

## Condensed Consolidated Balance Sheets

(unaudited) [in millions of Canadian dollars]	September 30, 2021	December 31, 2020
<b>Assets</b>		
Cash and cash equivalents	10,139	10,040
Investments [Note 4]		
Bonds	139,316	138,027
Mortgage and other loans	34,700	34,641
Shares	14,396	12,660
Investment properties	7,329	6,270
Loans to policyholders	8,273	8,387
	204,014	199,985
Funds held by ceding insurers	16,984	18,383
Reinsurance assets [Note 7]	20,197	22,121
Derivative financial instruments	864	973
Investments in jointly controlled corporations and associates [Note 5]	7,191	6,529
Owner-occupied properties and capital assets	3,548	3,217
Other assets	15,158	12,500
Deferred tax assets	983	1,082
Intangible assets	7,685	6,279
Goodwill	12,923	13,963
Investments on account of segregated fund policyholders [Note 6]	345,621	334,032
<b>Total assets</b>	<b>645,307</b>	<b>629,104</b>
<b>Liabilities</b>		
Insurance contract liabilities [Note 7]	207,221	208,902
Investment contract liabilities [Note 7]	10,171	9,145
Obligations to securitization entities	5,268	6,174
Power Corporation's debentures and other debt instruments [Note 8]	647	756
Non-recourse debentures and other debt instruments [Note 9]	12,836	13,299
Derivative financial instruments	1,326	1,270
Other liabilities	17,466	15,712
Deferred tax liabilities	1,460	1,081
Insurance and investment contracts on account of segregated fund policyholders [Note 6]	345,621	334,032
<b>Total liabilities</b>	<b>602,016</b>	<b>590,371</b>
<b>Equity</b>		
Stated capital [Note 10]		
Non-participating shares	954	956
Participating shares	9,595	9,557
Retained earnings	10,539	8,651
Reserves	2,911	3,043
Total shareholders' equity	23,999	22,207
Non-controlling interests [Note 12]	19,292	16,526
<b>Total equity</b>	<b>43,291</b>	<b>38,733</b>
<b>Total liabilities and equity</b>	<b>645,307</b>	<b>629,104</b>

## 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,	
	2021	2020	2021	2020
<b>Revenues</b>				
Premium income				
Gross premiums written	16,075	11,185	43,267	34,834
Ceded premiums	(1,159)	(1,214)	(3,458)	(3,577)
Total net premiums	14,916	9,971	39,809	31,257
Net investment income				
Regular net investment income	1,678	1,549	5,436	4,664
Change in fair value through profit or loss	(923)	785	(3,618)	3,719
Net investment income	755	2,334	1,818	8,383
Fee income	2,782	2,259	8,096	6,577
Other revenues	131	118	363	445
Total revenues	18,584	14,682	50,086	46,662
<b>Expenses</b>				
Policyholder benefits				
Gross	11,351	9,542	36,548	29,354
Ceded	(829)	(646)	(2,687)	(2,241)
Total net policyholder benefits	10,522	8,896	33,861	27,113
Changes in insurance and investment contract liabilities				
Gross	2,704	1,879	(912)	7,820
Ceded	177	(366)	1,604	(1,131)
Total net changes in insurance and investment contract liabilities	2,881	1,513	692	6,689
Policyholder dividends and experience refunds	393	259	1,150	1,130
Total paid or credited to policyholders	13,796	10,668	35,703	34,932
Commissions	947	812	2,862	2,507
Operating and administrative expenses	2,303	2,166	7,359	6,201
Financing charges	154	137	443	414
Total expenses	17,200	13,783	46,367	44,054
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,384	899	3,719	2,608
Share of earnings of investments in jointly controlled corporations and associates [Note 5]	87	48	510	171
Earnings before income taxes	1,471	947	4,229	2,779
Income taxes [Note 16]	203	49	536	224
<b>Net earnings</b>	1,268	898	3,693	2,555
<b>Attributable to</b>				
Non-controlling interests	514	380	1,363	1,145
Non-participating shareholders	13	13	39	39
Participating shareholders	741	505	2,291	1,371
	1,268	898	3,693	2,555
<b>Earnings per participating share [Note 18]</b>				
Net earnings attributable to participating shareholders				
- Basic	1.09	0.75	3.38	2.15
- Diluted	1.08	0.75	3.36	2.15

## Condensed Consolidated Statements of Comprehensive Income

(unaudited) [in millions of Canadian dollars]	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
<b>Net earnings</b>	1,268	898	3,693	2,555
<b>Other comprehensive income (loss)</b>				
<b>Items that may be reclassified subsequently to net earnings</b>				
Net unrealized gains (losses) on available-for-sale investments				
Unrealized gains (losses)	(115)	156	(237)	559
Income tax (expense) benefit	2	(19)	36	(74)
Realized (gains) losses transferred to net earnings	(102)	(25)	(476)	(264)
Income tax expense (benefit)	19	2	61	16
	(196)	114	(616)	237
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses)	32	18	84	(2)
Income tax (expense) benefit	(9)	(2)	(23)	4
Realized (gains) losses transferred to net earnings	(14)	(8)	(40)	(7)
Income tax expense (benefit)	4	-	11	-
	13	8	32	(5)
Net unrealized foreign exchange gains (losses) on translation of foreign operations				
Unrealized gains (losses) on translation	268	134	(296)	441
Income tax (expense) benefit	(5)	(4)	(3)	(7)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	(27)	(40)	17	(100)
Income tax (expense) benefit	5	6	(7)	14
	241	96	(289)	348
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates				
Income tax (expense) benefit	(80)	210	(61)	(40)
	(85)	207	(62)	(48)
<b>Total - items that may be reclassified</b>	(27)	425	(935)	532
<b>Items that will not be reclassified subsequently to net earnings</b>				
Actuarial gains (losses) on defined benefit plans [Note 15]	89	(38)	980	(409)
Income tax (expense) benefit	(34)	4	(236)	89
Revaluation surplus on transfer to investment properties [Note 19]	-	11	-	11
Income tax (expense) benefit	-	(1)	-	(1)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	-	-	7	2
<b>Total - items that will not be reclassified</b>	55	(24)	751	(308)
<b>Other comprehensive income (loss)</b>	28	401	(184)	224
<b>Comprehensive income</b>	1,296	1,299	3,509	2,779
<b>Attributable to</b>				
Non-controlling interests	581	401	1,401	1,192
Non-participating shareholders	13	13	39	39
Participating shareholders	702	885	2,069	1,548
	1,296	1,299	3,509	2,779

## Condensed Consolidated Statements of Changes in Equity

<b>Nine months ended September 30, 2021</b> (unaudited) [in millions of Canadian dollars]	Stated capital				Reserves			
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 17]	Total	Non-controlling interests	Total equity
<b>Balance, beginning of year</b>	956	9,557	8,651	293	2,750	3,043	16,526	38,733
Net earnings	-	-	2,330	-	-	-	1,363	3,693
Other comprehensive income (loss)	-	-	-	-	(222)	(222)	38	(184)
Comprehensive income (loss)	-	-	2,330	-	(222)	(222)	1,401	3,509
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 10]	-	(58)	(87)	-	-	-	-	(145)
Repurchase of shares of the Corporation for cancellation	(2)	-	-	-	-	-	-	(2)
Dividends to shareholders								
Non-participating shares	-	-	(39)	-	-	-	-	(39)
Participating shares	-	-	(908)	-	-	-	-	(908)
Dividends to non-controlling interests	-	-	-	-	-	-	(695)	(695)
Expense for share-based compensation [Note 11]	-	-	-	46	-	46	26	72
Stock options exercised	-	96	-	(76)	-	(76)	67	87
Issue of Limited Recourse Capital Notes by Lifeco [Note 12]	-	-	-	-	-	-	1,500	1,500
Effects of changes in ownership and capital on interest in Wealthsimple [Note 12]	-	-	593	119	-	119	368	1,080
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	(1)	1	-	1	99	99
<b>Balance, end of period</b>	954	9,595	10,539	383	2,528	2,911	19,292	43,291

## Condensed Consolidated Statements of Changes in Equity (continued)

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

## Condensed Consolidated Statements of Cash Flows

(unaudited) [in millions of Canadian dollars]	Nine months ended September 30,	
	2021	2020
<b>Operating activities</b>		
Earnings before income taxes	4,229	2,779
Income tax paid, net of refunds	(458)	(385)
Adjusting items		
Change in insurance and investment contract liabilities	(689)	10,331
Change in funds held by ceding insurers	1,058	556
Change in reinsurance assets	1,702	(1,079)
Change in fair value through profit or loss	3,618	(3,719)
Other	(521)	(364)
	8,939	8,119
<b>Financing activities</b>		
Dividends paid		
Subsidiaries to non-controlling interests	(695)	(804)
Non-participating shares	(39)	(39)
Participating shares	(909)	(778)
	(1,643)	(1,621)
Issue of equity		
Corporation's subordinate voting shares [Note 10]	87	15
Corporation's participating preferred shares [Note 10]	-	206
Subsidiaries' common shares	411	17
Subsidiary's limited recourse capital notes [Note 12]	1,500	-
Investment funds' limited-life fund and redeemable units	500	380
Repurchase or redemption of equity		
Corporation's subordinate voting shares for cancellation under normal course issuer bid [Note 10]	(145)	(193)
Corporation's non-participating shares	(2)	(3)
Investment funds' limited-life fund units	(185)	(58)
Disposition of equity interests in a subsidiary [Note 12]	500	-
Consideration paid for acquisition of Power Financial non-controlling interests, net of transaction costs	-	(48)
Corporation's increase in other debt instruments [Note 8]	-	101
Corporation's decrease in other debt instruments [Note 8]	(106)	-
Non-recourse debentures and other debt instruments [Note 9]		
Issue of debentures and senior notes	-	3,713
Repayment of debentures	-	(500)
Increase in other debt instruments	537	374
Decrease in other debt instruments	(1,013)	(321)
Repayment of lease liabilities	(84)	(87)
Increase in obligations to securitization entities	1,158	1,148
Repayments of obligations to securitization entities and other	(2,007)	(1,582)
	(492)	1,541
<b>Investment activities</b>		
Dispositions, repayments or maturities		
Bonds	21,079	17,045
Mortgage and other loans	4,567	3,350
Shares	7,015	4,188
Investment properties	33	70
Change in loans to policyholders	109	(170)
Acquisitions or investments		
Bonds	(27,246)	(23,577)
Mortgage and other loans	(5,144)	(3,972)
Shares	(7,202)	(4,444)
Jointly controlled corporations and associates	(191)	(50)
Investment properties	(702)	(155)
Business acquisitions, net of cash and cash equivalents acquired	(191)	(884)
Sale of business, net of cash and cash equivalents in a subsidiary	-	108
Cash derecognized on deconsolidation of a subsidiary	(8)	(22)
Acquisition of capital assets and other	(438)	(290)
	(8,319)	(8,803)
Effect of changes in exchange rates on cash and cash equivalents	(29)	85
Increase in cash and cash equivalents	99	942
Cash and cash equivalents, beginning of year	10,040	6,805
<b>Cash and cash equivalents, end of period</b>	<b>10,139</b>	<b>7,747</b>
<b>Net cash from operating activities includes</b>		
Interest and dividends received	4,161	3,910
Interest paid	492	487

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

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

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The following abbreviations are used in these Consolidated Financial Statements:

CALM	Canadian Asset Liability Method	Parjointco	Parjointco SA
Canada Life	The Canada Life Assurance Company	Personal Capital	Personal Capital Corporation
China AMC	China Asset Management Co., Ltd.	Portage I	Portag3 Ventures Limited Partnership
GBL	Groupe Bruxelles Lambert	Portage II	Portag3 Ventures II Limited Partnership
Great-West Life & Annuity	Great-West Life & Annuity Insurance Company	Portage III	Portage Ventures III Limited Partnership
IFRS	International Financial Reporting Standards	Power Corporation or the Corporation	Power Corporation of Canada
IGM or IGM Financial	IGM Financial Inc.	Power Financial	Power Financial Corporation
IG Wealth Management	Investors Group Inc.	Power Sustainable	Power Sustainable Capital Inc.
Irish Life	Irish Life Group Limited	Power Sustainable Energy Infrastructure	Power Sustainable Energy Infrastructure Partnership
Lifeco	Great-West Lifeco Inc.	Prudential	Prudential Financial, Inc.
LMPG	LMPG Inc. (formerly Lumenpulse Group Inc.)	Putnam	Putnam Investments, LLC
Mackenzie Investments	Mackenzie Financial Corporation	Sagard	Sagard Holdings Inc.
MassMutual	Massachusetts Mutual Life Insurance Company	TSX	Toronto Stock Exchange
Northleaf	Northleaf Capital Group Ltd.	Wealthsimple	Wealthsimple Financial Corp.

### NOTE 1 Corporate Information

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

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

The unaudited Interim Condensed Consolidated Financial Statements (financial statements) of Power Corporation as at and for the three months and nine months ended September 30, 2021 were approved by its Board of Directors on November 10, 2021.

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**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies**

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**BASIS OF PRESENTATION**

The financial statements of Power Corporation as at September 30, 2021 have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (IAS 34) using the same accounting policies as set out in Note 2 to the consolidated financial statements of the Corporation for the year ended December 31, 2020 except as described in the section Change in Accounting Policies below.

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

The financial statements of Power Corporation include, on a consolidated basis, the results of Power Financial, a reporting issuer in all of the provinces and territories of Canada, and Lifeco and IGM Financial, which are both public companies. The amounts shown on the consolidated balance sheets, consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are mainly derived from the publicly disclosed consolidated financial statements of Lifeco and IGM Financial, all as at and for the three months and nine months ended September 30, 2021. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

**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.

**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) and other comprehensive income (loss) of the jointly controlled corporations and associates, and dividends received. In the case of investments in jointly controlled corporations and associates held by entities that meet the definition of a venture capital organization, the Corporation has elected to measure certain of its investments in jointly controlled corporations and associates at fair value through profit or loss.

**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies** (continued)**PRINCIPAL SUBSIDIARIES, JOINTLY CONTROLLED CORPORATIONS AND ASSOCIATES**

The financial statements of Power Corporation include the operations of the following direct and indirect subsidiaries and investments in jointly controlled corporations and associates:

Corporations	Classification	Incorporated in	Primary business operation	% equity interest	
				September 30, 2021	December 31, 2020
<b>Corporate</b>					
Power Corporation of Canada	Parent	Canada	Holding company		
China Asset Management Co., Ltd. <sup>[1]</sup>	Associate	China	Asset management company	27.8	27.8
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
<b>Publicly traded companies</b>					
Great-West Lifeco Inc. <sup>[2]</sup>	Subsidiary	Canada	Financial services holding company	70.7	70.8
The Canada Life Assurance Company	Subsidiary	Canada	Insurance and wealth management	100.0	100.0
Irish Life Group Limited	Subsidiary	Ireland	Insurance and wealth management	100.0	100.0
Great-West Life & Annuity Insurance Company	Subsidiary	United States	Financial services	100.0	100.0
Personal Capital Corporation	Subsidiary	United States	Financial services	100.0	100.0
Putnam Investments, LLC <sup>[3]</sup>	Subsidiary	United States	Financial services	96.2	96.3
IGM Financial Inc. <sup>[4]</sup>	Subsidiary	Canada	Wealth and asset management	65.7	66.0
IG Wealth Management	Subsidiary	Canada	Financial services	100.0	100.0
Mackenzie Financial Corporation	Subsidiary	Canada	Investment manager	100.0	100.0
Northleaf Capital Group Ltd. <sup>[5]</sup>	Associate	Canada	Investment manager	70.0	70.0
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Groupe Bruxelles Lambert <sup>[6]</sup>	Subsidiary	Belgium	Holding company	28.2	28.2
<b>Alternative asset investment platforms and other</b>					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
Power Sustainable Energy Infrastructure Partnership <sup>[7]</sup>	Subsidiary	Canada	Renewable energy fund	55.0	-
Potentia Renewables Inc.	Subsidiary	Canada	Renewable energy	100.0	100.0
Nautilus Solar Energy, LLC	Subsidiary	United States	Renewable energy	100.0	100.0
Sagard Holdings Inc.	Subsidiary	Canada	Holding Company	100.0	100.0
Sagard Holdings Management Inc. <sup>[8]</sup>	Subsidiary	Canada	Alternative asset manager	94.4	-
Wealthsimple Financial Corp. <sup>[9]</sup>	Subsidiary	Canada	Financial services	55.0	74.9
Portag3 Ventures LP <sup>[10]</sup>	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP <sup>[11]</sup>	Subsidiary	Canada	Venture capital fund	27.9	27.9
Portage Ventures III LP <sup>[12]</sup>	Subsidiary	Canada	Venture capital fund	18.5	-
Sagard Europe 4	Subsidiary	France	Private equity fund	24.3	38.2
Sagard New Gen	Subsidiary	France	Private equity fund	54.4	54.4
<b>Standalone Businesses</b>					
LMPG Inc.	Subsidiary	Canada	Sustainable energy	60.5	60.5
Peak Achievement Athletics Inc.	Joint control	Canada	Manufacturer of sports equipment and apparel	42.6	42.6
The Lion Electric Co.	Associate	Canada	Manufacturer of zero-emission vehicles	35.5	44.1

[1] Power Corporation and Mackenzie Investments each hold an equity interest of 13.9% in China AMC.

[2] Power Financial holds a 66.7% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco (66.8% and 4.0%, respectively, at December 31, 2020).

[3] Lifeco holds 100% of the voting shares and 96.2% of the total outstanding shares (96.3% at December 31, 2020).

[4] Power Financial holds a 61.8% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial (62.1% and 3.9%, respectively, at December 31, 2020).

[5] Represents a 49.9% non-controlling voting interest. Held through an acquisition vehicle 80% owned by Mackenzie Investments and 20% by Lifeco.

[6] Parjointco has a 43.2% voting interest in GBL.

[7] Power Corporation holds a 40% equity interest and Lifeco holds a 15% equity interest in Power Sustainable Energy Infrastructure Partnership.

[8] On March 26, 2021, the asset management activities of Sagard Holdings Inc. were transferred into Sagard Holdings Management Inc., a newly formed subsidiary of Sagard Holdings Inc.

[9] Power Financial, Portage I and IGM Financial hold an equity interest of 13.7%, 10.9% and 30.4%, respectively, in Wealthsimple (18.7%, 14.8% and 41.4%, respectively, at December 31, 2020).

[10] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portage I.

[11] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% and Sagard Holdings Inc., holds 4.7% equity interest in Portage II.

[12] Sagard Holdings Inc., Lifeco and IGM Financial hold an equity interest of 4.5%, 6.7% and 7.3%, respectively, in Portage III.

**NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies** (continued)**REORGANIZATION AND ACQUISITION OF COMMON SHARES IN POWER FINANCIAL**

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

**CHANGE IN ACCOUNTING POLICIES**

The Corporation adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases*, effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Corporation's consolidated 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, 2020.

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

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Corporation and its subsidiaries operate. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange, as well as, with respect to Lifeco, prevailing health and mortality experience market conditions.

The provision for future credit losses within Lifeco's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, 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, the valuation of goodwill and other intangible assets, the valuation of insurance contract liabilities 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 International Accounting Standards Board (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 its subsidiaries' analysis since December 31, 2020:

Standard	Summary of future changes
<b>IAS 1 – Presentation of Financial Statements</b>	<p>In February 2021, the IASB published <i>Disclosure of Accounting Policies</i>, amendments to IAS 1, <i>Presentation of Financial Statements</i>. The amendments clarify how an entity determines whether accounting policy information is material.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.</p>
<b>IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors</b>	<p>In February 2021, the IASB published <i>Definition of Accounting Estimates</i>, amendments to IAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. The amendments clarify the difference between an accounting policy and an accounting estimate.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.</p>
<b>IAS 12 – Income Taxes</b>	<p>In May 2021, the IASB published <i>Deferred Tax Related to Assets and Liabilities from a Single Transaction</i>, amendments to IAS 12, <i>Income Taxes</i>. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact for the adoption of these amendments.</p>

## NOTE 3 Business Acquisitions and Other Transactions

### LIFECO

#### Acquisition of MassMutual retirement services business

On December 31, 2020, Great-West Life & Annuity completed the purchase, via indemnity reinsurance, of the retirement services business of MassMutual and assumed the economics and risks associated with the reinsured business.

Lifeco paid a ceding commission of \$2,937 million (US\$2,312 million) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and \$1,973 million (US\$1,500 million) in long-term debt issued on September 17, 2020. The assets acquired, liabilities assumed and ceding commission paid at the closing of this transaction are subject to future adjustments. The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on December 31, 2020, and reported as at September 30, 2021, are as follows:

<b>Assets acquired and goodwill</b>	
Cash and cash equivalents	2,626
Bonds	12,006
Mortgage loans	2,326
Funds held by ceding insurers	9,928
Goodwill	1,557
Intangible assets	1,270
Other assets	652
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
	<b>115,450</b>
<b>Liabilities assumed</b>	
Insurance contract liabilities	22,316
Investment contract liabilities	4,984
Other liabilities	428
Investment and insurance contracts on account of segregated fund policyholders	84,785
	<b>112,513</b>
<b>Net assets acquired</b>	<b>2,937</b>

As at September 30, 2021, 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, 2021 reflect Lifeco's current best estimate of the purchase price allocation. Lifeco has identified and allocated provisional amounts for intangible assets within the purchase price allocation, net of \$56 million of amortization at September 30, 2021. Lifeco expects the final valuation of these assets acquired and liabilities assumed and the completion of the purchase price allocation to occur during the fourth quarter of 2021.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$1,557 million (US\$1,226 million) as at September 30, 2021, will be adjusted in future periods. The goodwill represents the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

#### Acquisition of Personal Capital

On August 17, 2020, Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital. Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of \$21 million was recognized, representing Lifeco's best estimate of growth in assets under management metrics defined in the Merger Agreement. In 2021, the Corporation's contingent consideration provision was increased by \$37 million, due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allows for contingent consideration of up to \$222 million (US\$175 million) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the statements of earnings.

**NOTE 3 Business Acquisitions and Other Transactions** (continued)**Acquisition of Prudential retirement services business**

On July 21, 2021, Great-West Life & Annuity announced that it had entered into an agreement to purchase, through a share purchase and a reinsurance transaction, the full-service retirement business of Prudential Financial, Inc. The acquisition further solidifies Lifeco's position as a leader in the U.S. retirement market. Lifeco will assume the economics and risks associated with the business, while Prudential will continue to retain the obligation to the contract holders of the reinsured portion. Lifeco will pay a total transaction value of approximately US\$3,550 million and will fund the transaction with \$1,500 million (US\$1,193 million) of limited recourse capital notes and US\$1,000 million of short-term debt, in addition to its existing resources. The transaction is expected to close in the first quarter of 2022, subject to regulatory and customary closing conditions.

**Acquisition of Ark Life Assurance Company**

On July 13, 2021, Irish Life, an indirect wholly owned subsidiary of Lifeco, announced that it had entered into an agreement to acquire Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of €230 million. Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market. The transaction closed on November 1, 2021.

**Acquisition of ClaimSecure Inc.**

On September 1, 2021, Canada Life completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada. The purchase price allocation was not yet completed on September 30, 2021. The initial amount assigned to goodwill of \$93 million on the date of acquisition will be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

**LIFECO AND SAGARD****Subsequent Event**

On October 7, 2021, Lifeco and Sagard announced they had agreed to enter into a long-term strategic relationship, which includes the sale of its United States-based subsidiaries EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest is a wholly owned subsidiary of Canada Life and its principal activity is real estate investment management. The sale of EverWest is expected to close in the fourth quarter of 2021, subject to regulatory and customary closing conditions. As Sagard is a related party for Lifeco, the transaction was reviewed and approved by the relevant related party and conduct review committees. As the Corporation currently consolidates EverWest through Lifeco, the transaction will not have a significant impact on the statements of earnings and balance sheets.

As part of the strategic relationship with Sagard, Lifeco will make a capital commitment of up to approximately US\$500 million into certain Sagard strategies. Lifeco has also committed to investing a further approximately US\$2,000 million in real estate investments to support EverWest's future growth within Sagard.

**POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP**

In January 2021, Power Sustainable, a wholly owned subsidiary of the Corporation, launched Power Sustainable Energy Infrastructure Partnership, a fund with committed capital of \$1 billion dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. On January 1, 2021, certain existing operating assets and projects under development, and the related project debt, in the amount of \$255 million, were transferred to the partnership from Potentia Renewables Inc. and Nautilus Solar Energy, LLC in exchange for consideration in cash of \$154 million (including \$38 million received from Lifeco) and a 55% interest in the fund, of which 15% is held by Lifeco. The Corporation controls and consolidates the activities of the fund. Equity interests held by third parties having redemption features, subject to certain restrictions, have been classified as a financial liability within other liabilities on the balance sheets. In the first quarter of 2021, as a result of the investment by third parties in equity interests of the fund, the Corporation recognized a reduction of retained earnings of \$45 million in the statements of changes in equity, primarily related to the initial measurement of non-controlling interests.

**NOTE 3 Business Acquisitions and Other Transactions** (continued)**SAGARD HEALTHCARE ROYALTY PARTNERS, LP**

In February 2021, Sagard announced the final closing of Sagard Healthcare Royalty Partners, LP, a fund launched in 2019 that invests in the life sciences sector, with total commitments of US\$725 million. Sagard has committed an amount of US\$75 million. At closing, the Corporation determined that it no longer controls Sagard Healthcare Royalty Partners, LP and now accounts for its interest in the fund as an investment designated at fair value through profit or loss and has derecognized the assets and liabilities of Sagard Healthcare Royalty Partners, LP with no significant impact to the Corporation's balance sheets.

**SAGARD CREDIT PARTNERS, LP**

In the third quarter of 2021, the Corporation reassessed its control assessment for Sagard Credit Partners, LP and determined that its exposure to the variable returns supports that Sagard is acting as an agent. The Corporation no longer controls Sagard Credit Partners, LP and now accounts for its interest in the fund as an investment designated at fair value through profit or loss and has derecognized the assets and liabilities of Sagard Credit Partners, LP.

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

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

	September 30, 2021		December 31, 2020	
	Carrying value	Fair value	Carrying value	Fair value
<b>Bonds</b>				
Designated as fair value through profit or loss	101,221	101,221	100,729	100,729
Classified as fair value through profit or loss	1,857	1,857	2,053	2,053
Available for sale	12,662	12,662	11,897	11,897
Loans and receivables	23,576	25,663	23,348	26,545
	139,316	141,403	138,027	141,224
<b>Mortgage and other loans</b>				
Loans and receivables	32,032	33,091	32,546	34,607
Designated as fair value through profit or loss	2,664	2,664	2,092	2,092
Classified as fair value through profit or loss	4	4	3	3
	34,700	35,759	34,641	36,702
<b>Shares</b>				
Designated as fair value through profit or loss	12,665	12,665	10,498	10,498
Classified as fair value through profit or loss	400	400	199	199
Available for sale <sup>[1]</sup>	1,331	1,331	1,963	1,963
	14,396	14,396	12,660	12,660
<b>Investment properties</b>	7,329	7,329	6,270	6,270
<b>Loans to policyholders</b>	8,273	8,273	8,387	8,387
	204,014	207,160	199,985	205,243

[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:

September 30, 2021	Jointly controlled corporations				Associates		Total
	Parjointco	Other	China AMC	Lion	Northleaf	Other	
Carrying value, beginning of year	4,216	272	1,436	-	248	357	6,529
Investments	-	40	-	242	1	111	394
Share of earnings (losses)	199	57	88	83	6	77	510
Share of other comprehensive income (loss)	(64)	1	13	(4)	-	-	(54)
Dividends and distributions	(81)	(14)	(54)	-	-	-	(149)
Effects of changes in ownership and other	8	1	-	-	-	(48)	(39)
Carrying value, end of period	4,278	357	1,483	321	255	497	7,191

September 30, 2020	Jointly controlled corporations				Associates		Total
	Parjointco	Other	China AMC	Lion	Personal Capital <sup>[1]</sup>	Other	
Carrying value, beginning of year	3,954	224	1,321	45	194	155	5,893
Investments	-	19	-	-	-	36	55
Disposal	-	(5)	-	-	-	(13)	(18)
Derecognition	-	-	-	-	-	(10)	(10)
Share of earnings (losses)	72	21	60	(10)	32	(4)	171
Share of other comprehensive income (loss)	(123)	4	69	-	7	5	(38)
Dividends and distributions	(88)	(5)	(28)	-	-	(2)	(123)
Effects of changes in ownership and other	45	1	-	-	(233)	(27)	(214)
Carrying value, end of period	3,860	259	1,422	35	-	140	5,716

[1] On August 17, 2020, Great-West Life & Annuity acquired 100% of the equity of Personal Capital.

**LION ELECTRIC CO.**

On November 30, 2020, Lion Electric Co. (Lion) announced its intention to combine with Northern Genesis Acquisition Corp. (Northern Genesis), a publicly traded special-purpose acquisition company. On May 6, 2021, Lion announced the closing of the transaction. On that date, a wholly owned subsidiary of Lion merged with Northern Genesis and as a result Lion is publicly listed on the TSX and the New York Stock Exchange. A US\$200 million committed private placement of common shares of Lion was also completed, in which Power Sustainable invested US\$17 million (\$20 million). At the close of the transaction, Power Sustainable held an equity interest in Lion of 31% (44.1% at December 31, 2020) and retained significant influence over the investment. The effect of the change in ownership resulted in a gain of \$62 million, net of accumulated losses which had not been recognized by the Corporation. The net impact is recorded in share of earnings of investments in jointly controlled corporations and associates on the statement of earnings of 2021.

Power Sustainable also held call rights to acquire up to 13,212,480 additional shares from certain existing shareholders of Lion. On June 5, 2021, Power Sustainable exercised a portion of its outstanding call rights and acquired an additional 8,891,812 shares, on a cashless net settlement basis, increasing Power Sustainable's interest to 35.7% and resulting in an increase in the carrying value of the investment in Lion of \$222 million. The fair value of the remaining call rights was estimated to be \$13 million at September 30, 2021 and is included in derivative financial assets on the balance sheets. The value of the call rights was \$102 million at December 31, 2020. A net gain on the revaluation of the call rights of \$133 million was recorded in net investment income on the statements of earnings during the nine-month period ended September 30, 2021. The Corporation held a 35.5% equity interest in Lion at September 30, 2021.

**PARJOINTCO**

On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction to 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 received 0.93 shares of GBL for each Pargesa bearer share they held. Following the transaction, Pargesa was delisted from the Swiss Stock Exchange. 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 retained de facto control of GBL.

**NOTE 5 Investments in Jointly Controlled Corporations and Associates** (continued)

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. 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 at September 30, 2020.

Parjointco held a 100% equity interest (100% of the voting rights) in Pargesa at September 30, 2021 (unchanged from December 31, 2020). Pargesa held a 28.2% equity interest (43.2% of the voting rights) in GBL at September 30, 2021 (unchanged from December 31, 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, 2021 <sup>[1]</sup>	December 31, 2020
Cash and cash equivalents	12,908	15,558
Bonds	61,438	65,338
Mortgage loans	2,497	2,686
Shares and units in unit trusts	125,759	112,675
Mutual funds	130,629	127,577
Investment properties	12,551	12,430
	345,782	336,264
Accrued income	430	463
Other liabilities	(3,684)	(4,185)
Non-controlling mutual fund interest	3,093	1,490
	345,621	334,032

[1] At September 30, 2021, \$83,500 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis (\$84,785 million at December 31, 2020). Included in this amount are \$1,024 million of cash and cash equivalents, \$13,430 million of bonds, \$26 million of shares and units in unit trusts, \$69,237 million of mutual funds, \$81 million of accrued income and \$298 million of other liabilities.

**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

	Nine months ended September 30,	
	2021	2020
Balance, beginning of year	334,032	231,022
Additions (deductions):		
Policyholder deposits	21,320	16,029
Net investment income	4,331	1,320
Net realized capital gains on investments	11,593	4,203
Net unrealized capital gains (losses) on investments	9,673	(7,006)
Unrealized gains (losses) due to changes in foreign exchange rates	(5,276)	5,540
Policyholder withdrawals	(31,620)	(14,288)
Changes in segregated fund investment in General Fund	(40)	27
General Fund investment in segregated fund	(15)	235
Net transfer from General Fund	20	1
Non-controlling mutual fund interest	1,603	(140)
	11,589	5,921
Balance, end of period	345,621	236,943

**NOTE 6 Segregated Funds** (continued)**INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS** (by fair value hierarchy level)

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	236,239	98,830	13,576	348,645

[1] Excludes other liabilities, net of other assets, of \$3,024 million.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders <sup>[1]</sup>	224,831	98,424	13,556	336,811

[1] Excludes other liabilities, net of other assets, of \$2,779 million.

During the nine months ended September 30, 2021, certain foreign equity holdings valued at \$504 million were transferred from Level 1 to Level 2 (\$3,190 million were transferred from Level 1 to Level 2 at December 31, 2020), 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, 2021	December 31, 2020
Balance, beginning of year	13,556	13,988
Total gains included in segregated fund investment income	206	78
Purchases	276	167
Sales	(462)	(712)
Transfers into Level 3	1	35
Transfers out of Level 3	(1)	-
Balance, end of period	13,576	13,556

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.

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

	September 30, 2021			December 31, 2020		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	207,221	20,083	187,138	208,902	21,991	186,911
Investment contract liabilities	10,171	114	10,057	9,145	130	9,015
	217,392	20,197	197,195	218,047	22,121	195,926

**NOTE 8 Power Corporation's Debentures and Other Debt Instruments**

	September 30, 2021	December 31, 2020
<b>POWER CORPORATION</b>		
<b>Debentures - unsecured</b>		
8.57% debentures due April 22, 2039	150	150
4.81% debentures due January 31, 2047	249	248
4.455% debentures due July 27, 2048	248	248
	647	646
<b>Other Debt Instruments - unsecured</b>		
Revolving credit facility with interest equal to LIBOR plus 0.70% (0.65% at December 31, 2020) (repaid during 2021)	-	110
<b>Total Power Corporation</b>	<b>647</b>	<b>756</b>

**CHANGES IN OTHER DEBT INSTRUMENTS**

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes.

	September 30, 2021	September 30, 2020
Balance, beginning of the year	756	683
Increase in other debt instruments	-	101
Decrease in other debt instruments	(106)	-
Changes in foreign exchange rates and other	(3)	10
Balance, end of period	647	794

**NOTE 9 Non-Recourse Debentures and Other Debt Instruments****A) POWER FINANCIAL, LIFECO AND IGM**

The following table presents the debentures and other debt instruments issued by Power Financial, Lifeco and IGM. The 6.90% debentures of Power Financial are direct obligations of Power Financial and are non-recourse to the Corporation. All debentures and other debt instruments of Lifeco and its subsidiaries are direct obligations of Lifeco or its subsidiaries, as applicable, and are non-recourse to the Corporation. All of the debentures of IGM are direct obligations of IGM and are non-recourse to the Corporation.

	September 30, 2021	December 31, 2020
<b>POWER FINANCIAL</b>		
<b>Debentures - unsecured</b>		
6.90% debentures due March 11, 2033	250	250
<b>Total Power Financial</b>	<b>250</b>	<b>250</b>
<b>LIFECO</b>		
<b>Debentures - unsecured</b>		
2.50% debentures due April 18, 2023 (€500 million)	734	774
1.75% debentures due December 7, 2026 (€500 million)	732	771
3.337% debentures due February 28, 2028	498	498
6.40% subordinated debentures due December 11, 2028	100	100
2.379% debentures due May 14, 2030	597	597
6.74% debentures due November 24, 2031	195	195
6.67% debentures due March 21, 2033	394	394
5.998% debentures due November 16, 2039	342	342
2.981% debentures due July 8, 2050	493	493
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million)	158	158
	4,243	4,322
<b>Other Debt Instruments - unsecured</b>		
Commercial paper and other short-term debt instruments with interest rates from 0.152% to 0.254% (0.223% to 0.274% at December 31, 2020)	126	125
Revolving credit facility with interest equal to LIBOR plus 0.70% (US\$165 million at December 31, 2020)	-	210
Revolving credit facility with interest equal to LIBOR plus 1.00% (US\$500 million at December 31, 2020)	-	635
Senior notes due August 12, 2025, bearing an interest rate of 0.904% (US\$500 million)	632	631
Senior notes due September 17, 2027, bearing an interest rate of 1.357% (US\$400 million)	506	505
Senior notes due May 17, 2028, bearing an interest rate of 4.047% (US\$300 million)	379	379
Senior notes due March 17, 2031, bearing an interest rate of 1.776% (US\$400 million)	505	505
Senior notes due June 3, 2047, bearing an interest rate of 4.15% (US\$700 million)	874	874
Senior notes due May 17, 2048, bearing an interest rate of 4.581% (US\$500 million)	629	628
Senior notes due September 17, 2051, bearing an interest rate of 3.075% (US\$700 million)	879	879
	4,530	5,371
<b>Total Lifeco</b>	<b>8,773</b>	<b>9,693</b>

**NOTE 9 Non-Recourse Debentures and Other Debt Instruments** (continued)

	September 30, 2021	December 31, 2020
<b>IGM FINANCIAL</b>		
<b>Debentures - unsecured</b>		
3.44% debentures due January 26, 2027	400	400
6.65% debentures due December 13, 2027	125	125
7.45% debentures due May 9, 2031	150	150
7.00% debentures due December 31, 2032	175	175
7.11% debentures due March 7, 2033	150	150
6.00% debentures due December 10, 2040	200	200
4.56% debentures due January 25, 2047	200	200
4.115% debentures due December 9, 2047	250	250
4.174% debentures due July 13, 2048	200	200
4.206% debentures due March 21, 2050	250	250
Debentures of IGM held by Lifeco as investments	(88)	(88)
<b>Total IGM</b>	<b>2,012</b>	<b>2,012</b>
<b>Total Power Financial, Lifeco and IGM</b>	<b>11,035</b>	<b>11,955</b>

**LIFECO**

Lifeco made payments of US\$400 million on July 2, 2021 and US\$100 million on September 29, 2021 on its committed line of credit related to Great-West Life & Annuity's acquisition of the retirement services business from MassMutual on December 31, 2020. As at September 30, 2021 the balance drawn on this line of credit is nil (\$635 million as at December 31, 2020).

**CHANGES IN DEBENTURES AND OTHER DEBT INSTRUMENTS – POWER FINANCIAL, LIFECO AND IGM**

The table below details changes in the debentures and other debt instruments arising from financing activities, including both cash and non-cash changes.

	September 30, 2021	September 30, 2020
Balance, beginning of the year	11,955	8,242
Issue of debentures and senior notes	-	3,713
Repayment of debentures	-	(500)
Decrease in other debt instruments	(827)	(279)
Changes in foreign exchange rates and other	(93)	181
<b>Balance, end of period</b>	<b>11,035</b>	<b>11,357</b>

**NOTE 9 Non-Recourse Debentures and Other Debt Instruments** (continued)**B) ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER - PROJECT AND OTHER DEBT**

The following table presents the other debt instruments held by alternative asset investment platforms and other. All other debt instruments are credit or loan facilities that are direct obligations, and secured by the assets, of subsidiaries of the Corporation and are non-recourse to the Corporation.

	September 30, 2021	December 31, 2020
<b>OTHER DEBT INSTRUMENTS</b>		
<b>Investment Funds and Other - secured</b>		
Revolving credit facilities up to US\$100 million, with interest equal to LIBOR plus 1.9%	-	5
Revolving credit facility up to \$80 million, with interest equal to prime rate plus 0.3%	48	23
Revolving credit facility up to US\$50 million, with interest equal to LIBOR plus 1.7% (US\$19 million)	25	-
Revolving credit facility up to \$130 million, with interest equal to banker acceptance rate plus 1.85% or LIBOR plus 1.75% (\$1 million and US\$55 million) <sup>[1]</sup>	71	-
Revolving credit facility up to €100 million, with interest equal to EURIBOR plus 1.7% (€80 million)	118	-
Senior loans due from April 2027 to April 2028 with interest equal to EURIBOR plus margin between 1.5% and 3.75% (€39 million) <sup>[2]</sup>	58	-
Mezzanine loan and convertible bonds due in April 2028 and April 2029, bearing interest at a rate of 10% (€18 million) <sup>[2]</sup>	26	-
<b>Renewable Energy - Project debt - secured</b>		
Construction loan facilities up to US\$50 million, with interest equal to LIBOR plus 2.5% or U.S. base rate plus 1.5% (US\$31 million at December 31, 2020) (converted to loan facility in 2021)	-	38
Construction loan facility up to US\$75 million, due in December 2021, with interest equal to LIBOR plus margin between 3.1% and 3.2% (US\$27 million)(US\$59 million at December 31, 2020)	34	72
Construction loan facilities, due from February 2028 to August 2045, with interest equal to 3.62% or prime rate plus 1.5%	268	199
Loan facilities due from December 2021 to January 2028, bearing interest at various rates from 1.5% to 5.5% (US\$99 million)(US\$24 million at December 31, 2020)	127	32
Loan facilities due from June 2024 to December 2037, bearing interest at various rates from 3.33% to 6.0%	613	570
Loan facilities due from June 2025 to September 2037, bearing interest at various rates from 4.82% to 7.0% (US\$52 million)(US\$54 million at December 31, 2020)	66	69
Mezzanine loans due from January 2035 to June 2035, bearing interest at various rates from 7.36% to 7.5%	98	100
Loan facilities due from June 2034 to August 2035, bearing interest at various rates from 4.7% to 6.07%	66	68
Loan facilities due in March 2036, bearing interest at a rate of 4.4% (US\$21 million) (US\$22 million at December 31, 2020)	27	28
<b>Standalone Businesses - secured</b>		
Revolving credit facility up to \$40 million with interest equal to prime rate plus 1.25% to 4.25%	33	10
Term loan facilities due in June and December 2022, bearing interest at various floating rates (an effective rate from 6.0% to 11.0%)	123	130
<b>Total alternative asset investment platforms and other</b>	<b>1,801</b>	<b>1,344</b>

[1] Power Sustainable Energy Infrastructure has a \$200 million credit facility consisting of a revolving facility and letter of credit facility (\$115 million was undrawn at September 30, 2021).

[2] Represents debt held by entities controlled by investment funds.

**NOTE 9 Non-Recourse Debentures and Other Debt Instruments** (continued)**CHANGES IN OTHER DEBT INSTRUMENTS - ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER**

The table below details changes in the other debt instruments arising from financing activities, including both cash and non-cash changes.

	September 30, 2021	September 30, 2020
Balance, beginning of the year	1,344	1,013
Acquisition	115	145
Increase in other debt instruments	537	374
Decrease in other debt instruments	(186)	(42)
Derecognition	-	(129)
Changes in foreign exchange rates and other	(9)	10
Balance, end of period	1,801	1,371

**NOTE 10 Stated Capital****AUTHORIZED**

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

**ISSUED AND OUTSTANDING**

	September 30, 2021		December 31, 2020	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
<b>Non-Participating Shares</b>				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	86,200	4	129,400	6
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
<b>Total Non-Participating Shares</b>		954		956
<b>Participating Shares</b>				
Participating Preferred Shares				
Balance, beginning of year	54,860,866	233	48,854,772	27
Issued	-	-	6,006,094	206
Balance, end of period	54,860,866	233	54,860,866	233
Subordinate Voting Shares				
Balance, beginning of year	622,388,232	9,324	377,614,607	699
Issued pursuant to the Reorganization	-	-	250,628,173	8,687
Issued under Stock Option Plan	3,096,232	96	1,497,952	48
Purchased for cancellation under Normal Course Issuer Bid	(3,890,100)	(58)	(7,352,500)	(110)
Balance, end of period	621,594,364	9,362	622,388,232	9,324
<b>Total Participating Shares</b>		9,595		9,557

**Non-Participating Shares**

During the nine months ended September 30, 2021, 43,200 cumulative redeemable First Preferred Shares, 1986 Series were purchased for cancellation (60,000 shares for the nine months ended September 30, 2020).

**NOTE 10 Stated Capital** (continued)**Participating Shares**

During the nine months ended September 30, 2021, 3,096,232 Subordinate Voting Shares were issued under the Corporation's Executive Stock Option Plan for a consideration of \$87 million (500,311 Subordinate Voting Shares issued for the nine months ended September 30, 2020 for a consideration of \$15 million).

During the nine months ended September 30, 2021, dividends declared on the Corporation's participating shares amounted to \$1.3425 per share (\$1.3425 per share in 2020).

**Normal Course Issuer Bid**

On February 25, 2021, the Corporation commenced a Normal Course Issuer Bid (NCIB) which is effective until the earlier of February 24, 2022 and the date on which the Corporation has purchased the maximum permitted number of Subordinate Voting Shares. Pursuant to the NCIB, the Corporation may purchase up to 30 million of its Subordinate Voting Shares outstanding as at February 17, 2021 (representing approximately 5.3% of the public float of Subordinate Voting Shares outstanding) at market prices.

During the nine months ended September 30, 2021, the Corporation purchased for cancellation 3,890,100 Subordinate Voting Shares pursuant to its NCIB for a total of \$145 million (7,352,500 Subordinate Voting Shares for a total of \$193 million during the nine months ended September 30, 2020 under the previous NCIB). 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 \$87 million and was recognized as a reduction to retained earnings (\$83 million during the nine months ended September 30, 2020).

**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 \$2 million in cash, for a total consideration of \$8.7 billion.

**NOTE 11 Share-Based Compensation****STOCK OPTION PLAN**

There are 19,082,214 Subordinate Voting Shares and 11,209,185 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation (Stock Option Plans).

A summary of the status of the Corporation's Stock Option Plans as at September 30, 2021 and 2020, and changes during the respective periods then ended, is as follows:

	September 30, 2021		September 30, 2020	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	31,484,425	30.70	16,356,062	29.35
Assumption of Power Financial stock option plan	-	-	13,733,786	30.93
Granted	659,112	33.47	3,994,258	34.23
Exercised or surrendered for cash	(4,246,466)	27.35	(500,311)	29.81
Forfeited and expired	-	-	(1,101,729)	30.08
Outstanding, end of period	27,897,071	31.27	32,482,066	30.58
Options exercisable, end of period	18,291,987	30.68	20,456,521	29.77

The exercise price of the 27,897,071 outstanding options ranges from \$24.87 to \$42.45.

**NOTE 11 Share-Based Compensation** (continued)**Tandem share appreciation rights**

In 2020, the Corporation amended its Stock Option Plans to authorize the granting of tandem share appreciation rights (TSAR or TSARs). The Corporation's Stock Option Plans provide for the granting of TSARs in connection with options granted thereunder, at or after the time of grant of such options. A TSAR entitles the optionee to surrender to the Corporation, unexercised, the right to subscribe for a Subordinate Voting Share pursuant to the related option and to receive from the Corporation cash in an amount equal to the excess of the market value of a Subordinate Voting Share over the subscription price under the related option. During the nine months ended September 30, 2021, TSARs were attached to 1,230,234 options, of which 1,150,234 were exercised to receive cash from the Corporation and 80,000 were exercised to receive Subordinate Voting Shares at an exercise price of \$26.83. At September 30, 2021 and December 31, 2020, no TSARs were attached to any outstanding options.

**Compensation expense**

During the nine months ended September 30, 2021, Power Corporation granted 659,112 options (3,994,258 options were granted for the nine months ended September 30, 2020) under its Executive Stock Option Plan. Options granted in the nine months ended September 30, 2021 vest on the basis of [i] 50% three years from the date of grant and [ii] 50% four years from the date of grant.

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

	September 30, 2021	September 30, 2020
Dividend yield	5.9%	5.1%
Expected volatility	18.0%	16.7%
Risk-free interest rate	1.4%	1.3%
Expected life (years)	9.0	8.1
Fair value per stock option (\$/option)	1.67	1.93
Weighted-average exercise price (\$/option)	33.47	34.23

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

Lifeco, IGM and Wealthsimple have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. For the three months ended September 30, 2021, total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$19 million (\$13 million in 2020), and \$72 million for the nine months ended September 30, 2021 (\$53 million in 2020), and was recorded in operating and administrative expenses in the statements of earnings.

## NOTE 12 Non-Controlling Interests

### LIFECO

#### Limited Recourse Capital Notes

On August 16, 2021, Lifeco issued \$1,500 million aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum, payable semi-annually, until December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, Lifeco will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. Lifeco will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if Great-West Life & Annuity's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement). Transaction costs incurred in connection with the LRCN Series 1 issue of \$17 million (\$13 million net of income taxes) were charged to retained earnings and non-controlling interests. Interest expense of \$7 million for the three months ended September 30, 2021 was recognized in financing charges in the statements of earnings.

Non-payment of interest or principal when due on the LRCN Series 1 will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series U (Series U Preferred Shares) held in Lifeco's newly formed consolidated trust (Limited Recourse Trust). All claims of the holders of LRCN Series 1 against Lifeco will be extinguished upon receipt of the corresponding trust assets. The Series U Preferred Shares are eliminated on the balance sheets while being held within the Limited Recourse Trust.

#### Preferred Shares - Subsequent events

On October 8, 2021, Lifeco issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series Y at \$25.00 per share for gross proceeds of \$200 million. The shares are redeemable at the option of Lifeco on or after December 31, 2026 for \$25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

On November 3, 2021, Lifeco announced that it intends to redeem all 7,740,032 of its outstanding 5.90% Non-Cumulative First Preferred Shares, Series F at a redemption price of \$25.00 per share, together with any declared and unpaid dividends, on December 31, 2021.

### WEALTHSIMPLE

On May 3, 2021, Wealthsimple announced that it had signed a \$750 million equity offering, consisting of a \$250 million primary offering by Wealthsimple, as well as a \$500 million secondary offering by the Corporation, IGM and Lifeco pro rata to their respective ownership interests. The transaction closed on May 12, 2021 and as a result of the secondary offering, the Corporation received proceeds of \$500 million. As well, the existing put rights held by non-controlling interests and option holders of Wealthsimple were extinguished. At the close of the transaction, the Corporation held a combined equity interest of 56% in Wealthsimple.

In the first quarter of 2021, the fair value increase in Wealthsimple resulted in charges included in the operating and administrative expenses in the statements of earnings related to the remeasurement of the put right liability of certain of the non-controlling interests and option holders in Wealthsimple to fair value and carried interest payable totalling \$332 million.

In the second quarter of 2021, following the close of the primary and secondary offerings and the extinguishment of the put rights, the Corporation recorded an increase in retained earnings of \$638 million (\$593 million net of income taxes), in share-based compensation reserve of \$119 million and in non-controlling interests of \$368 million.

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**NOTE 12 Non-Controlling Interests** (continued)

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**POWER FINANCIAL****Preferred Shares – Subsequent events**

On October 15, 2021, Power Financial issued 8,000,000 4.50% Non-Cumulative First Preferred Shares, Series 23 at \$25.00 per share for gross proceeds of \$200 million. The shares are redeemable at the option of Power Financial on or after January 31, 2027 for \$25.00 per share plus a premium if redeemed prior to January 31, 2031, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

On October 18, 2021, Power Financial announced that it intends to redeem all 8,000,000 of its outstanding 6.00% Non-Cumulative First Preferred Shares, Series I at a redemption price of \$25.00 per share, together with any declared and unpaid dividends, on November 22, 2021.

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**NOTE 13 Capital Management**

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**POWER CORPORATION**

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

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

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

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

The Board of Directors of the Corporation is responsible for capital management. Management of the Corporation is responsible for establishing capital management procedures and for implementing and monitoring its capital plans. The Board of Directors of the Corporation reviews and approves capital transactions such as the issuance, redemption and repurchase of participating shares, non-participating shares and debentures. The boards of directors of the Corporation's subsidiaries, as well as the one of GBL, 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.

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**NOTE 13 Capital Management** (continued)

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**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.

Management of Lifeco is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

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 multiplied by a scalar of 1.05. 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, 2021 was 123% (129% at December 31, 2020).

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, 2021, IGM subsidiaries have complied with all regulatory capital requirements.

**ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER**

Certain subsidiaries are subject to regulatory capital requirements, including portfolio managers, asset managers and an order-execution-only broker. These subsidiaries are required to maintain levels of capital based on their working capital, liquidity or shareholders' equity. At September 30, 2021, these subsidiaries have complied with all regulatory capital requirements.

## NOTE 14 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.

Estimates of sensitivities and risk exposure measures are included 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.

The following is a summary of risks in respect to the Corporation and its subsidiaries' financial instruments including the impacts due to COVID-19. In the first section below, the risk management policies and procedures of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries) are discussed. Risks related to Lifeco and IGM are discussed in subsequent sections. For a more detailed discussion, refer to Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2020.

**NOTE 14 Risk Management** (continued)**POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER***a) Liquidity and funding*

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. Regulatory requirements may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends. Regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. In the U.K. and Ireland, where some of Lifeco's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies. In Canada, on November 4, 2021, subsequent to quarter end, the OSFI announced the removal of its expectation that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries and other investments, as well as on their ability to pay dividends which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts.

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

*b) Equity risk*

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the nine-month period ended September 30, 2021, there was no impairment charge recorded on available-for-sale investments (\$63 million in 2020). As at September 30, 2021, the impact of a 10% decrease in the value of other investments would have resulted in an approximate \$125 million unrealized loss to be recorded in other comprehensive income.

GBL holds a portfolio of investments which are 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, 2021, the impact of a 10% decline in equity markets would have resulted in an approximate \$386 million unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation, Power Financial and other subsidiaries' exposure and management of liquidity risk, credit risk and market risk have not changed materially since December 31, 2020.

**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 material risks associated with financial instruments. Lifeco's approach to risk management has not changed significantly since December 31, 2020. 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, 2020 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 14 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. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2020.

**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.

- 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 immediate 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 immediate change to net earnings.

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.

*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 because Lifeco's sensitivity to interest rate movements varies at different terms.

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.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

The following table provides information on the impact to the value of liabilities net of changes in the value of assets supporting liabilities of an immediate parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	September 30, 2021		December 31, 2020	
	1% increase	1% decrease <sup>[1]</sup>	1% increase	1% decrease <sup>[1]</sup>
<b>Change in interest rates</b>				
Increase (decrease) in non-participating insurance and investment contract liabilities	(406)	824	(289)	1,185
Increase (decrease) in net earnings	328	(652)	224	(920)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

**NOTE 14 Risk Management** (continued)

As at September 30, 2021, the accounting for the acquisition of the MassMutual retirement services business is not finalized pending completion of a comprehensive valuation of the net assets acquired (Note 3). As such, the impact of the acquired business included in the sensitivities above reflects Lifeco management's current best estimate of the sensitivities.

*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 there is a greater impact on net earnings from larger decreases in equity values, relative to the change in equity values. Decreases in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

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 changes in the value of assets supporting liabilities and hedge assets.

	September 30, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
<b>Change in publicly traded common share values</b>								
Increase (decrease) in non-participating insurance and investment contract liabilities	(39)	(21)	30	117	(34)	(18)	62	264
Increase (decrease) in net earnings	32	18	(26)	(99)	28	15	(51)	(208)

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. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	September 30, 2021				December 31, 2020			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
<b>Change in other non-fixed income asset values</b>								
Increase (decrease) in non-participating insurance and investment contract liabilities	(16)	(1)	33	144	(41)	(8)	88	138
Increase (decrease) in net earnings	12	-	(23)	(106)	34	6	(69)	(108)

**NOTE 14 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, 2021		December 31, 2020	
	1% increase	1% decrease	1% increase	1% decrease
<b>Change in best estimate return assumptions</b>				
Increase (decrease) in non-participating insurance contract liabilities	(669)	854	(691)	861
Increase (decrease) in net earnings	531	(668)	556	(682)

Lifeco 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 Lifeco. Lifeco hedges its exposure to the equity risk associated with its PSU plan through the use of total return swaps.

**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 C) for the nine months ended September 30, 2021 and in Note 22 to the Corporation's Consolidated Financial Statements for the year ended December 31, 2020 and have not changed significantly in the nine-month period ended September 30, 2021.

*a) Liquidity and funding*

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 manages credit risk related to cash and cash equivalents by adhering to its investment policy that outlines credit risk parameters and concentration limits. IGM regularly reviews the credit ratings of its counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

IGM's allowance for credit losses was \$1 million at September 30, 2021, unchanged from December 31, 2020, 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, 2020.

**NOTE 15 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,	
	2021	2020	2021	2020
<b>Pension plans</b>				
Service costs	87	63	243	196
Curtailement	(1)	(10)	(1)	(11)
Settlements	(57)	-	(57)	-
Net interest cost	10	9	30	32
	39	62	215	217
<b>Post-employment benefits</b>				
Service costs	1	1	4	3
Net interest cost	2	4	8	11
	3	5	12	14
<b>Expense recognized in net earnings</b>	42	67	227	231
<b>Remeasurements</b>				
Pension plans				
Actuarial (gains) losses	(29)	200	(709)	494
Return on assets greater than discount rate	(53)	(139)	(241)	(98)
Change in the asset ceiling	2	(26)	13	(10)
Post-employment benefits				
Actuarial (gains) losses	(9)	3	(43)	23
Expense (recovery) recognized in other comprehensive income (loss)	(89)	38	(980)	409
<b>Total expense (income)</b>	(47)	105	(753)	640

The discount rates increased between 0.6% and 0.9% during the nine months ended September 30, 2021 (decreased between 0.3% and 0.5% in the corresponding period in 2020), primarily due to the increase in yields on high-quality corporate bonds.

**NOTE 16 Income Taxes****INCOME TAX EXPENSE**

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Current taxes	212	147	221	276
Deferred taxes	(9)	(98)	315	(52)
	203	49	536	224

**EFFECTIVE INCOME TAX RATE**

The overall effective income tax rate for the Corporation for the nine months ended September 30, 2021 was 12.7%, compared to 2.1% for the year ended December 31, 2020 and 8.1% for the nine months ended September 30, 2020.

The overall effective income tax rate for the nine months ended September 30, 2021 is higher than the effective income tax rate for the same period last year mainly due to:

- changes in certain tax estimates as well as a non-taxable gain on the disposal of the shares of Irish Progressive Services International Limited during the third quarter of 2020, at Lifeco; and
- non-deductible charges associated with the increase in the put right liability on non-controlling interests and carried interest.

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 17 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, 2021						
Balance, beginning of year	730	1,033	1,984	(969)	(28)	2,750
Other comprehensive income (loss)	(481)	(197)	(63)	512	7	(222)
Balance, end of period	249	836	1,921	(457)	(21)	2,528

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

**NOTE 18 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,	
	2021	2020	2021	2020
<b>Earnings</b>				
Net earnings attributable to shareholders	754	518	2,330	1,410
Dividends on non-participating shares	(13)	(13)	(39)	(39)
Net earnings attributable to participating shareholders	741	505	2,291	1,371
Dilutive effect of subsidiaries' outstanding stock options	(2)	-	(4)	(1)
Net earnings adjusted for dilutive effect	739	505	2,287	1,370
<b>Number of participating shares [millions]</b>				
Weighted average number of participating shares outstanding - Basic	676.7	676.3	676.9	637.7
Potential exercise of outstanding stock options	6.7	-	4.0	0.1
Weighted average number of participating shares outstanding - Diluted	683.4	676.3	680.9	637.8
<b>Net earnings per participating share</b>				
Basic	1.09	0.75	3.38	2.15
Diluted	1.08	0.75	3.36	2.15

For the nine months ended September 30, 2021, no stock options were excluded from the computation of diluted earnings per share as there were no stock options that were anti-dilutive (31.0 million were excluded from the calculation in 2020 as they were anti-dilutive).

## NOTE 19 Fair Value Measurement

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

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

**NOTE 19 Fair Value Measurement** (continued)

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, 2020 Consolidated Financial Statements and above, are presented below. 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, 2021	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
<b>Bonds</b>				
Fair value through profit or loss	-	102,992	86	103,078
Available for sale	-	12,662	-	12,662
<b>Mortgage and other loans</b>				
Fair value through profit or loss	-	4	2,664	2,668
<b>Shares</b>				
Fair value through profit or loss	10,973	97	1,995	13,065
Available for sale	806	63	340	1,209
Investment properties	-	-	7,329	7,329
Funds held by ceding insurers	426	14,774	-	15,200
Derivative instruments	9	849	6	864
Reinsurance assets	-	114	-	114
Other assets	411	868	128	1,407
	12,625	132,423	12,548	157,596
<b>Liabilities</b>				
Investment contract liabilities	-	10,171	-	10,171
Derivative instruments	-	1,315	11	1,326
Other liabilities	64	38	19	121
	64	11,524	30	11,618
<b>December 31, 2020</b>				
	Level 1	Level 2	Level 3	Total fair value
<b>Assets</b>				
<b>Bonds</b>				
Fair value through profit or loss	-	102,709	73	102,782
Available for sale	-	11,897	-	11,897
<b>Mortgage and other loans</b>				
Fair value through profit or loss	-	3	2,092	2,095
<b>Shares</b>				
Fair value through profit or loss	8,828	194	1,675	10,697
Available for sale	1,030	70	739	1,839
Investment properties	-	-	6,270	6,270
Funds held by ceding insurers	245	15,943	-	16,188
Derivative instruments	1	868	104	973
Reinsurance assets	-	130	-	130
Other assets	381	541	58	980
	10,485	132,355	11,011	153,851
<b>Liabilities</b>				
Investment contract liabilities	-	9,145	-	9,145
Derivative instruments	5	1,242	23	1,270
Other liabilities	79	188	44	311
	84	10,575	67	10,726

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

**NOTE 19 Fair Value Measurement** (continued)

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, 2021 and 2020 is presented below.

Nine months ended September 30, 2021	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 <sup>[2]</sup>	Available for sale				
Balance, beginning of year	73	2,092	1,675	739	6,270	81	14	10,944
Total gains (losses)								
In net earnings	3	(45)	246	143	439	9	(78)	717
In other comprehensive income <sup>[1]</sup>	(3)	(27)	2	(102)	(49)	-	-	(179)
Purchases	13	-	595	33	702	2	209	1,554
Issues	-	733	-	-	-	-	-	733
Sales	-	-	(107)	(481)	(33)	-	(140)	(761)
Settlements	-	(125)	-	-	-	5	-	(120)
Other	-	36	(41)	-	-	-	104	99
Transfer into Level 3	-	-	83	8	-	-	-	91
Transfer out of Level 3	-	-	(458)	-	-	(102)	-	(560)
Balance, end of period	86	2,664	1,995	340	7,329	(5)	109	12,518

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and other loans, and investment properties represents the 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.

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 <sup>[3]</sup>	Available for sale				
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(32)	8,720
Total gains (losses)								
In net earnings	1	90	(10)	35	(157)	(26)	(16)	(83)
In other comprehensive income <sup>[1]</sup>	4	-	-	(11)	10	-	-	3
Purchases	-	70	504	70	155	2	-	801
Issues	-	454	-	-	-	-	-	454
Sales	-	-	(69)	(98)	(70)	-	-	(237)
Settlements	-	(53)	-	-	-	3	-	(50)
Transferred from owner-occupied properties <sup>[2]</sup>	-	-	-	-	28	-	-	28
Transfer into Level 3	-	-	376	1	-	-	-	377
Balance, end of period	72	1,875	1,597	686	5,853	(22)	(48)	10,013

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and other loans, and investment properties represents the 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.

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.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, Lifeco's investment in these funds with a fair value of \$357 million was transferred on March 20, 2020 from Level 1 to Level 3.

**NOTE 19 Fair Value Measurement** (continued)

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. As a result of the lifting of these temporary suspensions, Lifeco's investment in these funds with a fair value of \$457 million was transferred on April 19, 2021 from Level 3 to Level 1.

Significant unobservable inputs used at period-end in measuring assets categorized as Level 3 in the fair value hierarchy are presented below.

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 3.4% - 12.6%	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 3.5% - 7.0%	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 2.6%	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 3.5% - 4.6%	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 20 Segmented Information

The Corporation's three reportable segments are Lifeco, IGM Financial and GBL, which represents the Corporation's investments in publicly traded operating companies. These reportable segments, in addition to the corporate and asset management activities, reflect Power Corporation's management structure and internal financial reporting. The Corporation evaluates the performance based on the operating segment's contribution to earnings.

- **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 supporting financial advisors and the clients they serve in Canada, and institutional investors through North America, Europe and Asia.
- **GBL** is indirectly held through Parjointco. GBL is a Belgian holding company focused on long-term and sustainable 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.

**Alternative asset investment platforms and other** are comprised of the results of:

- Alternative asset management businesses, Power Sustainable and Sagard;
- Entities managed by the alternative asset managers which are required to be consolidated under IFRS; and
- Standalone businesses representing a subsidiary, a jointly controlled corporation and associates which are managed to realize value over time.

**Corporate activities** comprise management of the corporate activities of the Corporation and Power Financial, including the cash and non-participating shares, which fund a portion of the capital invested in other operations.

**Effect of consolidation** 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 adjustments which are made on consolidation.

### COMPARATIVE FIGURES

In the fourth quarter of 2020, the Corporation modified the presentation of its segmented disclosure. Power Financial's results, including its corporate operations, were previously presented separately by the Corporation. The corporate operations of both the Corporation and Power Financial are being managed together and have been presented on a combined basis as Corporate. Alternative asset investment platforms and other have been presented separately, which is consistent with the management and oversight structure. The comparative figures for the three-month and nine-month periods ended September 30, 2020 have been restated to conform to the current period's presentation.

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

Three months ended September 30, 2021	Lifeco	IGM <sup>[1]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
<b>Revenues</b>							
Total net premiums	14,921	-	-	-	-	(5)	14,916
Net investment income (loss)	643	2	-	97	2	11	755
Fee income <sup>[2]</sup>	1,858	919	-	50	-	(45)	2,782
Other revenues	-	-	-	131	-	-	131
<b>Total revenues</b>	<b>17,422</b>	<b>921</b>	<b>-</b>	<b>278</b>	<b>2</b>	<b>(39)</b>	<b>18,584</b>
<b>Expenses</b>							
Total paid or credited to policyholders	13,796	-	-	-	-	-	13,796
Commissions	631	329	-	-	-	(13)	947
Operating and administrative expenses	1,793	270	-	226	51	(37)	2,303
Financing charges	83	28	-	27	13	3	154
<b>Total expenses</b>	<b>16,303</b>	<b>627</b>	<b>-</b>	<b>253</b>	<b>64</b>	<b>(47)</b>	<b>17,200</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	1,119	294	-	25	(62)	8	1,384
Share of earnings of investments in jointly controlled corporations and associates	10	56	(6)	53	17	(43)	87
Earnings before income taxes	1,129	350	(6)	78	(45)	(35)	1,471
Income taxes	111	78	-	9	6	(1)	203
<b>Net earnings</b>	<b>1,018</b>	<b>272</b>	<b>(6)</b>	<b>69</b>	<b>(51)</b>	<b>(34)</b>	<b>1,268</b>
<b>Attributable to</b>							
Non-controlling interests	434	112	-	(32)	34	(34)	514
Non-participating shareholders	-	-	-	-	13	-	13
Participating shareholders <sup>[3][4]</sup>	584	160	(6)	101	(98)	-	741
	1,018	272	(6)	69	(51)	(34)	1,268

[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 "Effect of consolidation".

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

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of Wealthsimple and the venture capital funds based on their respective interests.

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

Three months ended September 30, 2020	Lifeco	IGM <sup>[1]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
<b>Revenues</b>							
Total net premiums	9,976	-	-	-	-	(5)	9,971
Net investment income (loss)	2,270	19	-	43	1	1	2,334
Fee income <sup>[2]</sup>	1,486	801	-	29	-	(57)	2,259
Other revenues	-	-	-	118	-	-	118
<b>Total revenues</b>	<b>13,732</b>	<b>820</b>	<b>-</b>	<b>190</b>	<b>1</b>	<b>(61)</b>	<b>14,682</b>
<b>Expenses</b>							
Total paid or credited to policyholders	10,668	-	-	-	-	-	10,668
Commissions	549	273	-	-	-	(10)	812
Operating and administrative expenses	1,542	328	-	287	34	(25)	2,166
Financing charges	71	28	-	20	13	5	137
<b>Total expenses</b>	<b>12,830</b>	<b>629</b>	<b>-</b>	<b>307</b>	<b>47</b>	<b>(30)</b>	<b>13,783</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	902	191	-	(117)	(46)	(31)	899
Share of earnings of investments in jointly controlled corporations and associates	8	44	(45)	32	11	(2)	48
Earnings before income taxes	910	235	(45)	(85)	(35)	(33)	947
Income taxes	19	44	-	-	(17)	3	49
<b>Net earnings</b>	<b>891</b>	<b>191</b>	<b>(45)</b>	<b>(85)</b>	<b>(18)</b>	<b>(36)</b>	<b>898</b>
<b>Attributable to</b>							
Non-controlling interests	345	107	-	(70)	34	(36)	380
Non-participating shareholders	-	-	-	-	13	-	13
Participating shareholders <sup>[3][4]</sup>	546	84	(45)	(15)	(65)	-	505
	<b>891</b>	<b>191</b>	<b>(45)</b>	<b>(85)</b>	<b>(18)</b>	<b>(36)</b>	<b>898</b>

[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 "Effect of consolidation".

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

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of Wealthsimple and the venture capital funds based on their respective interests.

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

Nine months ended September 30, 2021	Lifeco	IGM <sup>[1]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
<b>Revenues</b>							
Total net premiums	39,824	-	-	-	-	(15)	39,809
Net investment income (loss)	1,032	8	-	721	27	30	1,818
Fee income <sup>[2]</sup>	5,409	2,631	-	193	-	(137)	8,096
Other revenues	-	-	-	363	-	-	363
<b>Total revenues</b>	<b>46,265</b>	<b>2,639</b>	<b>-</b>	<b>1,277</b>	<b>27</b>	<b>(122)</b>	<b>50,086</b>
<b>Expenses</b>							
Total paid or credited to policyholders	35,703	-	-	-	-	-	35,703
Commissions	1,947	954	-	-	-	(39)	2,862
Operating and administrative expenses	5,331	827	-	1,174	131	(104)	7,359
Financing charges	239	85	-	65	40	14	443
<b>Total expenses</b>	<b>43,220</b>	<b>1,866</b>	<b>-</b>	<b>1,239</b>	<b>171</b>	<b>(129)</b>	<b>46,367</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,045	773	-	38	(144)	7	3,719
Share of earnings of investments in jointly controlled corporations and associates	30	146	199	209	45	(119)	510
Earnings before income taxes	3,075	919	199	247	(99)	(112)	4,229
Income taxes	274	207	-	25	28	2	536
<b>Net earnings</b>	<b>2,801</b>	<b>712</b>	<b>199</b>	<b>222</b>	<b>(127)</b>	<b>(114)</b>	<b>3,693</b>
<b>Attributable to</b>							
Non-controlling interests	1,240	420	-	(285)	102	(114)	1,363
Non-participating shareholders	-	-	-	-	39	-	39
Participating shareholders <sup>[3][4]</sup>	1,561	292	199	507	(268)	-	2,291
	<b>2,801</b>	<b>712</b>	<b>199</b>	<b>222</b>	<b>(127)</b>	<b>(114)</b>	<b>3,693</b>

[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 "Effect of consolidation".

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

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of Wealthsimple and the venture capital funds based on their respective interests.

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

Nine months ended September 30, 2020	Lifeco	IGM <sup>[1]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
<b>Revenues</b>							
Total net premiums	31,272	-	-	-	-	(15)	31,257
Net investment income (loss)	8,099	45	-	233	2	4	8,383
Fee income <sup>[2]</sup>	4,333	2,270	-	75	-	(101)	6,577
Other revenues	-	-	-	445	-	-	445
<b>Total revenues</b>	<b>43,704</b>	<b>2,315</b>	<b>-</b>	<b>753</b>	<b>2</b>	<b>(112)</b>	<b>46,662</b>
<b>Expenses</b>							
Total paid or credited to policyholders	34,932	-	-	-	-	-	34,932
Commissions	1,739	800	-	-	-	(32)	2,507
Operating and administrative expenses	4,525	864	-	752	126	(66)	6,201
Financing charges	205	83	-	70	41	15	414
<b>Total expenses</b>	<b>41,401</b>	<b>1,747</b>	<b>-</b>	<b>822</b>	<b>167</b>	<b>(83)</b>	<b>44,054</b>
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,303	568	-	(69)	(165)	(29)	2,608
Share of earnings of investments in jointly controlled corporations and associates	19	107	72	6	30	(63)	171
Earnings before income taxes	2,322	675	72	(63)	(135)	(92)	2,779
Income taxes	101	140	-	(5)	(23)	11	224
<b>Net earnings</b>	<b>2,221</b>	<b>535</b>	<b>72</b>	<b>(58)</b>	<b>(112)</b>	<b>(103)</b>	<b>2,555</b>
<b>Attributable to</b>							
Non-controlling interests	949	264	33	(98)	100	(103)	1,145
Non-participating shareholders	-	-	-	-	39	-	39
Participating shareholders <sup>[3][4]</sup>	1,272	271	39	40	(251)	-	1,371
	<b>2,221</b>	<b>535</b>	<b>72</b>	<b>(58)</b>	<b>(112)</b>	<b>(103)</b>	<b>2,555</b>

[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 "Effect of consolidation".

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

[3] The contribution from Lifeco, IGM, GBL and alternative asset investment platforms and other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

[4] The contribution from Lifeco and IGM includes an allocation for the results of Wealthsimple and the venture capital funds based on their respective interests.

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

September 30, 2021	Lifeco	IGM <sup>[2]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Cash and cash equivalents	6,890	1,123	-	1,024	1,102	-	10,139
Investments	196,277	5,648	-	1,606	753	(270)	204,014
Investments in jointly controlled corporations and associates	80	1,005	4,278	1,088	740	-	7,191
Other assets	51,109	2,847	-	3,650	364	(236)	57,734
Goodwill and intangible assets	14,882	4,136	-	1,588	2	-	20,608
Investments on account of segregated fund policyholders	345,621	-	-	-	-	-	345,621
<b>Total assets<sup>[1]</sup></b>	<b>614,859</b>	<b>14,759</b>	<b>4,278</b>	<b>8,956</b>	<b>2,961</b>	<b>(506)</b>	<b>645,307</b>
Insurance and investment contract liabilities	217,392	-	-	-	-	-	217,392
Obligation to securitization entities	-	5,268	-	-	-	-	5,268
Power Corporation's debentures and other debt instruments	-	-	-	-	647	-	647
Non-recourse debentures and other debt instruments	8,773	2,100	-	1,801	250	(88)	12,836
Other liabilities	12,932	3,174	-	2,994	1,037	115	20,252
Insurance and investment contracts on account of segregated fund policyholders	345,621	-	-	-	-	-	345,621
<b>Total liabilities</b>	<b>584,718</b>	<b>10,542</b>	<b>-</b>	<b>4,795</b>	<b>1,934</b>	<b>27</b>	<b>602,016</b>

  

December 31, 2020	Lifeco	IGM <sup>[2]</sup>	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Cash and cash equivalents	7,946	772	-	640	682	-	10,040
Investments	190,579	6,381	-	2,440	791	(206)	199,985
Investments in jointly controlled corporations and associates	65	971	4,216	562	715	-	6,529
Other assets	53,065	2,271	-	2,873	280	(213)	58,276
Goodwill and intangible assets	14,821	4,126	-	1,293	2	-	20,242
Investments on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
<b>Total assets<sup>[1]</sup></b>	<b>600,508</b>	<b>14,521</b>	<b>4,216</b>	<b>7,808</b>	<b>2,470</b>	<b>(419)</b>	<b>629,104</b>
Insurance and investment contract liabilities	218,047	-	-	-	-	-	218,047
Obligation to securitization entities	-	6,174	-	-	-	-	6,174
Power Corporation's debentures and other debt instruments	-	-	-	-	756	-	756
Non-recourse debentures and other debt instruments	9,693	2,100	-	1,344	250	(88)	13,299
Other liabilities	11,706	2,685	-	2,709	1,067	(104)	18,063
Insurance and investment contracts on account of segregated fund policyholders	334,032	-	-	-	-	-	334,032
<b>Total liabilities</b>	<b>573,478</b>	<b>10,959</b>	<b>-</b>	<b>4,053</b>	<b>2,073</b>	<b>(192)</b>	<b>590,371</b>

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

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

**NOTE 20 Segmented Information** (continued)**CONDENSED STATEMENTS OF CASH FLOWS**

	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Nine months ended September 30, 2021						
Operating activities	8,544	614	(142)	980	(1,057)	8,939
Financing activities	(567)	(1,212)	490	(1,219)	2,016	(492)
Investing activities	(9,011)	949	43	588	(888)	(8,319)
Effect of changes in exchange rates on cash and cash equivalents	(22)	-	(7)	-	-	(29)
Increase (decrease) in cash and cash equivalents	(1,056)	351	384	349	71	99
Cash and cash equivalents, beginning of the year	7,946	772	640	1,226	(544)	10,040
Cash and cash equivalents, end of period	6,890	1,123	1,024	1,575	(473)	10,139

	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Nine months ended September 30, 2020						
Operating activities	7,714	498	14	965	(1,072)	8,119
Financing activities	1,629	(847)	974	(907)	692	1,541
Investing activities	(8,666)	622	(816)	(234)	291	(8,803)
Effect of changes in exchange rates on cash and cash equivalents	67	-	18	-	-	85
Increase (decrease) in cash and cash equivalents	744	273	190	(176)	(89)	942
Cash and cash equivalents, beginning of the year	4,628	720	382	1,392	(317)	6,805
Cash and cash equivalents, end of period	5,372	993	572	1,216	(406)	7,747