the nine months ended September 30, 2020. In the nine months ended September 30, 2019, there were 2,762,788 shares purchased at a cost of \$100.0 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

NOTE 9 CAPITAL MANAGEMENT

The capital management policies, procedures and activities of the Company are discussed in the Capital Resources section of the Company's Management's Discussion and Analysis contained in the Third Quarter 2020 Report to Shareholders and in Note 18 to the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2019.

NOTE 10 SHARE-BASED PAYMENTS

STOCK OPTION PLAN

	SEPTEMBER 30 2020	DECEMBER 31 2019
Common share options		
– Outstanding	11,939,809	10,529,360
– Exercisable	6,296,407	5,470,178

In the third quarter of 2020, there were 567,200 options granted to employees (2019 – nil). In the nine months ended September 30, 2020 the Company granted 2,104,365 options to employees (2019 – 1,511,540). The weighted-average fair value of options granted during the nine months ended September 30, 2020 has been estimated at \$1.43 per option (2019 – \$1.82) using the Black-Scholes option pricing model. The weighted-average closing share price at the grant dates was \$35.05.

Other assumptions used in these valuation models include:

	NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019
Exercise price	\$ 36.82	\$ 34.34
Risk-free interest rate	1.11%	2.07%
Expected option life	7 years	7 years
Expected volatility	18.62%	18.00%
Expected dividend yield	6.45%	6.55%

NOTE 10 SHARE-BASED PAYMENTS *(continued)*

Expected volatility has been estimated based on the historic volatility of the Company's share price over seven years which is reflective of the expected option life. Options vest over a period of up to 7.5 years from the grant date and are exercisable no later than 10 years after the grant date.

NOTE 11 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	EMPLOYEE BENEFITS	OTHER INVESTMENTS	INVESTMENT IN ASSOCIATES AND OTHER	TOTAL
SEPTEMBER 30, 2020				
Balance, beginning of period	\$ (165,947)	\$ 46,363	\$ (8,118)	\$ (127,702)
Other comprehensive income (loss)	(14,137)	253,038	45,766	284,667
Balance, end of period	\$ (180,084)	\$ 299,401	\$ 37,648	\$ 156,965
SEPTEMBER 30, 2019				
Balance, beginning of period	\$ (149,052)	\$ 57,234	\$ 46,020	\$ (45,798)
Other comprehensive income (loss)	(39,352)	11,714	(46,242)	(73,880)
Transfer out of FVTOCI	–	(21,468)	–	(21,468)
Balance, end of period	\$ (188,404)	\$ 47,480	\$ (222)	\$ (141,146)

Amounts are recorded net of tax.

The Company's Investment in associates are either foreign entities or have significant foreign operations. The \$45.8 million adjustment reflects changes in foreign exchange rates which are charged to Other comprehensive income.

NOTE 12 RISK MANAGEMENT

The risk management policies and procedures of the Company are discussed in the Financial Instruments Risk section of the Company's Management's Discussion and Analysis contained in the Third Quarter 2020 Report to Shareholders and in Note 21 to the Consolidated Financial Statements in the 2019 IGM Financial Inc. Annual Report and have not changed significantly since December 31, 2019.

COVID-19 RELATED IMPACTS

The Company has identified impacts to its financial risks due to COVID-19 in the following areas:

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 the Company securitizes mortgages through the 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.

The Company believes its ongoing cash flows from operations, available cash balances, and liquidity available through its lines of credit are sufficient to address the Company's liquidity needs.

NOTE 12 RISK MANAGEMENT *(continued)*

CREDIT RISK

The Company's allowance for expected credit losses was \$0.8 million at September 30, 2020, compared to \$0.7 million at December 31, 2019, and is considered adequate by 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) our strong financial planning relationship with our clients, and v) stress testing of losses under adverse real estate market conditions.

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

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values are management's estimates and are calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and are matters of significant judgment.

All financial instruments measured at fair value and those for which fair value is disclosed are classified into one of three levels that distinguish fair value measurements by the significance of the inputs used for valuation.

Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques, based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

Markets are considered inactive when transactions are not occurring with sufficient regularity. Inactive markets may be characterized by a significant decline in the volume and level of observed trading activity or through large or erratic bid/offer spreads. In those instances where traded markets are not considered sufficiently active, fair value is measured using valuation models which may utilize predominantly observable market inputs (Level 2) or may utilize predominantly non-observable market inputs (Level 3). Management considers all reasonably available information including indicative broker quotations, any available pricing for similar instruments, recent arm's length market transactions, any relevant observable market inputs, and internal model-based estimates. Management exercises judgment in determining the most appropriate inputs and the weighting ascribed to each input as well as in the selection of valuation methodologies.

Fair value is determined using the following methods and assumptions:

Other investments and other financial assets and financial liabilities are valued using quoted prices from active markets, when available. When a quoted market price is not readily available, valuation techniques are used that require assumptions related to discount rates and the timing and amount of future cash flows. Wherever possible, observable market inputs are used in the valuation techniques.

Loans classified as Level 2 are valued using market interest rates for loans with similar credit risk and maturity.

Loans classified as Level 3 are valued by discounting the expected future cash flows at prevailing market yields.

Obligations to securitization entities are valued by discounting the expected future cash flows at prevailing market yields for securities issued by these securitization entities having similar terms and characteristics.

Deposits and certificates are valued by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Long-term debt is valued using quoted prices for each debenture available in the market.

Derivative financial instruments are valued based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or discounted cash flow analysis.

Level 1 financial instruments include exchange-traded equity investments and open-end investment fund units and other financial liabilities in instances where there are quoted prices available from active markets.

Level 2 assets and liabilities include fixed income securities, loans, derivative financial instruments, deposits and certificates and long-term debt. The fair value of fixed income securities is determined using quoted market prices or independent dealer price quotes. The fair value of derivative financial instruments and deposits and certificates are determined using valuation models, discounted cash flow methodologies, or similar techniques using primarily observable market inputs. The fair value of long-term debt is determined using indicative broker quotes.

Level 3 assets and liabilities include investments with little or no trading activity valued using broker-dealer quotes, loans, other financial assets, obligations to securitization entities and derivative financial instruments. Derivative financial instruments consist of principal reinvestment account swaps which represent the component of a swap entered into under the CMB Program whereby the Company pays coupons on Canada Mortgage Bonds and receives investment returns on the reinvestment of repaid mortgage principal. Fair value is determined by discounting the projected cashflows of the swaps. The notional amount, which is an input used to determine the fair value of the swap, is determined using an average unobservable prepayment rate of 15% which is based on historical prepayment patterns. An increase (decrease) in the assumed mortgage prepayment rate increases (decreases) the notional amount of the swap.

The following table presents the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table distinguishes between those financial instruments recorded at fair value and those recorded at amortized cost. The table also excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. These items include cash and cash equivalents, accounts and other receivables, certain other financial assets, accounts payable and accrued liabilities and certain other financial liabilities.

		FAIR VALUE			
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
SEPTEMBER 30, 2020					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 598,099	\$ –	\$ –	\$ 598,099	\$ 598,099
– FVTPL	50,346	50,011	–	335	50,346
Loans					
– FVTPL	73,511	–	73,511	–	73,511
Derivative financial instruments	34,582	–	31,997	2,585	34,582
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	6,670,092	–	329,479	6,548,850	6,878,329
Financial liabilities recorded at fair value					
Derivative financial instruments	45,238	–	19,946	25,292	45,238
Financial liabilities recorded at amortized cost					
Deposits and certificates	845,668	–	846,100	–	846,100
Obligations to securitization entities	6,525,759	–	–	6,699,227	6,699,227
Long-term debt	2,100,000	–	2,605,080	–	2,605,080

NOTE 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		FAIR VALUE			
	CARRYING VALUE	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
DECEMBER 31, 2019					
Financial assets recorded at fair value					
Other investments					
– FVTOCI	\$ 301,196	\$ –	\$ –	\$ 301,196	\$ 301,196
– FVTPL	56,166	55,603	–	563	56,166
Derivative financial instruments	15,204	–	10,762	4,442	15,204
Financial assets recorded at amortized cost					
Loans					
– Amortized cost	7,198,043	–	366,020	6,907,743	7,273,763
Financial liabilities recorded at fair value					
Derivative financial instruments	17,193	–	11,845	5,348	17,193
Financial liabilities recorded at amortized cost					
Deposits and certificates	584,331	–	584,662	–	584,662
Obligations to securitization entities	6,913,636	–	–	6,996,953	6,996,953
Long-term debt	2,100,000	–	2,453,564	–	2,453,564

There were no significant transfers between Level 1 and Level 2 in the third quarter of 2020 and 2019.

The following table provides a summary of changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

	BALANCE JANUARY 1	GAINS (LOSSES) INCLUDED IN NET EARNINGS ⁽¹⁾	GAINS (LOSSES) INCLUDED IN OTHER COMPREHENSIVE INCOME	PURCHASES AND ISSUANCES	SETTLEMENTS	TRANSFERS IN (OUT)	BALANCE SEPTEMBER 30
SEPTEMBER 30, 2020							
Other investments							
– FVTOCI	\$ 301,196	\$ –	\$ 292,532	\$ 4,371	\$ –	\$ –	\$ 598,099
– FVTPL	563	(228)	–	–	–	–	335
Derivative financial instruments, net	(906)	(26,649)	–	1,466	(3,382)	–	(22,707)
SEPTEMBER 30, 2019							
Other investments							
– FVTOCI	\$ 372,396	\$ –	\$ 13,542	\$ 59,362	\$ –	\$ (150,141) ⁽²⁾	\$ 295,159
– FVTPL	552	67	–	–	–	–	619
Derivative financial instruments, net	4,899	(11,226)	–	(1,551)	(473)	–	(7,405)

(1) Included in Net investment income in the Consolidated Statements of Earnings.

(2) Reclassification of investment in Personal Capital from Other investments (FVTOCI) to Investment in associates (equity method).

NOTE 14 EARNINGS PER COMMON SHARE

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	2020	2019	2020	2019
Earnings				
Net earnings	\$ 190,913	\$ 202,477	\$ 535,331	\$ 557,317
Perpetual preferred share dividends	–	–	–	2,213
Net earnings available to common shareholders	\$ 190,913	\$ 202,477	\$ 535,331	\$ 555,104
Number of common shares (in thousands)				
Weighted average number of common shares outstanding	238,308	238,266	238,306	239,381
Add: Potential exercise of outstanding stock options ⁽¹⁾	–	105	–	23
Average number of common shares outstanding – diluted basis	238,308	238,371	238,306	239,404
Earnings per common share (in dollars)				
– Basic	\$ 0.80	\$ 0.85	\$ 2.25	\$ 2.32
– Diluted	\$ 0.80	\$ 0.85	\$ 2.25	\$ 2.32

(1) Excludes 3,023 thousand shares for the three months ended September 30, 2020 (2019 – 1,493 thousand) related to outstanding stock options that were anti-dilutive.
Excludes 3,056 thousand shares for the nine months ended September 30, 2020 (2019 – 1,784 thousand) related to outstanding stock options that were anti-dilutive.

NOTE 15 COVID-19

Governments worldwide have enacted emergency measures to combat the spread of a novel strain of coronavirus (COVID-19). These measures, which include the implementation of travel bans, closing of non-essential businesses, self-imposed quarantine periods and social distancing, have caused significant volatility and weakness in global equity markets and material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company has implemented its business continuity plan as a result of these events, which has included moving substantially all employees and consultants to work from home and further supporting the Company's information technology infrastructure.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, 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 Company and its operating subsidiaries in future periods.

NOTE 16 SEGMENTED INFORMATION

The Company's reportable segments are:

- Wealth Management
- Asset Management
- Strategic Investments and Other

These segments reflect the Company's internal financial reporting and performance measurement.

- **Wealth Management** – reflects the activities of operating companies that are principally focused on providing financial planning and related services to Canadian households. This segment includes the activities of IG Wealth Management and Investment Planning Counsel. These firms are retail distribution organizations who serve Canadian households through their securities dealers, mutual fund dealers and other subsidiaries licensed to distribute financial products and services. A majority of the revenues of this segment are derived from providing financial advice and distributing financial products and services to Canadian households. This segment also includes the investment management activities of these organizations, including mutual fund management and discretionary portfolio management services.

NOTE 16 SEGMENTED INFORMATION (continued)

- **Asset Management** – reflects the activities of operating companies primarily focused on providing investment management services, and represents the operations of Mackenzie Investments. Investment management services are provided to a suite of investment funds that are distributed through third party dealers and financial advisors, and also through institutional advisory mandates to financial institutions, pensions and other institutional investors.
- **Strategic Investments and Other** – primarily represents the key strategic investments made by the Company, including China Asset Management Co., Ltd., Great-West Lifeco Inc., Wealthsimple Financial Corp., and Portag3 Ventures LPs. Unallocated capital is also included within this segment.

2020

THREE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS ⁽¹⁾	TOTAL
Revenues							
Wealth management	\$ 575,798	\$ –	\$ –	\$ (4,158)	\$ 571,640	\$ –	\$ 571,640
Asset management	–	233,142	–	(25,730)	207,412	–	207,412
Dealer compensation	–	(75,508)	–	4,142	(71,366)	–	(71,366)
Net asset management	–	157,634	–	(21,588)	136,046	–	136,046
Net investment income and other	615	1,087	612	(45)	2,269	37,232	39,501
Proportionate share of associates' earnings (Note 7)	–	–	43,434	–	43,434	–	43,434
	576,413	158,721	44,046	(25,791)	753,389	37,232	790,621
Expenses							
Advisory and business development	236,461	16,070	–	(2)	252,529	–	252,529
Operations and support	111,224	69,600	1,137	(60)	181,901	74,460	256,361
Sub-advisory	41,705	2,542	–	(25,729)	18,518	–	18,518
	389,390	88,212	1,137	(25,791)	452,948	74,460	527,408
Earnings before undernoted	\$ 187,023	\$ 70,509	\$ 42,909	\$ –	300,441	(37,228)	263,213
Interest expense ⁽²⁾					(27,911)	–	(27,911)
Gain on sale of Personal Capital					37,232	(37,232)	–
Restructuring and other charges					(74,460)	74,460	–
Earnings before income taxes					235,302	–	235,302
Income taxes					44,389	–	44,389
Net earnings available to common shareholders					\$ 190,913	\$ –	\$ 190,913

(1) Gain on sale of Personal Capital and Restructuring and other changes are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

(2) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION (continued)

2019

THREE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL
Revenues					
Wealth management	\$ 585,235	\$ –	\$ –	\$ (4,135)	\$ 581,100
Asset management	–	227,544	–	(26,312)	201,232
Dealer compensation	–	(73,005)	–	3,999	(69,006)
Net asset management	–	154,539	–	(22,313)	132,226
Net investment income and other	2,010	(1,354)	1,460	(73)	2,043
Proportionate share of associates' earnings (Note 7)	–	–	28,902	–	28,902
	587,245	153,185	30,362	(26,521)	744,271
Expenses					
Advisory and business development	239,743	17,468	–	(84)	257,127
Operations and support	107,222	72,704	525	(125)	180,326
Sub-advisory	41,081	2,600	–	(26,312)	17,369
	388,046	92,772	525	(26,521)	454,822
Earnings before undernoted	\$ 199,199	\$ 60,413	\$ 29,837	\$ –	289,449
Interest expense ⁽¹⁾					(27,764)
Earnings before income taxes					261,685
Income taxes					59,208
Net earnings available to common shareholders					\$ 202,477

(1) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION (continued)

2020

NINE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS ⁽¹⁾	TOTAL
Revenues							
Wealth management	\$ 1,677,528	\$ –	\$ –	\$ (12,089)	\$ 1,665,439	\$ –	\$ 1,665,439
Asset management	–	671,439	–	(74,828)	596,611	–	596,611
Dealer compensation	–	(220,908)	–	12,065	(208,843)	–	(208,843)
Net asset management	–	450,531	–	(62,763)	387,768	–	387,768
Net investment income and other	1,255	1,842	4,912	(137)	7,872	37,232	45,104
Proportionate share of associates' earnings (Note 7)	–	–	106,858	–	106,858	–	106,858
	1,678,783	452,373	111,770	(74,989)	2,167,937	37,232	2,205,169
Expenses							
Advisory and business development	705,163	51,909	–	(10)	757,062	–	757,062
Operations and support	340,412	219,024	3,140	(151)	562,425	74,460	636,885
Sub-advisory	120,502	7,245	–	(74,828)	52,919	–	52,919
	1,166,077	278,178	3,140	(74,989)	1,372,406	74,460	1,446,866
Earnings before undernoted	\$ 512,706	\$ 174,195	\$ 108,630	\$ –	795,531	(37,228)	758,303
Interest expense ⁽²⁾					(82,688)	–	(82,688)
Gain on sale of Personal Capital					37,232	(37,232)	–
Restructuring and other charges					(74,460)	74,460	–
Earnings before income taxes					675,615	–	675,615
Income taxes					140,284	–	140,284
Net earnings available to common shareholders					\$ 535,331	\$ –	\$ 535,331
Identifiable assets	\$ 9,751,194	\$ 1,345,287	\$ 2,836,847	\$ (730,464)	\$13,202,864		
Goodwill	1,491,687	1,168,580	–	–	2,660,267		
Total assets	\$11,242,881	\$ 2,513,867	\$ 2,836,847	\$ (730,464)	\$15,863,131		

(1) Gain on sale of Personal Capital and Restructuring and other changes are not related to a specific segment and therefore excluded from segment results. These items have been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

(2) Interest expense includes interest on long-term debt and interest on leases.

NOTE 16 SEGMENTED INFORMATION (continued)

2019

NINE MONTHS ENDED SEPTEMBER 30	WEALTH MANAGEMENT	ASSET MANAGEMENT	STRATEGIC INVESTMENTS AND OTHER	INTERSEGMENT	TOTAL SEGMENT	ADJUSTMENTS ⁽¹⁾	TOTAL
Revenues							
Wealth management	\$ 1,724,147	\$ –	\$ –	\$ (12,211)	\$ 1,711,936	\$ –	\$ 1,711,936
Asset management	–	666,929	–	(78,038)	588,891	–	588,891
Dealer compensation	–	(219,003)	–	11,744	(207,259)	–	(207,259)
Net asset management	–	447,926	–	(66,294)	381,632	–	381,632
Net investment income and other	9,083	4,495	4,745	(214)	18,109	–	18,109
Proportionate share of associates' earnings (Note 7)	–	–	89,816	–	89,816	(8,000)	81,816
	\$ 1,733,230	\$ 452,421	\$ 94,561	\$ (78,719)	\$ 2,201,493	\$ (8,000)	\$ 2,193,493
Expenses							
Advisory and business development	737,905	57,453	–	(311)	795,047	–	795,047
Operations and support	331,776	217,497	1,636	(372)	550,537	–	550,537
Sub-advisory	120,019	8,097	–	(78,036)	50,080	–	50,080
	1,189,700	283,047	1,636	(78,719)	1,395,664	–	1,395,664
Earnings before undernoted	\$ 543,530	\$ 169,374	\$ 92,925	\$ –	805,829	(8,000)	797,829
Interest expense ⁽²⁾					(80,628)	–	(80,628)
Proportionate share of associate's one-time loss					(8,000)	8,000	–
Earnings before income taxes					717,201	–	717,201
Income taxes					159,884	–	159,884
Net earnings					557,317	–	557,317
Perpetual preferred share dividends					2,213	–	2,213
Net earnings available to common shareholders					\$ 555,104	\$ –	\$ 555,104
Identifiable assets	\$ 9,661,265	\$ 1,307,486	\$ 2,344,586	\$ (399,201)	\$12,914,136		
Goodwill	1,491,687	1,168,580	–	–	2,660,267		
Total assets	\$ 11,152,952	\$ 2,476,066	\$ 2,344,586	\$ (399,201)	\$15,574,403		

(1) Proportionate share of associate's one-time loss is not related to a specific segment and therefore excluded from segment results. This item has been added back to their respective revenue or expense line item to reconcile Total Segment results to the Company's Consolidated Statements of Earnings.

(2) Interest expense includes interest on long-term debt and interest on leases.

NOTE 17 ACQUISITIONS

GLC ASSET MANAGEMENT GROUP LTD. (GLC)

On August 4, 2020, the Company's subsidiary, Mackenzie, entered into a definitive agreement to acquire all of the common shares of GLC, a wholly-owned subsidiary of The Canada Life Assurance Company (Canada Life), for cash consideration of \$175 million. Canada Life is a wholly-owned subsidiary of Lifeco.

As part of the transaction, Canada Life will acquire the fund management contracts relating to 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.

The transaction is expected to close in the fourth quarter of 2020 subject to customary closing conditions, including regulatory approvals.

NORTHLEAF CAPITAL PARTNERS LTD. (NORTHLEAF)

On October 28, 2020, the Company's subsidiary, Mackenzie, together with Lifeco, acquired a non-controlling interest in Northleaf Capital Partners Ltd. (Northleaf) through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco 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.

The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf. Mackenzie and Lifeco have an obligation and right to purchase an additional equity and voting interest in the firm commencing in approximately five years and extending into future periods.

Pargesa Holding SA

PART E

The attached document discloses information relating to the financial results of Pargesa Holding SA as issued by Pargesa Holding SA.

Pargesa Holding SA

Power Financial Corporation and the Frère Group of Charleroi, Belgium, each hold a 50.0% interest in Parjointco N.V. (Parjointco), a Netherlands-based company. Parjointco holds a controlling interest in Pargesa Holdings SA (Pargesa). Pargesa has its head office in Geneva, Switzerland, and its shares are listed on the Swiss Exchange (SIX: PARC).

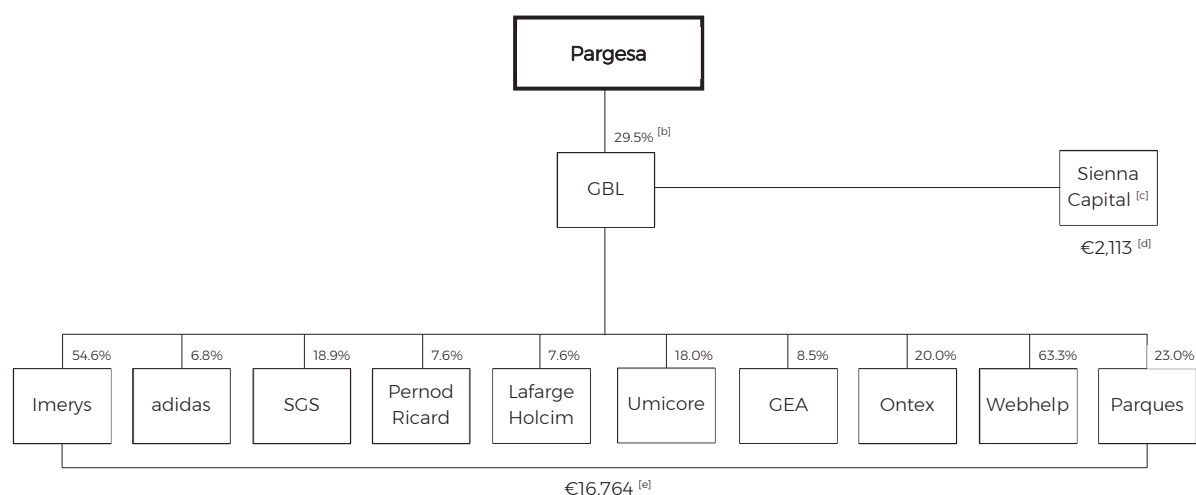
On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction that would simplify the group structure. A public exchange offer was initiated by Parjointco for all Pargesa shares not already owned by Parjointco, under which shareholders would receive 0.93 shares of Groupe Bruxelles Lambert (GBL) for each Pargesa bearer share they hold.

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.

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. The execution of the merger and the delisting of Pargesa bearer shares from the Swiss Exchange are expected to take place in the fourth quarter of 2020.

The Pargesa group holds interests in a limited number of large European companies.

The organization chart below reflects the group's structure at September 30, 2020 ^[a]:



[a] The chart shows the operating companies of the portfolio and Sienna Capital. The percentages represent the total interest percentage as defined in the glossary further in this report.

[b] 44.8% of voting rights, taking into account the double-voting rights introduced by GBL's general assembly in April 2020.

[c] Comprising shareholdings in alternative investment funds, valued at fair value.

[d] Estimated value^[1] in millions of euros at September 30, 2020.

[e] Operating companies (listed investments and private assets) at September 30, 2020 at fair value^[1], expressed in millions of euros.

[1] In accordance with the valuation principles described in the definition of net asset value in the glossary further in this report.

Pargesa holds an interest in GBL, a holding company whose head office is in Brussels, Belgium, and which is listed on the Euronext Exchange (EBR: GBLB). At September 30, 2020, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

- Imerys (EPA: NK) – mineral-based specialty solutions for industry
- SGS (SIX: SGSN) – testing, inspection and certification
- adidas (XETR: ADS) – design and distribution of sportswear
- Pernod Ricard (EPA: RI) – wines and spirits
- LafargeHolcim (SIX: HOLN and EPA: LHN) – cement, aggregates and concrete
- Umicore (EBR: UMI) – materials technology and recycling of precious metals
- GEA (XETR: G1A) – supplier of equipment and project management for a wide range of processing industries primarily in the food and beverage sectors
- Ontex (EBR: ONTEX) – disposable hygiene products

PRIVATELY HELD

- Webhelp – provider of customer experience and business process outsourcing
- Parques – operation of regional leisure parks

Key Financial Data^[2]

[in millions of Swiss francs, except as otherwise noted] [unaudited]	September 30, 2020	September 30, 2019	December 31, 2019
Consolidated net result (group share)	186	316	391
Net asset value	8,375	10,330	10,946
Market capitalization	6,479	6,501	6,814
Net debt ^[a]	59	113	116
Loan to value ^[b]	1.0%	1.1%	1.0%

[a] Pargesa's net debt is presented, for comparability purposes, excluding the deferred payment price receivable for the sale of GBL shares held by a group subsidiary, Pargesa Netherlands B.V., from Parjointco Switzerland SA (the offeror) amounting to SF2,685 million pertaining to the public exchange offer.

Including Pargesa's share of GBL's net debt, Pargesa's net debt was SF537 million at the end of September 2020 (Pargesa share of 30%), compared to SF532 million at the end of December 2019 (Pargesa share of 50%) – see "Net asset value" section for details.

[b] The loan to value ratio is calculated on the basis of (i) Pargesa's direct net debt relative to (ii) Pargesa's portfolio value as defined in the glossary found at the end of this report.

Pargesa's consolidated net result (group share) was SF186 million for the first nine months of 2020, compared to SF316 million for the same period in 2019. The results since the beginning of 2020 were especially affected by the decrease in dividend income, as some portfolio companies revised their dividend policy in the context of an economic and financial environment marked by the uncertainty caused by the consequences of the COVID-19 pandemic.

Highlights

The first nine months of financial year 2020 were marked by the public exchange offer accomplished by Parjointco to acquire shares of Pargesa in exchange for GBL shares, which is described above.

- Listed investments:
 - On January 24, 2020, forward sales of 15.9 million Total shares, entered into by GBL in March and April 2019, matured at an average spot price of €50.52 and an average forward price of €48.37 per share for a total amount of €771 million. The capital gain generated by these sales amounts to €411 million, not impacting GBL's consolidated net result in 2020, in accordance with IFRS 9. Upon the maturity of this transaction, GBL's ownership in Total was reduced to 0.01%. GBL continued to receive dividends on the disposed shares until the maturity date.
 - On February 4, 2020, GBL purchased for an amount of €374 million of SGS shares by participating in a private placement by the Von Finck family at a price of SF2,425 per share. Following this investment, GBL increased its stake in the capital of SGS from 16.7% at the end of 2019 to 18.9% on September 30, 2020. GBL's total investment in SGS was valued at €3,272 million on September 30, 2020.

[2] The alternative performance indicators are defined in the glossary found at the end of this report.

- On September 17, 2020, GBL's board of directors approved a third envelope of €250 million allocated to the repurchase of own shares. This authorization is valid until April 2025. As a result of the purchases of treasury shares during the year to date, GBL held 5.1% of its issued capital on September 30, 2020.
- On October 1, 2020, GBL announced the completion of an offering by its subsidiary Oliver Capital of €450 million of bonds exchangeable into existing no-par value ordinary bearer shares of GEA. The bonds are guaranteed by GBL. The bonds will initially relate to approximately 11.3 million GEA shares (6.2% of the share capital of the company) being 73.3% of the GEA shares held directly or indirectly by GBL. The bonds do not bear interest and have a maturity of approximately three years and three months, except in the case of an early redemption. The bonds were issued at an issue price of 102.0% of their principal amount and shall be redeemed at their principal amount at maturity, corresponding to an annual yield to maturity of -0.61%. The proceeds of the offering will be used for GBL's general corporate purposes. At September 30, 2020, the participation in GEA, being 8.5% of the issued capital, is valued at €461 million.
- In October 2020, the rating agencies S&P and Moody's assigned credit ratings of A+ and A1, respectively, to the institutional bonds issued by GBL in 2017 and 2018 and maturing in 2024 and 2025.
- Repercussions of the public exchange offer on the capital structure of the group:
 - At its extraordinary general meeting on April 28, 2020, the shareholders of GBL approved the introduction of double-voting rights.
 - In June and July 2020, in the context of this public exchange offer, Pargesa sold 33.1 million GBL shares to Parjointco at fair market value. These sales, in application of IFRS accounting standards, are not recorded in the income statement. Due to the occurrence of these transactions at the end of the first half and the beginning of the third quarter of 2020, these sales impact on the scope of consolidation of GBL's earnings only from the third quarter of 2020.
 - After these sales of GBL shares by Pargesa, the group's percentage of economic interest in GBL stands at 31.1% at September 30, 2020 against 35.2% at June 30, 2020 and 51.7% at December 31, 2019, taking into account the treasury shares owned by GBL. Pargesa's percentage of voting rights in GBL was 44.8% at September 30, 2020, against 49.4% at June 30, 2020 and 51.7% at December 31, 2019. Pargesa maintains de facto control of GBL.
- At the level of Sienna Capital:

At the end of September 2020, the net asset value of Sienna Capital was €2,113 million, compared with €1,785 million at December 31, 2019. For year-to-date September 30, 2020, GBL invested €329 million in Sienna Capital's alternative assets and ended the period with uncalled commitments of €768 million (€466 million at December 31, 2019).

Sienna Capital's activity for the period developed as follows:

- **Sagard**

In March 2020, Sienna Capital committed €150 million to Sagard 4, the new fund managed by Sagard SAS.

Also in March 2020, the Sagard 2 fund finalized the disposal of Ceva Santé Animale (Ceva), of which it was a shareholder since 2010. With €1.2 billion of sales in 2019, Ceva has become in a few years one of the worldwide leaders in animal health, benefiting from a sustained organic growth and an ambitious build-up strategy. Sienna Capital has reinvested in the group through the Sagard 3 and Sagard 4 funds, which keep a minority stake in the new ownership structure of Ceva.

- **Avanti Acquisition Corp.**

On October 2, 2020, Sienna Capital, together with NNS Group, completed the initial public offering on the New York Stock Exchange of the Special Purpose Acquisition Company (SPAC) Avanti Acquisition Corp. Following strong investor demand, particularly due to the European focus of this investment vehicle, the size of the offering was increased from US\$500 million to US\$600 million.

- **Sienna Capital Opportunity Fund SCSp**

As part of its strategic objective of managing external capital, Sienna Capital created Sienna Capital Opportunity Fund SCSp in the second quarter of 2020 and committed €250 million to the fund.

- **C2 Capital**

In August 2020, Sienna Capital made a US\$110 million commitment to the Global Export-to-China fund of C2 Capital, with Alibaba Group as reference investor, which invests mainly in companies focused on the production of consumer goods with a strong potential for export demand to China.

Presentation of Results in Accordance with IFRS

The simplified consolidated income statement in accordance with IFRS accounting standards is as follows:

[in millions of Swiss francs, except as otherwise noted] [unaudited]	September 30, 2020	September 30, 2019
Operating income	4,673.5	4,429.9
Operating expenses	(4,434.0)	(4,131.3)
Other income and expenses	(7.5)	6.9
Operating profit	232.0	305.5
Dividends and interest from equity investments	278.4	515.0
Other financial income and expenses	(19.1)	16.4
Taxes	(64.7)	(98.7)
Income from associates and joint ventures	(18.0)	(21.7)
Consolidated net profit [before non-controlling interests]	408.6	716.5
Attributable to non-controlling interests	(222.6)	(400.2)
Attributable to Pargesa shareholders [group share]	186.0	316.3
<i>Basic earnings per share attributable to Pargesa shareholders [SF]</i>	<i>2.20</i>	<i>3.73</i>
Average number of shares [in thousands]	84,734	84,700
€/SF average exchange rate	1.068	1.118

The IFRS operating profit declined by 24% and amounted to SF232.0 million for the first nine months of 2020, compared with SF305.5 million in the corresponding period of the prior year. This change mainly results from the decrease in Imerys' operating profit (SF100 million) and the private equity activity's operating profit (SF61 million). The reduction was partially offset by the inclusion of Webhelp's operating profit for the period (SF94 million), following the acquisition of this group by GBL at the end of 2019.

The dividends and interest from equity investments fell by 46% and reached SF278.4 million at September 30, 2020 versus SF515.0 million at September 30, 2019. The decline is due to (i) the lower or absence of dividend payments by certain portfolio companies held by GBL as a result of the crisis caused by the COVID-19 pandemic, (ii) the sale of LafargeHolcim and Total shares by GBL in 2019 and (iii) fewer reimbursements by the French tax authorities of withholding taxes which had been applied to Total and Engie dividends received between 2013 and 2018.

The decline of other financial income and expenses primarily results, in 2020, from the negative impact of the marking to market of debt to the minority shareholders of Webhelp (-SF49 million) and higher net interest expenses (-SF47 million). Those figures were partially offset by the impact of marking to market of the derivative instruments implicitly embedded in the exchangeable bonds in LafargeHolcim shares issued by GBL in September 2019 (SF43 million). The total of other financial income and expenses at September 30, 2020 was -SF19.1 million.

Economic Presentation of Pargesa's Financial Results

The presentation of the economic result that follows makes it possible to analyze the composition of the group results differently.

The economic result at September 30, 2020 can be analyzed as follows:

[in millions of Swiss francs, except as otherwise noted] [unaudited]	September 30, 2020	September 30, 2019
Contribution from the portfolio to operating income		
Consolidated shareholdings (full consolidation or equity accounting):		
Imerys share of net operating income	30.3	71.5
Piolin II/Parques share of net operating income	(18.8)	(6.4)
Webhelp share of net operating income	18.7	—
Non-consolidated shareholdings (net dividends):		
SGS	59.6	50.4
LafargeHolcim	49.3	64.4
Pernod Ricard	13.1	13.7
Umicore	3.7	19.9
GEA	3.6	7.6
Total	0.3	16.6
adidas	—	24.9
Ontex	—	3.9
Other dividends and Other ^[a]	12.8	65.7
Contribution from private equity and other investment funds	24.0	39.2
Contribution from the portfolio to operating income	196.6	371.4
<i>per share [SF]</i>	2.32	4.38
Contribution from holding companies to operating income		
Net financial income and expenses	32.7	5.0
General expenses and taxes	(30.0)	(23.4)
Operating income	199.3	353.0
<i>per share [SF]</i>	2.35	4.17
Non-operating income (loss) from consolidated shareholdings ^[b]	(13.3)	(36.7)
Net income (group share)	186.0	316.3
<i>per share [SF]</i>	2.20	3.73
Average number of shares [in thousands]	84,734	84,700
€/SF average exchange rate	1.068	1.118

[a] See the comment in the "Non-Consolidated Shareholdings (net dividends)" section further in this report.

[b] Pargesa's share of consolidated shareholdings' net non-operating income (loss).

The net income comes primarily from the GBL group, whose results are denominated in euros.

These results are subject to the impact of exchange rate fluctuations between the euro and Swiss franc. Thus, the average €/SF exchange rate was 1.068 for the year-to-date September 30, 2020, compared with 1.118 in the same period in 2019, a decrease of 4.5%.

These results are also impacted by the sale of GBL shares as part of the public exchange offer (please refer to the section "Highlights" for more details). Pargesa's share of GBL's earnings (excluding the portion attributable to non-controlling shareholders) was 31.1% at the end of September 2020, compared with 52.4% at June 30, 2020 and 51.7% at September 30, 2019.

Operating Income

The 2020 operating income at September 30, 2020 was SF199.3 million, compared to SF353.0 million for the first nine months of 2019. The decrease of SF153.7 million was driven by (i) the decline in dividend revenue (-SF124.7 million) and (ii) the lower contribution from the consolidated shareholdings (-SF34.9 million) and the private equity activity (-SF15.2 million). These decreases are partially offset by the increase of net financial income by SF27.7 million.

Consolidated Shareholdings (full consolidation or equity accounting)

Imerys

The net income from current operations (group share) posted by Imerys (fully consolidated) decreased from €228 million at September 30, 2019 to €117 million at September 30, 2020. Including the effect of the decline of the average €/SF exchange rate, Pargesa's share of Imerys' net income from current operations, in Swiss francs, was SF30.3 million at September 30, 2020, compared with SF71.5 million at September 30, 2019. This lower performance is due to decreased group sales volume as the COVID-19 pandemic affected industrial markets globally. The impact of this decline was partially offset by the positive effect of pricing and by cost-saving measures.

Piolin II/Parques

Piolin II/Parques' contribution to the operating income at September 30, 2020 is -€18.8 million in Pargesa's share against -SF6.4 million at September 30, 2019 (the first half of 2019 contribution only included the group's share of Parques' profit for the period from January 1 to June 30, 2019, as the company posted its September 30 results only after those of the group).

Webhelp

In the nine-month period ended September 30, 2020, Webhelp contributed SF18.7 million in Pargesa's share to the operating income (Webhelp had not yet contributed during the same period in 2019).

Non-Consolidated Shareholdings (net dividends)

The contributions from SGS, LafargeHolcim, Pernod Ricard, Umicore, GEA, Total, adidas, and Ontex represent Pargesa's share of net dividends recorded by GBL. The contribution from non-consolidated shareholdings was SF142.4 million at September 30, 2020, compared with 267.1 million at September 30, 2019.

The contribution from SGS was SF59.6 million in 2020, compared with SF50.4 million for the corresponding period in 2019. The change of the contribution year-over-year results from receiving dividends from more shares following the acquisition of SGS shares in February 2020 and also from the increased dividend per share paid by SGS to GBL (SF80 compared with SF78 in 2019, up 2.6%).

The contribution from LafargeHolcim was SF49.3 million in 2020, compared with SF64.4 million in 2019. In 2020 the company declared a dividend of SF2.00 per share, the same amount as in 2019. The variance in the contribution reflects the sale of 1.7% of the share capital of LafargeHolcim in the fourth quarter of 2019.

Pernod Ricard's contribution in 2020 amounted to SF13.1 million versus SF13.7 million in 2019. The year-on-year decrease is explained by the decrease of the €/SF exchange rate. The board of directors of Pernod Ricard will propose at the next annual general meeting, to be held on November 27, 2020, the distribution of a dividend of €2.66 per share for the full 2019-2020 financial year, compared with €3.12 per share for the 2018-2019 financial year, a decrease of 15%, in the context of the COVID-19 pandemic. The balance would thereafter, if accepted, amount to €1.48 per share (to be recorded during the fourth quarter of 2020) compared with a balance of €1.94 per share for the previous year.

Umicore, in the context of the COVID-19 pandemic, did not make, in 2020, a 2019 final dividend payment (€0.40 per share in 2019) but paid, in the third quarter of 2020, a 2020 interim dividend of €0.25 per share (€0.375 per share in 2019). Umicore's contribution amounts to SF3.7 million at September 30, 2020, compared to SF19.9 million at September 30, 2019.

The contribution from GEA was SF3.6 million in 2020, compared with SF7.6 million in 2019. The dividend of €0.42 per share paid by the company in 2020 is lower than the €0.85 dividend per share for the equivalent period in 2019. The board of directors of GEA will propose at the next annual general meeting, to be held on November 26, 2020, the distribution of an additional dividend of €0.43 per share for the 2019 financial year, to be recorded, if accepted, during the fourth quarter of 2020.

Total's September 30, 2020 contribution of SF0.3 million reflects the impact of the forward sale of the shares of this company carried out by GBL in 2019, which matured in January 2020.

adidas did not contribute to the results for the nine months ended September 30, 2020, against SF24.9 million in 2019. This absence of contribution reflects the decision, in the first half of 2020, not to distribute a dividend, in the context of COVID-19.

Due to the economic environment, Ontex also did not contribute to the results, compared to SF3.9 million at September 30, 2019.

The item "Other" at September 30, 2020 represents reimbursements of SF12.2 million (Pargesa's share) by the French tax authorities of withholding taxes which had been applied to Engie and Total dividends received between 2016 and 2018. At September 30, 2019, the reimbursements by the French tax authorities of withholding taxes were SF62.2 million (Pargesa's share), which had been applied to Total and Engie dividends received between 2013 and 2016.

Contribution from Private Equity and Other Investment Funds

The contribution from private equity and other investment funds comes primarily from the funds held by GBL through its subsidiary Sienna Capital, and is reported net of general expenses and management fees. At September 30, 2020, the net contribution from these activities was SF24.0 million, compared with SF39.2 million at September 30, 2019, a decrease of SF15.2 million.

The contribution for the nine-month period ended September 30, 2020 includes in particular the -SF13.6 million contribution from funds consolidated by GBL (-SF1.0 million at September 30, 2019), as well as the change in fair value during the period of funds that are not consolidated for SF38.8 million (SF40.4 million at September 30, 2019).

Net Financial Income and Expenses

Net financial income and expenses, which includes interest income and expenses, as well as other financial income and expenses, amounted to SF32.7 million at September 30, 2020, compared with SF5.0 million at September 30, 2019. The main components in this line item were:

- Interest income and expenses recorded by Pargesa as well as its share in those recorded by GBL represented -SF9.2 million at September 30, 2020, compared with SF5.8 million at September 30, 2019;
- Pargesa's share of realized and unrealized results from GBL's trading activities (including dividends) and from derivatives used in managing its portfolio of SF8.6 million at September 30, 2020, compared with SF4.7 million at September 30, 2019;
- The impact of the marking to market of the derivative instruments implicitly embedded in the exchangeable bonds in LafargeHolcim shares issued by GBL in September 2019, that at September 30, 2020 amounted to SF22.7 million in terms of Pargesa's share, compared to -SF4.2 million in September 2019;
- The impact of the marking to market of debt to the minority shareholders of Webhelp that, at September 30, 2020, amounted to SF10.3 million, in terms of Pargesa's share.

General expenses and taxes, which is comprised of the operating expenses and income taxes of the holdings segment includes, in 2020, the revaluation effect and vesting of the liabilities recognized as part of Webhelp's employee incentive plan (SF8 million).

Non-Operating Income (Loss)

Non-operating income (loss) from consolidated shareholdings

Non-operating income (loss) from consolidated shareholdings in operating companies amounted to a loss of SF13.3 million at September 30, 2020 (loss of SF36.7 million in 2019). It includes Pargesa's share of Imerys', Piolin II/Parques' and, in 2020, Webhelp's non-operating income.

Net Income

After taking these various items into account, net economic income (group share) at September 30, 2020 was SF186.0 million, compared to SF316.3 million at September 30, 2019.

Imerys' net income included in this result (group share) amounted to SF24.4 million at September 30, 2020 (compared with SF50.2 million at September 30, 2019).

Details of Imerys' results can be found on its website.

It should be noted that, pursuant to IFRS 9, the capital gain realized by GBL in 2020 on the forward sale of 0.6% of Total's share capital, amounting to SF307 million in Pargesa's share (including a foreign exchange gain on disposal at Pargesa's level), has not been recorded in the income statement, but directly in shareholders' equity.

In June and July 2020, in the context of the public exchange offer by Parjointco for all bearer shares of Pargesa held by the public, Pargesa sold 33.1 million GBL shares to Parjointco at market price. These sales, in application of IFRS accounting standards, have no impact on the income statement, but are directly recorded in shareholders' equity.

Net Asset Value

The table hereafter provides a detailed view of Pargesa's net asset value (on a flow-through basis) at September 30, 2020. The net asset value is calculated by taking the assets and liabilities of Pargesa and replacing the investment in GBL by Pargesa's flow-through interest in the value of the underlying portfolio, the net cash or net debt position and the other assets and liabilities of GBL. The net asset value is calculated based on closing market values and exchange rates for the listed shareholdings, and on the fair value and closing exchange rates for the funds (private equity and other investment funds) of Sienna Capital and for the unlisted investments in Webhelp and Piolin II/Parques.

Pargesa's net asset value per share was SF98.8 per share at September 30, 2020, a decrease of 23.6% compared with the net asset value per share at the end of 2019 (SF129.2 per share). The figure was SF94.0 per share on October 30, 2020. Excluding the impact of the sale of GBL shares by Pargesa as part of the public exchange offer, the net asset value would have been SF114.1 per share at September 30, 2020.

Pargesa's share price stood at SF76.4 on September 30, 2020, compared with SF80.5 at the end of 2019, a decrease of 5.0%. At October 30, 2020, the share price closed at SF67.6, down 16.0% since the beginning of 2020.

The net asset value at September 30, 2020 is broken down as follows:

Net asset value of Pargesa ^[a]	September 30, 2020					December 31, 2019
[in millions of Swiss francs, except as otherwise noted]	Total interest % ^[a]	Flow-through % of interest ^[a]	Share price & currency	Flow-through value ^[a]	Weighting as a % of total	Flow-through value
Listed companies:						
adidas	6.8	2.0	€276.1	1,208	14	2,144
SGS	18.9	5.6	SF2,469.0	1,044	12	1,679
Pernod Ricard	7.6	2.2	€136.2	864	10	1,721
LafargeHolcim	7.6	2.2	SF42.0	578	7	1,253
Umicore	18.0	5.3	€35.6	503	6	1,043
Imerys	54.6	16.1	€31.8	470	6	878
GEA	8.5	2.5	€30.0	147	2	246
Ontex	20.0	5.9	€11.2	59	1	167
Total	–	–	€29.2	3	–	433
Other				161	2	63
Other investments:						
Sienna Capital				674	8	969
Webhelp	63.3	18.7		275	3	470
Parques	23.0	6.8		34	1	128
Other Pargesa				6	–	18
Total portfolio				6,026	72	11,212
GBL treasury assets				201	2	266
Net cash (debt) ^[b]				2,148	26	(532)
Net asset value				8,375	100	10,946
<i>Net asset value per share</i>				98.8		129.2
<i>Share price Pargesa</i>				76.4		80.5
€/SF exchange rate				1.080		1.085

[a] As defined in the glossary found further in this report.

[b] This item also includes Pargesa's share in the market value of GBL's trading portfolio and the deferred payment price receivable for the sale of GBL shares by Pargesa amounting to SF2,685 million and related to the public exchange offer.

The net asset value is published on a weekly basis on Pargesa's website.

Glossary

In order to supplement the mandatory financial measures of the IFRS accounting standards, Pargesa uses financial indicators called Alternative Performance Measures (APMs), which are defined in the glossary below. The definition of APMs should allow readers of financial statements to understand their composition and to relate them to IFRS financial statements.

Alternative Performance Measures	Definition
Economic results	In addition to the financial statements prepared in accordance with the IFRS accounting standards, Pargesa publishes an economic presentation of its results to provide consistent disclosure over the long term of the contribution of each of its investments and, separately, the holding companies' contribution to the consolidated results (group share). The purpose of the economic presentation is to provide an analytical breakdown of the consolidated results (group share) of Pargesa by their origin. This presentation discloses, on one hand, the contribution of the various components of the investments (Pargesa share) and, on the other hand, the contribution from the activities of the holding companies (Pargesa and its share of GBL's holding activities). This analysis distinguishes between the operating and non-operating elements of the results. The sum of the operating income and the non-operating income corresponds to the consolidated net profit attributable to Pargesa shareholders (group share) as presented in the consolidated financial statements. ▪ The operating income includes the following items: • The contribution from the investment portfolio, comprised of Pargesa's share in the operating income (as described above) of the investments consolidated in the group financial statements (Imerys, Webhelp since 2019) or presented using equity accounting (Piolin II/Parques) and the net dividends received from the non-consolidated shareholdings; • The net contribution from private equity and other investment funds (as grouped together by GBL under the title of Sienna Capital); • The net impact of gross financial income and gross financial expenses and the general expenses and taxes of the holding companies; • The trading results of GBL, the gains and losses from investment disposals or impairment provisions made within the private equity and other investment funds that are included within the operating income considering the nature of the business model of this category of investments. ▪ The non-operating income includes: • The group share in the non-operating income of the investments consolidated in the group financial statements (Imerys, Webhelp since 2019) or presented using equity accounting (Piolin II/Parques); and • The non-operating income generated by the holding companies (Pargesa and its share in the non-operating income of GBL).
Holding segment	Comprises the parent company Pargesa and its subsidiaries (including GBL), whose main activity is to manage investments as well as the consolidated and non-consolidated operating companies.
Loan to value	This ratio is calculated based on (i) net debt (gross cash less gross debt) held directly by Pargesa relative to (ii) the portfolio value of Pargesa. The ratio excludes the deferred payment price receivable for the sale of GBL shares acquired during the public exchange offer for the bearer shares of Pargesa presented by Parjointco. The valuation methods applied to the portfolio are identical to those used for the net asset value.
Net asset value	The evolution in Pargesa's net asset value is, along with the change in its stock price and result, an important criterion for assessing the performance of the group. The net asset value is a conventional reference obtained by adding gross cash to the fair value of the investment portfolio and deducting gross debt. The net asset value is calculated by taking the assets and liabilities of Pargesa and replacing the investment in GBL by Pargesa's flow-through interest in the value of the underlying portfolio, the net cash or net position and the other assets and liabilities of GBL. The net asset value is calculated based on the market closing prices and foreign exchange rates for listed investments and using the fair value and closing foreign exchange rates for unlisted investments, and private equity funds and other investment funds (Sienna Capital).

Alternative Performance Measures	Definition
Net asset value (continued)	The valuation principles applied to the portfolio, summarized above, are explained more fully as follows: - Investments in listed companies and treasury shares are valued at the closing price. However, the value of shares underlying any commitments made by the group is capped at the conversion/exercise price; - Investments in unlisted companies (Webhelp and Piolin II/Parques) are valued at fair value; - Regarding the portfolio of Sienna Capital, held by GBL, the valuation corresponds to the sum of its investments, marked to market, as determined by fund managers, to which is added Sienna Capital's net cash or, where applicable, from which is deducted Sienna Capital's external net debt. In addition, the net asset value on a flow-through basis or flow-through value represents the value of the investments, treasury shares and net cash/net debt that Pargesa holds while taking into account Pargesa's direct interest percentage in GBL. This value is calculated by multiplying the interest of each component of the net asset value, described above, by the direct interest percentage that Pargesa held in GBL (30% at September 30, 2020). Furthermore, the net asset value per share is expressed per bearer share with a nominal value of SF20; the registered shares with a nominal value of SF2 are included at a factor of one-tenth of their number.
Net cash or net debt / net indebtedness	The net cash or, where applicable, net debt is composed of the gross cash and the gross debt. Gross debt includes all the financial liabilities of the Holding segment (convertible and exchangeable bonds, bonds and bank debt), valued at their nominal repayment value. Gross cash includes the cash and cash equivalents (trading assets, etc.) of the Holding segment. It is valued at the book or market value (for certain cash equivalents). The cash and debt indicators are presented for the Holding segment to reflect Pargesa group's own financial structure and the financial resources available to implement its strategy.
Operating companies	The operating companies are the companies controlled by the group or presented using the equity accounting method that have a commercial activity. Excluded from this measure are the holding companies of the group used for direct or indirect investment into the investment portfolio companies.
Direct interest percentage	Pargesa's external communication contains different percentages describing the holding of share capital and the related voting rights: Direct interest percentage has the meaning of the percentage of capital of the investment held directly by Pargesa calculated based on the total number of shares issued at the end of the period under review;
Total interest percentage	Total interest percentage has the meaning of the percentage of capital of the investment held directly by Pargesa or, indirectly through GBL, in other investments whether consolidated or not;
Economic interest percentage	Economic interest percentage is the fraction of the profit entitlement (or loss quota) that generally materializes with the dividend distribution and, if applicable, of the liquidation surplus/(deficit) distribution of a company. It reflects the group's "financial" or "monetary" rights in its subsidiaries and shareholdings;
Percentage of voting rights	Percentage of voting rights has the meaning of the percentage held directly and indirectly via intermediate, consolidated entities and is calculated based on the total voting rights that existed at the end of the period under review;
Percentage of flow-through interest	Percentage of flow-through interest represents the percentage Pargesa holds in the investments considering Pargesa's direct interest percentage in GBL. This ratio is calculated by multiplying the interest held by GBL in each investment by the direct interest percentage that Pargesa holds in GBL (30% at September 30, 2020).