

2020 ANNUAL REPORT



POWER CORPORATION
OF CANADA

This Annual Report is intended to provide shareholders and other interested persons with information concerning Power Corporation of Canada. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its most recent Annual Information Form and Management's Discussion and Analysis (MD&A). Copies of the Corporation's continuous disclosure documents can be obtained from its website at www.powercorporation.com, from www.sedar.com, or from the Office of the Secretary at the addresses shown at the end of this report.

Readers should also review the note further in this report, in the section entitled Review of Financial Performance, concerning the use of Forward-Looking Statements, which applies to the entirety of this Annual Report.

In addition, selected information concerning the business, operations, financial condition, financial performance, priorities, ongoing objectives, strategies and outlook of Power Corporation subsidiaries and associates is derived from public information published by such subsidiaries and associates and is provided here for the convenience of the shareholders of Power Corporation. For further information concerning such subsidiaries and associates, shareholders and other interested persons should consult the websites of, and other publicly available information published by, such subsidiaries and associates, including the 2020 annual MD&As of Great-West Lifeco and IGM Financial, as filed under their respective profiles at www.sedar.com, as well as the year-end press release of GBL.

All figures mentioned in this report are in Canadian dollars and as of December 31, 2020, unless otherwise noted.

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

Management uses the following non-IFRS financial measures and basis of presentation:

- Adjusted net earnings, which is net earnings excluding the impact of Adjustments;
- Adjustments, which includes the after-tax impact of any item that in management's judgment, including those identified by management of its publicly traded operating companies, would make the period-over-period comparison of results from operations less meaningful. Adjustments include the Corporation's share of Lifeco's impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, as well as items that management believes are not indicative of the underlying business results which include those identified by a subsidiary or a jointly controlled corporation;
- Adjusted net earnings per share, which is the adjusted net earnings divided by the weighted average number of participating shares outstanding;
- Net asset value, which is the fair value of the Corporation's non-consolidated assets less its net debt and preferred shares;
- Net asset value per share, which is the net asset value divided by the number of participating shares outstanding.

In 2020, the Corporation introduced a modified definition of its non-IFRS earnings measure, Adjusted net earnings. This change is consistent with the introduction of base earnings (loss) by Lifeco, in the first quarter of 2020, to reflect management's view of the operating performance of Lifeco. The comparative periods have been restated to reflect the introduction of this modified measure.

Management uses these financial measures in its presentation and analysis of the financial performance of Power Corporation, and believes that they provide additional meaningful information to readers in their analysis of the results of the Corporation. Adjusted net earnings, as defined by the Corporation, assists the reader in comparing the current period's results to those of previous periods as it reflects management's view of the operating performance of the Corporation and its subsidiaries and excludes items that are not considered to be part of the underlying business results. Net asset value may be used by the reader to determine or compare the fair value of investments held by the company or its overall fair value.

Adjusted net earnings attributable to participating shareholders, adjusted net earnings per share, net asset value and net asset value per share are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. Refer to the "Non-IFRS Financial Measures and Presentation" section further in this report for the definition of non-IFRS financial measures and their reconciliation with IFRS financial measures.

The Corporation also uses a non-consolidated basis of presentation to present and analyze its results whereby the Corporation's controlling interests held through Power Financial in Lifeco, IGM, Portag3 I, Portag3 II, and Wealthsimple, as well as other subsidiaries consolidated by Power Corporation, are accounted for using the equity method. Presentation on a non-consolidated basis is a non-IFRS presentation. However, it is useful to the reader as it presents the holding company's (parent) results separately from the results of its consolidated operating subsidiaries. Reconciliations of the non-IFRS basis of presentation with the presentation in accordance with IFRS are included further in this report.

In 2020, the Corporation modified the presentation of the activities held through Power Financial, as well as the presentation of the asset management companies held by the investment platforms. The corporate operations of both the Corporation and Power Financial have been presented on a combined basis throughout the "Results of the Corporation" section in the Review of Financial Performance. The activities of each asset management company are now presented within the operations of the investment platforms. The comparatives in the non-consolidated earnings statements, non-consolidated balance sheets and non-consolidated statements of cash flows have been restated to reflect this change.

ABBREVIATIONS

The following abbreviations are used throughout this report:

Power Corporation or the Corporation (Power Corporation of Canada)

adidas (adidas AG)

Alternative asset investment platforms or Investment platforms (Alternative Asset Investment Platforms)

B (billions)

BME (Madrid Stock Exchange)

CALM (Canadian Asset Liability Method)

Canada Life (The Canada Life Assurance Company)

China AMC (China Asset Management Co., Ltd.)

EBR (Euronext Brussels)

EPA (Euronext Paris)

European private equity (Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen)

GBL (Groupe Bruxelles Lambert)

GEA (GEA Group AG)

GLC (GLC Asset Management Group Ltd.)

Great-West Life (The Great-West Life Assurance Company)

Great-West Life & Annuity or Empower Retirement (Great-West Life & Annuity Insurance Company)

IFRS (International Financial Reporting Standards)

IGM or IGM Financial (IGM Financial Inc.)

IG Wealth Management (Investors Group Inc.)

Imerys (Imerys SA)

IntegraMed (IntegraMed America, Inc.)

Investment Planning Counsel or IPC (Investment Planning Counsel Inc.)

Irish Life (Irish Life Group Limited)

Koho (KOHO Financial Inc.)

LafargeHolcim (LafargeHolcim Ltd.)

Lifeco or Great-West Lifeco (Great-West Lifeco Inc.)

Lion or Lion Electric (The Lion Electric Co.)

London Life (London Life Insurance Company)

Lumenpulse (Lumenpulse Group Inc.)

M (millions)

Mackenzie or Mackenzie Investments (Mackenzie Financial Corporation)

MassMutual (Massachusetts Mutual Life Insurance Company)

MOWI (Mowi ASA)

Nautilus (Nautilus Solar Energy, LLC)

Northleaf (Northleaf Capital Group Ltd.)

Ontex (Ontex BV)

OSE (Oslo Stock Exchange)

PanAgora (PanAgora Asset Management, Inc.)

Pargesa (Pargesa Holding SA)

Parjointco (Parjointco SA)

Parjointco Switzerland (Parjointco Switzerland SA)

Parques (Parques Reunidos Servicios Centrales, S.A.)

Peak (Peak Achievement Athletics Inc.)

Pernod Ricard (Pernod Ricard SA)

Personal Capital (Personal Capital Corporation)

Portag3 I or Portag3 I LP (Portag3 Ventures Limited Partnership)

Portag3 II or Portag3 II LP (Portag3 Ventures II Limited Partnership)

Potentia or Potentia Renewables (Potentia Renewables Inc.)

Power Energy (Power Energy Corporation)

Power Financial (Power Financial Corporation)

Power Pacific or Sagard China

(Power Pacific Investment Management Inc.)

Power Sustainable (Power Sustainable Capital Investments Inc.)

Putnam (Putnam Investments, LLC)

Sagard Healthcare Royalty Partners or SHRP

(Sagard Healthcare Royalty Partners, LP)

Sagard Holdings (Sagard Holdings Inc.)

SGS (SGS SA)

SIX (Swiss Stock Exchange)

Total (Total SA)

TSX (Toronto Stock Exchange)

Umicore (Umicore, NV/SA)

Wealthsimple (Wealthsimple Financial Corp.)

Webhelp (Webhelp Group)

XETR (XETRA Stock Exchange)

Power Corporation at a glance

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.

Key principles

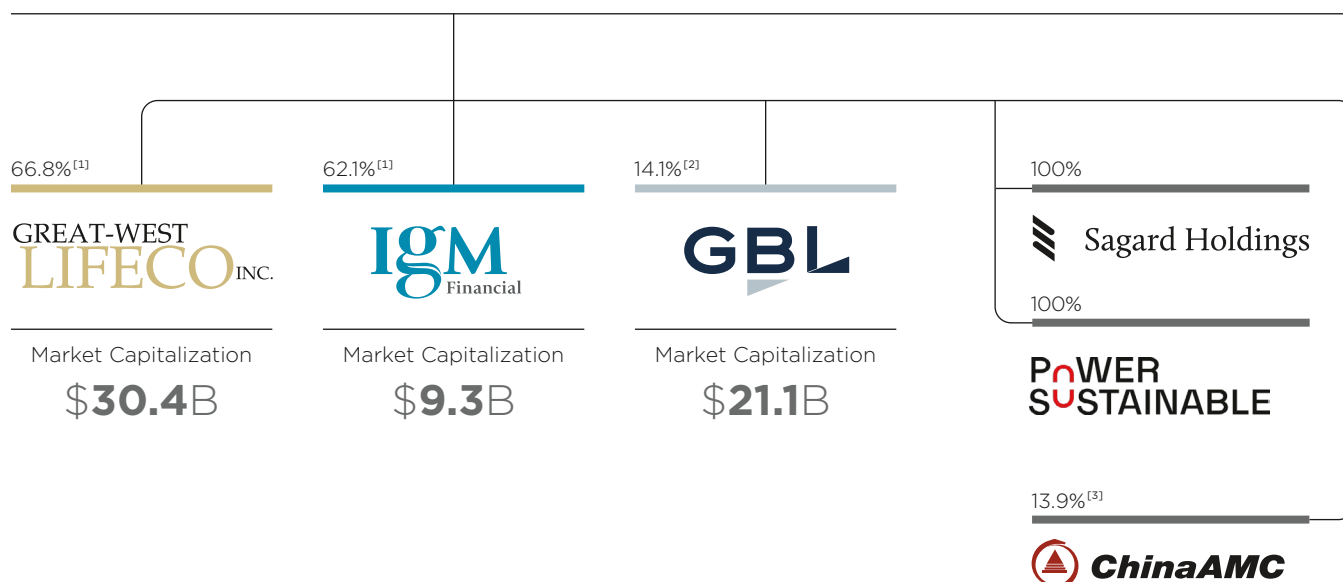
- Long-term perspective
- Leading franchises with attractive growth profiles
- Strong governance oversight
- Prudent approach to risk management



POWER CORPORATION OF CANADA

Market Capitalization

\$22.2B



[1] Power Corporation, through Power Financial, owns 66.8% of Great-West Lifeco, and an additional 4.0% through IGM. Power Corporation, through Power Financial, owns 62.1% of IGM, and an additional 3.9% through Great-West Lifeco.

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

[3] IGM also holds a 13.9% interest in China AMC. Power Corporation and IGM hold a combined 27.8% interest in China AMC.

Note: Market data as at March 17, 2021; figures in Canadian dollars.

We are pursuing a focused strategy emphasizing financial services

→ **Focused upon financial services, not diversification**

→ **Publicly traded operating companies pursuing organic and inorganic value-creation strategies**

→ **Surfacing incremental value at the Power Corporation level:**

- Building alternative asset management businesses, creating value as asset managers and earning attractive returns on Power's seed capital
- Managing standalone businesses to realize value over time
- Following disciplined cost management practices
- Managing our financial structure prudently but efficiently, including returning capital to shareholders when appropriate

Value creation focused on three key levers

1

OpCo Organic Levers

Organic growth strategies at our publicly traded operating companies: Great-West Lifeco, IGM & GBL

- Capitalize on significant past investments to drive higher organic earnings growth
- Enhance communications to the market

2

OpCo M&A Levers

Deployment and redeployment of capital

- Augment earnings and value through acquisitions and associated synergies
- Exit businesses that don't meet return thresholds

3

Holding Company Levers

Actions we can take at Power Corporation

- Create value through investment platforms
- Create and realize value from standalone businesses
- Return capital to shareholders
- Enhance communications to the market

Executing our strategy in 2020

→ February	Reorganization of Power Corporation and Power Financial	Simplifies Power by eliminating dual-holding company structure
→ March	Reorganization of Pargesa and GBL	Simplifies Power's European holdings by eliminating dual-holding company structure
→ June	Empower's Acquisition of Personal Capital for US\$1.0 billion ^[1]	Adds best-in-class hybrid digital wealth management platform to Empower
→ August	Mackenzie's Acquisition of GLC	Strengthens Mackenzie's position in the Canadian asset management market and strengthens Canada Life's wealth management business
→ September	Empower's Acquisition of MassMutual's Retirement Services Business for US\$3.35 billion	Strengthens Empower's position as the 2nd-largest player in the U.S. retirement market
→ September	Mackenzie & Great-West Lifeco's Acquisition of a Strategic Interest in Northleaf	Adds significant presence in the private alternative investment industry and meets product needs across IGM and Great-West Lifeco
→ October	Wealthsimple Financing	Values Power group's 61.7% fully diluted interest at \$934 million, a 44% IRR ^[2] on an investment of \$315 million
→ November	Lion Electric Merger	Values Power's investment at \$812 million, an increase in net asset value of \$737 million ^[3]
→ Various	Third-Party Fundraising by Investment Platforms	Successful fundraisings announced by each of Sagard Holdings and Power Sustainable
→ Ongoing	Cost Containment Program	61% of Power's \$50 million cost reduction target reached by the end of Q4 2020
→ Throughout 2020	Active Investor Relations Program	Quarterly results calls commenced Q1 and meetings held with 81 institutional investors

[1] US\$825 million consideration and deferred consideration of up to US\$175 million.

[2] Gross of fees, expenses and carried interest.

[3] As of the November 30, 2020 announcement date, gross of fees and long-term incentive plan.

Value creation for all stakeholders

2020 Highlights

Clients

31 million+
client relationships

\$39 billion+
in benefits paid

COVID-19 client relief
premium reduction and mortgage
payment deferral programs

Communities

\$48.3 million
in charitable contributions
from our group of
companies

2,000
community organizations
supported across
Canada

\$4.0 billion
in goods and services,
and taxes paid to various
levels of government



Imagine Canada "Caring Companies"

Power Corporation, Canada Life, IG Wealth Management
and Mackenzie Investments

Employees

Approximately
30,000
employees at Power
and its group
of companies

Women hold
31% of executive
positions in the Power
group of companies

Shareholders

\$1.1 billion
in dividends paid

\$1.99 billion
in net earnings

\$1.94 billion
in adjusted net earnings^[1]

[1] Non-IFRS financial measure. Please refer to the reconciliation of IFRS and non-IFRS financial measures in the Review of Financial Performance section of this annual report.

Recognitions



In 2020, Power Corporation was one of only three Canadian companies, with Great-West Lifeco, to receive the top score of A (Leadership), while IGM Financial obtained a score of A- (Leadership). In addition, Great-West Lifeco placed in the top five per cent of companies globally. GBL also became a signatory of the CDP in 2020.



Both Power Corporation and IGM Financial were included in Corporate Knights' 2020 Best 50 Corporate Citizens ranking.



GBL was awarded the climate-neutral corporate label in 2020.

Commitments to global initiatives



Power Corporation has been a signatory to the United Nations Global Compact since 2014. GBL is also a signatory.



Our group companies' activities contribute to the Sustainable Development Goals (SDGs).

We are also proud of the actions taken by our portfolio companies, many of which have become supporters and signatories of important third-party-led initiatives:



Power Pacific, Putnam Investments, Irish Life Investment Managers, GLC Asset Management, IG Wealth Management, Mackenzie Investments and GBL are signatories to the PRI.



Great-West Lifeco, IGM Financial, IG Wealth Management, Mackenzie Investments, Investment Planning Counsel and GBL support the TCFD.



Since 2020, GBL has licensed and applies the standards proposed by the Sustainability Accounting Standards Board (SASB Materiality Map® General Issue Categories).

Listings



FTSE4Good

Power Corporation has been listed in the FTSE4Good Global Index since December 2016, in recognition of our Environmental, Social and Governance (ESG) practices. IGM Financial is also listed in the index.



Power Corporation has been added to the Euronext Vigeo Eiris World 120 Index as of June 2020.

To learn more about our CSR programs and initiatives:
www.PowerCorporationCSR.com

Directors' Report to Shareholders

The year 2020 and the first months of the current year have been a period like no other. The spread of COVID-19 has resulted in widespread human suffering and tragedy, has created an unprecedented global economic contraction and has dramatically changed the way every single one of us have been carrying on our daily lives.

We have also witnessed people across society respond with heroic and selfless behaviour, fighting against the effects of the disease and caring for those afflicted. Governments have acted with massive fiscal and monetary measures to attempt to mitigate the economic damage. The medical community has developed and produced vaccines on historically short timelines. And the rapid adoption of digital tools by individuals and organizations has permitted the world to continue to function in some sort of “normal” way – something that would have been difficult to imagine only a year or so ago.

The economic effects of COVID-19 across the many sectors of the economy were vastly different. Some sectors prospered as demand for their services and products surged, while others were devastated. Organizations and companies everywhere were forced to rapidly change their operating models and adapt to a new way of doing things.

As tragic as the events have been, there is also much to be optimistic about as one observes the way individuals, organizations, and society at large have collectively responded and adapted.

As was the case at many other companies, the leadership and employees at Power and its group companies acted quickly to respond to the very large challenges posed by the disease. They switched rapidly to a remote working model, all the while prioritizing the health and safety of employees and the ability to continue to serve clients through these very stressful times.

Across our group, our companies strove to help their clients and communities. Examples include our financial services companies providing relief to clients by implementing numerous payment deferral and special loan programs; and Peak, manufacturer of Bauer products, shifting production capacity early in the pandemic to supply much-needed personal protection equipment. Our companies and our people also stepped up to help their communities and many health and charitable institutions by providing financial support and by volunteering time and energy, both long-standing and integral parts of our history and culture.

To the thousands of individuals who work at the companies that are part of the Power group, we say “thank you”!

POWER IS PURSUING A NEW VALUE-CREATION STRATEGY

While we have all been battling the challenges of COVID-19, Power Corporation has also embarked on an ambitious journey designed to build upon our history of creating value for our clients, our people, our communities, and our shareholders.

In 2020, a significant number of initiatives were announced to simplify our group, sharpen our focus, create value, and explain our story with greater clarity.

The initiatives follow the adoption of a new strategy which emphasizes financial services, not diversification.

The strategy was announced as part of a reorganization completed in February of 2020 whereby common shareholders of Power Financial became shareholders of Power Corporation, simplifying our company by eliminating the dual-holding company structure.

The reorganization was followed in March with the announcement that shareholders of Pargesa would become shareholders of GBL, further simplifying the group.

The Power strategy may be new, but we are following the same long-standing principles that Power's business has been built upon over many decades. We take a long-term perspective to value creation, we endeavour to build leading franchises with attractive growth profiles, we provide active governance oversight of our companies, and we maintain a strong balance sheet and a prudent approach to risk management.

The value-creation strategy is based upon three key levers:

- 1) organic growth at each of our publicly traded operating companies;
- 2) augmenting that growth through the deployment and redeployment of capital; and
- 3) actions we can take at the Power Corporation level.

In 2020, a significant number of initiatives were announced to simplify our group, sharpen our focus, create value, and explain our story with greater clarity.

VALUE CREATION AT OUR PUBLICLY TRADED OPERATING COMPANIES

Great-West Lifeco and IGM are pursuing higher earnings and cash-flow growth by capitalizing on the significant investments they have made in their businesses over the past few years. They are seeking to augment that growth through an active acquisition strategy, and by reducing capital from businesses that are not expected to meet return thresholds over time.

GBL is continually evaluating and managing its portfolio and working with companies within it in order to generate attractive returns for shareholders and add to its long record of success.

Our publicly traded operating companies were very active in 2020 in deploying capital and realigning their businesses.

In June, Empower Retirement, the U.S. retirement business of Great-West Lifeco, announced that it was acquiring Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. The purchase price was US\$825 million, with the potential to be increased to US\$1.0 billion. IGM sold its approximate 25 per cent interest in Personal Capital as part of the transaction.

Empower followed in September with the announcement that it was acquiring the retirement business of Massachusetts Mutual Life Insurance Company, which serves 2.5 million individuals through 26,000 group retirement plans, for a total transaction value of US\$3.35 billion.

The two transactions position Empower as the clear number two provider in the large U.S. defined contribution market, with a growing position in the individual wealth market, serving 12 million people and now having over US\$1 trillion in assets on its platform.

In August, IGM announced that Mackenzie was acquiring GLC Asset Management from Canada Life, strengthening Mackenzie's position as a leading Canadian asset manager and enhancing Canada Life's wealth management client offering.

In September, Mackenzie and Great-West Lifeco announced that they were jointly acquiring a non-controlling interest in Northleaf Capital Partners, a leading manager of global private equity, private credit and infrastructure, with \$15 billion in assets under management.

VALUE CREATION AT THE POWER CORPORATION LEVEL

At the Power level, we are creating alternative asset management businesses, building upon the investment capabilities that have been created over many years in several high-growth asset classes. The intent is to have Power provide seed capital to the different investment products, and have the businesses' growth fuelled by raising third-party capital. The goal is to provide attractive returns on Power's seed capital, augmented in time with profits earned as the asset manager, which are expected to emerge as the businesses achieve sufficient scale. We will also leverage synergies across the Power group by helping to supply a portion of the needs that the Great-West Lifeco and IGM companies and their clients have for these types of investments.

Sagard Holdings currently has teams managing private equity, private credit, private wealth, fintech venture capital and healthcare royalty strategies, while Power Sustainable teams are managing renewable energy infrastructure and China public equity strategies. Both have made substantial progress in raising third-party capital. For example, Sagard Holdings announced in December the first closing of a US\$650 million private credit fund, while in January of this year Power Sustainable announced the formation of its Energy Infrastructure Fund with \$1 billion in commitments, including substantial third-party commitments.

Our publicly traded operating companies were very active in 2020 in deploying capital.

We are creating alternative asset management businesses, building upon the investment capabilities that have been created over many years.

Power also owns a number of attractive standalone businesses that had been invested in as part of the previous strategy of diversification. It is our stated intention to surface and realize value from these businesses over time, while honouring the commitments we have made to our partners in these businesses, including members of their management and other investors.

In November, Lion Electric, an innovative manufacturer of zero-emission vehicles in which Power holds a 44.1 per cent equity interest, announced that it intended to combine with Northern Genesis, and upon closing is expected to be listed on the TSX and the New York Stock Exchange. At a post-money equity valuation for Lion Electric of US\$1.9 billion, the Corporation's investment has a fair value of \$812 million, resulting in an increase in the Corporation's net asset value of \$737 million.

As part of our group's fintech strategy, Power and IGM have also been supporting the growth of Wealthsimple, one of Canada's leading financial technology companies and operating one of the country's largest and fastest-growing digital investing services.

In October, Wealthsimple announced that it had raised \$114 million from a group of third-party investors. The purchase price valued the equity at \$1.4 billion, pre-money, valuing the Power group's holdings of Wealthsimple at \$934 million, an increase of \$619 million on total investments of \$315 million. This translates into an internal rate of return of 44 per cent, before fees, expenses and carried interest.

Power is committed to following disciplined cost management practices, and as part of the reorganization announced an intention to reduce expenses at the holding company by \$50 million annually within two years. By the end of 2020, it had implemented actions to achieve 61 per cent of the targeted expense reduction.

Power is committed to enhanced communication to financial market participants and other stakeholders. We want to create a far greater understanding of our businesses, our strategies, our goals and our performance. Power introduced quarterly results calls for analysts and investors in the first quarter of 2020 and held meetings with 81 institutional investors over the course of the year, all while working to continually improve the clarity of our public reporting. Our publicly traded operating companies are also augmenting their respective communication efforts.

A SUSTAINABLE AND RESPONSIBLE MANAGEMENT PHILOSOPHY

We have endeavoured to build our businesses on a foundation of integrity and ethical conduct, and have long recognized that our business success is predicated on the success of our people and our clients, and on contributing to the communities in which we operate. We take an active ownership approach in the companies in which we invest to ensure that they continue to be managed in accordance with our responsible management philosophy.

In 2020, we maintained our focus on climate change. Power Corporation was one of only three Canadian companies, along with Great-West Lifeco, to receive the top score of A (Leadership) from the CDP in 2020, earning a spot on their Climate "A List".

Charitable giving and supporting the communities in which we do business is integral to our mission. COVID-19 placed heightened demands on the most vulnerable among us. We supported community-based organizations and funded several urgent COVID-19-related medical research projects at various hospitals. We continued to honour commitments to our cultural partners and supported initiatives to help artists facing increased financial hardship.

**We want to create
a far greater
understanding of
our businesses,
our strategies,
our goals and our
performance.**

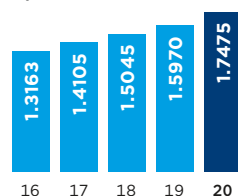
During 2020, we continued to strengthen our governance framework, including through changes to our Diversity Policy. The Board believes diversity ensures directors provide the necessary range of perspectives to achieve effective stewardship and recognizes that gender diversity is a significant aspect of diversity. Power Corporation aims to have at least 30 per cent of its Board composed of women by 2025. This year, the number of women nominated for election to the Board at the 2021 Annual Meeting has increased to three, or 21 per cent of the Board. The Corporation's publicly traded operating companies, Lifeco, IGM and GBL, have respectively nominated women representing 32, 33 and 31 per cent for election to their board of directors.

As the investment universe puts greater emphasis on environmental, social and corporate governance (ESG) considerations in making investment decisions, we believe we are well positioned to continue to enhance our practices in order to meet ever-higher expectations.

FINANCIAL HIGHLIGHTS

Dividends paid
per share^[1]

\$1.7475



Net
earnings^[1]

\$1,994M

↑ 80% YoY

Net earnings
per share^[1]

\$3.08

↑ 22% YoY

Assets under
administration^[3]

\$2.2 trillion

Adjusted net
earnings^{[1][2]}

\$1,943M

↑ 52% YoY

Adjusted net earnings
per share^{[1][2]}

\$3.00

↑ 2.7% YoY

Net asset value
per share^[2]

\$41.27

FINANCIAL RESULTS

Power and its group companies demonstrated their resilience in a volatile period, collectively delivering increased earnings in 2020 compared with 2019, and in 2020 Power Corporation increased its dividends paid to participating shareholders.

Power Corporation's net earnings attributable to participating shareholders were \$1,994 million or \$3.08 per share for the year ended December 31, 2020, compared with \$1,108 million or \$2.53 per share in 2019.

Adjusted net earnings attributable to participating shareholders were \$1,943 million or \$3.00 per share, compared with \$1,275 million or \$2.92 per share in 2019.

Dividends paid on Power Corporation's participating shares were \$1.7475 per share in 2020, compared with \$1.5970 per share in 2019, an increase of 9.4 per cent.

The Corporation's net asset value (NAV) per share was \$41.27 at December 31, 2020.

[1] Attributable to participating shareholders.

[2] Adjusted net earnings, adjusted net earnings per share and net asset value per participating share are non-IFRS financial measures. Please refer to the reconciliation of IFRS and non-IFRS financial measures in the Review of Financial Performance section of this annual report.

[3] Represents the aggregate of assets under management, assets under administration and assets under advisement reported by Lifeco, IGM, Wealthsimple and the alternative asset investment platforms.

LEADERSHIP CHANGES AT IGM FINANCIAL

After more than 30 years in the industry in North America, seven of them leading IGM companies, in September IGM Financial and IG Wealth Management President and CEO Jeff Carney retired for health reasons. Under his visionary leadership, IGM's companies have emerged stronger and more clearly aligned with their core strengths and purpose. We are profoundly grateful for Jeff's contributions.

With Jeff's departure, we welcomed James O'Sullivan as President and CEO of IGM Financial. James, a highly respected industry veteran, has the depth of knowledge and experience to successfully lead IGM forward as it continues to pursue its value-creation strategy.

BOARD OF DIRECTORS

At the Annual Meeting, shareholders will vote on the nomination of Ms. Sharon MacLeod as director. Ms. MacLeod is an experienced business leader who, from 1998 to 2019, served in leadership roles at Unilever, where she was Global Brand Vice-President, North American Vice-President of Personal Care and Vice-President of Unilever Canada. Since 2017, Ms. MacLeod has been a director of IGM, IG Wealth Management and Mackenzie Inc. She is also a strategic board member for The Carlyle Group. We are very pleased to propose her candidacy for election as a member of our Board and believe that she will bring valuable experience and expertise to our discussions.

We salute the outstanding contributions of our management teams and the thousands of employees around the world.

THE POWER GROUP

Substantial progress was made across the Power Corporation group in 2020. We salute the outstanding contributions of our management teams and the thousands of employees around the world who have made this happen as they grappled with the challenges of the global pandemic. We also thank our clients, our business partners and our shareholders for their ongoing support.

To all of you, we hope you stay safe and healthy.

On behalf of the Board of Directors,



R. Jeffrey Orr
President and
Chief Executive Officer



Paul Desmarais, Jr., O.C., O.Q.
Chairman of the Board



André Desmarais, O.C., O.Q.
Deputy Chairman of the Board

March 17, 2021

Great-West Lifeco

Great-West Lifeco is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses operating in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life.

Net earnings^[1]

\$2.9
billion

Base earnings^{[1][2]}

\$2.7
billion

Total assets under
administration^[2]

\$2.0
trillion

Return
on equity^[1]

14.1%

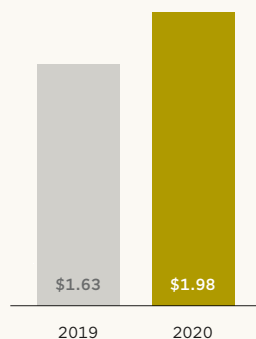
\$39 billion+
of benefits paid to
customers in 2020

205,000+
advisor relationships
supporting customers

30 million+
customer
relationships

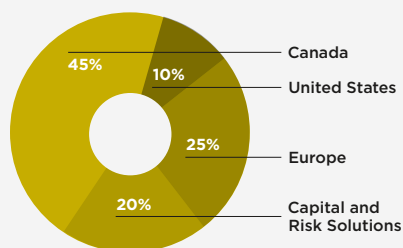
24,500+
employees supporting
customers

**Total assets
under administration^[2]**
(in trillions of dollars)



Diversified earnings

Based on 2020 base earnings^{[1][2]}



CANADA

45%

of 2020
base earnings^{[1][2]}

canada **life**

UNITED STATES

10%

of 2020
base earnings^{[1][2]}

EMPOWER
RETIREMENT™

Putnam
INVESTMENTS

EUROPE

25%

of 2020
base earnings^{[1][2]}

Irish Life

canada **life**

CAPITAL AND RISK SOLUTIONS

20%

of 2020
base earnings^{[1][2]}

Canada Life
Reinsurance

[1] Attributable to common shareholders.

[2] Base earnings and assets under administration are non-IFRS financial measures. Refer to the discussion of these measures in Lifeco's 2020 Management's Discussion and Analysis.

IGM Financial

IGM is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. Through its operating companies, IG Wealth Management, Mackenzie Investments and Investment Planning Counsel, IGM provides a broad range of financial planning and investment management services to help Canadians meet their financial goals.

Net earnings^[1]

\$764
million

Adjusted net earnings^{[1][2]}

\$763
million

Total assets under management and advisement

\$240
billion

Return on equity

16.1%

1 million+

IG Wealth Management clients

30,000+

external advisors doing business with Mackenzie Investments

199,000+

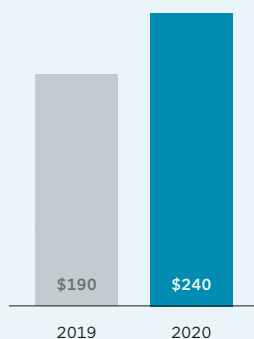
Investment Planning Counsel clients

3,500+

employees across the IGM group of companies

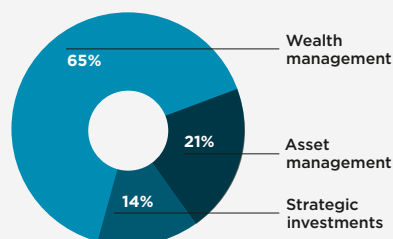
Total assets under management & advisement

(in billions of dollars)



Components of value

Based on 2020 adjusted EBIT^[2]



WEALTH MANAGEMENT

65%

of 2020 adjusted EBIT^[2]



ASSET MANAGEMENT

21%

of 2020 adjusted EBIT^[2]



STRATEGIC INVESTMENTS

14%

of 2020 adjusted EBIT^[2]

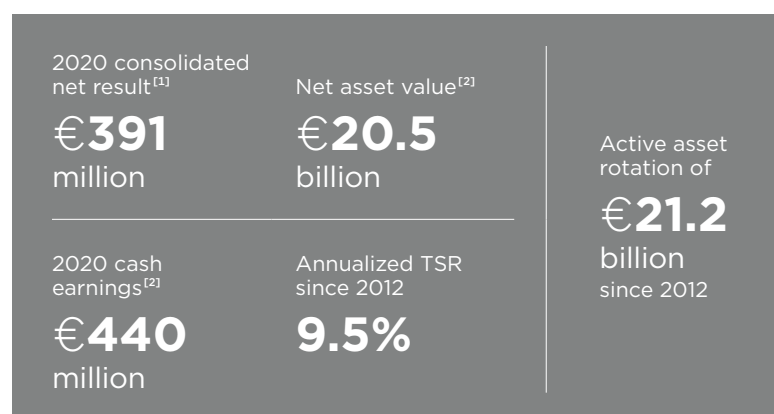


[1] Available to common shareholders.

[2] Adjusted net earnings and adjusted EBIT are non-IFRS financial measures. Refer to the discussion of these measures in IGM's 2020 Management's Discussion and Analysis.

Groupe Bruxelles Lambert

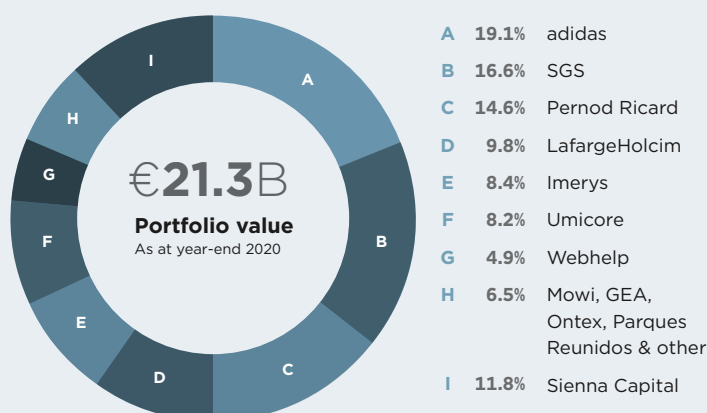
GBL is a leading investor in Europe, focused on long-term value creation and relying on a stable and supportive family shareholder base. GBL strives to maintain a diversified high-quality portfolio composed of global companies, leaders in their sector, in which it can contribute to value creation by being an active professional investor.



Asset rotation strategy based on a continuous assessment with clear investment criteria:

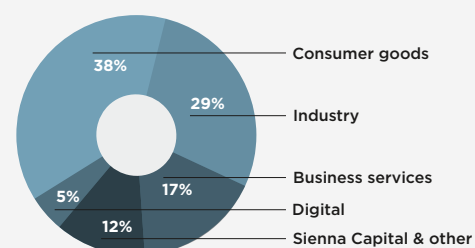
- ESG compliance
- Attractive end markets with long-term tailwinds
- Core shareholder position with effective governance
- Leading market position with a clear and sustainable business model
- Valuation

Global sector leaders

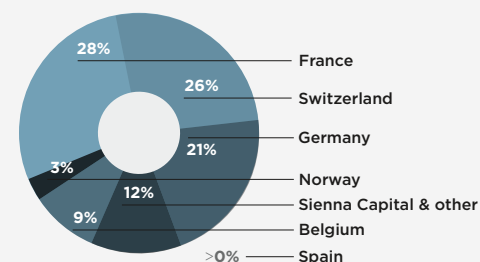


Diversified and resilient portfolio^[3]

SECTORIAL EXPOSURE



GEOGRAPHIC EXPOSURE



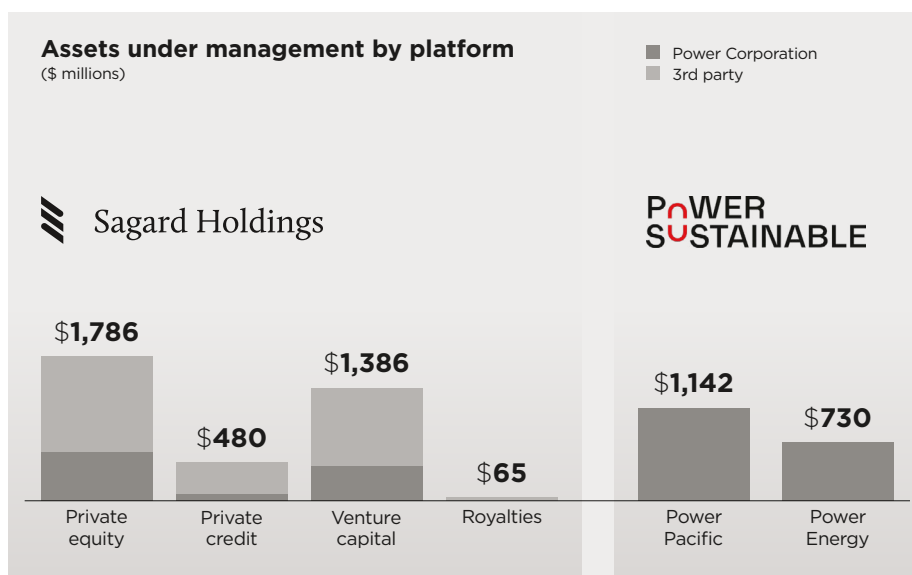
[1] Group's share.

[2] Non-IFRS financial measures.

[3] Based on December 31, 2020 portfolio value.

Alternative asset investment platforms

Power Corporation's value-creation strategy is designed to achieve superior investment returns and stable cash flows. Significant investments have been made in non-financial-sector investment platforms. Historically, many of these investments were held in funds managed by third parties. Since the early 2000s, Power Corporation has been investing and developing its own investment platforms.



Multi-strategy alternative asset manager

- Private equity
- Private credit
- Private wealth
- Healthcare royalties
- Venture capital

Manager of Chinese public equities

Renewable energy infrastructure

Note: All figures converted to C\$ based on exchange rates as at December 31, 2020. Included in 3rd parties are associated companies including Great-West Lifeco, IGM and GBL as well as commitments from management. Assets under management includes net asset value of the investment funds managed. Assets under management, unfunded commitments and assets under management by platform do not include funds launched or capital raised subsequent to December 31, 2020 and do not include Grayhawk Investment Strategies.



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Review of Financial Performance

All tabular amounts are in millions of Canadian dollars, unless otherwise noted.

MARCH 17, 2021

This Annual Report is intended to provide interested shareholders and others with selected information concerning Power Corporation of Canada. For further information concerning the Corporation, shareholders and other interested persons should consult the Corporation's disclosure documents, such as its Annual Information Form and Management's Discussion and Analysis (MD&A). Copies of the Corporation's continuous disclosure documents can be obtained on the Corporation's website at www.powercorporation.com, at www.sedar.com, or from the office of the Secretary at the addresses shown at the end of this report.

FORWARD-LOOKING STATEMENTS › Certain statements in this document, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries including the fintech strategy, the expected impact of the COVID-19 on the Corporation and its subsidiaries' operations, results and dividends, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods, the intended effects of the Reorganization (as defined herein), the Corporation's NCIB (as defined herein) commenced in 2021, the proposed redemption by the Corporation and Power Financial of certain classes of their First Preferred Shares, management of standalone business to realize value over time, the completion of the Lion Electric merger transaction (as defined herein) and the timing thereof, and the Corporation's subsidiaries' disclosed expectations, including as a result of the acquisition of the retirement services business of MassMutual, Personal Capital, Northleaf and related synergies, impacts and timing thereof. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, fluctuations in interest rates, inflation and foreign exchange rates, monetary policies, business investment and the health of local and global equity and capital markets, management of market liquidity and funding risks, risks related to investments in private companies

and illiquid securities, risks associated with financial instruments, changes in accounting policies and methods used to report financial condition (including uncertainties associated with significant judgments, estimates and assumptions), the effect of applying future accounting changes, business competition, operational and reputational risks, technological changes, cybersecurity risks, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, man-made disasters, terrorist attacks, wars and other conflicts, or an outbreak of a public health pandemic or other public health crises (such as COVID-19), the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors and with respect to forward-looking statements of the Corporation's subsidiaries' disclosed in this review of financial performance, the factors identified by such subsidiaries in their respective annual MD&A.

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

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

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

Readers are reminded that a list of the abbreviations used throughout can be found on the inside front cover of this Annual Report. In addition, the following abbreviation is used in the Review of Financial Performance and in the Financial Statements and Notes thereto: Audited Consolidated Financial Statements of Power Corporation and Notes thereto for the year ended December 31, 2020 (the 2020 Consolidated Financial Statements or the Financial Statements).

Overview

POWER CORPORATION OF CANADA

Incorporated in 1925, Power Corporation (TSX: POW; POW.PR.E) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. Through Power Financial, it controls Lifeco and IGM and in recent years has implemented an active fintech strategy. It also holds jointly with the Frère Group of Belgium a controlling interest in GBL.

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

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

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

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

- Sagard Holdings, since its inception in 2005, has evolved into a multi-strategy alternative asset manager. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings invests across four asset classes: private credit, healthcare royalties, venture capital and private equity (including European private equity), and also offers wealth management services.
- Power Sustainable is a sustainability-led global alternative asset manager with a long-term investment approach. Power Sustainable aims to create long-term value by actively investing in entrepreneurial management teams, companies and projects with sustainable business models. Power Sustainable currently manages two main platforms:
 - Power Pacific invests in China's public equity markets, selecting companies with sustainable business models that have significant alignment to China's multi-decade transformation to an innovation-led economy. Power Pacific invests with a high-conviction, fundamentals-based research driven investment process.
 - Power Energy actively invests in the development, construction and operation of renewable energy infrastructure assets across North America. Power Energy applies the Corporation's principles of collaboration and building trusted relationships in industries that benefit from the global energy transformation.

The alternative asset investment platforms also have significant influence and controlling interests in several standalone businesses, which will be managed to realize value over time.

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

2020 HIGHLIGHTS

Reorganization

On December 13, 2019, the Corporation and Power Financial announced the execution of a definitive agreement to effect a reorganization transaction (Reorganization), pursuant to which each common share of Power Financial held by holders of common shares of Power Financial other than the Corporation and its wholly owned subsidiaries (PFC Minority Shareholders), would be exchanged for 1.05 subordinate voting shares of the Corporation and \$0.01 in cash.

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

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

- Simplified Corporate Structure – The Reorganization has effectively eliminated the dual-holding company structure and consolidated ownership of the group's industry-leading financial services operating companies, while concurrently reducing organizational complexity.
- Focus on Financial Services – The Corporation's strategy now emphasizes financial services, including the businesses of Power Financial and the alternative asset investment platform businesses of the Corporation.
 - Power Financial's Operating Companies – Commitment to value creation at each of Lifeco, IGM and GBL, Power Financial's leading insurance, retirement, wealth management and investment franchises.
 - The Corporation's Alternative Asset Investment Platforms – The Corporation has built investment platforms that manage portfolios on behalf of the Corporation and third-party investors in several alternative asset classes where the Corporation has a competitive advantage. The Corporation will continue to prioritize the development of these investment platforms. The Corporation also has significant influence and majority control of several standalone businesses, which will be managed to realize value over time.
- Operating Expense Reduction – The Corporation anticipates significant near-term cost reductions of approximately \$50 million per year within two years of the date of the Reorganization by eliminating duplicative public company-related expenses and rationalizing other general and administrative expenses. To date, the Corporation has implemented actions to achieve 61% of the targeted reduction.

- **Financing Expense Reduction** – The Corporation and Power Financial intend to redeem an aggregate of \$350 million of their First Preferred Shares with available cash within two years from the date of the Reorganization, resulting in reduced annual financing costs by approximately \$15 million per year.
- **Increase in the Corporation's Quarterly Dividend** – The Corporation increased its quarterly dividend by 10.5% to 44.75 cents per share, commencing in the second quarter of 2020.

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

Strategic Highlights at the Publicly Traded Operating Companies

A number of strategic transactions were completed throughout 2020, including:

- **Irish Progressive Services International Limited (IPSI)**: On August 4, 2020, Irish Life, a subsidiary of Lifeco, completed the sale of IPSI, a wholly owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ Group of companies. Lifeco recognized a net gain of \$94 million post-tax resulting from the transaction.
- **Personal Capital Corporation (Personal Capital)**: On August 17, 2020, Empower Retirement, a subsidiary of Lifeco, completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital, which included the 24.8% interest owned by IGM (approximately 21.7% after giving effect to dilution), for net consideration of US\$813 million on closing and deferred consideration of US\$20 million, which represents Lifeco's management best estimate and could increase up to US\$175 million subject to achievement of target growth objectives. Lifeco funded the upfront consideration with cash on hand and US\$500 million in debt financing. The results of Personal Capital are included in the Financial Services business unit of Lifeco's U.S. segment since the date of acquisition.

Lifeco expects to incur integration expenses of US\$57 million pre-tax, of which US\$3 million were incurred to date (US\$2 million post-tax), with the integration of Personal Capital expected to be completed in the first quarter of 2022. During the twelve months ended December 31, 2020, Lifeco incurred transaction expenses of US\$22 million pre-tax (US\$20 million post-tax) related to the Personal Capital acquisition.

During the third quarter of 2020, IGM recognized the sale of its equity interest in Personal Capital for proceeds of \$233 million (US\$176 million) and up to an additional US\$25 million in consideration subject to Personal Capital achieving certain target growth objectives. The investment in Personal Capital had been classified as an associate by the Corporation and recorded using the equity method. As a result of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital which led to the recognition of a gain, as a result of the investment in Personal Capital being measured at fair value on the date control was attained, of \$37 million.

- **Northleaf Capital Group Ltd. (Northleaf)**: On October 29, 2020, Mackenzie, a subsidiary of IGM, and Lifeco entered into a strategic relationship with Northleaf to expand and enhance private markets product capabilities across distribution channels. Mackenzie and Lifeco jointly acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investment industry. The acquisition vehicle owned by Mackenzie and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf for cash consideration of \$241 million and up to an additional \$245 million in consideration at the end of five years, subject to the business achieving exceptional growth in certain performance measures over the period. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods. Lifeco and IGM together have committed, as part of the transaction, to make a minimum investment through 2022 in Northleaf's product offerings.

Northleaf is a global private equity, private credit and infrastructure fund manager, headquartered in Toronto, with more than 150 employees across seven offices in Canada, the U.S., U.K. and Australia. Northleaf's assets under management, including invested capital and uninvested commitments, were \$14.6 billion at December 31, 2020.

IGM has determined that the acquisition vehicle has significant influence over Northleaf, and has classified its investment in Northleaf as an associate using the equity method.

- **GLC Asset Management Group Ltd. (GLC) and Quadrus Group of Funds (QGOF)**: On December 31, 2020, Mackenzie acquired all of the common shares of GLC, a wholly owned subsidiary of Lifeco, for cash consideration of \$185 million. GLC's principal activity was the provision of investment management services to Canada Life. GLC has \$37 billion in assets under management and a 50-year history of providing investment advisory services to a range of mutual funds, and individual and group segregated funds offered by and through Canada Life.

Lifeco recognized a net gain on disposal of \$143 million, net of restructuring costs of \$16 million after tax in the fourth quarter. The Corporation currently consolidates GLC and therefore the transaction has no impact on the consolidated statements of earnings and balance sheets.

In a separate transaction, Canada Life acquired the fund management contracts relating to the private label Quadrus Group of Funds (QGOF) from Mackenzie for total cash consideration of \$30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF. IGM recognized a gain on the sale of the QGOF, net of acquisition costs, of \$21 million after tax (\$25 million pre-tax) in the fourth quarter of 2020. The Corporation eliminated this gain on consolidation and therefore the transaction has no impact on the consolidated statements of earnings and balance sheets.

Benefits of the deal to Mackenzie include the net addition of \$30.1 billion in assets under management, resulting in Mackenzie becoming one of Canada's largest asset managers. It also expands Mackenzie's distribution reach to the fast-growing group retirement business channel and establishes Mackenzie as one of the top three providers in Canada of investment solutions to defined contribution plans and other group retirement offerings.

The transaction provides Lifeco with access to greater scale and more investment capabilities. Lifeco also established its own mutual fund manager, Canada Life Investment Management Ltd. (CLIML) and, on December 31, 2020, CLIML assumed fund management responsibilities for the Canada Life Mutual Funds offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds offered in Canada. CLIML entered into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life entered into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie's investment management services at preferred rates.

- **Retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual):** On December 31, 2020, Empower Retirement acquired the retirement services business of MassMutual, via indemnity reinsurance, strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Concurrent to the acquisition of the MassMutual retirement services business, Empower Retirement is serving as recordkeeper for MassMutual's defined contribution plan. Lifeco paid a ceding commission of US\$2.3 billion, net of working capital adjustments, to MassMutual, and funded the transaction with existing cash, short-term debt and US\$1.5 billion in long-term debt issued on September 17, 2020.

This transaction increases the synergy potential of Empower Retirement's acquisition of Personal Capital across a larger combined business. In addition, Empower Retirement and MassMutual intend to enter into a strategic partnership through which digital insurance products offered by Haven Life Insurance Agency, LLC and MassMutual's voluntary insurance and lifetime income products will be made available to customers of Empower Retirement and Personal Capital.

Lifeco anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto Empower Retirement's record-keeping platform. Run-rate cost synergies are expected to be US\$160 million pre-tax at the end of integration in 2022. Lifeco expects revenue synergies in 2022 to be US\$30 million pre-tax and continue to grow beyond 2022. Lifeco expects to incur integration and restructuring expenses of US\$125 million pre-tax, of which US\$29 million pre-tax (US\$23 million post-tax) were recognized in the fourth quarter of 2020. Lifeco incurred transaction expenses of US\$46 million pre-tax (US\$36 million post-tax) in the fourth quarter of 2020 (US\$51 million pre-tax (US\$40 million post-tax) for the twelve months ended December 31, 2020) related to the MassMutual transaction. Lifeco expects the integration to be completed within 18 months following closing.

- **Simplification of Current Holding Structure of Groupe Bruxelles Lambert:** On March 11, 2020, Parjointco and Pargesa announced an agreement for a transaction that would simplify the group structure. A public exchange offer was initiated by Parjointco for all Pargesa shares not already owned by Parjointco, under which Pargesa shareholders received 0.93 shares of GBL for each Pargesa bearer share they held. Following the transaction, Pargesa was delisted from the SIX.

At the completion of the transaction, Parjointco maintained approximately the same economic equity interest in GBL of 28%. GBL shareholders approved the implementation of double-voting rights, a condition of the transaction, at GBL's extraordinary shareholders meeting held on April 28, 2020; as a result, Parjointco retained de facto control of GBL. On June 12, 2020, following the end of the initial acceptance period, Parjointco had received shareholder acceptances which, together with Parjointco's existing interest, represented 94% of Pargesa's total voting rights. An additional acceptance period ended on June 26, 2020, resulting in Parjointco's interest in Pargesa increasing, upon settlement of the offer in July 2020, to 97.4% (98.5% of the voting rights).

Following the successful public exchange offer of Parjointco, on July 30, 2020, the board of directors of Pargesa approved the merger between Pargesa and Parjointco Switzerland SA, a wholly owned subsidiary of Parjointco. As part of the merger, the remaining shareholders of Pargesa were provided compensation of a value substantially equivalent to the exchange ratio offered by Parjointco during the exchange offer, on terms and conditions described in the merger agreement. The merger was approved by Pargesa's shareholders at an extraordinary general meeting held on September 4, 2020 and was completed on November 20, 2020. The reorganization of Pargesa further simplifies the corporate structure of the Power group of companies as part of the ongoing strategy of value creation.

Strategic Highlights at the Alternative Asset Investment Platforms and Other Investments

Sagard Holdings

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

In the third quarter, the fair value increase in Wealthsimple resulted in a charge related to the remeasurement of the put right liability of certain of the non-controlling interests in Wealthsimple to fair value and carried interest payable; the Corporation's share of this charge was \$69 million, of which \$36 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interests. The Corporation indirectly holds a controlling interest in Wealthsimple and consolidates its results. On completion of the transaction, the Corporation recorded a dilution gain of \$77 million, recognized in equity in the fourth quarter.

- **Koho financing round:** At December 31, 2020, Portag3 I and Portag3 II, Power Financial, Lifeco and IGM, through a limited partnership controlled by Power Financial (the Group), held a 48.7% equity interest in Koho (54.4% at December 31, 2019). Koho is a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to traditional banks. At December 31, 2020, the cost of the Group's investment in Koho was \$47 million (\$32 million at December 31, 2019).

On December 1, 2020, Koho closed a financing round of \$50 million of new capital led by Drive Capital. Portag3 II participated in the round and invested a further \$12 million. The indirect equity interest held by the Corporation decreased from 54.4% to 48.7% on December 1, 2020. Contemporaneously, the shareholders agreement was amended, and the Corporation determined that it no longer controls Koho. Subsequent to the close of the financing round, the Corporation has significant influence over Koho and will account for its investment as an associate. As a result, the Corporation has derecognized the assets and liabilities of Koho in its financial statements and has recognized a gain of \$90 million in the fourth quarter, which is included in net investment income in the statement of earnings. The Corporation's share of this gain is \$71 million, gross of related carried interest, of which \$40 million was reflected in Lifeco and IGM's contribution to adjusted net earnings based on their respective interests.

Power Sustainable

- **Power Sustainable announced the creation of the Power Sustainable Energy Infrastructure Partnership:** Subsequent to year-end, in January 2021, Power Sustainable announced the launch of an investment platform with an initial \$1 billion of committed capital dedicated to the renewable energy sector, including a commitment of \$400 million from Power Sustainable and \$150 million from Lifeco. Through Potentia Renewables and Nautilus Solar Energy, wholly owned subsidiaries of Power Sustainable and leading integrated owner-operators of high-quality renewable energy assets, the Partnership will invest in the development, construction, financing and operation of renewable energy assets across North America.
- **Lion Electric announced a merger agreement with Northern Genesis Acquisition Corp.:** On November 30, 2020, Lion, an innovative manufacturer of zero-emission vehicles in which Power Sustainable held an indirect equity interest of 44.1%, announced that it intends to combine with Northern Genesis Acquisition Corp. (Northern Genesis). Northern Genesis is a publicly traded special-purpose acquisition company focused on a commitment to sustainability and strong alignment with environmental, social and governance principles. Upon closing of the proposed transaction, a wholly owned subsidiary of Lion will merge with Northern Genesis, and as a result Lion is expected to be listed on the TSX and the New York Stock Exchange. The proposed transaction also includes a US\$200 million committed private placement of common shares of Lion, through which Power Sustainable is expected to invest an additional US\$17 million (approximately C\$22 million).

Power Sustainable also holds call rights to acquire additional shares from certain existing shareholders of Lion. The fair value of the call rights was estimated at \$102 million at December 31, 2020 (nil at December 31, 2019) and the change in fair value was recorded in net investment income on the consolidated statement of earnings.

At completion of the proposed transaction, Power Sustainable is expected to hold an equity interest in Lion of approximately 34.6% based on the subscription price, assuming the exercise of certain of its call rights and no redemptions from Northern Genesis public stockholders. The effect of the change in ownership is expected to result in a gain which will be recorded in earnings at the close of the transaction.

COVID-19

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

Refer to the section "Risk Management" in this review of financial performance for a summary of how the Corporation is managing the risks related to COVID-19 and to the section "Summary of Critical Accounting Estimates and Judgments" in this review of financial performance and to Note 2 of the 2020 Consolidated Financial Statements for additional disclosure of the impact on the Corporation's significant judgments, estimates and assumptions. For a further discussion of the potential consequences related to COVID-19 as well as a further discussion on risk management, measurement uncertainty and the potential exposures at Lifeco and IGM, refer to their annual MD&As.

PUBLICLY TRADED OPERATING COMPANIES

The Corporation holds controlling interests, through Power Financial, in Lifeco and IGM. It also has significant holdings in a portfolio of European based global companies through its investment in GBL.

Lifeco

Great-West Lifeco Inc. (TSX: GWO), market capitalization of \$28.2 billion at December 31, 2020, is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Lifeco operates in Canada, the United States and Europe under the brands Canada Life, Empower Retirement, Putnam Investments and Irish Life. For reporting purposes, Lifeco has five reportable segments: Canada, the United States, Europe, Capital and Risk Solutions, and Corporate, which reflect geographic lines as well as the management and corporate structure of the companies. Effective January 1, 2020, as a result of strategic operational changes, Lifeco divided its previously reported Europe segment into two separate reporting segments – Europe, and Capital and Risk Solutions.

In Canada, through the Individual Customer and Group Customer business units, Lifeco offers a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, including life, disability and critical illness insurance products as well as wealth savings and income and other speciality products. In 2019, Lifeco's three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, moved to one brand in Canada: Canada Life. Canada Life has become the brand under which the organization creates, delivers and communicates products and services in Canada across all of its lines of business. On January 1, 2020, Great-West Life, London Life and Canada Life, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., amalgamated into a single life insurance company: The Canada Life Assurance Company. This amalgamation creates operating efficiencies and simplifies Lifeco's capital structure to allow for more efficient use of capital, although it is not expected by Lifeco to have a material financial impact.

The United States segment operates two primary business units, Financial Services and Asset Management. Empower Retirement, the Financial Services unit, is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors that offers employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management as well as investment and advisory services. Personal Capital Corporation, acquired in 2020, is a hybrid wealth manager that combines a leading-edge digital experience with personalized advice. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Financial Services also includes a retained block of life insurance, predominately participating policies, which are administered by Protective Life Insurance Company (Protective Life), as well as a closed retrocession block of life insurance. The Asset Management unit, Putnam, provides investment management, certain administrative functions, and distribution services through a broad range of investment products, including the Putnam funds, its own family of mutual funds which are offered to individual and institutional investors. PanAgora, a Putnam affiliate, offers a broad range of investment solutions using sophisticated quantitative techniques.

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

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

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

At December 31, 2020, Power Financial and IGM held interests of 66.8% and 4.0%, respectively, in Lifeco's common shares, representing approximately 65% of the voting rights attached to all outstanding Lifeco voting shares. The *Insurance Companies Act* limits voting rights in life insurance companies to 65%.

For additional information on Lifeco, refer to its annual MD&A.

IGM Financial

IGM Financial Inc. (TSX: IGM), market capitalization of \$8.2 billion at December 31, 2020, is a leading wealth and asset management company supporting financial advisors and the clients they serve in Canada, and institutional investors throughout North America, Europe and Asia. IGM's principal operating subsidiaries are wealth manager IG Wealth Management and asset manager Mackenzie Investments. In the third quarter of 2020, IGM realigned its reportable segments to better characterize IGM's business lines and improve transparency into the key drivers of IGM's business. IGM now has three reportable segments: Wealth Management, Asset Management and Strategic Investments and Other.

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

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

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

At December 31, 2020, Power Financial and Canada Life, a subsidiary of Lifeco, held interests of 62.1% and 3.9%, respectively, in IGM's common shares.

For additional information on IGM, refer to its annual MD&A.

GBL

Power Financial Europe SA, a wholly owned subsidiary of Power Financial, and the Frère Group each hold a 50% interest in Parjointco. Parjointco holds a controlling interest in GBL, a Belgian holding company listed on the Brussels Stock Exchange.

Parjointco's interest in Parjointco Switzerland (formerly Pargesa), increased from 55.5% (75.4% of the voting rights) at December 31, 2019 to 100% (100% of the voting rights) at December 31, 2020. In turn, Parjointco Switzerland's interest in GBL decreased from 50.0% at December 31, 2019 to 28.2% (43.2% of the voting rights) at December 31, 2020.

GBL, EBR: GBLB; market capitalization of €13.3 billion, is one of the largest listed holding companies in Europe. A holding company, focused on long-term value creation, GBL relies on a stable and supportive family shareholder base. Its portfolio is comprised of global industrial and services companies, leaders in their markets, in which GBL plays its role of professional shareholder.

At December 31, 2020, GBL's portfolio was mainly comprised of investments in the following:

PUBLICLY LISTED

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

PRIVATELY HELD

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

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

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

On December 15, 2020, GBL announced that it had entered into a definitive agreement to acquire a majority stake in Canyon Bicycles GmbH (Canyon). Canyon is a leading and fast-growing German manufacturer of premium conventional and electric bikes with global reach and a leader in direct-to-consumer distribution. Subsequent to year-end, on March 9, 2021, GBL closed the acquisition and invested €0.4 billion. GBL controls the acquisition vehicle, holding 60% of its capital at the closing of the acquisition.

During the first quarter of 2021 through March 10, 2021, GBL entered into forward sales maturing on March 26, 2021 and related to a fraction of its holding in LafargeHolcim, representing 0.98% of the capital (6 million shares) for a net amount of €285 million. These sales will generate a capital gain of €62 million. GBL's holding will decrease from 7.57% of LafargeHolcim's capital at the end of 2020 to 6.6% as a result of these disposals.

GBL's net asset value at December 31, 2020 was €20,498 million, compared with €20,349 million at December 31, 2019.

For additional information on GBL, refer to its public disclosure.

ALTERNATIVE ASSET INVESTMENT PLATFORMS

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

The investment platforms comprise asset management and investing activities. Earnings from asset management activities include income earned from management fees and carried interest, net of investment platform expenses. Earnings from investing activities comprise income earned on the capital invested by the Corporation (proprietary capital) in the investment funds managed by each platform and the share of earnings (losses) of controlled and consolidated subsidiaries held within the investment platforms.

Assets under management of the investment platforms include:

- Net asset value of the investment funds managed, including unfunded capital commitments;
- Assets managed on behalf of clients by asset managers controlled within the investment platforms;
- Fair value of equity interests in standalone businesses; and
- Cash and other assets held by the manager.

Sagard Holdings

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

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

Asset Management Activities

Sagard Holdings has US\$6.1 billion of assets under management, including unfunded commitments, of which US\$181 million relates to equity interests in standalone businesses (see section “Standalone businesses” below), across four asset classes: private credit, healthcare royalties, venture capital and private equity, including US\$0.7 billion through its wealth management business.

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

December 31, 2020 [in millions; except as otherwise noted]			Interest held		Commitment				Manager compensation	
	Vintage year	Total capital commitment	Power Corporation	Third parties & associated companies ^[1]	Total funded	Unfunded	Distributions to date ^[2]	Net asset value of the fund ^[3]	Base fees ^[4]	Base carried interest
		\$	%	%	\$	%	\$	\$	%	%
Private Credit (in US\$)										
Sagard Credit Partners	2017	557	18.0	82.0	300	46.1	96	377	1.50	15.0
Sagard Credit Partners II ^[5]	2020	650	7.7	92.3	–	100.0	–	–	1.50	20.0
Healthcare Royalties (in US\$)										
Sagard Healthcare Royalty Partners	2019	563	13.3	86.7	61	89.2	–	51	1.75	20.0
Venture Capital (in C\$)										
Portag3 Ventures I LP ^{[6][7]}	2016	396	37.8	62.2	396	–	17	1,042	2.00	10.0
Portag3 Ventures II LP ^[6]	2018	427	12.4	87.6	189	55.8	–	323	2.00	20.0
Private Equity (in €)										
Sagard Europe II	2006	748	22.0	78.0	721	3.7	991	129	1.75	20.0
Sagard Europe 3	2013	808	37.3	62.7	646	20.0	250	899	2.00	20.0
Sagard Europe 4 ^[5]	2020	395	38.2	61.8	112	71.8	–	106	1.75	20.0
Sagard NewGen ^[5]	2020	111	54.4	45.6	12	88.9	–	10	2.00	20.0

[1] Third parties and associated companies includes commitments from management as well as commitments of Lifeco (US\$50 million in Sagard Credit Partners II and \$33 million in Portag3 II), IGM (\$33 million in Portag3 II), Pargesa (€37 million in Sagard Europe II), and GBL (€113 million in Sagard Europe II, €218 million in Sagard Europe 3, €149 million in Sagard Europe 4 and €50 million in Sagard NewGen). Lifeco and IGM have invested \$23 million and \$223 million, respectively, in Portag3 I.

[2] Excludes distributions which have been recalled by the fund for reinvestment, as well as distributions made by the fund due to rebalancing from increases in fund size.

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

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

[5] Sagard Credit Partners II, Sagard Europe 4 and Sagard NewGen will continue fundraising activities in 2021.

[6] Includes an interest in Portag3 I and Portag3 II, of 37.8% and 7.7%, respectively, held through Power Financial.

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

PRIVATE CREDIT

- Sagard Credit Partners manages US\$1,283 million of assets, including unfunded commitments.
- Sagard Credit Partners LP, a fund launched in 2017, provides credit capital directly to public and private middle-market companies across the U.S. and Canada. Sagard Holdings has committed US\$100 million, of which it has funded US\$54 million at December 31, 2020. Sagard Credit Partners LP held investments of \$463 million (US\$363 million) at December 31, 2020. In March 2021, a public company to which the fund has extended a loan, filed for creditor protection under the Companies' Creditors Arrangement Act and Chapter 15 of the bankruptcy code in the United States. The filings are the result of unprecedented weather events in the state of Texas and corresponding charges from the Electric Reliability Council of Texas. The fund's exposure to this counterparty at December 31, 2020 was US\$93 million. Sagard Credit Partners continues to closely monitor this company.

- In October 2020, Sagard Holdings launched Sagard Credit Partners II, LP, its second credit fund, which will invest in private credit, primarily in secured loans in what the fund's investment manager believes to be the underserved non-sponsor-backed middle market in Canada and the U.S. During the fourth quarter, Sagard Holdings announced that it had completed the first closing of Sagard Credit Partners II, with commitments totalling US\$650 million, of which Sagard Holdings has committed US\$50 million. Sagard Credit Partners will continue fundraising activities through 2021.

HEALTHCARE ROYALTIES

- Sagard Healthcare Royalty Partners (SHRP) manages US\$553 million of assets, including unfunded commitments. Sagard Holdings has committed US\$75 million, of which it has funded a net amount of US\$8 million at December 31, 2020. Sagard Healthcare Royalty Partners LP (SHRP LP), a fund launched in 2019, invests in the life sciences sector with a focus on investments protected by strong intellectual property. SHRP LP invests in various structures including traditional healthcare royalties, royalty securitizations and royalty-related credit.

SHRP LP held investments of \$72 million (US\$56 million) at December 31, 2020.

Subsequent to year-end, on February 18, 2021, Sagard Holdings announced the final closing of SHRP with total commitments of US\$725 million.

VENTURE CAPITAL (FINTECH INVESTMENTS)

- Portag3 Ventures, the venture capital arm of Sagard Holdings, manages US\$1,239 million (C\$1,578 million) of assets, including unfunded commitments and an investment in Wealthsimple, a consolidated subsidiary. The Corporation, through investments held by Power Financial, together with Lifeco and IGM, are anchor investors in the Portag3 I and Portag3 II funds. Portag3 Ventures is a global fintech investor focused on identifying visionary entrepreneurs building the next generation of financial service companies. Its global focus enables the leveraging of common knowledge from one region to another. Through its funds, Portag3 I and Portag3 II, Portag3 Ventures has invested in more than 50 fintech companies and investment funds.
- Portag3 I held investments of \$101 million at December 31, 2020 (\$64 million at December 31, 2019), excluding the investment in Wealthsimple, a consolidated subsidiary discussed below (Wealthsimple and Koho were excluded at December 31, 2019). During the second quarter of 2020, Portag3 I distributed \$12 million to its investors.
- Portag3 II has total capital commitments of \$427 million, of which Sagard Holdings has committed \$20 million and Power Financial, Lifeco and IGM have each committed \$33 million for a total of \$119 million. At December 31, 2020, the fair value and cost of Portag3 II's investment portfolio were \$369 million (\$143 million at December 31, 2019, excluding the investment in the consolidated subsidiary Koho), and \$210 million (\$110 million at December 31, 2019), respectively.

PRIVATE EQUITY

- Sagard Holdings, through its wholly owned subsidiary Sagard SAS, a French management company headquartered in Paris, manages US\$2.1 billion (€1.7 billion) of assets, including unfunded commitments. Sagard SAS manages investment funds dedicated to investing in mid-sized and small-cap private companies based in Europe. Sagard SAS currently has four private equity funds including Sagard Europe II, Sagard Europe 3, Sagard Europe 4 and Sagard NewGen.

During 2020, Sagard SAS launched a new fund, Sagard Europe 4. In the fourth quarter of 2020, Sagard SAS completed an additional closing, increasing the capital commitments of Sagard Europe 4 by €93 million to a total committed capital of €395 million. The Corporation has committed an amount of €150 million, which may be increased to €200 million under certain circumstances, to Sagard Europe 4.

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

Sagard SAS will continue fundraising in 2021 for Sagard Europe 4 and Sagard NewGen.

- In January 2021, Sagard Holdings announced the launch of its Canadian Private Equity platform, a strategy which will focus on the middle-market in Canada. Sagard expects external fundraising efforts to begin in the second half of 2021.

WEALTH MANAGEMENT

- On October 6, 2020, Sagard Holdings announced the acquisition of a 50.8% controlling interest in Grayhawk Investment Strategies Inc. (Grayhawk). Grayhawk, a registered portfolio manager, investment manager and exempt market dealer, manages \$0.9 billion in assets for high-net worth (HNW) Canadian families.

Investing Activities

The Corporation holds the following investments in funds, including the investments held through Power Financial, which are managed by Sagard Holdings:

Asset class	Private Credit	Healthcare Royalties	Venture Capital		Private Equity			
December 31, 2020 [in millions of Canadian dollars]	Sagard Credit Partners LP	Sagard Healthcare Royalty Partners LP	Portag3 I LP ^[1]	Portag3 II LP	Sagard Europe II	Sagard Europe 3	Sagard Europe 4	Sagard NewGen
Investments to date ^[2]	124	50	150	33	221	518	130	10
Share of distributions to date ^[2]	53	41	11	10	289	310	66	–
Fair value of the investment at December 31, 2020	88	9	389	45	34	493	68	9

[1] Includes investment in controlled and consolidated subsidiary, Wealthsimple, at fair value.

[2] Includes distributions which have been recalled by the fund and distributions due to rebalancing.

Fintech Investments

Fintech investments are comprised of investments, primarily held through Power Financial, in the Portag3 I and Portag3 II funds and Wealthsimple.

WEALTHSIMPLE

At December 31, 2020, Portag3 I, Power Financial and IGM held, through a limited partnership controlled by Power Financial, an undiluted equity interest in Wealthsimple of 74.9% (84.9% at December 31, 2019), representing a voting interest of 75.9% and a fully diluted equity interest of 61.7%. Wealthsimple is one of Canada's leading financial technology companies, and operates one of the country's largest and fastest-growing digital investing platforms.

Wealthsimple continues to scale its presence in the marketplace and expand its suite of investment and savings products, which include Wealthsimple Cash, Wealthsimple Invest, Wealthsimple Save, Wealthsimple Trade, Wealthsimple Crypto and Wealthsimple for Work (W4W). At December 31, 2020, Wealthsimple had over 500,000 clients, excluding tax clients, across the Canadian, United States and United Kingdom markets with assets under administration of over \$9.7 billion, compared with \$5.0 billion (excluding the assets under administration of Wealthsimple for Advisors) at December 31, 2019, representing a year-over-year growth of 94%.

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

On March 4, 2021, Wealthsimple announced that it has sold its U.S. book of business, and expects to transfer all of its U.S.-based customer accounts in mid-2021. This disposal supports Wealthsimple's strategy to focus on the Canadian market.

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

Power Sustainable

Power Sustainable is a global multi-platform alternative asset manager with a long-term investment approach focused on sustainable strategies. It has offices in Montréal, Toronto, Shanghai, Beijing and New Jersey. Power Sustainable is comprised of two platforms: the Pacific platform invests in the China equity markets, seeking high-quality, sustainable business models with a fundamentals-based, research-driven investment process; and the Energy Infrastructure platform invests in the development, construction and operations of renewable energy infrastructure assets in North America.

Power Pacific

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

Since its inception in 2005, the Corporation has invested \$336 million in Power Pacific and has received distributions of \$177 million, including distributions of \$57 million in 2020. At December 31, 2020, the fair value of the Corporation's investment in Power Pacific, including cash and other, was \$1,142 million (includes unrealized gains of \$402 million), compared with \$739 million at December 31, 2019.

December 31	2020	2019
Investment in A shares	1,025	731
Cash and other	117	8
Total portfolio, at fair value	1,142	739

Power Energy

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

- **Potentia Renewables:** Power Energy holds a 100% interest in Potentia, a renewable energy generation company, which is a fully integrated developer, owner and operator of solar and wind energy assets, active in North America and the Caribbean.
- **Nautilus:** Power Energy holds a 100% interest in Nautilus, a company headquartered in New Jersey, U.S. that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

Total assets of the renewable energy infrastructure portfolio were \$1,909 million at December 31, 2020. The portfolio has a combined 1,302 MW of solar and wind operating assets, which includes 330 MW of assets under construction, and 575 MW of assets in advanced development projects.

During 2020, Power Energy invested \$128 million in the renewable energy infrastructure portfolio. At December 31, 2020, Power Energy had invested a total of \$609 million in its portfolio. The fair value of the renewable energy infrastructure portfolio was \$730 million at December 31, 2020.

SUBSEQUENT EVENT

In January 2021, Power Sustainable launched the Power Sustainable Energy Infrastructure Partnership, a partnership with initial 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. At the closing, certain existing operating assets and projects under development from Potentia Renewables and Nautilus have been transferred to the partnership in exchange for consideration in cash and units of the Fund. In the future, Power Sustainable may transfer other projects currently under construction on their commercial operation date.

Standalone Businesses

The Corporation also has the following equity investments in standalone businesses which are managed to realize value over time:

Sagard Holdings

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

On October 20, 2020, Easton Diamond Sports, LLC (Easton), a wholly owned subsidiary of Peak, and Rawlings Sporting Goods, Inc. (Rawlings), announced that they entered into a definitive agreement for Rawlings to acquire Easton. As part of the agreement the existing shareholders of Peak will continue to participate as minority owners in the combined organization. The transaction closed in the fourth quarter. Peak recognized a gain on disposition, the Corporation's share of this gain was US\$15 million. Peak has determined that it has significant influence over the combined organization and will account for its interest as an associate using the equity method. This transaction is not expected to have a material impact on the Corporation's ongoing earnings.

- **GP Strategies:** Sagard Holdings holds a 21.2% equity interest in GP Strategies Corporation, a global performance improvement company offering sales and technical training, eLearning solutions, management consulting and engineering services. The Corporation accounts for its investment using the equity method.
- **IntegraMed:** Sagard Holdings held a 91.6% interest in IntegraMed, a private healthcare services company operating a network of fertility clinics in North America. On May 20, 2020, IntegraMed entered into restructuring proceedings and accordingly the Corporation no longer controls IntegraMed. Effective May 20, 2020, the Corporation has derecognized the assets and liabilities of IntegraMed resulting in a recovery on deconsolidation of \$27 million (US\$19 million) which has been included in Adjustments in the second quarter of 2020.

Power Sustainable

- **Lumenpulse:** Power Sustainable, through Power Energy, holds a controlling interest of 60.5% in Lumenpulse, an internationally recognized designer, developer, and manufacturer of a wide range of high-performance and sustainable specification-grade LED solutions for commercial, institutional, and urban environments.
- **Lion Electric:** Power Sustainable, through Power Energy, holds a 44.1% equity interest at December 31, 2020 in Lion Electric. An innovative manufacturer of zero-emission vehicles, Lion designs and manufactures all-electric school buses and midi/minibuses for special needs or urban transit as well as urban trucks. Lion positions itself as a leading original equipment manufacturer (OEM) in transportation electrification in North America. Refer to the section "2020 Highlights".

CHINA AMC

Founded in 1998 as one of the first fund management companies in China, China AMC has developed and maintained its position among the market leaders in China's asset management industry. China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,461 billion (C\$285 billion) at December 31, 2020.

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

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

Basis of Presentation

IFRS FINANCIAL MEASURES AND PRESENTATION

The 2020 Consolidated Financial Statements of the Corporation have been prepared in accordance with IFRS and are presented in Canadian dollars.

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

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

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

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

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

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

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

At December 31, 2020, the Corporation's holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
Publicly traded operating companies ^[1]			
Lifeco ^[2]	66.8	Controlling interest	Consolidation
IGM ^[3]	62.1	Controlling interest	Consolidation
GBL ^[4]	14.1	Joint control	Equity method
China AMC ^[5]	13.9	Significant influence	Equity method
Alternative asset investment platforms			
Sagard Holdings	100.0	Controlling interest	Consolidation
Wealthsimple ^{[1][6]}	18.7	Controlling interest	Consolidation
Portag3 I ^{[1][7]}	63.0	Controlling interest	Consolidation
Portag3 II ^{[1][8]}	12.4	Controlling interest	Consolidation
Sagard Credit Partners LP	18.0	Controlling interest	Consolidation
Sagard Healthcare Royalty	13.3	Controlling interest	Consolidation
Sagard Europe II	22.0	Investment	Available for sale
Sagard Europe 3	37.3	Investment	Available for sale
Sagard Europe 4	38.2	Controlling interest	Consolidation
Sagard NewGen	54.4	Controlling interest	Consolidation
Power Sustainable	100.0	Controlling interest	Consolidation
Power Pacific	100.0	Controlling interest	Consolidation
Investments	< 5.0	Investment	Available for sale
Power Energy	100.0	Controlling interest	Consolidation
Potentia	100.0	Controlling interest	Consolidation
Nautilus	100.0	Controlling interest	Consolidation
Standalone businesses			
Peak	42.6	Joint control	Equity method
Lumenpulse	60.5	Controlling interest	Consolidation
Lion	44.1	Significant influence	Equity method
GP Strategies	21.2	Significant influence	Equity method

[1] Investments held by the Corporation through Power Financial.

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

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

[4] Held through Parjointco, a jointly controlled corporation (50%). Parjointco holds a controlling interest in GBL.

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

[6] Portag3 I and IGM also hold interests of 14.8% and 41.4%, respectively, in Wealthsimple (see also the section "Wealthsimple").

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

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

At December 31, 2020, Parjointco's main holdings were as follows:

Holdings	% economic interest	Nature of investment	Accounting method
GBL	28.2	Controlling interest	Consolidation
Publicly listed			
Imerys	54.6	Controlling interest	Consolidation
SGS	18.9	Investment	Available for sale
adidas	6.8	Investment	Available for sale
Pernod Ricard	7.6	Investment	Available for sale
LafargeHolcim	7.6	Investment	Available for sale
Umicore	18.0	Investment	Available for sale
GEA	8.5	Investment	Available for sale
Ontex	20.0	Investment	Available for sale
Mowi	5.8	Investment	Available for sale
Other investments	< 5.0	Investment	Available for sale
Privately held			
Sienna Capital ^[1]	100.0	Controlling interest	Consolidation
Webhelp	61.5	Controlling interest	Consolidation
Parques	23.0	Significant influence	Equity method

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

The following table summarizes the classification of the investments held by the controlled and consolidated funds managed by the investment platforms:

Investment Fund	Classification of Investments held by the fund	Measurement
Sagard Credit Partners	Loans and receivables	Amortized cost
Sagard Healthcare Royalty Partners	Fair value through profit and loss	Fair value
Portag3 Ventures I LP ^[1]	Available for sale	Fair value
Portag3 Ventures II LP	Fair value through profit and loss	Fair value
Sagard Europe 4	Fair value through profit and loss	Fair value
Sagard NewGen	Fair value through profit and loss	Fair value

[1] Excludes investment in WealtheSimple which is controlled and consolidated by the Corporation.

This basis of presentation should be read in conjunction with the following notes to the Corporation's 2020 Consolidated Financial Statements:

- Basis of presentation and summary of significant accounting policies (Note 2);
- Investments (Note 5);
- Investments in jointly controlled corporations and associates (Note 7);
- Goodwill and intangible assets (Note 10); and
- Non-controlling interests (Note 20).

NON-IFRS FINANCIAL MEASURES AND PRESENTATION

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

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

Effective the first quarter of 2020, the Corporation introduced a modified definition of its non-IFRS earnings measure, Adjusted net earnings. This change is consistent with the introduction of base earnings by Lifeco which was introduced in the first quarter of 2020 to reflect management's view of the operating performance of Lifeco. Lifeco defines base earnings (loss) as net earnings excluding the impact of actuarial assumption changes and management actions, direct equity and interest rate market impacts on insurance contract liabilities net of hedging, and items that management believes are not indicative of the company's underlying business results. The definition of Adjustments includes what the Corporation previously presented as other items and also includes Lifeco's impact of actuarial assumption changes and management actions, and direct equity and interest rate market

impacts on insurance contract liabilities net of hedging. The definition of Adjustments used in Adjusted net earnings is being adopted to enhance comparability of results between reporting periods and in anticipation of Lifeco's implementation of accounting changes related to IFRS 17, *Insurance Contracts*, on January 1, 2023. The comparative periods have been restated to reflect the introduction of this modified measure.

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

RECONCILIATION OF IFRS AND NON-IFRS FINANCIAL MEASURES

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

Twelve months ended December 31	2020	2019
Net earnings – IFRS financial measure ^[1]	1,994	1,108
Share of Adjustments ^[2] , net of tax		
Lifeco	(76)	230
IGM	34	9
GBL ^[3]	6	37
Alternative and other investments	(27)	16
Corporate operations	8	(22)
Attributable to non-controlling interests of Power Financial	4	(103)
	(51)	167
Adjusted net earnings – Non-IFRS financial measure ^[1]	1,943	1,275

[1] Attributable to participating shareholders of Power Corporation.

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

[3] Previously reported by Pargesa.

Twelve months ended December 31	2020	2019
Net earnings per share – IFRS financial measure ^[1]	3.08	2.53
Share of Adjustments ^[2] , net of tax		
Lifeco	(0.11)	0.34
IGM	0.05	0.02
GBL ^[3]	0.01	0.05
Alternative and other investments	(0.04)	0.04
Corporate operations	0.01	(0.06)
	(0.08)	0.39
Adjusted net earnings per share – Non-IFRS financial measure ^[1]	3.00	2.92

[1] Attributable to participating shareholders of Power Corporation.

[2] Refer to the section "Adjustments" for more detail on Adjustments from Lifeco, IGM, GBL, alternative and other investments and corporate operations. Share of Adjustments on a per share basis are presented net of amounts attributable to non-controlling interests of Power Financial.

[3] Previously reported by Pargesa.

Results of Power Corporation

This section presents:

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

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

CHANGE IN PRESENTATION (NON-CONSOLIDATED BASIS)

The Corporation announced a Reorganization and its strategy in early 2020. The Corporation has modified the presentation of the activities held through Power Financial. Previously, Power Financial’s results including its corporate operations were presented separately by the Corporation. Subsequent to the Reorganization, the corporate operations of both the Corporation and Power Financial are being managed together and have been presented on a combined basis throughout the “Results of the Corporation” section. The investment activities of Power Financial are primarily interests held in fintech investments, all of which are managed by Sagard Holdings, and have been presented combined with the investing activities of Sagard Holdings, which represents the management and oversight structure. The comparatives in the non-consolidated earnings statements, non-consolidated balance sheets and non-consolidated statements of cash flows have been restated to reflect this change.

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

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

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

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

CONSOLIDATED STATEMENTS OF EARNINGS IN ACCORDANCE WITH IFRS

Power Corporation's consolidated statements of earnings for the twelve months ended December 31, 2020 are presented below. The Corporation's reportable operating segments are Lifeco, IGM and GBL. This table reflects the contributions to the net earnings attributable to Power Corporation's participating shareholders from its reportable operating segments and the Corporation's alternative and other investments including its investment platforms, which include controlled and consolidated investment funds and investments and its investment in China AMC.

Consolidated net earnings

	Lifeco	IGM ^[1]	GBL ^[2]	Investment Platforms and Other ^[3]	Corporate ^[4]	Effect of consolidation ^[5]	Power Corporation Consolidated net	
Twelve months ended December 31							2020	2019
REVENUES								
Total net premiums ^[6]	43,019	-	-	-	-	(20)	42,999	24,489
Net investment income	11,662	190	-	574	19	(299)	12,146	13,442
Fee income ^[6]	5,902	3,084	-	101	-	(145)	8,942	10,081
Other revenues	-	-	-	529	-	-	529	829
Total revenues	60,583	3,274	-	1,204	19	(464)	64,616	48,841
EXPENSES								
Total paid or credited to policyholders	48,487	-	-	-	-	-	48,487	33,091
Commissions	2,396	1,088	-	-	-	(45)	3,439	3,480
Operating and administrative expenses	6,344	1,148	-	1,111	175	(84)	8,694	8,341
Financing charges	284	111	-	86	55	19	555	544
Total expenses	57,511	2,347	-	1,197	230	(110)	61,175	45,456
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,072	927	-	7	(211)	(354)	3,441	3,385
Share of earnings of investments in jointly controlled corporations and associates	-	38	27	25	43	37	170	212
Earnings before income taxes	3,072	965	27	32	(168)	(317)	3,611	3,597
Income taxes	(82)	201	-	(14)	(52)	24	77	554
Net earnings	3,154	764	27	46	(116)	(341)	3,534	3,043
ATTRIBUTABLE TO								
Non-controlling interests	1,362	360	33	(59)	133	(341)	1,488	1,883
Non-participating shareholders	-	-	-	-	52	-	52	52
Participating shareholders of Power Corporation ^[5]	1,792	404	(6)	105	(301)	-	1,994	1,108
	3,154	764	27	46	(116)	(341)	3,534	3,043

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

[2] Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings of GBL includes adjustments in accordance with IAS 39.

[3] "Investment platforms and other" is comprised of the Corporation's alternative and other investments including its investment platforms, which include consolidated investment funds, Power Energy and IntegraMed (up to the date of deconsolidation on May 20, 2020) as well as the investment activities held through Power Financial including Portag3 I, Portag3 II and Wealthsimple. On December 1, 2020, the Corporation determined that it no longer controls Koho and has deconsolidated Koho as of the date control was lost. The results of Koho have been included in Investment platforms and other up to the date of deconsolidation and includes a gain recognized on deconsolidation of \$90 million (the Corporation's share was \$71 million).

[4] "Corporate" is comprised of the corporate operations of Power Financial and the Corporation, presented on a combined basis.

[5] The results presented for Lifeco and IGM are as reported by each operating subsidiary. The "Effect of consolidation" includes the elimination of intercompany transactions and reflects adjustments in accordance with IAS 39 for IGM. The contribution from Lifeco, IGM, GBL and Investment Platforms and Other to net earnings attributable to participating shareholders of the Corporation includes the effect of consolidation.

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

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

NON-CONSOLIDATED STATEMENTS OF EARNINGS

In this section, the contributions from Lifeco and IGM to the net earnings and adjusted net earnings attributable to Power Corporation's participating shareholders are accounted for using the equity method. The contribution to the Corporation's net earnings and adjusted net earnings include the contributions from GBL, and the Corporation's alternative and other investments including investment platforms, which include controlled and consolidated investments accounted for using the equity method, and China AMC. The corporate operations from Power Financial and Power Corporation are presented on a combined basis.

Contribution to adjusted and net earnings

Twelve months ended December 31	2020	2019
Adjusted net earnings ^[1]		
Lifeco ^[2]	1,784	1,814
IGM ^[2]	474	473
GBL ^[2]	89	181
Effect of consolidation ^[3]	(67)	33
	2,280	2,501
Alternative and other investments ^[4]	90	(18)
China AMC	42	30
Corporate operating and other expenses	(164)	(246)
Dividends on non-participating and perpetual preferred shares	(189)	(191)
Non-controlling interests of Power Financial	(116)	(801)
	1,943	1,275
Adjustments ^[5]		
Lifeco	76	(230)
IGM	(34)	(9)
GBL	(6)	(37)
Alternative and other investments	27	(16)
Corporate operations	(8)	22
Non-controlling interests of Power Financial	(4)	103
	51	(167)
Net earnings ^[6]	1,994	1,108

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

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

[3] See table below for details on Effect of consolidation.

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

[5] See "Adjustments" section below.

[6] Attributable to participating shareholders.

Contribution to adjusted and net earnings per share

Twelve months ended December 31	2020	2019
Adjusted net earnings per share – basic		
Lifeco ^[1]	2.65	2.67
IGM ^[1]	0.71	0.70
GBL ^[1]	0.14	0.27
Effect of consolidation ^[2]	(0.16)	0.05
	3.34	3.69
Alternative and other investments ^[3]	0.14	(0.03)
China AMC	0.06	0.07
Corporate operating and other expenses and dividends on non-participating and perpetual preferred shares	(0.54)	(0.81)
	3.00	2.92
Adjustments ^[4]		
Lifeco	0.11	(0.34)
IGM	(0.05)	(0.02)
GBL	(0.01)	(0.05)
Alternative and other investments	0.04	(0.04)
Corporate operations	(0.01)	0.06
	0.08	(0.39)
Net earnings per share ^[5]	3.08	2.53

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

[2] See table below for details on Effect of consolidation.

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

[4] See "Adjustments" section below.

[5] Attributable to participating shareholders.

Effect of consolidation reflects:

- The elimination of intercompany transactions;
- The application of the Corporation's accounting treatment of commonly held investments to the reported net earnings of the publicly traded operating companies, which include an allocation of the results of the fintech portfolio including Wealthsimple, Koho, Portag3 I and Portag3 II, to the contributions from Lifeco and IGM based on their respective interest; and
- Adjustments in accordance with IAS 39 for IGM and GBL.

The following table summarizes the effect of consolidation by nature for Lifeco, IGM and GBL:

Twelve months ended December 31	2020	2019
LIFECO		
Allocation of fintech portfolio and other ^[1]	8	(5)
IGM		
Allocation of fintech portfolio ^[1]	(30)	(29)
Adjustment to include gain on Personal Capital in Adjusted net earnings	19	-
Adjustments in accordance with IAS 39 and other	(8)	18
	(19)	(11)
GBL		
Adjustments in accordance with IAS 39 and other	(56)	49
	(67)	33
Non-controlling interests of Power Financial	(32)	(14)
	(99)	19
Per share	(0.16)	0.05

[1] The third quarter of 2020 includes a charge of \$36 million related to the allocation of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and carried interest payable.

2020 vs. 2019

Net earnings	\$1,994 million or \$3.08 per share, compared with \$1,108 million or \$2.53 per share in the corresponding period in 2019, an increase of 21.7% on a per share basis.
Adjusted net earnings	\$1,943 million or \$3.00 per share, compared with \$1,275 million or \$2.92 per share in the corresponding period in 2019, an increase of 2.7% on a per share basis.
Contribution to net earnings and adjusted net earnings from Lifeco, IGM and GBL	Contribution to net earnings of \$2,312 million, compared with \$2,325 million in the corresponding period in 2019. Contribution to adjusted net earnings of \$2,280 million, compared with \$2,501 million in the corresponding period in 2019, a decrease of 8.8%.

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

CONTRIBUTION TO NET EARNINGS AND ADJUSTED NET EARNINGS

The reportable operating segments of Power Corporation are Lifeco, IGM and GBL.

LIFECO**Contribution to Power Corporation**

Twelve months ended December 31	2020	2019
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by Lifeco	1,784	1,814
Effect of consolidation	8	(5)
	1,792	1,809
Adjustments ^[2]	76	(230)
Non-controlling interests of Power Financial	(76)	(561)
Net earnings	1,792	1,018

[1] Power Financial's average direct ownership in Lifeco was 66.9% for the year ended December 31, 2020 (67.1% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.5% in the corresponding twelve-month period in 2019).

[2] Excludes the gain recognized by Lifeco on the sale of GLC. See "Adjustments" section below.

Adjusted and net earnings per share as reported by Lifeco

Twelve months ended December 31	2020	2019
Adjusted net earnings per share ^{[1][2]}	2.878	2.859
Adjustments ^[3]	0.295	(0.365)
Net earnings per share ^[1]	3.173	2.494

[1] Attributable to Lifeco common shareholders.

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

[3] See "Adjustments" section below.

Adjusted and net earnings (loss) as reported by Lifeco

Twelve months ended December 31	2020	2019
Adjusted net earnings (loss) ^{[1][2][3]}		
Canada	1,206	1,178
United States	273	350
Europe	688	796
Capital and Risk Solutions	536	401
Lifeco Corporate	(34)	(21)
	2,669	2,704
Adjustments ^{[4][5]}		
Actuarial assumption changes and other management actions	113	170
Market-related impacts on liabilities	(127)	(89)
Net gain (charge) on business dispositions	237	(191)
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(78)	-
Revaluation of a deferred tax asset	196	(199)
Restructuring and integration costs	(67)	(36)
	274	(345)
Net earnings (loss) ^{[1][3]}		
Canada	1,070	1,051
United States	380	(61)
Europe	913	1,004
Capital and Risk Solutions	614	386
Lifeco Corporate	(34)	(21)
Net earnings ^[1]	2,943	2,359

[1] Attributable to Lifeco common shareholders.

[2] Described as "base earnings" in Lifeco's public disclosure.

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

[4] Described as "items excluded from base earnings" in Lifeco's public disclosure.

[5] See "Adjustments" section below.

Net earnings (loss) by segment as reported by Lifeco

Twelve months ended December 31	2020	2019
CANADA^[1]		
Individual Customer	317	431
Group Customer	667	632
Canada Corporate	86	(12)
	1,070	1,051
UNITED STATES^[1]		
Financial Services ^[2]	286	278
Asset Management	18	33
U.S. Corporate	76	(236)
Reinsured Insurance & Annuity Business ^[2]	-	(136)
	380	(61)
EUROPE^[1]		
United Kingdom	423	566
Ireland	335	279
Germany	168	160
Europe Corporate	(13)	(1)
	913	1,004
CAPITAL AND RISK SOLUTIONS^[1]		
Reinsurance	621	397
Capital and Risk Solutions Corporate	(7)	(11)
	614	386
Lifeco Corporate^[1]	(34)	(21)
Net earnings^[3]	2,943	2,359

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

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

[3] Attributable to Lifeco common shareholders.

2020 vs. 2019

Net earnings	\$2,943 million or \$3.173 per share, compared with \$2,359 million or \$2.494 per share in the corresponding period in 2019, an increase of 27.2% on a per share basis.
Adjusted net earnings	\$2,669 million or \$2.878 per share, compared with \$2,704 million or \$2.859 per share in the corresponding period in 2019, an increase of 0.7% on a per share basis.

Canada

Net earnings in the twelve-month period ended December 31, 2020 increased by \$19 million to \$1,070 million, compared with the corresponding period in 2019. Adjusted net earnings were \$1,206 million in the twelve-month period ended December 31, 2020, and excluded Adjustments of \$136 million as discussed below, compared with \$1,178 million in the corresponding period in 2019. Adjustments in the corresponding period in 2019 were \$127 million.

INDIVIDUAL CUSTOMER

Net earnings in the twelve-month period ended December 31, 2020 decreased by \$114 million to \$317 million, compared with the same period last year. The decrease was primarily due to:

- Higher unfavourable impacts of insurance contract liability basis changes;
- Unfavourable market-related impacts, primarily driven by the impact of the equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness; and
- Lower net fee income, lower impact of new business driven by lower interest rates and unfavourable morbidity experience;
- Partially offset by favourable mortality and policyholder behaviour experience.

GROUP CUSTOMER

Net earnings in the twelve-month period ended December 31, 2020 increased by \$35 million to \$667 million, compared with the same period last year, primarily due to favourable morbidity experience and higher tax benefits, partially offset by lower contributions from investment experience and unfavourable impacts of insurance contract liability basis changes.

United States

Net earnings in the twelve-month period ended December 31, 2020 increased by \$441 million to \$380 million, compared with the corresponding period in 2019. Adjusted net earnings were \$273 million in the twelve-month period ended December 31, 2020, and excluded Adjustments of a positive earnings impact of \$107 million as discussed below, compared with \$350 million in the corresponding period in 2019. Adjustments in the corresponding period in 2019 were \$411 million.

FINANCIAL SERVICES

For the twelve-month period ended December 31, 2020, net earnings were US\$213 million (C\$286 million), compared with US\$211 million (C\$278 million) in the same period last year. The increase of US\$2 million was primarily due to:

- Higher contributions from investment experience and net business growth; and
- Higher contributions from insurance contract liability basis changes.

Partially offset by:

- Personal Capital related net loss of US\$12 million; and
- Less favourable mortality experience as well as market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits and integration costs.

In addition, included in the twelve months ended December 31, 2019 was the positive impact of a partial settlement of an employee pension plan.

ASSET MANAGEMENT

For the twelve-month period ended December 31, 2020, net earnings were US\$14 million (C\$18 million), compared with net earnings of US\$24 million (C\$33 million) in the same period last year. The decrease of US\$10 million was primarily due to higher sales- and compensation-related expenses, partially offset by higher performance fee income. Net earnings in 2020 includes financing and other expenses of US\$37 million (C\$50 million), compared with US\$35 million (C\$45 million) in the same period last year. Financing and other expenses increased by US\$2 million, primarily due to allocated expenses from affiliates, partially offset by lower financing costs.

REINSURED INSURANCE & ANNUITY BUSINESS

For the twelve-month period ended December 31, 2020, there was no earnings impact, compared with a net loss of US\$101 million (C\$136 million) for the same period last year. Following the sale, via indemnity reinsurance, to Protective Life in 2019, there were no additional sales, fee and other income and net earnings related to this business unit.

Europe

Net earnings in the twelve-month period ended December 31, 2020 decreased by \$91 million to \$913 million, compared with the corresponding period in 2019. Adjusted net earnings in the twelve-month period ended December 31, 2020 were \$688 million, and excluded Adjustments discussed below of a positive earnings impact of \$225 million, compared with \$796 million in the corresponding period in 2019. Adjustments in the corresponding period in 2019 were a positive earnings impact of \$208 million.

UNITED KINGDOM

Net earnings in the twelve-month period ended December 31, 2020 decreased by \$143 million to \$423 million, compared with the same period last year. The decrease was primarily due to:

- Lower contributions from insurance contract liability basis changes; and
- Lower impact of new business, unfavourable group mortality experience and lower contributions from investment experience.

Partially offset by:

- Favourable group morbidity and longevity experience; and
- Lower unfavourable market-related impacts related to changes to certain tax estimates driven by equity market declines in 2020.

In addition, the twelve months ended December 31, 2019 included the positive impact of the resolution of an outstanding issue with a foreign tax authority.

IRELAND

Net earnings were \$335 million in the twelve-month period ended December 31, 2020, compared with net earnings of \$279 million for the same period last year. The increase of \$56 million was primarily due to:

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

Partially offset by:

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

GERMANY

Net earnings in the twelve-month period ended December 31, 2020 increased by \$8 million to \$168 million, compared with the same period last year. The increase was primarily due to the impact of changes to certain tax estimates and higher impact of new business, partially offset by the unfavourable equity market impacts related to variable annuity guarantees and related hedge ineffectiveness.

Capital and Risk Solutions

REINSURANCE

Net earnings in the twelve-month period ended December 31, 2020 increased by \$224 million to \$621 million, compared with the same period last year. The increase was primarily due to favourable longevity experience, higher business volumes and higher contributions from insurance contract liability basis changes, partially offset by new business strain and less favourable claims experience in the life business.

Adjustments

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

In 2020, Adjustments of a positive earnings impact of \$274 million consisted of:

- Actuarial assumption changes and other management actions had a positive impact of \$113 million.
 - During the fourth quarter of 2020, the negative impact was \$23 million. In Canada, net earnings were negatively impacted by \$147 million, primarily due to updated policyholder behaviour and economic and asset-related assumptions, partially offset by updated life mortality assumptions. In Europe, net earnings were positively impacted by \$78 million, primarily due to updated annuitant mortality assumptions, partially offset by updated economic and asset-related assumptions. In Capital and Risk Solutions, net earnings were positively impacted by \$43 million, primarily due to updated economic and annuitant mortality assumptions, partially offset by updated expense assumptions. In the United States, net earnings were positively impacted by \$3 million, primarily due to updated annuitant mortality assumptions.
 - During the third quarter of 2020, the net positive impact was \$66 million. In the United States, net earnings were positively impacted by \$38 million, primarily due to updated economic assumptions. In Europe, net earnings were positively impacted by \$22 million, primarily due to updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by \$4 million. In Capital and Risk Solutions, net earnings were positively impacted by \$2 million, primarily due to updated annuitant mortality and modelling refinements, partially offset by updated life mortality and policyholder behaviour assumptions.
 - During the second quarter of 2020, Lifeco updated economic assumptions following in-quarter equity market recoveries which had a positive impact of \$98 million. Updated economic assumptions on Canadian real estate returns had a negative impact of \$33 million. In addition, updates to mortality and morbidity assumptions and modelling refinements had a net positive impact of \$57 million. The net impact in the second quarter was a net positive impact of \$122 million.
 - During the first quarter of 2020, Lifeco updated economic assumptions related to in-quarter market impacts which had a negative impact of \$98 million, partially offset by updates to modelling refinements, other economic assumptions and morbidity assumptions which had a positive impact of \$46 million, resulting in a net negative impact of \$52 million on net earnings.
- Market-related impacts on liabilities had a negative impact of \$127 million.
 - Negative market-related impacts were \$31 million in the fourth quarter of 2020, primarily related to an unfavourable impact of changes to certain tax estimates driven by equity market recovery in the fourth quarter of 2020 as well as the valuation of insurance contract liabilities which are supported by equities and real estate driven by lower markets earlier in the year. Included in the total negative impact of \$31 million in the fourth quarter of 2020 was a positive impact of \$7 million related to legacy block segregated fund guarantee business.
 - Positive market-related impacts were \$18 million in the third quarter of 2020, primarily reflecting the equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$18 million in the third quarter of 2020 was a positive impact of \$13 million related to legacy block segregated fund guarantee business.
 - Positive market-related impacts were \$35 million in the second quarter of 2020, primarily reflecting the impact of equity market recoveries in the quarter which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of \$35 million in the second quarter of 2020 was a positive impact of \$45 million related to legacy blocks of segregated fund guarantee business.
 - Negative market-related impacts were \$149 million in the first quarter of 2020, reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Of the \$149 million total impact, \$68 million related to legacy blocks of segregated fund guarantee business.
- Net gain on business dispositions of \$237 million:
 - In the fourth quarter Lifeco recognized a net gain of \$143 million related to the sale of GLC Asset Management Group Ltd., net of restructuring costs of \$16 million after tax. The Corporation will continue to consolidate GLC as it was acquired by IGM, and therefore the transaction has no impact on the consolidated statements of earnings and balance sheets. The Corporation has eliminated the gain recognized by Lifeco of \$159 million on consolidation. In the third quarter, Lifeco recognized a net gain of \$94 million related to the sale of IPSI.
- Revaluation of a deferred tax asset of \$196 million (US\$151 million) in the fourth quarter of 2020:
 - As a result of the acquisitions in the United States segment of the retirement services business of MassMutual and Personal Capital in 2020, Lifeco revised its estimates of future taxable profits and recognized a deferred tax asset that had previously been derecognized in the fourth quarter of 2019. The deferred income tax asset revaluation resulted in a \$196 million recovery to income tax expense;

- Transaction costs of \$78 million:
 - Lifeco recognized transaction costs related to the acquisitions of Personal Capital and the retirement services business of MassMutual of which \$31 million were recognized in the third quarter and \$47 million in the fourth quarter of 2020; and
- Restructuring and integration costs of \$67 million recognized in the fourth quarter of 2020:
 - Lifeco recognized restructuring and integration costs related to the acquisition of Personal Capital and the retirement services business of MassMutual as well as strategic initiatives in the Canadian segment. In the fourth quarter, Lifeco announced two initiatives impacting the Canada segment operations including changes to its Canadian distribution strategy and vision for advisor-based distribution, and IGM Financial, an affiliate of Lifeco, notified Lifeco of its intent to terminate its long-term technology infrastructure-related sharing agreement with Lifeco in the first quarter of 2021. These initiatives, together with the sale of GLC, will result in staff reductions, exit costs for certain facilities' lease agreements and decommissioning activities related to technology and other assets. Changes relating to these initiatives are expected to be fully implemented by the end of 2022.

In 2019, Adjustments of \$345 million consisted of:

- In the fourth quarter of 2019, Adjustments were \$318 million which consisted of \$78 million related to actuarial assumption changes and management actions and negative market-related impacts of \$13 million. The fourth quarter of 2019 also included Adjustments for the revaluation of a deferred tax asset which resulted in a charge of \$199 million (US\$151 million) recorded in the Corporate business unit of the U.S. segment, and restructuring costs of \$36 million related to actions undertaken by Putnam to realign its resources to better position itself for current and future opportunities, offset by a net gain of \$8 million on the Scottish Friendly transaction recorded in the Corporate business unit of the Europe segment.
- In the third quarter of 2019, Adjustments were a positive earnings impact of \$53 million which consisted of a positive earnings impact of \$81 million related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$28 million.
- In the second quarter of 2019, Adjustments were \$168 million which consisted of a positive earnings impact of \$38 million related to actuarial assumption changes and management actions, offset by negative market-related impacts of \$7 million, and a net loss on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life of \$199 million.
- In the first quarter of 2019, Adjustments were a positive earnings impact of \$88 million which related to actuarial assumption changes and management actions of \$129 million, offset by negative market-related impacts of \$41 million.

The information above has been derived from Lifeco's annual MD&A.

IGM FINANCIAL

Contribution to Power Corporation

Twelve months ended December 31	2020	2019
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings		
As reported by IGM	474	473
Effect of consolidation ^{[2][3]}	(19)	(11)
	455	462
Adjustments ^[3]	(34)	(9)
Non-controlling interests of Power Financial	(17)	(162)
Net earnings	404	291

[1] Power Financial's average direct ownership in IGM was 62.1% for the year ended December 31, 2020 (61.9% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.5% in the corresponding twelve-month period in 2019).

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

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

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

Twelve months ended December 31	2020	2019
Adjusted net earnings per share ^[1]	3.20	3.19
Adjustments ^{[2][3]}	0.01	(0.07)
Net earnings per share ^[1]	3.21	3.12

[1] Available to IGM common shareholders.

[2] See "Adjustments" section below.

[3] Described as "Other items" in IGM's public disclosure.

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

Twelve months ended December 31	2020	2019
Wealth Management ^[1]	702	745
Asset Management ^[1]	234	222
Strategic Investments and Other ^[1]	149	127
Adjusted net earnings (before interest, income taxes, preferred share dividends and other) ^[2]	1,085	1,094
Interest expense, income taxes, preferred share dividends and other ^[3]	(322)	(330)
Adjusted net earnings ^[4]	763	764
Adjustments ^{[5][6]}	1	(17)
Net earnings ^[4]	764	747

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

[2] Non-IFRS financial measure as described in IGM's public disclosure.

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

[4] Available to IGM common shareholders.

[5] IGM does not allocate Adjustments to segments.

[6] Described as "Other items" in IGM's public disclosure.

2020 vs. 2019

Net earnings	\$764 million or \$3.21 per share, compared with \$747 million or \$3.12 per share in the corresponding period in 2019, an increase of 2.9% on a per share basis.
Adjusted net earnings	\$763 million or \$3.20 per share, compared with \$764 million or \$3.19 per share in the corresponding period in 2019, an increase of 0.3% on a per share basis.

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

In January 2019, IGM invested a further \$67 million (US\$50 million) in Personal Capital which increased its voting interest to 22.7%. As of January 2019, IGM had significant influence and accounted for its interest as an associate using the equity method. In accordance with IFRS 9, IGM previously classified its interest in Personal Capital as fair value through other comprehensive income (FVOCI), in which fair value changes remain permanently in equity. In accordance with IAS 39, the Corporation accounted for IGM's investment in Personal Capital as available for sale. The reclassification of the investment in the first quarter of 2019 from available for sale to an associate, under IAS 39, resulted in a gain; the contribution of IGM to Power Corporation has been adjusted accordingly.

Adjusted net earnings exclude a positive earnings impact of \$1 million in the twelve-month period ended December 31, 2020, and excluded charges of \$17 million in the corresponding period ended December 31, 2019. These Adjustments are not allocated to segments. The following is a summary of each segment's net earnings:

Wealth Management

Net earnings decreased by \$43 million to \$702 million in the twelve-month period ended December 31, 2020, compared with the corresponding period in 2019. The decrease in net earnings is mainly related to a decrease in net earnings of IG Wealth Management of \$41 million, primarily due to:

- A decrease in income from advisory fees of \$15 million to \$1,019 million. The decrease was due to the decrease in the advisory fee rate offset in part by the increase in average assets under advisement of 2.5%. The average advisory fee rate for the twelve-month period was 106.3 basis points of average assets under advisement, compared with 110.5 basis points in 2019, primarily reflecting changes in product and client mix;
- A decrease in other financial planning revenues of \$15 million to \$150 million, primarily due to lower distribution income from insurance products;
- A decrease in redemption fee income of \$10 million to \$16 million;
- A decrease in net investment income and other of \$9 million to \$1 million. Net investment and other primarily relates to investment income earned on cash and cash equivalents and securities and other income not related to IG Wealth Management's core business. It also includes a charge from the Strategic Investments and Other segment for the use of unallocated capital;

- An increase in operations and support expenses of \$21 million to \$407 million which includes costs that support wealth management and other general and administrative functions such as product management, technology and operations, as well as other functional business units and corporate expenses. The increase in expenses was primarily due to expenses related to information technology, including Advisor Portal as well as expenses related to IGM's ongoing transformation program; and
- An increase in sub-advisory expenses of \$4 million to \$150 million.

Partially offset by:

- An increase in income from product and program fees of \$6 million, primarily due to the increase in average assets under management of 2.3%. The average product and program fee rate for the year was 86.3 basis points of average assets under management, compared with 87.6 basis points in 2019, reflecting changes in product mix; and
- A decrease in advisory and business development expenses of \$27 million to \$740 million in the twelve-month period which includes compensation paid to Consultants, the majority of which varies directly with asset or sales levels. Sales-based compensation decreased by \$59 million to \$36 million, due to commissions paid on the sales of investment products being capitalized in 2020 due to changes in how IG consultant commissions are paid. Other advisory and business development expenses decreased by \$8 million to \$199 million due to the reduction of certain costs due to COVID-19. These reductions were partially offset by an increase of asset-based compensation of \$49 million mainly due to increased average assets under advisement and compensation changes implemented in 2020.

Asset Management

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

Net earnings increased by \$12 million to \$234 million in the twelve-month period ended December 31, 2020, compared with the corresponding period in 2019, due to:

- An increase of net asset management fees, which is asset management fees offset by dealer compensation expenses, of \$10 million to \$614 million, mainly due to an increase of \$14 million in net asset management fees – third party, primarily due to an 8.5% increase in average assets

under management, partially offset by a decline in the effective net asset management fee rate. Mackenzie's net asset management fee rate was 71.8 basis points for the twelve months ended December 31, 2020, compared with 76.0 basis points in the comparative period in 2019. The decrease in the net asset management fee rate in the current period was due to a change in the composition of assets under management, including the impact of having a greater share in non-retail priced products. The increase in net asset management fees – third party is offset by a decline of \$4 million of management fees – Wealth Management, due to a 1.5% decline in average assets under management coupled with a decline in the effective management fee rate resulting from a change in the composition of assets under management; and

- A decrease in expenses of \$3 million to \$383 million, mainly due to a decrease in sub-advisory expenses of \$2 million and a decrease in operations and support expenses of \$1 million. Operations and support expenses includes costs associated with business operations, including technology and business processes, in-house investment management and product shelf management, corporate management and support functions. These expenses primarily reflect compensation, technology and other service provider expenses.

Partially offset by:

- A decrease in net investment income and other of \$1 million to \$3 million. Net investment income and other primarily includes investment returns related to Mackenzie's investments in proprietary funds, which are generally made in the process of launching a fund and are sold as third-party investors subscribe.

Assets under Management and Advisement

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

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

Total assets under management and advisement were as follows:

December 31 [In billions of dollars]	2020	2019
Wealth Management		
Assets under management	103.0	98.6
Other assets under advisement	29.6	26.3
Assets under advisement	132.6	124.9
Asset Management		
Assets under management excluding sub-advisory to Wealth Management	111.0	68.2
Sub-advisory to Wealth Management	75.8	73.6
Assets under management	186.8	141.8
Consolidated^[1]		
Assets under management	214.0	166.8
Other assets under advisement ^[2]	26.0	23.2
Total assets under management and advisement^[2]	240.0	190.0

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

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

Total average assets under management and advisement were as follows:

[In billions of dollars]	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Wealth Management								
Assets under advisement	128.3	124.3	117.1	121.9	123.2	121.2	120.9	117.1
Assets under management	100.4	97.7	91.9	96.2	97.3	95.8	95.6	92.3
Asset Management								
Assets under management excluding sub-advisory to Wealth Management	77.2	73.7	67.3	67.1	67.2	66.3	66.2	63.6
Total assets under management	150.9	145.8	135.6	138.5	140.2	139.2	139.8	135.7
Consolidated^[1]								
Assets under management	177.6	171.4	159.2	163.3	164.5	162.1	161.8	155.9
Assets under management and advisement ^[2]	202.2	194.9	181.5	186.0	187.4	184.7	184.2	177.8

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

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

Adjustments

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

Adjusted net earnings in 2020 exclude a positive earnings impact of \$1 million, consisting of:

- In the fourth quarter, IGM recognized a gain on the sale of the investment in the Quadrus Group of Funds to Lifeco net of acquisition costs, of \$21 million after tax (\$25 million pre-tax). The Corporation has not included the amount of the gain of \$30 million on the sale of Quadrus Group of Funds in its Adjustments as this gain was eliminated on consolidation.
- In the fourth quarter, a positive earnings impact of \$3 million, consisting of IGM's proportionate share of Lifeco's after-tax adjustments, related to the revaluation of a deferred tax asset less certain restructuring and transaction costs; and
- In the third quarter, a gain on the sale of the investment in Personal Capital of \$31 million after tax (\$37 million pre-tax). The Corporation has not included the amount of the gain on the sale of Personal Capital in its Adjustments as this gain was eliminated on consolidation. The Corporation recognized a gain as a result of the investment in Personal Capital being remeasured at fair value on the date control was acquired by Lifeco; this gain was not included as an Adjustment, in accordance with the Corporation's definition of Adjusted net earnings.

Offset by:

- In the third quarter, restructuring and other charges of \$54 million after tax (\$75 million pre-tax) resulting from IGM's ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also from the acquisition of GLC and other changes to IGM's investment management teams. This included activities to improve efficiency and capabilities by leveraging the scale and expertise of scaled providers through outsourcing partnerships, as well as process automation initiatives relating to key internal processes. As a result of these initiatives, IGM recorded costs relating to restructuring and downsizing activities as well as impairment of redundant internally generated software assets. During the third quarter, IGM also incurred severance and other charges relating to the acquisition of GLC as well as other personnel changes.

Adjusted net earnings in 2019 excluded a net charge of \$17 million, consisting of IGM's proportionate share of Lifeco's Adjustments in accordance with IGM's definition of Adjusted net earnings, of which \$9 million was recognized in the fourth quarter and \$8 million in the second quarter.

The information above has been derived from IGM's annual MD&A.

GBL

In the fourth quarter of 2020, following the merger of Parjointco SA and Pargesa (refer to the section "2020 Highlights"), Pargesa was delisted from the SIX and has therefore ceased to publish quarterly financial information. Accordingly, the Corporation has introduced the financial information publicly filed by GBL in this section, including the comparative information. The Contribution to Power Corporation in the first three quarters of 2020 is based on the adjusted and net earnings reported by Pargesa which include the Corporation's share of Pargesa's Adjustments. GBL does not identify Adjustments or report adjusted net earnings.

Contribution to Power Corporation

Twelve months ended December 31 [In millions of Canadian dollars]	2020	2019
Contribution to Power Corporation's ^[1] :		
Adjusted net earnings (loss)		
As reported by GBL ^[2]	89	181
Effect of consolidation ^[3]	(56)	49
	33	230
Adjustments ^[2]	(6)	(37)
Non-controlling interests of Power Financial	(33)	(68)
Net earnings (loss)	(6)	125

[1] In the twelve-month period ended December 31, 2020, Power Financial's average indirect ownership in GBL was 14.2% (13.9% in the corresponding period in 2019). The contributions to earnings from Power Financial for the periods prior and subsequent to the Reorganization are based on ownership of Power Financial of 64.1% and 100%, respectively (average direct ownership was 64.5% in the corresponding twelve-month period in 2019).

[2] Prior to the fourth quarter, the Contribution to the Corporation was based on the financial results of Pargesa which included Adjustments identified by Pargesa. As of the fourth quarter of 2020, the Contribution to the Corporation is based on the financial results reported by GBL.

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

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

Twelve months ended December 31 [In millions of Euros]	2020	2019
Share of earnings (loss) of associates and consolidated operating companies of:		
Imerys	16	66
Webhelp	27	(20)
Piolin II/Parques	(72)	(86)
Sienna Capital	38	40
	9	-
Net dividends from investments:		
SGS	108	87
LafargeHolcim	89	111
Pernod Ricard	53	62
GEA	13	13
Umicore	11	34
Total	-	36
adidas	-	43
Ontex	-	7
Other ^[1]	39	115
	313	508
Interest income (expenses)	(24)	4
Other financial income (expenses)	239	139
Other operating income (expenses)	(146)	(62)
Gains (losses) from disposals, impairments and reversals of non-current assets	1	116
Taxes	(1)	-
Net earnings (loss) ^{[2][3]}	391	705

[1] In 2020, mainly consists of a reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total in 2008 and between 2016 and 2018 (in 2019, mainly consists of reimbursements of withholding taxes relating to dividends received from Total and Engie between 2013 and 2016).

[2] Described as "IFRS consolidated net result" in GBL's public disclosure.

[3] Attributable to GBL shareholders.

2020 vs. 2019

Net earnings €391 million, compared with €705 million in the corresponding period in 2019, a decrease of 44.5%.

IAS 39 adjustments to the contribution of GBL

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

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

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

Twelve months ended December 31 [In millions of Canadian dollars]	2020	2019
Disposal of interest in Total ^[1]	45	-
Partial disposal of interest in adidas ^[2]	-	46
Partial disposal of interest in LafargeHolcim ^[3]	-	15
Impairment charges ^[4]	(52)	(8)
Disposal of private equity funds and other ^[5]	18	-
Reversal of unrealized (gains) losses on private equity funds and other ^[6]	(100)	(22)
Total	(89)	31

[1] During the second quarter of 2019, GBL sold substantially all of its 0.6% interest in Total through forward sales contracts, which matured in January 2020 and resulted in a gain. GBL's gain of €411 million was not reflected in its earnings as the investment is classified as FVOCI. Power Corporation's share of this realized gain was \$45 million.

[2] During the first and second quarters of 2019, a portion of the investment in adidas was disposed of, resulting in gains of €86 million and €247 million, respectively. These gains were not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share of the realized gain was \$12 million in the first quarter and \$34 million in the second quarter.

[3] During the fourth quarter of 2019, a portion of the investment in LafargeHolcim was disposed of, resulting in a gain from the reversal of previous impairments. The gain was not reflected in GBL's earnings as the investment is classified as FVOCI. Power Corporation's share was \$15 million.

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

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

[5] During the first and fourth quarters of 2020, Power Corporation recognized its share of gains on the sale of other investments in the amount of \$8 million and \$7 million, respectively. The gain in the first quarter resulted from the reversal of a previously recognized impairment. During the second and third quarters of 2020, the Corporation recognized its share of \$4 million and \$2 million, respectively, mainly related to an impairment on an investment held through a private equity fund. During the first quarter of 2020, an investment held through private equity funds, classified as FVPL in accordance with IFRS 9, was disposed of, resulting in a gain. Power Corporation's share of the realized gain in accordance with IAS 39 was \$9 million.

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

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

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

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

Results

Net earnings in the twelve-month period ended December 31, 2020 decreased by €314 million to €391 million, compared with the corresponding period in 2019. The decrease in net earnings was mainly due to:

- A decrease in the contribution from Imerys to net earnings of €50 million to €16 million at December 31, 2020;
- A negative contribution from Piolin II of €72 million at December 31, 2020, compared with a negative contribution of €86 million in the corresponding period in 2019, notably due to significant impairments recognized by Parques;
- A decrease in dividends of €195 million to €313 million, compared with €508 million in the corresponding period in 2019. An increase in dividends from SGS of €21 million due to the increase in equity interest was offset by a decrease in the dividends from LafargeHolcim of €22 million and Total of €36 million due to a decrease in the equity interests held. Dividends from other portfolio companies decreased by €82 million reflecting decisions to either temporarily suspend or reduce dividend payments due to the current market environment. Other dividends of €39 million mainly relate to the reimbursement of withholding taxes to be received from the French tax authorities relating to dividends received from Engie and Total in 2008 and between 2016 and 2018, compared with €107 million received in 2019;
- The contribution from Sienna Capital decreased by €2 million to €38 million;
- Net interest expenses were €24 million in 2020, compared with a net interest income of €4 million in 2019. Net interest expense includes interest expenses on outstanding institutional bonds and interest charges to GBL partially offset by interest income from Sienna Capital and default interest on withholding taxes discussed above;
- An increase in other operating expenses of €84 million to €146 million. Other operating expenses includes an expense of €73 million related to the increase in debt recorded under Webhelp's staff incentive plan due to the effect of discounting and vesting as well as overhead expenses related to Sienna Capital; and
- A decrease in gains (losses) from disposals, impairments and reversals of non-current assets of €115 million. In 2019, GBL recognized net gains on the sale of two investments held by Sienna Capital.

Partially offset by:

- An increase in other financial income of €100 million to €239 million, which includes the net increase in fair value of €392 million of Sienna Capital's investments in funds which are not consolidated or equity accounted, a positive impact from the mark to market of derivative held by GBL, partially offset by the net negative impact of marking to market the debt held by GBL to Webhelp's minority shareholders of €209 million; and
- A contribution of €27 million from Webhelp which was acquired at the end of 2019. The negative contribution to net earnings in 2019 of €20 million were related to GBL's share of transaction costs linked to the acquisition of Webhelp.

Adjustments

Adjustments are items excluded from net earnings in the determination of adjusted net earnings by Pargesa's management. The Contribution to the Corporation's adjusted and net earnings for the first three quarters of 2020 and the year ended December 31, 2019 includes the Corporation's share of Adjustments reported by Pargesa. GBL does not identify Adjustments or report adjusted net earnings.

Pargesa reported Adjustments of SF5 million, SF6 million and SF2 million in the first, second and third quarters, respectively, of 2020. Adjustments in 2020 totalled SF13 million, and mainly consisted of Pargesa's share of charges of Imerys, Parques and Webhelp.

Adjustments in 2019 were SF101 million, and mainly consisted of:

- Pargesa's share of Imerys' charges of SF49 million:
 - Charges of SF21 million relating to the implementation of a transformation program and charges related to the temporary shutdown of a U.S. plant, primarily recognized in the second quarter;
 - Charges of SF28 million relating to costs incurred by Imerys as part of its transformation program and depreciation of non-core assets due to the deconsolidation of the North American talc subsidiaries, recognized in the fourth quarter;
- Pargesa's share of Parques' charges of SF38 million: non-recurring expenses recorded by Parques, of which SF16 million was recognized in the third quarter and SF22 million in the fourth quarter; and
- Pargesa's share of SF11 million related to the contribution recognized by GBL following the acquisition of Webhelp, which primarily consists of GBL's share of transaction costs to complete the acquisition, recognized in the fourth quarter.

Average Exchange Rates

The average exchange rates for the twelve-month period ended December 31, 2020 and 2019 were as follows:

Twelve months ended December 31	2020	2019	Change %
Euro/CAD	1.530	1.486	3.0
SF/CAD	1.429	1.335	7.0

The information above has been derived from GBL's public disclosure.

ALTERNATIVE AND OTHER INVESTMENTS

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

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

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

Twelve months ended December 31	2020	2019
INVESTMENT PLATFORMS		
Sagard Holdings		
Asset management activities		
Management fees ^[1]	62	40
Investment platform expenses	(82)	(75)
	(20)	(35)
Net carried interest	17	4
	(3)	(31)
Investing activities (proprietary capital)		
Private equity and other strategies	39	10
Venture capital (fintech investments) ^[2]	(11)	(30)
	25	(51)
Power Sustainable		
Investing activities (proprietary capital)		
Power Pacific ^[3]	138	124
Power Energy (share of earnings)	(38)	(33)
Investment platform expenses ^[4]	(83)	(30)
	17	61
Income (loss) from investment platforms	42	10
Standalone businesses ^[5]	31	(76)
Other		
Investment and hedge funds	13	24
Other ^[6]	4	24
	17	48
Income (loss) from alternative and other investments	90	(18)

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

[2] Includes the Corporation's share of earnings (losses) of Wealthsimple and Koho (up to the date of deconsolidation on December 1, 2020). In 2020, includes the Corporation's share of the gain on deconsolidation of Koho of \$31 million and a charge of \$36 million related to the Corporation's share of the remeasurement of the put right liability of the non-controlling interests in Wealthsimple to fair value and carried interest payable. The increase in fair value of the Corporation's investment, held through Power Financial, in Portag3 I, Portag3 II, Koho and Wealthsimple was \$201 million in 2020 (\$20 million in 2019).

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

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

[5] Includes the increase in the fair value of the call right held by Power Sustainable to acquire additional equity interests in Lion which resulted in a gain of \$102 million, partially offset by an increase in amounts payable for long-term incentive plans and deferred taxes of \$47 million and the Corporation's share of Lion's net loss in the amount of \$35 million. The net loss of Lion includes charges related to their employee incentive plan and an increase in fair value of warrants. Includes the Corporation's share of earnings (losses) of IntegraMed (up to the date of deconsolidation on May 20, 2020), Lumenpulse, Lion, a jointly controlled corporation and associates.

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

Alternative and other investments' impairment charges were as follows:

Twelve months ended December 31	2020	2019
Sagard Holdings	24	-
Power Pacific	4	1
Standalone businesses	28	33
Investment and hedge funds	7	4
	63	38

Sagard Holdings

For the twelve-month period ended December 31, 2020, impairment charges were \$24 million, compared with nil for the same period in 2019. The impairment charges comprise a charge of \$6 million in the second quarter of 2020 and of \$18 million in the first quarter of 2020 related to the Corporation's share of an impairment charge on an investment held in the Sagard 3 Fund.

Power Pacific

For the twelve-month period ended December 31, 2020, impairment charges were \$4 million compared with \$1 million for the same period in 2019. Impairment charges in 2020 were due to a decline in equity values.

Standalone businesses

For the twelve-month period ended December 31, 2020, impairment charges were \$28 million, compared with \$33 million for the same period in 2019. Impairment charges comprise an impairment charge on an equity-accounted investment in the first quarter of 2020, due to a decline in equity values at the end of March 2020. Impairment charges in 2019 mainly related to an equity-accounted investment recognized in the third quarter. The impairment charges in 2019 exclude Sagard Holdings' share of an impairment charge recognized by IntegraMed in the fourth quarter for an amount of \$16 million (US\$13 million), which was included in Adjustments.

CHINA AMC

For the twelve-month period ended December 31, 2020, income from China AMC was \$42 million, compared with \$30 million in the same period in 2019.

CORPORATE OPERATIONS

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

Operating and other expenses

Summary of corporate operating and other expenses of the Corporation and Power Financial shown on a combined basis:

Twelve months ended December 31	2020	2019
Operating expenses ^[1]	145	185
Financing charges ^[2]	55	55
Depreciation	16	16
Income taxes ^[3]	(52)	(10)
	164	246

[1] Operating expenses in the twelve-month period ended December 31, 2020 includes a gain of \$11 million related to the curtailment of certain executives from the Corporation's pension plan and updated pension assumptions used for certain executives as well as a reduction in other operating expenses in conjunction with the Reorganization.

[2] Financing charges related to Power Financial were \$18 million in the twelve-month period ended December 31, 2020 and 2019.

[3] Includes the recognition of previously unrecognized deferred tax assets to offset deferred tax liabilities which have been recognized on unrealized gains in other comprehensive income.

ADJUSTMENTS (excluded from adjusted net earnings)

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

Twelve months ended December 31	2020	2019
Lifeco		
Actuarial assumption changes and other management actions	76	115
Market-related impacts on liabilities	(85)	(60)
Net gain (charge) on business dispositions	63	(128)
Transaction costs related to the acquisitions of Personal Capital and MassMutual	(52)	-
Revaluation of a deferred tax asset	131	(133)
Restructuring and integration charges	(56)	(24)
Share of IGM's adjustments	(1)	-
	76	(230)
IGM		
Restructuring and other charges	(34)	-
Transaction costs related to acquisition of GLC	(3)	-
Share of Lifeco's adjustments ^[1]	3	(9)
	(34)	(9)
GBL^[2]		
Imerys – Impairments, restructuring charges and other	(3)	(18)
Parques and other charges	(3)	(19)
	(6)	(37)
Alternative and other investments		
Recovery on deconsolidation of IntegraMed	27	-
Share of IntegraMed's goodwill impairment charge	-	(16)
	27	(16)
Corporate operations		
Reduction of income tax estimates	-	31
Reorganization charges	(8)	(9)
	(8)	22
Non-controlling interests of Power Financial		
	(4)	103
	51	(167)

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

[2] As previously reported by Pargesa.

Alternative and other investments

- In the fourth quarter of 2019, the Corporation's share of a goodwill impairment charge by IntegraMed was \$16 million (US\$13 million). In the second quarter of 2020, the Corporation's recovery on the deconsolidation of IntegraMed was \$27 million (US\$19 million).

Corporate operations

- During the fourth quarter of 2020, the Corporation recognized charges in conjunction with the Reorganization of \$14 million related to the impairment of certain leasehold improvements and property-related right of use assets partially offset by a gain recorded in the fourth quarter of \$6 million on the disposal of a property.
- During the fourth quarter of 2019, Power Financial incurred \$9 million of costs related to the Reorganization, primarily related to legal and financial advisor fees.
- In the third quarter of 2019, adjustments of \$31 million related to a favourable change to income tax provision estimates.

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

Financial Position

CONSOLIDATED BALANCE SHEETS (condensed)

The condensed balance sheets of Lifeco, IGM and the investment platforms and other, as well as Power Corporation's and Power Financial's combined non-consolidated balance sheet ("Corporate"), are presented below. This table reconciles the non-consolidated balance sheet, which is not in accordance with IFRS, with the condensed consolidated balance sheet of the Corporation at December 31, 2020.

December 31	Lifeco	IGM	Investment Platforms and Other ⁽¹⁾	Corporate	Effect of consolidation	Power Corporation Consolidated balance sheets	
						2020	2019
ASSETS							
Cash and cash equivalents	7,946	772	545	1,226	(449)	10,040	6,805
Investments	190,633	6,964	1,271	4,082	(2,965)	199,985	173,057
Investments in:							
Power Financial, Lifeco and IGM	354	962	–	17,304	(18,620)	–	–
Parjointco	–	–	–	4,216	–	4,216	3,954
Other ⁽²⁾	65	969	331	–	948	2,313	1,939
Funds held by ceding insurers	18,383	–	–	–	–	18,383	8,714
Reinsurance assets	22,121	–	–	–	–	22,121	20,707
Other assets	12,565	2,270	2,860	280	(203)	17,772	14,885
Intangible assets	4,285	1,322	704	2	(34)	6,279	5,843
Goodwill	10,106	2,803	441	–	613	13,963	10,324
Investments on account of segregated fund policyholders	334,032	–	–	–	–	334,032	231,022
Total assets	600,490	16,062	6,152	27,110	(20,710)	629,104	477,250
LIABILITIES							
Insurance and investment contract liabilities	218,047	–	–	–	–	218,047	176,177
Obligations to securitization entities	–	6,174	–	–	–	6,174	6,914
Power Corporation's debentures and other debt instruments	–	–	–	756	–	756	683
Non-recourse debentures and other debt instruments ⁽³⁾	9,693	2,100	1,344	250	(88)	13,299	9,255
Other liabilities	11,703	2,745	1,993	1,067	555	18,063	16,614
Insurance and investment contracts on account of segregated fund policyholders	334,032	–	–	–	–	334,032	231,022
Total liabilities	573,475	11,019	3,337	2,073	467	590,371	440,665
EQUITY							
Perpetual preferred shares	–	–	–	2,830	(2,830)	–	–
Non-participating shares	2,714	–	–	956	(2,714)	956	960
Participating shareholders' equity	21,314	4,994	2,596	21,251	(28,904)	21,251	13,214
Non-controlling interests ⁽⁴⁾⁽⁵⁾	2,987	49	219	–	13,271	16,526	22,411
Total equity	27,015	5,043	2,815	25,037	(21,177)	38,733	36,585
Total liabilities and equity	600,490	16,062	6,152	27,110	(20,710)	629,104	477,250

[1] Includes consolidated investment funds, Wealthsimple and Power Energy.

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

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

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

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

Total assets of the Corporation increased to \$629.1 billion at December 31, 2020, compared with \$477.3 billion at December 31, 2019, primarily due to the MassMutual and Personal Capital acquisitions in 2020 as well as market movement, partially offset by the sale of IPSI by Lifeco and currency movement. The MassMutual transaction added \$115 billion of total assets to Lifeco's balance sheet.

Liabilities increased to \$590.4 billion at December 31, 2020, compared with \$440.7 billion at December 31, 2019, mainly due to the following, as disclosed by Lifeco:

- Insurance and investment contract liabilities increased by \$41.9 billion, primarily due to an increase of \$27.3 billion from the acquisition of the MassMutual retirement services business, the impact of new business and fair value adjustments.
- Investment and insurance contracts on account of segregated fund policyholders increased by \$103.0 billion, primarily due to an increase of \$84.8 billion from the acquisition of the MassMutual retirement services business, the combined impact of market value gains and investment income of \$12.1 billion and the impact of currency movement of \$3.9 billion.

NON-CONSOLIDATED BALANCE SHEETS

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

December 31	2020	2019
ASSETS		
Cash and cash equivalents ^[1]	1,226	1,392
Investment in:		
Lifeco	14,451	13,654
IGM	2,853	2,729
GBL ^[2]	4,216	3,954
Alternative and other investments ^[3]	3,367	2,678
China AMC	715	658
Other assets ^[4]	282	360
Total assets	27,110	25,425
LIABILITIES		
Debentures and other debt instruments ^[5]	1,006	933
Other liabilities	1,067	1,024
Total liabilities	2,073	1,957
EQUITY		
Perpetual preferred shares	2,830	2,830
Non-participating shares	956	960
Participating shareholders' equity	21,251	13,214
Total equity	25,037	17,004
Non-controlling interest	–	6,464
Total liabilities and equity	27,110	25,425

[1] Cash equivalents include \$544 million (\$309 million at December 31, 2019) of fixed income securities with maturities of more than three months. In accordance with IFRS, these are classified as investments in the Consolidated Financial Statements.

[2] Indirectly held through Parjointco.

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

[4] Includes \$83 million of dividends declared in the fourth quarter by IGM and received by Power Financial on January 29, 2021 (same as at December 31, 2019).

[5] Includes Power Financial's debentures of \$250 million at December 31, 2020 (same as at December 31, 2019).

Cash and cash equivalents

Cash and cash equivalents held by the Corporation and Power Financial amounted to \$1,226 million at December 31, 2020, compared with \$1,392 million at the end of December 2019 (see "Non-Consolidated Statements of Cash Flows" below for details).

The cash and cash equivalents held by Sagard Holdings and Power Pacific amounted to \$280 million at December 31, 2020 (\$193 million at December 31, 2019) and are included in the carrying amount of the investment platform.

Investments

Investments in Lifeco, IGM and Parjointco (at equity)

The table below presents a continuity of the investments in Lifeco, IGM and GBL, which are presented using the equity method for the purposes of the non-consolidated presentation; this presentation is not in accordance with IFRS. The carrying value of the investments in Lifeco, IGM and GBL, accounted for using the equity method, increased to \$21,520 million at December 31, 2020, compared with \$20,337 million at December 31, 2019:

	Lifeco	IGM	GBL ^[1]	Total
Carrying value, at the beginning of the year	13,654	2,729	3,954	20,337
Share of adjusted net earnings	1,792	455	33	2,280
Share of adjustments	76	(34)	(6)	36
Share of other comprehensive income (loss)	(5)	2	320	317
Dividends	(1,087)	(333)	(88)	(1,508)
Other ^[2]	21	34	3	58
Carrying value, at December 31, 2020	14,451	2,853	4,216	21,520

[1] Indirectly held through Parjointco.

[2] Other includes the impact of the Reorganization of Pargesa, which results in an increase in retained earnings of \$19 million.

Alternative and other investments

Alternative and other investments are comprised of the following investments:

	2020	2019
Carrying value, as at December 31		
Sagard Holdings		
Asset management companies	163	153
Investments ^[1]	825	689
Power Sustainable		
Power Pacific ^[2]	1,142	739
Power Energy ^[2]	427	325
Other		
Standalone businesses	563	523
Other ^[3]	247	249
	3,367	2,678

[1] Includes Power Financial's investments in Portag3 I, Portag3 II, Wealthsimple and Koho.

[2] Includes investment platform management activities.

[3] Includes portfolio investments in private investment funds and a select number of hedge funds. These investments are classified as available for sale and are carried at fair value. At December 31, 2020, the Corporation had outstanding commitments to make future capital contributions to these funds for an aggregate amount of \$37 million.

Investment in China AMC

The carrying value of Power Corporation's investment in China AMC was \$715 million at December 31, 2020, compared with \$658 million at December 31, 2019.

Carrying value, at the beginning of the year	658
Dividends	(14)
Share of net earnings	42
Share of other comprehensive income	29
Carrying value, at December 31, 2020	715

China AMC's total assets under management, excluding subsidiary assets under management, were RMB¥1,461 billion (C\$285 billion) at December 31, 2020, compared with RMB¥1,032 billion (C\$192 billion) at December 31, 2019.

EQUITY**Non-participating shares**

Non-participating (preferred) shares of the Corporation consist of six series of First Preferred Shares with an aggregate stated capital of \$956 million at December 31, 2020 (\$960 million at December 31, 2019), of which \$950 million are non-cumulative. All series are perpetual preferred shares and are redeemable in whole or in part solely at the Corporation's option from specified dates.

The terms and conditions of the outstanding First Preferred Shares are described in Note 18 to the Corporation's 2020 Consolidated Financial Statements.

Participating shareholders' equity

Participating shareholders' equity was \$21,251 million at December 31, 2020, compared with \$13,214 million at December 31, 2019:

Twelve months ended December 31	2020	2019
Participating shareholders' equity, at the beginning of the year	13,214	14,104
Changes in participating shares		
Issuance of subordinate voting shares in acquisition of non-controlling interests of Power Financial	8,687	-
Issuance of participating preferred shares	206	-
Purchase for cancellation of subordinate voting shares under NCIB	(110)	-
Issuance of subordinate voting shares (1,497,952 shares in 2020 and 1,422,502 shares in 2019) under the Corporation's Executive Stock Option Plan	48	33
	8,831	33
Changes in retained earnings		
Net earnings before dividends on non-participating shares	2,046	1,160
Dividends declared	(1,263)	(920)
Acquisition of non-controlling interests in Power Financial	(2,847)	-
Transaction costs on acquisition of non-controlling interests in Power Financial	(46)	-
Purchase for cancellation of subordinate voting shares under NCIB	(83)	-
Repurchase of subordinate voting shares under PCC SIB	-	(1,350)
Effects of changes in capital and ownership of subsidiaries, and other ^[1]	64	143
	(2,129)	(967)
Changes in reserves		
Other comprehensive income (loss)		
Foreign currency translation adjustments	15	(321)
Investment revaluation and cash flow hedges	316	160
Actuarial gains (losses) on defined benefit plans	(137)	(87)
Share of Parjointco and other jointly controlled corporations and associates	413	264
Reattribution on acquisition of non-controlling interests of Power Financial	647	-
Share-based compensation, including the effect of subsidiaries ^[2]	81	28
	1,335	44
Participating shareholders' equity, at December 31	21,251	13,214

[1] Mainly relates to effects of changes in ownership on Parjointco's interest in GBL and Power Financial's ownership in Wealthsimple.

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

The book value per participating share of the Corporation was \$31.38 at December 31, 2020, compared with \$30.98 at the end of 2019.

Outstanding number of participating shares

At the date hereof, there were 54,860,866 participating preferred shares of the Corporation outstanding, compared with 48,854,772 at December 31, 2019, and 621,703,526 subordinate voting shares of the Corporation outstanding, compared with 377,614,607 at December 31, 2019.

As part of the Reorganization, the Corporation assumed the Power Financial Employee Stock Option Plan. The 13,079,888 options outstanding at February 13, 2020 under Power Financial's Employee Stock Option Plan were exchanged for 13,733,786 options to acquire subordinate voting shares of the Corporation (Replacement Options). The Replacement Options each entitle the option holders to receive 1.05 subordinate voting shares of the Corporation.

At the date hereof, options were outstanding to purchase up to an aggregate of 30,253,897 subordinate voting shares of the Corporation, which includes 12,154,754 subordinate voting shares issuable pursuant to Replacement Options, under the Corporation's Executive Stock Option Plan and the Power Financial Employee Stock Option Plan.

Reorganization

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

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

Normal Course Issuer Bid

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

During the first quarter of 2020, the Corporation purchased for cancellation 7,352,500 Subordinate Voting Shares pursuant to its NCIB at a price of \$193 million. The Corporation's share capital was reduced by the average

carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$83 million and was recognized as a reduction to retained earnings. At the end of March 2020, in light of the market environment, the Corporation temporarily suspended its share buybacks and did not make any further purchases before the expiry of this NCIB.

Subsequent event

On February 25, 2021, the Corporation commenced a 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 this bid, 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. The Corporation decided to commence share buybacks at the end of February 2021 to offset dilution from the exercise of employee stock options. At March 17, 2021, the Corporation has repurchased 1,160,000 subordinate voting shares at a price of \$36 million.

Substantial issuer bids

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

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

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

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

Net Asset Value

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

- Investments in publicly traded companies are valued at their market value, measured as the closing share price on the reporting date;

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

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

The Corporation's net asset value per share is presented on a look-through basis. The combined non-consolidated balance sheets of Power Corporation and Power Financial include the investments held in public entities through Power Financial (Lifeco, IGM and GBL), and the net debt and preferred shares of Power Financial. The net asset value per share was \$41.27 at December 31, 2020, compared with \$34.94 at September 30, 2020, representing an increase of 18.1%. The net asset value per share was \$44.98 at December 31, 2019.

December 31	2020			2019		
	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value	Combined non-consolidated balance sheet	Fair value adjustment	Net asset value
ASSETS						
Investments						
Power Financial ^[1]						
Lifeco	14,451	4,374	18,825	13,654	6,976	20,630
IGM	2,853	2,252	5,105	2,729	2,786	5,515
GBL ^[2]	4,216	(1,346)	2,870	3,954	(1,413)	2,541
Alternative and other investments						
Sagard Holdings						
Asset management companies ^[3]	163	–	163	153	–	153
Investments ^[4]	825	310	1,135	689	126	815
Power Sustainable						
Power Pacific	1,142	–	1,142	739	–	739
Power Energy	427	303	730	325	320	645
Other						
Standalone businesses ^[5]	563	788	1,351	523	173	696
Other	247	19	266	249	51	300
China AMC ^[6]	715	–	715	658	–	658
Cash and cash equivalents	1,226	–	1,226	1,392	–	1,392
Other assets	282	–	282	360	–	360
Total assets	27,110	6,700	33,810	25,425	9,019	34,444
LIABILITIES AND NON-PARTICIPATING SHARES						
Debentures and other debt instruments	1,006	–	1,006	933	–	933
Other liabilities ^[7]	1,067	–	1,067	1,024	–	1,024
Non-participating shares and perpetual preferred shares	3,786	–	3,786	3,790	–	3,790
Total liabilities and non-participating shares	5,859	–	5,859	5,747	–	5,747
Non-controlling interests	–	–	–	6,464	3,050	9,514
	5,859	–	5,859	12,211	3,050	15,261
NET VALUE						
Participating shareholders' equity/Net asset value	21,251	6,700	27,951	13,214	5,969	19,183
Per share	31.38		41.27	30.98		44.98

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

[2] The Pargesa reorganization was completed in the fourth quarter of 2020 and Pargesa was delisted from the SIX; the fair value at December 31, 2019 was based on the market value of Pargesa. The fair value based on the market value of GBL at December 31, 2019 was \$3,032 million.

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

[4] Includes the Corporation's investments in Portag3 I, Portag3 II, Wealthsimple and Koho, held by Power Financial.

[5] At December 31, 2020, the investment in Lion was valued based on the subscription price of US\$10.00 per share for the private placement of common shares announced as part of the merger transaction with Northern Genesis Acquisition Corp.

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

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

Investments measured at market value and cash represent 87.3% of the total assets at fair value at December 31, 2020 (83.9% at December 31, 2019). A 10% change in the market value of publicly traded investments would result in a change in the Corporation's net asset value of \$2,798 million or \$4.13 per share.

Cash Flows

CONSOLIDATED STATEMENTS OF CASH FLOWS (condensed)

The condensed cash flows of Lifeco, IGM and the Corporation's investment platforms, as well as Power Corporation's and Power Financial's non-consolidated cash flows on a combined basis, are presented below. This table reconciles the non-consolidated statement of cash flows, which is not in accordance with IFRS, to the condensed consolidated statement of cash flows of the Corporation for the twelve-month period ended December 31, 2020.

Twelve months ended December 31	Lifeco	IGM	Investment Platforms and Other ^[1]	Corporate	Effect of consolidation	Power Corporation Consolidated	
						2020	2019
Cash flows from:							
Operating activities	9,610	737	(13)	1,299	(1,532)	10,101	6,621
Financing activities	2,010	(1,358)	1,117	(1,270)	1,139	1,638	(4,631)
Investing activities	(8,202)	673	(849)	(195)	158	(8,415)	(1,478)
Effect of changes in exchange rates on cash and cash equivalents	(100)	–	11	–	–	(89)	(148)
Increase (decrease) in cash and cash equivalents	3,318	52	266	(166)	(235)	3,235	364
Cash and cash equivalents, at the beginning of the year	4,628	720	374	1,392	(309)	6,805	6,441
Cash and cash equivalents, at December 31	7,946	772	640	1,226	(544)	10,040	6,805

[1] Includes consolidated investment funds, Wealthsimple and Power Energy.

Consolidated cash and cash equivalents increased by \$3,235 million in the twelve-month period ended December 31, 2020, compared with an increase of \$364 million in the corresponding period in 2019.

Operating activities produced a net inflow of \$10,101 million in the twelve-month period ended December 31, 2020, compared with a net inflow of \$6,621 million in the corresponding period in 2019.

Cash flows from financing activities, which include the issuance and repayment of capital instruments, repurchase of shares pursuant to the Lifeco SIB, the PFC SIB and the PCC SIB, the repurchase of participating shares, issuance of participating preferred shares, dividends paid on the participating and non-participating shares of the Corporation, and dividends paid by subsidiaries to non-controlling interests, represented a net inflow of \$1,638 million in the twelve-month period ended December 31, 2020, compared with a net outflow of \$4,631 million in the corresponding period in 2019.

Cash flows from investing activities resulted in a net outflow of \$8,415 million in the twelve-month period ended December 31, 2020, compared with a net outflow of \$1,478 million in the corresponding period in 2019.

The Corporation increased its level of fixed income securities with maturities of more than three months, resulting in a net outflow of \$235 million in the twelve-month period ended December 31, 2020, compared with a net inflow of \$65 million in the corresponding period in 2019.

Refer to Lifeco's and IGM's annual MD&As for a discussion of their respective cash flows.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

Twelve months ended December 31	2020	2019
OPERATING ACTIVITIES		
Dividends		
Lifeco ^[1]	1,087	1,045
IGM	333	333
GBL ^[2]	88	80
China AMC	14	10
Corporate operations, net of non-cash items ^[3]	(223)	(151)
	1,299	1,317
FINANCING ACTIVITIES		
Dividends paid on:		
Non-participating shares	(52)	(52)
Participating shares	(1,081)	(695)
Perpetual preferred shares	(138)	(139)
Common shares	(108)	(436)
Issuance of participating preferred shares	206	-
Issuance of subordinate voting shares	42	30
Repurchase of subordinate voting shares	(193)	-
Repurchase of non-participating shares	(4)	(2)
Repurchase of shares under SIBs ^[1]	-	(1,600)
Changes in other debt instruments	63	36
Share repurchase expense and other	(5)	(15)
	(1,270)	(2,873)
INVESTING ACTIVITIES		
Distributions and proceeds from disposal of investments	212	165
Purchase of investments	(371)	(299)
Acquisition of Power Financial non-controlling interests including transaction costs paid	(48)	-
Proceeds from tender of shares under SIBs ^[1]	-	1,652
Other ^[4]	12	1
	(195)	1,519
Increase (decrease) in cash and cash equivalents	(166)	(37)
Cash and cash equivalents, at the beginning of the year	1,392	1,429
Cash and cash equivalents, at December 31	1,226	1,392

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

[2] Held through Parjointco.

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

[4] Includes proceeds received from the sale of property by the Corporation.

On a non-consolidated basis, cash and cash equivalents of the Corporation and Power Financial decreased by \$166 million in the twelve-month period ended December 31, 2020, compared with a decrease of \$37 million in the corresponding period in 2019.

Operating activities resulted in a net inflow of \$1,299 million in the twelve-month period ended December 31, 2020, compared with a net inflow of \$1,317 million in the corresponding period in 2019. Dividends paid by the publicly traded operating companies include:

Twelve months ended December 31 [In millions of Canadian dollars; except as otherwise noted]	2020		2019	
	Dividend per share	Total dividend received	Dividend per share	Total dividend received
Lifeco	1.752	1,087	1.652	1,045
IGM	2.25	333	2.25	333
Pargesa ^[1]	SF2.63	SF61	SF2.56	SF60

[1] Total dividend received from Pargesa of \$88 million for the period ended December 31, 2020 and \$80 million for the period ended December 31, 2019.

The Corporation's financing activities during the twelve-month period ended December 31, 2020 were a net outflow of \$1,270 million, compared with a net outflow of \$2,873 million in the corresponding period in 2019, and included:

- Dividends paid on non-participating and participating shares by the Corporation of \$1,133 million, compared with \$747 million in the corresponding period in 2019. In the twelve-month period ended December 31, 2020, dividends paid on the Corporation's participating shares were \$1.7475 per share, compared with \$1.5970 per share in the corresponding period in 2019.
- Dividends paid on preferred and common shares by Power Financial net of those received by the Corporation, of \$246 million, compared with \$575 million in the corresponding period in 2019.
- Issuance of participating preferred shares for \$206 million, as part of the Reorganization, compared with no issuance of participating preferred shares in the corresponding period in 2019.
- Repurchase of \$193 million of subordinate voting shares as part of the NCIB in the first quarter of 2020, compared with no repurchase in the corresponding period in 2019.

- No repurchases of shares under SIBs, compared with a repurchase of subordinate voting shares pursuant to the PCC SIB and repurchase of common shares pursuant to the PFC SIB representing a net amount of \$1,600 million in the corresponding period in 2019.

- Increase in other debt instruments of \$63 million, compared with \$36 million in the corresponding period in 2019.

- Issuance of subordinate voting shares of the Corporation for \$42 million pursuant to the Corporation's Executive Stock Option Plan, compared with issuance for an amount of \$30 million in the corresponding period in 2019.

The Corporation's investing activities during the twelve-month period ended December 31, 2020 were a net outflow of \$195 million, compared with a net inflow of \$1,519 million in the corresponding period in 2019. Investing activities in the corresponding period in 2019 included proceeds received from participating in the PFC SIB and Lifeco SIB representing a net amount of \$1,652 million.

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

Capital Management

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

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

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

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

With the exception of debentures and other debt instruments, the Corporation's capital is permanent, matching the long-term nature of its investments. The capital structure of the Corporation consists of: debentures, non-participating shares, participating shareholders' equity, and non-controlling interests. The Corporation views non-participating shares as a cost-effective source of permanent capital.

The Corporation's consolidated capitalization includes the debentures, preferred shares and other debt instruments issued by its consolidated subsidiaries. Debentures and other debt instruments issued by Power Financial, Lifeco, IGM and controlled investments are non-recourse to the Corporation. The Corporation does not guarantee debt issued by its subsidiaries. Non-participating shares and total equity accounted for 73% of consolidated capitalization at December 31, 2020.

December 31	2020	2019
DEBENTURES AND OTHER DEBT INSTRUMENTS		
Power Corporation	756	683
Power Financial	250	250
Lifeco	9,693	5,993
IGM	2,100	2,100
Other ^[1]	1,344	1,013
Consolidation adjustments	(88)	(101)
	13,299	9,255
	14,055	9,938
NON-PARTICIPATING SHARES		
Power Corporation	956	960
Power Financial	2,830	2,830
Lifeco	2,714	2,714
	5,544	5,544
	6,500	6,504
EQUITY		
Participating shareholders' equity	21,251	13,214
Non-controlling interests ^[2]	10,982	16,867
	32,233	30,081
	52,788	46,523

[1] Includes other debt instruments of controlled and consolidated investments and standalone businesses; consists of \$28 million (\$8 million in 2019) of debt under revolving credit facilities held by the investment funds, \$1,176 million (\$730 million in 2019) of project related debt held by renewable energy subsidiaries, and \$140 million (\$275 million in 2019) of other debt held by standalone businesses. The other debt instruments are secured by the assets of the controlled investments which are non-recourse to the Corporation. See Note 15(B) to the Corporation's 2020 Consolidated Financial Statements for more information.

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

POWER CORPORATION

- The Corporation filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, the Corporation may issue up to an aggregate of \$5 billion of First Preferred Shares, subordinate voting shares, subscription receipts and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis.
- As part of the Reorganization, the Corporation issued 6,006,094 participating preferred shares on February 12, 2020 for consideration of \$206 million and 250,628,173 subordinate voting shares on February 13, 2020. Refer to the section "2020 Highlights" for more information.
- The Corporation commenced a NCIB on February 25, 2021 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. Refer to the section "Participating Shareholders' Equity" for more information.

POWER FINANCIAL

- Power Financial filed a short-form base shelf prospectus dated November 23, 2020, pursuant to which, for a period of 25 months thereafter, Power Financial may issue up to an aggregate of \$3 billion of First Preferred Shares and unsecured debt securities, or any combination thereof. This filing provides the Corporation with the flexibility to access debt and equity markets on a timely basis through Power Financial.

LIFECO

- On May 14, 2020, Lifeco issued \$600 million of 10-year 2.379% debentures at par, maturing on May 14, 2030. The net proceeds were used by Lifeco to repay the principal amount of its maturing 4.65% \$500 million debentures, together with accrued interest, on August 13, 2020 and for general corporate purposes.
- On July 8, 2020, Lifeco issued \$250 million of 30-year 2.981% debentures at par, maturing on July 8, 2050. On July 13, 2020, Lifeco reopened the 2.981% debenture offering due July 8, 2050 and on July 15, 2020, issued an additional \$250 million aggregate principal amount. The July 15, 2020 debentures were issued at a price of \$986.31 per \$1,000 principal amount value for an effective yield of 3.051%. The net proceeds are being used by Lifeco for general corporate purposes.

- On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of Lifeco, issued \$663 million (US\$500 million) 0.904% senior notes due August 12, 2025. The net proceeds were used by Lifeco to finance a portion of its acquisition in Personal Capital.
- On September 17, 2020, Empower Finance 2020, LP, a subsidiary of Lifeco, issued \$526 million (US\$400 million) 1.357% senior notes due September 17, 2027, \$526 million (US\$400 million) 1.776% senior notes due March 17, 2031 and \$921 million (US\$700 million) 3.075% senior notes due September 17, 2051. Lifeco used the net proceeds to finance a portion of its acquisition of the retirement services business of MassMutual and the fees, expenses and costs incurred in connection with the transaction.
- On November 2, 2020, Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, established a 1-year \$635 million (US\$500 million) revolving credit facility with interest on the drawn balance equal to the LIBOR rate plus 1.0%. The facility was fully drawn as at December 31, 2020 as part of the MassMutual retirement services business acquisition financing plan. Lifeco intends to pay down the drawn amount during 2021.

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. See Note 21 to the Corporation's 2020 Consolidated Financial Statements for additional information.

Lifeco's and IGM's annual MD&As further describe their respective capital management activities.

RATINGS

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

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

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

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

The current rating by S&P of Power Financial's debentures is "A+" with a stable outlook. DBRS' current rating on Power Financial's debentures is "A (High)" with a stable trend.

Risk Management

Power Corporation is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses including a portfolio of alternate asset investment platforms. The Corporation, through Power Financial, holds a controlling interest in Lifeco and IGM and also holds a joint controlling interest in Parjointco, which itself holds a controlling interest in GBL. As a result, the Corporation bears the risks associated with being a significant shareholder of these operating companies. A complete description of these risks is presented in their public disclosures. The respective boards of directors of Lifeco, IGM and GBL are responsible for the risk oversight function at their respective companies. The risk committee of the board of directors of Lifeco and IGM are responsible for its risk oversight. Certain officers of the Corporation are members of these boards and committees of these boards, including the risk committees, and, consequently, in their role as directors, they participate in the risk oversight function at the operating companies.

For additional information on risks related to Lifeco and IGM, refer to their annual MD&As.

RISK OVERSIGHT

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

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

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

There are certain risks inherent in an investment in the securities of the Corporation and in the activities of the Corporation, including the following risks and others discussed elsewhere in the review of financial performance, which investors should carefully consider before investing in securities of the Corporation. The following is a review of certain risks that could impact the financial condition and financial performance, and the value of the equity of the Corporation. This description of risks does not include all possible risks, and there may be other risks of which the Corporation is not currently aware.

The following section discusses the risks specific to the Corporation including the liquidity risk, credit risk and market risk of the Corporation including Power Financial and the investment platforms.

For additional information on risk management at Lifeco and IGM, refer to their annual MD&As.

COVID-19

The Corporation is managing the risks associated with the COVID-19 pandemic utilizing its existing risk management framework. At Power Corporation and its group companies, the focus has continued to be on managing the safety and well-being of its people, maintaining operational effectiveness, ensuring that the group can serve its customers, assessing impacts on earnings, liquidity and capital, planning for different potential scenarios and engaging with stakeholders. The respective boards of directors of Lifeco, IGM, and GBL are responsible for the governance structures and processes to oversee the management of the risk and potential impacts presented by the current economic slowdown and other potential consequences due to COVID-19.

For additional information on the risks and processes in place at Lifeco and IGM, refer to their annual MD&As.

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

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

The Corporation is monitoring its liquidity and capital. The Corporation held \$1.2 billion of cash and cash equivalents, including fixed income securities, and amounts held by Power Financial at December 31, 2020 and has no material debt maturities in the near term.

As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries, investment platforms and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations as well as specific guidance from regulators during the COVID-19 pandemic. The overall level of regulatory engagement with Lifeco's regulated subsidiaries has moderated somewhat to reflect the more stable conditions. However, regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. Lifeco is adhering to the guidance provided by regulators as follows:

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

IGM's subsidiaries are also subject to minimum capital requirements. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends.

The declaration and payment of dividends by the Corporation in future periods remains at the discretion of its Board of Directors and is dependent on the operating performance, profitability, financial position and creditworthiness of its operating subsidiaries, investment platforms and other investments, as well as on their ability to pay dividends which in turn will depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Corporation currently expects that its ability to pay dividends at current levels will not be adversely impacted.

The duration and impact of the COVID-19 pandemic is unknown at this time. While the conditions have become more stable, governments and central banks in the jurisdictions in which the Corporation and its operating subsidiaries operate have implemented and extended many of the measures introduced earlier in 2020 to deal with the economic impacts of the COVID-19 pandemic; however, the depth and length of the recession, rollout and efficacy of vaccines, and durability and effectiveness of government and central bank interventions are unknown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

STRATEGIC RISK

Strategic risk arises as a result of ineffective strategic decision making, inadequate strategies or a lack of responsiveness to important changes to the business environment, including macroeconomic or country risk events, or changes to the regulatory environment. In addition, strategic risk includes risks associated with the Corporation's holding company structure and potential future acquisitions.

The successful execution of the Corporation's investment strategy is uncertain as it requires suitable opportunities, careful timing and business judgment. The Corporation's approach consists in overseeing, through the Board of Directors, its operating businesses and investments with a view to generate long-term, sustainable growth in earnings and dividends. The Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

The Chief Executive Officer is responsible for developing the Corporation's proposed strategic plans, in light of emerging opportunities and risks and with a view to the Corporation's sustained profitable growth and long-term value creation, and for implementing the approved strategic plans. The Board of Directors is responsible for approving the long-term goals and objectives for the Corporation; and, after considering alternatives, approving the strategic plans developed by the Chief Executive Officer. The Board of Directors also monitors senior management's implementation of the approved plans; assesses the achievement of the Corporation's goals and objectives; reviews and approves on at least an annual basis management's financial plan; and reviews and approves any significant transactions and strategic capital management decisions regarding the Corporation.

LIQUIDITY RISK

Liquidity risk is the risk that the Corporation 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.

As a holding company, Power Corporation's ability to meet its obligations, including payment of interest, other operating expenses and dividends, and to complete current or desirable future enhancement opportunities or acquisitions generally depends upon dividends from its principal subsidiaries and other investments, and its ability to raise additional capital. Dividends to shareholders of Power Corporation are dependent on the operating performance, profitability, financial position and creditworthiness of its subsidiaries, jointly controlled corporations and associates, as well as on their ability to pay dividends. The payment of interest and dividends by the Corporation's principal subsidiaries is subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained (refer to further discussion in the "COVID-19" section).

The Corporation makes certain investments through its investment platforms in the securities of private companies and illiquid securities. These investments may offer relatively high potential returns, but may also be subject to a relatively higher degree of risk. From time to time, it may be in the best interests of the Corporation to exit these investments. However, securities of private companies and illiquid securities may not have a ready market and the Corporation may be unable to sell such securities at acceptable prices on a timely basis or at all. Illiquidity may limit the Corporation's ability to realize a return or to vary components of its investment portfolio promptly in response to changing conditions. In some cases, the Corporation may also be restricted by contract or by applicable laws from selling such securities for a period of time. The valuation of private companies is inherently difficult because there is a certain level of uncertainty in the assumptions used to determine the fair value of these investments.

The Corporation and Power Financial regularly review their liquidity requirements and seek to maintain a sufficient level of liquidity to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, including through Power Financial, to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance of the Corporation and its subsidiaries. Although the Corporation has been able to access capital on financial markets in the past, there can be no assurance this will be possible in the future. The inability of Power Corporation to access sufficient capital on acceptable terms could have a material adverse effect on Power Corporation's business, prospects, dividend paying capability and financial condition, and further enhancement opportunities or acquisitions.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of \$250 million and an uncommitted line of credit of \$100 million in which advances are at the banks' sole discretion. At December 31, 2020, an amount of €70 million (C\$110 million) was drawn on the committed line of credit and the uncommitted line of credit was not utilized.

The investment platforms including the controlled and consolidated investments have committed lines of credit of \$400 million with Canadian and U.S. banks (\$372 million was undrawn at December 31, 2020). Subsequent to year-end, Sagard 4 entered into a €100 million non-recourse credit facility with interest equal to LIBOR plus 1.70%. The credit facility is secured by the assets and unfunded commitments of Sagard 4.

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM) represent the only significant contractual liquidity requirements. The debt instruments of Power Financial as well as those held by the investment platforms, including the controlled and consolidated investments, are non-recourse to the Corporation.

December 31, 2020	Payments due by period			
	Less than 1 year	1-5 years	After 5 years	Total
Debentures and other debt instruments	320	367	1,688	2,375
Future lease payments	20	43	112	175
Pension contributions	5	–	–	5
	345	410	1,800	2,555

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.

Power Corporation's management of liquidity risk has not changed materially since December 31, 2019.

CREDIT RISK AND MARKET RISK

In order to maintain an appropriate level of available liquidity, the Corporation maintains a portfolio of financial instruments which can be a combination of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, investment funds and hedge funds) and derivatives. The Corporation also holds, through Power Financial and its investment platforms, shares of private and publicly traded companies and other loans. Those investments bear credit and market risks as described in the following sections.

Credit risk

Credit risk is the potential for financial loss to the Corporation 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 derivatives products.

Power Corporation and Power Financial manage credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum ratings and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and investment platforms operate as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. The Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Derivatives can be also used mainly to mitigate exposure to foreign exchange and market risk related to certain stock-based compensation arrangements. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

The financial instruments held by the investment platforms include other loans and are subject to credit risk. The investment platforms regularly review the credit ratings of their counterparties and the maximum exposure to credit risk on these financial instruments is their carrying value.

The Corporation's exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2019.

Market risk

Market risk is the risk that the market value or future cash flows of an investment will fluctuate as a result of changes in market factors. Market factors include foreign exchange risk, interest rate risk and equity risk.

Foreign Exchange Risk

Foreign exchange risk relates to the Corporation, Power Financial and the investment platforms 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.

In its ongoing operations, the Corporation may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. At December 31, 2020, approximately 4% of the \$1,226 million of Power Corporation and Power Financial's cash and cash equivalents and fixed income securities were denominated in foreign currencies, consisting of \$43 million in U.S. dollars, \$6 million in euros and \$3 million in Swiss Francs. At December 31, 2020, approximately 78% (82% as at December 31, 2019) of Power Corporation, Power Financial and investment platforms' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Most of Power Corporation's other investments are classified as available for sale. As such, unrealized gains and losses on these investments, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. Power Corporation also holds, through its investment platforms, investments in foreign companies which are subject to foreign exchange risk. These investment funds are diversified among the U.S. dollar, the euro, the Chinese renminbi and the Hong Kong dollar which contributes to reducing the concentration of foreign exchange risk. At December 31, 2020, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income of approximately \$103 million. Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate following changes in interest rates.

Power Corporation, Power Financial and the investment platforms' financial instruments do not have significant exposure to interest rate risk.

Equity Risk

Equity risk is the potential loss associated with the sensitivity of the market price of a financial instrument arising from volatility in equity markets.

Most of Power Corporation's other investments are classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value.

Power Corporation also holds, through its investment platforms, shares of private and publicly traded companies which are subject to equity risk. At December 31, 2020, Sagard Holdings and Power Sustainable collectively held \$1,025 million in shares of publicly traded companies and \$985 million in shares of private companies, excluding equity interests held in consolidated investments. The investment platforms are diversified, investing in three distinct economic regions: Europe, North America and China. This diversification avoids a concentration in any one single economy.

At December 31, 2020, the impact of a 10% decrease in the value of other investments including those held by Sagard Holdings and Power Sustainable would have been a \$178 million unrealized loss recorded in other comprehensive income and \$16 million recorded in net earnings.

The market price of the equity securities of Power Corporation's subsidiaries and investments may be volatile and subject to numerous factors beyond such subsidiaries' control. At times, financial markets have experienced significant price and volume fluctuations that have affected the market price of the equity securities of the subsidiaries and investments, and that are often unrelated to the operating performance, underlying asset values or prospects of such companies. Volatility in the market price of the equity securities of subsidiaries and investments may have an impact on the net asset value reported by the Corporation.

Power Corporation's management of financial instruments risk has not changed materially since December 31, 2019. For a further discussion of Power Corporation's risk management, please refer to Note 22 to the Corporation's 2020 Consolidated Financial Statements.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from people, inadequate or failed internal processes and technologies, or external events, which include the risks of internal and external frauds, inadequate human resources practices, execution and processing errors, model risk, suppliers and third-party risk, business disruptions, cybersecurity, legal risk and regulatory compliance risk. Although operational risk cannot be eliminated entirely, the Corporation's risk management processes are designed to manage these risks in a thorough and diligent manner.

The Corporation manages operational risk by adopting and applying a series of corporate governance policies, procedures and practices such as human resource and compensation practice policies, a clawback policy for all officers, a code of business conduct and ethics for employees, a third party code of conduct, business continuity procedures, related party transactions review and other corporate governance guidelines. The Corporation also has established a series of controls for financial reporting and disclosure purposes, and such controls, which are tested on a regular basis, can contribute to identifying and mitigating operational risks.

Cybersecurity risk

The Corporation is exposed to risks relating to cybersecurity, in particular cyber threats, which include cyber-attacks such as, but not limited to, hacking, computer viruses, unauthorized access to confidential, proprietary or sensitive information or other breaches of network or Information Technology (IT) security. The Corporation continues to monitor and enhance its defences and procedures to prevent, detect, respond to and manage cybersecurity threats, which are constantly evolving. Consequently, the Corporation's IT defences are continuously monitored and adapted to both prevent and detect cyber-attacks, and then recover and remediate. Disruption to information systems or breaches of security could result in a negative impact on the Corporation's financial results or result in reputational damage.

Regulatory compliance risk

Regulatory compliance risk is the risk of the Corporation or its employees failing to comply with the regulatory requirements in effect where the Corporation does business, both in Canada and internationally. There are many laws, governmental rules and regulations, including financial reporting and disclosure rules that apply to the Corporation. Interpretation of these laws, rules and regulations by the Corporation, governmental agencies, or the courts could result in situations of regulatory non-compliance and could adversely affect the Corporation's reputation and result in penalties, fines and sanctions or increased oversight by regulators. The Corporation, in addition to complying with these laws, rules and regulations, must also monitor them closely so that changes therein are taken into account in the management of its activities.

The Corporation ensures that the tax implications of all of its strategic decisions comply with its legal and tax reporting obligations as well as anticipate potential changes in the current legal framework to avoid any risk of non-compliance that could have adverse impacts.

REPUTATION RISK

Reputation risk is the risk that an activity undertaken by the Corporation would be judged negatively by its stakeholders or the public, whether that judgment is with or without basis, thereby impairing its image and resulting potentially in the loss of business, limited financing capacity, legal action or increased regulatory oversight. Reputation risk can arise from a number of events and is generally related to a deficiency in managing another risk. For example, non-compliance with laws and regulations as well as deficiencies in financial reporting and disclosures can have a significant reputational impact on the organization.

The Board of Directors of the Corporation has adopted a Code of Business Conduct and Ethics (the Code of Conduct which includes the Corporation's guidelines on Conflicts of Interest) as well as a Third Party Code of Conduct, that govern the conduct of the Corporation's Directors, officers, employees, advisors, consultants and suppliers. The Board of Directors of the Corporation oversees compliance with the Code of Conduct through the Corporation's General Counsel and Secretary, who monitors compliance with the Code of Conduct. Directors and employees of the Corporation are required to confirm annually, and officers of the Corporation are required to confirm quarterly, their understanding of, and agreement to comply with, the Code of Conduct.

SUSTAINABILITY RISK

Sustainability risk is the potential loss associated with the inability of the Corporation and its employees to identify and manage environmental, social and governance risks, which could adversely impact the Corporation's financial position and reputation.

Environmental risks relate to the adverse impacts that could result from global warming and climate change, waste, and resource consumption. Social risks relate to the adverse impacts on people that could result from improper practices related to human rights, labour conditions, health and safety, harassment, diversity, wages and benefits, and supplier management. Governance risks relate to adverse impacts from unethical practices, including corruption and bribery, conflicts of interest, and data privacy.

Anchored by a strong responsible management culture, the Corporation adheres to the clear guidelines set out in its Code of Business Conduct and Ethics, which applies to the Corporation's directors, officers and employees; as well as in its Third Party Code of Conduct, which applies to advisors, consultants and suppliers. The Corporation also maintains other supporting policies, procedures and controls, including a Corporate Social Responsibility Statement, an Environmental Policy, a Global Anti-Bribery Policy, a Privacy Policy, and a Respectful Workplace Policy.

The Corporation takes a balanced approach to conducting business, providing training and capacity building for its employees to ensure sustainability risks are identified and mitigated consistent with its policies and procedures. The Board's risk management oversight includes ensuring that material environmental, social and governance risks are appropriately identified, managed and monitored.

EMERGING RISKS

An emerging risk is a risk not well understood at the current time and for which the impacts on strategy and financial results are difficult to assess or are in the process of being assessed.

Monitoring emerging risks is an important component of risk management. Power Corporation is actively monitoring emerging risks through:

- Review and analysis at the boards and committees of its operating companies around the world where local executives describe the emerging risks in their respective environments.
- The Corporation's executive officers act as the Corporation's risk management committee. They meet regularly to identify, analyze and review the Corporation's risks and to implement strategies to mitigate these risks.

Financial Instruments and Other Instruments

FAIR VALUE MEASUREMENT

Fair value represents the amount that would be exchanged in an arm's-length transaction between willing parties and is best evidenced by a quoted market price, if one exists. Fair values represent management's estimates and are generally calculated using market information and at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

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

- Level 1 inputs utilize observable, unadjusted quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs utilize other-than-quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement. The Corporation and its subsidiaries' assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

The following table presents the carrying amounts and fair value of the Corporation and its subsidiaries' assets and liabilities recorded or disclosed at fair value. The table distinguishes between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed. The table excludes fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

At December 31	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
ASSETS				
Assets recorded at fair value				
Bonds				
Fair value through profit or loss	102,782	102,782	85,845	85,845
Available for sale	11,897	11,897	12,028	12,028
Mortgage and other loans				
Fair value through profit or loss	2,095	2,095	1,314	1,314
Shares				
Fair value through profit or loss	10,697	10,697	9,925	9,925
Available for sale	1,839	1,839	1,474	1,474
Investment properties	6,270	6,270	5,887	5,887
Funds held by ceding insurers	16,188	16,188	6,661	6,661
Derivative instruments	973	973	474	474
Reinsurance assets	130	130	127	127
Other assets	980	980	1,490	1,490
	153,851	153,851	125,225	125,225
Assets disclosed at fair value				
Bonds				
Loans and receivables	23,348	26,545	17,372	19,344
Mortgage and other loans				
Loans and receivables	32,546	34,607	30,461	31,420
Shares				
Available for sale ^[1]	124	124	150	150
Funds held by ceding insurers	137	137	80	80
	56,155	61,413	48,063	50,994
Total	210,006	215,264	173,288	176,219
LIABILITIES				
Liabilities recorded at fair value				
Investment contract liabilities	9,145	9,145	1,656	1,656
Derivative instruments	1,270	1,270	1,410	1,410
Other liabilities	311	311	430	430
	10,726	10,726	3,496	3,496
Liabilities disclosed at fair value				
Obligations to securitization entities	6,174	6,345	6,914	6,997
Power Corporation's debentures and other debt instruments	756	1,013	683	856
Non-recourse debentures and other debt instruments	13,299	15,206	9,255	10,595
Deposits and certificates	2,246	2,246	886	887
Other liabilities	951	951	838	838
	23,426	25,761	18,576	20,173
Total	34,152	36,487	22,072	23,669

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

See Note 27 to the Corporation's 2020 Consolidated Financial Statements for additional disclosure of the Corporation's fair value measurement at December 31, 2020.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

There were no major changes to the Corporation and its subsidiaries' policies and procedures with respect to the use of derivative instruments in the twelve-month period ended December 31, 2020. The following table provides a summary of the Corporation and its subsidiaries' derivatives portfolio:

December 31	2020			2019		
	Notional	Maximum credit risk	Total fair value	Notional	Maximum credit risk	Total fair value
Power Corporation	21	1	1	11	2	2
Power Financial	23	3	3	23	6	6
Lifeco	30,121	829	(392)	21,634	451	(930)
IGM	2,273	38	3	2,608	15	(2)
Other subsidiaries	260	102	88	288	–	(12)
	32,677	972	(298)	24,553	472	(938)
	32,698	973	(297)	24,564	474	(936)

During the twelve-month period ended December 31, 2020, there was an increase of \$8.1 billion in the notional amount of derivatives outstanding, primarily due to regular hedging activities, an increase in forward-settling mortgage-backed security transactions ("to-be-announced securities") and an increase in foreign exchange forwards related to the MassMutual transaction. The Corporation and its subsidiaries' exposure to derivative counterparty risk (which represents the market value of instruments in a gain position) increased to \$973 million at December 31, 2020 from \$474 million

at December 31, 2019. The increase was primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. dollars and receive Canadian dollars as well as an increase in the value of the call right held by Power Sustainable to purchase additional shares of Lion.

See Note 26 to the Corporation's 2020 Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

GUARANTEES

In the normal course of their operations, the Corporation and its subsidiaries may enter into certain agreements, the nature of which precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation or subsidiary could be required to pay third parties, as some of these agreements do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. See also Note 32 to the Corporation's 2020 Consolidated Financial Statements.

LETTERS OF CREDIT

In the normal course of its reinsurance business, Lifeco provides letters of credit to other parties or beneficiaries. A beneficiary will typically hold a letter of credit as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from Lifeco. Lifeco may be required to seek collateral alternatives if it is unable to renew existing letters of credit on maturity. See also Note 32 to the Corporation's 2020 Consolidated Financial Statements.

Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. See also Note 31 to the Corporation's 2020 Consolidated Financial Statements.

Commitments and Contractual Obligations

	Payments due by period				
	Less than 1 year	1–5 years	More than 5 years	Undefined	Total
Power Corporation ^{[1][2]}	111	3	654	609	1,377
Power Financial	14	3	254	–	271
Lifeco	3,361	1,896	7,803	–	13,060
IGM	2,658	4,701	2,253	–	9,612
Alternative asset investment platforms and consolidation entries	1,575	412	809	18	2,814
Total	7,719	7,015	11,773	627	27,134
Debentures and other debt instruments ^[3]	1,290	1,777	11,079	–	14,146
Obligations to securitization entities	1,543	4,610	21	–	6,174
Deposits and certificates	2,277	3	1	–	2,281
Lease obligations ^[4]	136	397	635	–	1,168
Purchase obligations ^[5]	262	112	37	–	411
Pension contributions ^[6]	348	–	–	–	348
Contractual commitments ^{[1][7]}	1,863	116	–	627	2,606
Total	7,719	7,015	11,773	627	27,134

[1] Includes \$531 million of outstanding commitments from the Corporation to make future capital contributions to investment funds; the exact amount and timing of each capital contribution cannot be determined.

[2] Includes debentures of the Corporation of \$650 million.

[3] Please refer to Note 14 and Note 15 to the Corporation's 2020 Consolidated Financial Statements for further information.

[4] Please refer to Note 16 to the Corporation's 2020 Consolidated Financial Statements for further information.

[5] Purchase obligations are commitments of Lifeco to acquire goods and services, primarily related to information services, as well as construction and turbine purchase contracts related to wind projects under construction at Potentia.

[6] Pension contributions include expected contributions to defined benefit and defined contribution pension plans as well as post-employment benefits and are subject to change, as contribution decisions are affected by many factors, including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond one year are excluded due to variability on the assumptions required to project the timing of future contributions.

[7] Represents \$1,990 million of commitments by Lifeco. These contractual commitments are essentially commitments to investment transactions made in the normal course of operations, in accordance with Lifeco's policies and guidelines, which are to be disbursed upon fulfilment of certain contract conditions.

Income Taxes (non-consolidated basis)

The Corporation, together with Power Financial, had at December 31, 2020, non-capital losses of \$937 million (\$860 million for which the benefits have not been recognized) available to reduce future taxable income (including capital gains). These losses expire from 2028 to 2040.

The Corporation, together with Power Financial, had at December 31, 2020, capital losses of \$227 million, for which the benefits have not been recognized, that can be used indefinitely to offset capital gains.

In addition, at December 31, 2020, deductible temporary differences for which the benefits have not been recognized were \$393 million.

Transactions with Related Parties

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

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

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

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

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

In October 2017, IGM and a subsidiary of Power Corporation obtained advance tax rulings which permitted tax loss consolidation transactions whereby shares of a subsidiary that generated tax losses may be acquired by IGM. The Corporation has recognized the benefit of the tax losses to be realized throughout this program. On each December 31 of 2020 and 2019, IGM acquired shares of such loss companies. The benefits from these tax loss consolidation arrangements ended on December 31, 2020.

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

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

On December 31, 2020, Power Corporation announced the completion of an internal share capital reorganization of Power Financial, which was intended to further simplify the Corporation's corporate structure. Following the internal reorganization, the Corporation directly holds all of the common shares of Power Financial (as some of such common shares were previously held by a wholly owned subsidiary of the Corporation). In April, July and October of 2020, Power Financial advanced amounts totalling \$996 million to the Corporation in exchange for non-interest-bearing promissory notes on demand to fund what would otherwise be its regularly declared distribution on its common shares. On December 31, 2020, Power Financial declared dividends on its common shares of \$1,328 million of which \$996 million were used to offset the promissory notes payable by the Corporation.

In 2020, Lifeco completed the sale of GLC to Mackenzie and Lifeco completed the acquisition of 100% of the equity of Personal Capital, including the interest held by IGM of 24.8%. In addition, Lifeco and Mackenzie jointly acquired a non-controlling interest in Northleaf. See also the "2020 Highlights" section and Note 30 to the Corporation's 2020 Consolidated Financial Statements for additional information.

Summary of Critical Accounting Estimates and Judgments

In the preparation of the financial statements, management of the Corporation and the managements of its subsidiaries are required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings, comprehensive income and related disclosures. Key sources of estimation uncertainty and areas where significant judgments are made by the management of the Corporation and the managements of its subsidiaries include: the entities to be consolidated or accounted for using the equity method, insurance and investment contract liabilities, fair value measurements, investment impairment, goodwill and intangible assets, income taxes and employee future benefits. These are described in the notes to the Corporation's 2020 Consolidated Financial Statements.

CONSOLIDATION

Management of the Corporation consolidates all subsidiaries and entities in which it has determined that the Corporation has control. Control is evaluated according to the ability of the Corporation to direct the relevant activities of the subsidiaries or other structured entities in order to derive variable returns. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Corporation or its subsidiaries have the ability to exercise their power to affect variable returns.

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. Management of the Corporation and of each of its subsidiaries exercise judgment in determining whether joint control or significant influence exists.

INSURANCE AND INVESTMENT CONTRACT LIABILITIES Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiaries are responsible for determining the amount of the liabilities in order to make appropriate provisions for Lifeco's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance and investment contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method (CALM). This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

Additional details regarding these estimates can be found in Note 12 to the Corporation's 2020 Consolidated Financial Statements.

FAIR VALUE MEASUREMENT

The carrying values of financial assets reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Corporation and its subsidiaries rely upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance contract liabilities are largely offset by corresponding changes in the fair value of these liabilities, except when the bond has been deemed impaired.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to determine fair value.

Bonds and mortgage and other loans at fair value through profit or loss and available for sale

Fair values of bonds and mortgage and other loans recorded at fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure bonds and mortgage and other loans at fair value. Where prices are not quoted in a normally active market, fair values are determined by valuation models.

The Corporation and its subsidiaries estimate the fair value of bonds and mortgage and other loans not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodologies, discounted cash flow analyses and/or internal valuation models. These methodologies consider such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds and mortgage and other loans that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Shares at fair value through profit or loss and available for sale

Fair values of publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values of shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movements relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value.

Equity-release mortgages at fair value through profit or loss

There are no market-observable prices for equity-release mortgages; an internal valuation model is used which is based on discounting expected future cash flows and considering the embedded no-negative-equity guarantee. Inputs to the model include market-observable inputs such as benchmark yields and risk-adjusted spreads. Non-market-observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long-term care and interest cessation assumptions and the value of the no-negative-equity guarantee.

Bonds and mortgage and other loans classified as loans and receivables

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Investment properties

Fair values of investment properties are determined using independent qualified appraisal services and include adjustments by Lifeco management for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment properties requires the use of estimates including 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 conditions. Investment properties under construction are valued at fair value if such values can be reliably determined; otherwise, they are recorded at cost.

IMPAIRMENT OF INVESTMENTS

Investments are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset. However, market price is taken into consideration when evaluating impairment.

For impaired bonds and mortgage and other loans classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. Where available-for-sale bonds are determined to be impaired, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. As well, interest is no longer accrued on impaired bonds and mortgage and other loans and previous interest accruals are reversed in net investment income.

Impairment losses on available-for-sale shares are recorded in net investment income if the loss is significant or prolonged. Subsequent losses are recorded directly in net investment income.

GOODWILL AND INDEFINITE LIFE INTANGIBLES IMPAIRMENT TESTING

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The Corporation and its subsidiaries' accrued benefit liability in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

- The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.
- If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.
- Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are included in operating and administrative expenses.

- Remeasurements represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.
- The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).
- Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

Current income tax

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the rates that have been enacted or substantively enacted at the balance sheet date. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred income tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income and on unused tax attributes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax attributes can be utilized.

Recognition of deferred tax assets is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets. The Corporation and its subsidiaries' financial planning process provides a significant basis for the measurement of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to net current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, jointly controlled corporations and associates, except where the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Changes in Accounting Policies

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

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

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

Future Accounting Changes

The Corporation and its subsidiaries continuously monitor the potential changes proposed by the IASB and analyze the effect that changes in the standards may have on their consolidated financial statements when they become effective.

Standard	Summary of future changes
IFRS 17 – <i>Insurance Contracts</i>	<p>In May 2017, the IASB issued IFRS 17, <i>Insurance Contracts</i>, which will replace IFRS 4, <i>Insurance Contracts</i>. On June 26, 2019 the IASB issued an exposure draft covering targeted amendments to the IFRS 17 standard, including a proposed amendment to defer the effective date of the standard. In June 2020, the IASB finalized the amendments to IFRS 17, which included confirmation of the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9–<i>Financial Instruments</i>, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions well advanced as well as significant progress on the technology solution.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. For the General Measurement Model and Variable Fee Approach, IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of:</p> <ul style="list-style-type: none"> (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. <p>Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Corporation's significant accounting policies in Note 2 of the financial statements).</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and its associated ratios and disclosures. Lifeco continues to assess all these impacts through its global implementation plan.</p>

Standard	Summary of future changes
Current implication of IFRS 9 – <i>Financial Instruments</i>	<p>In July 2014, the IASB issued a final version of IFRS 9, <i>Financial Instruments</i> to replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> ■ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ■ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ■ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. <p>In September 2016, the IASB issued an amendment to IFRS 4, <i>Insurance Contracts</i> (IFRS 4). The amendment "Applying IFRS 9, <i>Financial Instruments</i> with IFRS 4, <i>Insurance Contracts</i>" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows:</p> <ul style="list-style-type: none"> ■ <i>Deferral Approach</i>: provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ■ <i>Overlay Approach</i>: provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. <p>The Corporation qualifies for the amendment and is applying the deferral approach to allow the adoption of both IFRS 9 and IFRS 17, simultaneously.</p> <p>The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. The Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p> <p>GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.</p>
IAS 37 – <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IFRS 16 – <i>Leases</i>	<p>In May 2020, the IASB published amendments to IFRS 16, <i>Leases</i> amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification.</p> <p>The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation and its subsidiaries do not anticipate a significant impact on the financial statements as a result of this amendment.</p>
IFRS 9 – <i>Financial Instruments</i> IAS 39 – <i>Financial Instruments: Recognition and Measurement</i> ; IFRS 7 – <i>Financial Instruments: Disclosures</i> ; IFRS 4 – <i>Insurance Contracts</i> ; and IFRS 16 – <i>Leases</i>	<p>In August 2020, the IASB published <i>Interest Rate Benchmark Reform – Phase 2</i> which issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide relief from remeasurement impacts on financial instruments, and discontinuation of hedging relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates.</p> <p>The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation and its subsidiaries are monitoring the interest rate benchmark reform process and have established an internal program to fully transition to alternative reference rates by the end of 2021. The transition to alternative reference rates is not expected to impact the Corporation and its subsidiaries' risk management strategy. The Corporation and its subsidiaries do not expect the adoption of these amendments to have a significant impact on the financial statements.</p>

Disclosure Controls and Procedures

Based on their evaluations at December 31, 2020, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective at December 31, 2020.

Internal Control over Financial Reporting

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

As a management and holding company, the Corporation's business activities are carried out through its investments in businesses, each of which has its own management team. Accordingly, the Corporation's management relies on the certifications filed by management of Lifeco and IGM pursuant to National Instrument 52-109 – 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as well as a sub-certification process by management at its other significant subsidiaries and investees in order to make determinations regarding the Corporation's disclosure controls and procedures and internal control over financial reporting.

The Corporation's management, under the supervision of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Corporation's internal control over financial reporting at December 31, 2020, based on the Internal Control – Integrated Framework (COSO 2013 Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Corporation's internal control over financial reporting was effective at December 31, 2020.

There have been no changes in the Corporation's internal control over financial reporting during the three-month period ended December 31, 2020 which have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

As permitted by securities legislation, for the period ended December 31, 2020, Lifeco's management has limited the scope of its design of Lifeco's disclosure controls and procedures and Lifeco's internal control over financial reporting to exclude controls, policies and procedures of MassMutual, which Lifeco acquired on December 31, 2020.

During the year ended December 31, 2020, Lifeco incurred acquisition expenses of \$52 million post-tax (US\$40 million post-tax) which are included within operating and administrative expenses in the Consolidated Statements of Earnings. As the acquisition occurred on December 31, 2020, the reinsured business did not contribute to 2020 earnings. At December 31, 2020, the estimated total assets and goodwill acquired was \$115,169 million. Total estimated liabilities were \$112,232 million with the final valuation of the assets acquired and liabilities assumed expected to occur during 2021.

Power Financial Corporation

Power Financial relies on certain of the continuous disclosure documents filed by Power Corporation of Canada pursuant to an exemption from the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* (“NI 51-102”) pursuant to Section 13.1 of NI 51-102 and as provided in the decision of the Autorité des marchés financiers and the Ontario Securities Commission, dated January 19, 2021, regarding Power Financial and Power Corporation. The following disclosure is provided further to the requirements of such decision:

At December 31, 2020	Lifeco	IGM	Corporate ⁽¹⁾	Effect of consolidation	Total Power Financial	Total Power Corporation
Total assets	600,490	16,062	24,904	(19,553)	621,903	629,104
Total liabilities	573,475	11,019	2,492	(26)	586,960	590,371

For the three-months ending December 31, 2020	Power Financial	Power Corporation
Cash flows from operations	2,141	1,982

[1] Includes Power Financial's investment activities including its investment in Portag3 I, Portag3 II, and Wealthsimple.

OTHER SUPPLEMENTAL INFORMATION OF POWER FINANCIAL

First Preferred Shares Issued and Outstanding

December 31	2020		2019	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
Series A ⁽¹⁾	4,000,000	100	4,000,000	100
Series D ⁽¹⁾	6,000,000	150	6,000,000	150
Series E ⁽¹⁾	8,000,000	200	8,000,000	200
Series F ⁽¹⁾	6,000,000	150	6,000,000	150
Series H ⁽¹⁾	6,000,000	150	6,000,000	150
Series I ⁽¹⁾	8,000,000	200	8,000,000	200
Series K ⁽¹⁾	10,000,000	250	10,000,000	250
Series L ⁽¹⁾	8,000,000	200	8,000,000	200
Series O ⁽¹⁾	6,000,000	150	6,000,000	150
Series P ⁽¹⁾	8,965,485	224	8,965,485	224
Series Q ⁽¹⁾	2,234,515	56	2,234,515	56
Series R ⁽¹⁾	10,000,000	250	10,000,000	250
Series S ⁽¹⁾	12,000,000	300	12,000,000	300
Series T ⁽¹⁾	8,000,000	200	8,000,000	200
Series V ⁽¹⁾	10,000,000	250	10,000,000	250
		2,830		2,830

First Preferred Shares

[i] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks and are redeemable at Power Financial's option, at \$25.00 per share, together with all declared and unpaid dividends to, but excluding, the date of redemption.

[ii] The following First Preferred Shares series are entitled to non-cumulative preferential cash dividends payable quarterly. Power Financial may redeem for cash the First Preferred Shares in whole or in part, at Power Financial's option, with all declared and unpaid dividends to, but excluding, the date of redemption.

The dividends and redemption terms are as follows:

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	(\$/share)		(\$/share)
Non-cumulative, fixed rate			
Series D, 5.50%	0.343750	Currently redeemable	25.00
Series E, 5.25%	0.328125	Currently redeemable	25.00
Series F, 5.90%	0.368750	Currently redeemable	25.00
Series H, 5.75%	0.359375	Currently redeemable	25.00
Series I, 6.00%	0.375000	Currently redeemable	25.00
Series K, 4.95%	0.309375	Currently redeemable	25.00
Series L, 5.10%	0.318750	Currently redeemable	25.00
Series O, 5.80%	0.362500	Currently redeemable	25.00
Series R, 5.50%	0.343750	Currently redeemable	25.25
Series S, 4.80%	0.300000	Currently redeemable	25.50
Series V, 5.15%	0.321875	July 31, 2022	26.00
Non-cumulative, 5-year rate reset ^[1]			
Series P, 2.31% ^[2]	0.144125	January 31, 2021	25.00
Series T, 4.22%	0.263438	January 31, 2024	25.00
Non-cumulative, variable rate			
Series Q, 3-month Government of Canada Treasury Bill + 1.60% ^{[2][3]}	Variable	January 31, 2021	25.00

[1] The dividend rate will reset on the earliest issuer redemption date and every fifth year thereafter at a rate equal to the 5-year Government of Canada bond yield plus a reset spread (1.60% for Series P and 2.37% for Series T). The holders have the option to convert their shares into non-cumulative floating rate First Preferred Shares subject to certain conditions on the earliest redemption date and every fifth year thereafter at a rate equal to the 3-month Government of Canada Treasury Bill rate plus the reset (Series Q for Series P and Series U for Series T) spread indicated.

[2] Pursuant to the terms of the Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series P (Series P shares) and the Non-Cumulative Floating Rate First Preferred Shares, Series Q (Series Q shares), on February 1, 2021, holders of 137,539 Series P shares elected to convert their shares into Series Q shares and holders of 829,570 Series Q shares elected to convert their shares into Series P shares. As of February 1, 2021, Power Financial had 9,657,516 Series P shares and 1,542,484 Series Q shares. The dividend rate for the Series P shares was reset to an annual fixed rate of 1.998% or \$0.124875 per share cash dividend payable quarterly.

[3] The holders have the option to convert their shares into Series P First Preferred Shares, subject to certain conditions, on the earliest redemption date and on every five years thereafter.

Selected Annual Information

For the years ended December 31	2020	2019	2018
Total revenues	64,616	48,841	48,098
Assets under management [in billions]	1,142	941	860
Assets under administration [in billions]	2,195	1,823	1,571
Net earnings (attributable to participating shareholders)	1,994	1,108	1,287
per share – basic	3.08	2.53	2.77
per share – diluted	3.08	2.53	2.76
Adjusted net earnings (attributable to participating shareholders) ^[1]	1,943	1,275	1,145
per share – basic	3.00	2.92	2.46
Consolidated assets	629,104	477,250	452,303
Total financial liabilities	38,275	26,355	26,056
Debentures and other debt instruments	14,055	9,938	9,977
Shareholders' equity	22,207	14,174	15,118
Book value per participating share	31.38	30.98	30.38
Number of participating shares outstanding [millions]			
Participating preferred shares	54.9	48.9	48.9
Subordinate voting shares	622.4	377.6	417.1
Dividends per share (declared)			
Participating shares ^[2]	1.7900	2.0020	1.5045
First preferred shares of Power Corporation			
1986 Series ^[3]	1.0124	1.3824	1.2390
Series A	1.4000	1.4000	1.4000
Series B	1.3375	1.3375	1.3375
Series C	1.4500	1.4500	1.4500
Series D	1.2500	1.2500	1.2500
Series G	1.4000	1.4000	1.4000
First preferred shares of Power Financial			
Series A ^[4]	0.4839	0.6913	0.6301
Series D	1.3750	1.3750	1.3750
Series E	1.3125	1.3125	1.3125
Series F	1.4750	1.4750	1.4750
Series H	1.4375	1.4375	1.4375
Series I	1.5000	1.5000	1.5000
Series K	1.2375	1.2375	1.2375
Series L	1.2750	1.2750	1.2750
Series O	1.4500	1.4500	1.4500
Series P ^[5]	0.5765	0.5765	0.5765
Series Q ^[6]	0.5403	0.8125	0.7091
Series R	1.3750	1.3750	1.3750
Series S	1.2000	1.2000	1.2000
Series T ^[7]	1.0538	1.0538	1.0500
Series V	1.2875	1.2875	1.2875

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

[2] 2019 Includes the dividend declared by the Corporation on December 12, 2019, as part of the Reorganization.

[3] The 1986 Series First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks.

[4] The Series A First Preferred Shares are entitled to a quarterly cumulative dividend at a floating rate equal to one quarter of 70% of the average prime rates quoted by two major Canadian chartered banks.

[5] On January 31, 2021, the Series P were subject to a dividend rate reset for the five-year period from and including January 31, 2021. The dividend rate was reset to 1.998% or \$0.124875 per share in cash dividends payable quarterly.

[6] The Series Q First Preferred Shares are entitled to an annual non-cumulative dividend, payable quarterly at a floating rate equal to the 3-month Government of Canada Treasury Bill rate plus 1.60%.

[7] On January 31, 2019, the Series T were subject to a dividend rate reset for the five-year period from and including January 31, 2019. The dividend rate was reset to 4.215% or \$0.263438 per share in cash dividends payable quarterly.

Consolidated Financial Statements

Consolidated Balance Sheets

December 31 [in millions of Canadian dollars]	2020	2019
ASSETS		
Cash and cash equivalents [Note 4]	10,040	6,805
Investments [Note 5]		
Bonds	138,027	115,245
Mortgage and other loans	34,641	31,775
Shares	12,660	11,549
Investment properties	6,270	5,887
Loans to policyholders	8,387	8,601
	199,985	173,057
Funds held by ceding insurers [Note 6]	18,383	8,714
Reinsurance assets [Note 12]	22,121	20,707
Derivative financial instruments [Note 26]	973	474
Investments in jointly controlled corporations and associates [Note 7]	6,529	5,893
Owner-occupied properties and capital assets [Note 8]	3,217	3,063
Other assets [Note 9]	12,500	10,546
Deferred tax assets [Note 17]	1,082	802
Intangible assets [Note 10]	6,279	5,843
Goodwill [Note 10]	13,963	10,324
Investments on account of segregated fund policyholders [Note 11]	334,032	231,022
Total assets	629,104	477,250
LIABILITIES		
Insurance contract liabilities [Note 12]	208,902	174,521
Investment contract liabilities [Note 12]	9,145	1,656
Obligations to securitization entities [Note 13]	6,174	6,914
Power Corporation's debentures and other debt instruments [Note 14]	756	683
Non-recourse debentures and other debt instruments [Note 15]	13,299	9,255
Derivative financial instruments [Note 26]	1,270	1,410
Other liabilities [Note 16]	15,712	13,707
Deferred tax liabilities [Note 17]	1,081	1,497
Insurance and investment contracts on account of segregated fund policyholders [Note 11]	334,032	231,022
Total liabilities	590,371	440,665
EQUITY		
Stated capital [Note 18]		
Non-participating shares	956	960
Participating shares	9,557	726
Retained earnings	8,651	10,780
Reserves	3,043	1,708
Total shareholders' equity	22,207	14,174
Non-controlling interests [Note 20]	16,526	22,411
Total equity	38,733	36,585
Total liabilities and equity	629,104	477,250

Approved by the Board of Directors

[Signed]

Siim A. Vanaselja
Director

[Signed]

R. Jeffrey Orr
Director

Consolidated Statements of Earnings

For the years ended December 31 [in millions of Canadian dollars, except per share amounts]	2020	2019
REVENUES		
Premium income		
Gross premiums written [Note 12]	47,734	43,245
Ceded premiums	(4,735)	(18,756)
Total net premiums	42,999	24,489
Net investment income [Note 5]		
Regular net investment income	6,354	6,455
Change in fair value through profit or loss	5,792	6,987
Net investment income	12,146	13,442
Fee income	8,942	10,081
Other revenues	529	829
Total revenues	64,616	48,841
EXPENSES		
Policyholder benefits		
Gross [Note 12]	39,605	37,769
Ceded	(2,946)	(2,916)
Total net policyholder benefits	36,659	34,853
Changes in insurance and investment contract liabilities		
Gross	12,079	10,155
Ceded	(1,751)	(13,479)
Total net changes in insurance and investment contract liabilities	10,328	(3,324)
Policyholder dividends and experience refunds	1,500	1,562
Total paid or credited to policyholders	48,487	33,091
Commissions	3,439	3,480
Operating and administrative expenses [Note 23]	8,694	8,341
Financing charges [Note 24]	555	544
Total expenses	61,175	45,456
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,441	3,385
Share of earnings of investments in jointly controlled corporations and associates [Note 7]	170	212
Earnings before income taxes	3,611	3,597
Income taxes [Note 17]	77	554
Net earnings	3,534	3,043
ATTRIBUTABLE TO		
Non-controlling interests [Note 20]	1,488	1,883
Non-participating shareholders	52	52
Participating shareholders	1,994	1,108
	3,534	3,043
EARNINGS PER PARTICIPATING SHARE [Note 29]		
Net earnings attributable to participating shareholders		
– Basic	3.08	2.53
– Diluted	3.08	2.53

Consolidated Statements of Comprehensive Income

For the years ended December 31 [in millions of Canadian dollars]	2020	2019
Net earnings	3,534	3,043
Other comprehensive income (loss)		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET EARNINGS		
Net unrealized gains (losses) on available-for-sale investments		
Unrealized gains (losses)	829	498
Income tax (expense) benefit	(103)	(56)
Realized (gains) losses transferred to net earnings	(332)	(220)
Income tax expense (benefit)	17	10
	411	232
Net unrealized gains (losses) on cash flow hedges		
Unrealized gains (losses)	20	2
Income tax (expense) benefit	(6)	1
Realized (gains) losses transferred to net earnings	(21)	-
Income tax expense (benefit)	6	-
	(1)	3
Net unrealized foreign exchange gains (losses) on translation of foreign operations		
Unrealized gains (losses) on translation	122	(628)
Income tax (expense) benefit	(7)	3
Realized (gains) losses on translation transferred to net earnings	-	(13)
Unrealized gains (losses) on euro debt designated as hedge of net investments in foreign operations	(90)	100
Income tax (expense) benefit	12	(14)
	37	(552)
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	389	448
Income tax (expense) benefit	(9)	9
	380	457
Total – items that may be reclassified	827	140
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO NET EARNINGS		
Actuarial gains (losses) on defined benefit plans [Note 25]	(278)	(278)
Income tax (expense) benefit	60	64
Revaluation surplus on transfer to investment properties [Note 27]	11	-
Income tax (expense) benefit	(1)	-
Share of other comprehensive income (losses) of investments in jointly controlled corporations and associates	(4)	(6)
Total – items that will not be reclassified	(212)	(220)
Other comprehensive income (loss)	615	(80)
Comprehensive income	4,149	2,963
ATTRIBUTABLE TO		
Non-controlling interests	1,496	1,754
Non-participating shareholders	52	52
Participating shareholders	2,601	1,157
	4,149	2,963

Consolidated Statements of Changes in Equity

For the year ended December 31, 2020 [in millions of Canadian dollars]	Stated capital			Reserves				Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 28]	Total	Non-controlling interests	
Balance, beginning of year	960	726	10,780	212	1,496	1,708	22,411	36,585
Net earnings	-	-	2,046	-	-	-	1,488	3,534
Other comprehensive income	-	-	-	-	607	607	8	615
Comprehensive income	-	-	2,046	-	607	607	1,496	4,149
Acquisition of non-controlling interests in Power Financial and issue of subordinate voting shares [Notes 18 and 20]	-	8,687	(2,847)	66	647	713	(6,555)	(2)
Related transaction costs [Note 20]	-	-	(46)	-	-	-	-	(46)
Effects of changes in ownership on Parjointco's interest in Pargesa [Note 7]	-	-	19	-	-	-	-	19
Related Corporation's share of Parjointco's transaction costs [Note 7]	-	-	(23)	-	-	-	-	(23)
Issue of participating preferred shares [Note 18]	-	206	-	-	-	-	-	206
Subordinate voting shares purchased and cancelled under Normal Course Issuer Bid [Note 18]	-	(110)	(83)	-	-	-	-	(193)
Repurchase of shares of the Corporation for cancellation	(4)	-	-	-	-	-	-	(4)
Dividends to shareholders								
Non-participating shares	-	-	(52)	-	-	-	-	(52)
Participating shares	-	-	(1,211)	-	-	-	-	(1,211)
Dividends to non-controlling interests	-	-	-	-	-	-	(926)	(926)
Expense for share-based compensation [Note 19]	-	-	-	48	-	48	23	71
Stock options exercised	-	48	-	(36)	-	(36)	30	42
Other effects of changes in capital and ownership of subsidiaries, and other	-	-	68	3	-	3	47	118
Balance, end of year	956	9,557	8,651	293	2,750	3,043	16,526	38,733

For the year ended December 31, 2019 [in millions of Canadian dollars]	Stated capital			Reserves				Total equity
	Non-participating shares	Participating shares	Retained earnings	Share-based compensation	Other comprehensive income [Note 28]	Total	Non-controlling interests	
Balance, beginning of year	962	766	11,674	184	1,480	1,664	22,865	37,931
Net earnings	-	-	1,160	-	-	-	1,883	3,043
Other comprehensive income (loss)	-	-	-	-	49	49	(129)	(80)
Comprehensive income	-	-	1,160	-	49	49	1,754	2,963
Substantial issuer bid on subordinate voting shares [Note 18]	-	(73)	(1,277)	-	-	-	-	(1,350)
Repurchase of shares of the Corporation for cancellation	(2)	-	-	-	-	-	-	(2)
Dividends to shareholders								
Non-participating	-	-	(52)	-	-	-	-	(52)
Participating	-	-	(868)	-	-	-	-	(868)
Dividends to non-controlling interests	-	-	-	-	-	-	(1,348)	(1,348)
Expense for share-based compensation [Note 19]	-	-	-	32	-	32	29	61
Stock options exercised	-	33	-	(20)	-	(20)	17	30
Effects of changes in capital and ownership of subsidiaries, and other ⁽¹⁾	-	-	143	16	(33)	(17)	(906)	(780)
Balance, end of year	960	726	10,780	212	1,496	1,708	22,411	36,585

[1] Effects of changes in capital and ownership of subsidiaries relate to the impact of the purchase for cancellation of common shares by Lifeco and Power Financial under their substantial issuer bids and the issuance and the repurchase of common and preferred shares by subsidiaries (Note 20).

Consolidated Statements of Cash Flows

For the years ended December 31 [in millions of Canadian dollars]	2020	2019
OPERATING ACTIVITIES		
Earnings before income taxes	3,611	3,597
Income tax paid, net of refunds	(542)	(477)
Adjusting items		
Change in insurance and investment contract liabilities	14,476	10,412
Change in funds held by ceding insurers	467	570
Change in reinsurance assets	(1,629)	(900)
Change in fair value through profit or loss	(5,792)	(6,987)
Other	(490)	406
	10,101	6,621
FINANCING ACTIVITIES		
Dividends paid		
By subsidiaries to non-controlling interests	(926)	(1,349)
Non-participating shares	(52)	(52)
Participating shares	(1,081)	(695)
	(2,059)	(2,096)
Issue of equity		
Subordinate voting shares by the Corporation [Note 18]	42	30
Participating preferred shares by the Corporation [Note 18]	206	-
Common shares and limited-life fund units by subsidiaries	584	336
Repurchase or redemption of equity		
Subordinate voting shares for cancellation under normal course issuer bid [Note 18]	(193)	-
Subordinate voting shares for cancellation under substantial issuer bid [Note 18]	-	(1,350)
Non-participating shares by the Corporation	(4)	(2)
Common shares and limited-life fund units by subsidiaries	(100)	(716)
Preferred shares by subsidiaries	-	(150)
Consideration paid for acquisition of Power Financial non-controlling interests, net of transaction costs	(48)	-
Corporation's increase in other debt instruments [Note 14]	63	37
Non-recourse debentures and other debt instruments [Note 15]		
Issue of debentures and senior notes	3,713	250
Repayment of debentures	(500)	(232)
Increase in other debt instruments	980	109
Decrease in other debt instruments	(131)	(121)
Repayment of lease liabilities [Note 16]	(110)	(99)
Increase in obligations to securitization entities	1,569	1,456
Repayments of obligations to securitization entities and other	(2,374)	(2,083)
	1,638	(4,631)
INVESTMENT ACTIVITIES		
Dispositions, repayments or maturities		
Bonds	23,248	25,860
Mortgage and other loans	5,051	4,778
Shares	5,039	3,959
Change in loans to policyholders	84	16
Acquisitions or investments		
Bonds	(28,768)	(25,621)
Mortgage and other loans	(5,395)	(5,691)
Shares	(5,377)	(3,610)
Jointly controlled corporations and associates	(304)	(130)
Business acquisitions and acquisition of assets, net of cash and cash equivalents acquired [Note 3]	(1,197)	(172)
Sale of business, net of cash and cash equivalents in a subsidiary [Note 3]	75	-
Investment in investment properties and other	(871)	(867)
	(8,415)	(1,478)
Effect of changes in exchange rates on cash and cash equivalents	(89)	(148)
Increase in cash and cash equivalents	3,235	364
Cash and cash equivalents, beginning of year	6,805	6,441
Cash and cash equivalents, end of year	10,040	6,805
NET CASH FROM OPERATING ACTIVITIES INCLUDES		
Interest and dividends received	5,252	5,765
Interest paid	670	686

Notes to the Consolidated Financial Statements

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

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 Consolidated Financial Statements (financial statements) of Power Corporation as at and for the year ended December 31, 2020 were approved by its Board of Directors on March 17, 2021.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies

BASIS OF PRESENTATION

The financial statements of Power Corporation as at December 31, 2020 have been prepared in accordance with International Financial Reporting Standards.

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 year ended December 31, 2020. Certain notes to Power Corporation's financial statements are derived from the notes to the financial statements of Lifeco and IGM Financial.

Reorganization

On February 13, 2020, the Corporation and Power Financial successfully completed a reorganization transaction (Reorganization) pursuant to which each common share of Power Financial held by holders other than the Corporation and certain of its affiliates was exchanged for 1.05 Subordinate Voting Shares of the Corporation and \$0.01 in cash.

The Corporation acquired 238,693,580 Power Financial Common Shares and issued 250,628,173 Subordinate Voting Shares at a price of \$34.66 per Subordinate Voting Share, representing total consideration of \$8.7 billion. Subsequent to the Reorganization, the Corporation held 100% of the issued and outstanding Common Shares of Power Financial and the Common Shares were delisted from the TSX.

On February 12, 2020, in accordance with the Pre-emptive Right in favour of holders of Participating Preferred Shares included in the Corporation's articles (the Pre-emptive Right), the Corporation issued 6,006,094 Participating

Preferred Shares to holders who duly exercised the Pre-emptive Right at a price of \$34.27 per Participating Preferred Share, 6 million of which were purchased by the Corporation's controlling shareholder. The Pre-emptive Right entitled holders of Participating Preferred Shares the right to acquire from the Corporation, on a pro rata basis, an aggregate number of Participating Preferred Shares that was equal to 12% of the number of Subordinate Voting Shares issued in connection with the Reorganization.

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), other comprehensive income (loss), the changes in equity 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:

				% equity interest	
Corporations	Classification	Incorporated in	Primary business operation	2020	2019
CORPORATE					
Power Corporation of Canada	Parent	Canada	Holding company		
China Asset Management Co., Ltd. ^[1]	Associate	China	Asset management company	27.8	27.8
Power Financial Corporation	Subsidiary	Canada	Holding company	100.0	100.0
PUBLICLY TRADED COMPANIES					
Great-West Lifeco Inc. ^[2]	Subsidiary	Canada	Financial services holding company	70.8	70.9
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	24.8
Putnam Investments, LLC ^[3]	Subsidiary	United States	Financial services	96.3	96.5
IGM Financial Inc. ^[4]	Subsidiary	Canada	Wealth and asset management	66.0	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. ^[5]	Associate	Canada	Investment manager	70.0	–
Parjointco SA	Joint control	Belgium	Holding company	50.0	50.0
Pargesa SA	Subsidiary	Switzerland	Holding company	100.0	55.5
Groupe Bruxelles Lambert	Subsidiary	Belgium	Holding company	28.2	50.0
ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER					
Power Sustainable Capital Inc.	Subsidiary	Canada	Alternative asset manager	100.0	100.0
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	Alternative asset manager	100.0	100.0
Wealthsimple Financial Corp. ^[6]	Subsidiary	Canada	Financial services	74.9	84.9
Portag3 Ventures LP ^[7]	Subsidiary	Canada	Venture capital fund	100.0	100.0
Portag3 Ventures II LP ^[8]	Subsidiary	Canada	Venture capital fund	27.9	27.9
Sagard Credit Partners, LP	Subsidiary	Canada	Credit fund	18.0	18.0
Sagard Healthcare Royalty Partners, LP	Subsidiary	Cayman Islands	Royalty fund	13.3	–
Sagard 4	Subsidiary	France	Private equity fund	38.2	–
Sagard New Gen	Subsidiary	France	Private equity fund	54.4	–
Standalone Businesses					
Lumenpulse Group 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	44.1	44.1

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

[2] Power Financial holds a 66.8% equity interest and IGM Financial holds a 4.0% equity interest in Lifeco.

[3] Lifeco holds 100% of the voting shares and 96.5% of the total outstanding shares.

[4] Power Financial holds a 62.1% equity interest and Canada Life holds a 3.9% equity interest in IGM Financial.

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

[6] Power Financial, Portag3 and IGM Financial hold an equity interest of 18.7%, 14.8% and 41.4%, respectively, in Wealthsimple.

[7] Power Financial holds a 63.0% equity interest and Lifeco and IGM Financial each hold an equity interest of 18.5% in Portag3.

[8] Power Financial, Lifeco and IGM Financial each hold an equal equity interest of 7.7% in Portag3 II and Sagard Holdings Inc., holds 4.7% equity interest in Portag3 II.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**CHANGE IN ACCOUNTING POLICIES**

The Corporation adopted the narrow-scope amendment to IFRS for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; IAS 39, *Financial Instruments: Recognition and Measurement*; and IFRS 7,

Financial Instruments: Disclosures, effective January 1, 2020. The adoption of these narrow-scope amendments did not have a significant impact on the Corporation's financial statements.

IMPACT OF COVID-19 ON SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

The duration and impact of the COVID-19 pandemic is unknown at this time. While the conditions have become more stable, governments and central banks in the jurisdictions in which the Corporation and its operating subsidiaries operate have implemented and extended many of the measures introduced earlier in 2020 to deal with the economic impacts of the COVID-19 pandemic; however, the depth and length of the recession, rollout and efficacy of vaccines and durability and effectiveness of government and central bank interventions is unknown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

The results of the Corporation reflect the judgments of the managements of the Corporation and its subsidiaries regarding the impact of prevailing 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. 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.

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 listed below and are discussed throughout the notes in these financial statements, including:

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Evaluation of control	Management of the Corporation and of its subsidiaries	Determining if the Corporation has the ability to direct the relevant activities of the subsidiaries or other structured entities in order to derive variable returns. Judgment is exercised in evaluating the variable returns and in determining the extent to which the Corporation has the ability to exercise power to affect variable returns.	n/a
Fair value of assets and liabilities acquired	Management of the Corporation and of its subsidiaries	Determining the fair value of assets acquired and liabilities assumed in a business combination requires judgment.	3
Evaluation of significant influence and joint control	Management of the Corporation and of its subsidiaries	Determining if the Corporation exercises significant influence over the entity's operating and financing policies, or if unanimous consent is required for decisions relating to relevant activities.	n/a
Classification of insurance and reinsurance contracts	Management of Lifeco	Determining whether arrangements should be accounted for as insurance, investment or service contracts.	12
Valuation of insurance and certain investment contract liabilities in accordance with CALM	Management of Lifeco	Determining the actuarial assumptions, including interest rates, inflation, policyholder behaviour, mortality and morbidity of policyholders.	12

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Provision for future credit losses within certain insurance contract liabilities	Management of Lifeco	The provision for future credit losses within insurance contract liabilities is based on investment credit ratings. Lifeco's practice is to use third-party independent credit ratings where available. Judgment is required when setting credit ratings for instruments that do not have a third-party rating.	12
Fair value of financial instruments	Management of the Corporation and of its subsidiaries	Determining fair value inputs to establish the fair value of financial instruments, particularly those items categorized within Level 3 of the fair value hierarchy.	27
Fair value of equity-release mortgages	Management of Lifeco	Internal valuation models are used to determine the fair value of equity-release mortgages. These valuations are adjusted by applying management judgments and estimates for material changes in projected asset cash flows and discount rates.	5
Fair value of investment properties	Management of Lifeco	Independent qualified appraisal services are used to determine the fair value of investment properties, which use assumptions that include judgments and estimates. These appraisals are adjusted by applying management's judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions.	5
Initial recognition and measurement of goodwill and intangible assets, as well as subsequent measurement	Management of the Corporation and of its subsidiaries	Evaluating the synergies and future benefits in business combinations for initial recognition and measurement of goodwill and intangible assets as well as determining the recoverable amount. The determination of the recoverable amount of the cash generating units (to which goodwill and intangible assets are assigned) relies upon valuation methodologies that require the use of estimates.	3, 10
Determination of cash generating unit groupings	Management of the Corporation and of its subsidiaries	Determining the cash generating unit groupings as the lowest level at which the assets are monitored for internal reporting purposes.	10
Measurement of the pension plans and other post-employment benefit obligations	Management of the Corporation and of its subsidiaries	Determining the actuarial assumptions used to determine the expense and defined benefit obligations for pension plans and other post-employment benefits. Management reviews the previous experience of related plan members and market conditions, including interest rates and inflation rates, in evaluating the assumptions used in determining the expense for the current year.	25
Recognition and measurement of tax provisions and tax assets and liabilities	Management of the Corporation and of its subsidiaries	Interpreting the relevant tax laws, regulations and legislation where the Corporation and its subsidiaries operate to determine the tax provisions and the carrying amounts of the tax assets and liabilities.	17
Recoverability of deferred tax asset carrying values	Management of the Corporation and of its subsidiaries	Assessing the recoverability of the deferred tax asset carrying values based on future years' taxable income projections.	17
Recognition and measurement of legal and other provisions	Management of the Corporation and of its subsidiaries	Assessing whether a past event will result in a probable outflow of economic resources to settle the obligation. Judgment is used in evaluating the possible outcomes and risks to determine the best estimate of the provision at the balance sheet date.	31
Derecognition of securitization mortgages	Management of IGM	Determining whether securitized mortgages are derecognized requires judgment with respect to the extent to which the risks and rewards of ownership are transferred.	13

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

Item or balance affected by judgments or estimates	Applied by	Key judgments or estimates	Corresponding note(s)
Classification of purchases and sales of portfolio investments in the statements of cash flows	Management of Lifeco	Determining if purchases and sales of portfolio investments are long term in nature, which would result in recording them within investment activities in the consolidated statements of cash flows.	n/a
Classification of revenues and expenses in sub-advisor arrangements	Management of Lifeco	Determining whether Lifeco retains the primary obligation with a client in sub-advisor arrangements. Where Lifeco retains the primary obligation to the client, revenues and expenses are recorded on a gross basis.	n/a
Deferred selling commissions	Management of IGM	Determining whether the client or the fund is the customer, as well as the assessment of the recoverability of the deferred selling commissions.	9
Deferred acquisition costs	Management of Lifeco	Determining whether deferred acquisition costs can be recognized on the consolidated balance sheets. Deferred acquisition costs are recognized if Lifeco's management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract.	9
Classification of non-controlling interests in limited-life fund units and redeemable fund units	Management of the Corporation and of its subsidiaries	Determining if non-controlling interests in funds are classified as liabilities or equity depends on whether an obligation exists to distribute residual net assets to non-controlling interests on liquidation in the form of cash or another financial asset or assets delivered in kind. Judgment is used to determine what the governing documents of each entity require or permit in this regard.	16

SIGNIFICANT ACCOUNTING POLICIES**REVENUE RECOGNITION**

Interest income is accounted for on an accrual basis using the effective interest method for bonds and mortgage and other loans measured at amortized cost. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed shares and usually the notification date or date when the shareholders have approved the dividend for private equity instruments. Interest income and dividend income are recorded in net investment income in the Consolidated Statements of Earnings (statements of earnings).

Lifeco

Premiums for all types of insurance contracts and contracts with limited mortality or morbidity risk are generally recognized as revenue when due and collection is reasonably assured.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease. Investment property income is included in net investment income in the statements of earnings.

Fee income primarily includes fees earned from the management of segregated fund assets, proprietary mutual fund assets, record keeping, fees earned on administrative services only for Group health contracts, commissions and fees earned from management services. Fee income is recognized on the transfer of services to customers for the amount that reflects the consideration expected to be received in exchange for those services promised.

Lifeco has sub-advisor arrangements where Lifeco retains the primary obligation with the client. As a result, fee income earned is reported on a gross basis, with the corresponding sub-advisor expense recorded in operating and administrative expenses.

IGM Financial

Wealth management revenue is earned for providing financial planning, investment advisory and related financial services. Revenues from financial advisory fees and investment management and related administration fees are based on the net asset value of investment funds or other assets under advisement and are accrued as services are performed. Distribution revenue associated with insurance and banking products and services are also recognized on an accrual basis while distribution fees derived from investment fund and securities transactions are recognized on a trade-date basis.

Asset management revenue related to investment management advisory and administrative services is based on the net asset value of investment funds and other assets under management and is accrued as services are performed.

Wealth and asset management revenue are included in fee income in the statements of earnings.

Other subsidiaries

Revenues from contracts with customers are recognized by other subsidiaries when control of the goods or services are transferred to the customer for the amount that reflects the consideration which the subsidiary expects to receive in exchange for the goods or services.

Revenues from electricity sales are recognized when the electricity is delivered at the customer's connection point and there is no unfulfilled obligation that could affect the customer's acceptance of the electricity. Revenues from electricity sales are included in other revenues in the statements of earnings.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash, current operating accounts, overnight bank and term deposits and fixed income securities with an original term to maturity of three months or less. Overdraft bank balances are included in other liabilities.

INVESTMENTS

Investments include bonds, mortgage and other loans, shares, investment properties, and loans to policyholders of Lifeco. Investments are classified as either fair value through profit or loss, available for sale, held to maturity, loans and receivables, or as non-financial instruments based on management's intention relating to the purpose and nature of the instruments or the characteristics of the investments. The Corporation and its subsidiaries currently have not classified any investments as held to maturity.

A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

Investments in mortgage and other loans are initially classified with respect to the intent of the loan on origination.

Investments in bonds (including fixed income securities), mortgage and other loans and shares actively traded on a public market or where fair value can be reliably measured are either designated or classified as fair value through profit or loss or classified as available for sale and are recorded on a trade-date basis. Equity-release mortgages are designated as fair value through profit or loss.

Fair value through profit or loss investments are recorded at fair value on the Consolidated Balance Sheets (balance sheets) with realized and unrealized gains and losses reported in the statements of earnings. Available-for-sale investments are recorded at fair value on the balance sheets with unrealized gains and losses recorded in other comprehensive income. Realized gains and losses are reclassified from other comprehensive income and recorded in net investment income in the statements of earnings when the available-for-sale investment is sold or impaired.

Investments in mortgage and other loans and bonds not actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned, impairments and realized gains and losses on the sale of investments classified as loans and receivables are recorded in net investment income in the statements of earnings.

Investment properties consist of real estate held to earn rental income or for capital appreciation that have an insignificant portion that is owner-occupied or where there is no intent to occupy on a long-term basis. Properties that do not meet these criteria are classified as owner-occupied properties. Investment properties are initially measured at cost and subsequently carried at fair value on the balance sheets. Changes in fair value are recorded as net investment income in the statements of earnings.

Loans to policyholders of Lifeco are classified as loans and receivables and measured at amortized cost. Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. The carrying value of loans to policyholders approximates fair value.

Fair value measurement

The carrying values of financial assets reflect the prevailing market liquidity and the liquidity premiums embedded in the market pricing methods the Corporation and its subsidiaries rely upon.

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance contract liabilities are largely offset by corresponding changes in the fair value of these liabilities, except when the bond has been deemed impaired.

The Corporation and its subsidiaries maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following is a description of the methodologies used to determine fair value.

Bonds and mortgage and other loans at fair value through profit or loss and available for sale

Fair values of bonds and mortgage and other loans recorded at fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third-party independent pricing sources. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure bonds and mortgage and other loans at fair value. Where prices are not quoted in a normally active market, fair values are determined by valuation models.

The Corporation and its subsidiaries estimate the fair value of bonds and mortgage and other loans not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodologies, discounted cash flow analyses and/or internal valuation models. These methodologies consider such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as yield curves, credit curves, prepayment rates and other relevant factors. For bonds and mortgage and other loans that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments are generally based on available market evidence. In the absence of such evidence, management's best estimate is used.

Shares at fair value through profit or loss and available for sale

Fair values of publicly traded shares are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values of shares for which there is no active market are typically based upon alternative valuation techniques such as discounted cash flow analysis, review of price movements relative to the market and utilization of information provided by the underlying investment manager. The Corporation and its subsidiaries obtain quoted prices in active markets, when available, for identical assets at the balance sheet dates to measure shares at fair value.

Equity-release mortgages at fair value through profit or loss

There are no market-observable prices for equity-release mortgages; an internal valuation model is used which is based on discounting expected future cash flows and considering the embedded no-negative-equity guarantee. Inputs to the model include market-observable inputs such as benchmark yields and risk-adjusted spreads. Non-market-observable inputs include property growth and volatility rates, expected rates of voluntary redemptions, death, moving to long-term care and interest cessation assumptions and the value of the no-negative-equity guarantee.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**Bonds and mortgage and other loans classified as loans and receivables**

The fair values disclosed for bonds and mortgage and other loans, classified as loans and receivables, are determined by discounting expected future cash flows using current market rates for similar instruments. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

Investment properties

Fair values of investment properties are determined using independent qualified appraisal services and include adjustments by Lifeco management for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment properties requires the use of estimates including 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 conditions. Investment properties under construction are valued at fair value if such values can be reliably determined; otherwise, they are recorded at cost.

Impairment

Investments are reviewed on an individual basis at the end of each reporting period to determine whether there is any objective evidence of impairment. The Corporation and its subsidiaries consider various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults, and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of collection. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors, including the remaining term to maturity and liquidity of the asset. However, market price is taken into consideration when evaluating impairment.

For impaired bonds and mortgage and other loans classified as loans and receivables, provisions are established or impairments recorded to adjust the carrying value to the net realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the net realizable value. Where available-for-sale bonds are determined to be impaired, the accumulated loss recorded in other comprehensive income is reclassified to net investment income. Impairments on available-for-sale debt instruments are reversed if there is objective evidence that a permanent recovery has occurred. As well, interest is no longer accrued on impaired bonds and mortgage and other loans and previous interest accruals are reversed in net investment income.

Impairment losses on available-for-sale shares are recorded in net investment income if the loss is significant or prolonged. Subsequent losses are recorded directly in net investment income.

Securities lending

Lifeco engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within investments, as Lifeco retains substantial risks and rewards and economic benefits related to the loaned securities.

TRANSACTION COSTS

Transaction costs related to financial instruments classified or designated as fair value through profit or loss are expensed as incurred. Transaction costs related to financial assets classified as available for sale or loans and receivables are included in the value of the instrument at acquisition, and recorded in net earnings using the effective interest method. Transaction costs related to financial liabilities classified as other than fair value through profit or loss are deducted from the value of the instrument issued and recorded in net earnings using the effective interest method.

OWNER-OCCUPIED PROPERTIES AND CAPITAL ASSETS

Owner-occupied properties and capital assets include right-of-use assets.

Owner-occupied properties and capital assets are carried at cost less accumulated depreciation, disposals and impairments. Capital assets include equipment, renewable power generating assets, furniture and fixtures. Owner-occupied properties, equipment, renewable power generating assets, furniture and fixtures are depreciated using the straight-line method, over their estimated useful lives, as follows: i) owner-occupied properties (10 to 50 years); and ii) capital assets (3 to 25 years).

Right-of-use assets are depreciated to the earlier of the end of the estimated useful life of right-of-use asset or the end of the lease term using the straight-line method. Depreciation expense is included within operating and administration expenses.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary. Owner-occupied properties and capital assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

LEASES

At inception of a contract, the Corporation and its subsidiaries assess whether a contract is or contains a lease. The Corporation and its subsidiaries recognize a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. Right-of-use assets are included within owner-occupied properties and capital assets with the exception of right-of-use assets which meet the definition of investment property which are presented within investment properties and subject to the Corporation's associated accounting policy.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's or its subsidiaries' incremental borrowing rate. Generally, the incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within financing charges.

The Corporation and its subsidiaries do not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the term within operating and administrative expenses.

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

Where the Corporation and its subsidiaries are the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the balance sheets. Income from these leases is recognized in the statements of earnings on a straight-line basis over the lease term.

Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Where the Corporation and its subsidiaries are the lessor under a finance lease, the investment is recognized as a receivable at an amount equal to the net investment in the lease which is the present value of the minimum lease payments due from the lessee presented within the balance sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the statements of earnings at a constant periodic rate of return on net investment in the finance lease.

OTHER ASSETS

Other assets include premiums in course of collection, accounts receivable and interest receivable, prepaid expenses, deferred acquisition costs, deferred selling commissions and miscellaneous other assets which are measured at amortized cost.

Deferred acquisition costs

Deferred acquisition costs related to investment contracts and service contracts are recognized as assets if the costs are incremental and incurred due to the contract being issued. Deferred acquisition costs are amortized on a straight-line basis over the term of the contract, not exceeding 20 years.

Deferred selling commissions

Commissions are paid on investment product sales where IGM either receives a fee directly from the client or where it receives a fee directly from the investment fund.

Commissions paid on investment product sales where IGM earns fees from a client are capitalized and amortized over their estimated useful lives, not exceeding a period of seven years. IGM regularly reviews the carrying value of deferred selling commissions with respect to any events or circumstances that indicate impairment. Among the tests performed by IGM to assess recoverability is the comparison of the future economic benefits derived from the deferred selling commission asset in relation to its carrying value.

All other commissions paid on investment product sales are expensed as incurred.

ASSETS AND LIABILITIES HELD FOR SALE

Disposal groups are classified as held for sale when it has been determined that the carrying amount will be recovered through a sale transaction rather than continuing use. The disposal group is measured at the lower of its carrying amount and fair value less cost to sell. Individual assets and liabilities in a disposal group not subject to these measurement requirements include financial assets, investment properties and insurance contract liabilities. These assets and liabilities are measured in accordance with the relevant accounting policies described for those assets and liabilities included in this note before the disposal group as a whole is measured at the lower of its carrying amount and fair value less cost to sell. Any impairment loss for the disposal group is recognized as a reduction to the carrying amount for the portion of the disposal group under the measurement requirements for IFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations*.

Disposal group assets and liabilities classified as held for sale are presented separately on the balance sheets. Losses from disposal groups held for sale are included in operating and administrative expenses.

BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business combinations are accounted for using the acquisition method. Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets comprise finite life and indefinite life intangible assets. Finite life intangible assets include the value of technology and software, certain customer contracts and power purchase agreements. Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and the amortization period and method are reviewed and adjusted if necessary. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives as follows: i) technology and software (3 to 10 years); ii) customer contract-related (7 to 30 years); and iii) power purchase agreements (20 years).

Indefinite life intangible assets include brands, trademarks and trade names, certain customer contracts, mutual fund management contracts and the shareholders' portion of acquired future participating account profit. Amounts are classified as indefinite life intangible assets based on an analysis of all the relevant factors, and when there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment testing

Goodwill and indefinite life intangible assets, including those resulting from an acquisition during the year, are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Indefinite life intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal.

Goodwill and indefinite life intangible assets have been allocated to cash generating units or to groups of cash generating units (CGUs), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of the CGUs to the recoverable amount of the CGUs to which the goodwill and indefinite life intangible assets have been allocated.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost of disposal or value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

SEGREGATED FUNDS

Segregated fund assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the balance sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and change in fair value of the segregated fund assets are offset by corresponding changes in the segregated fund liabilities.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**INSURANCE AND INVESTMENT CONTRACT LIABILITIES****Contract classification**

When significant insurance risk exists, Lifeco's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Significant insurance risk exists when Lifeco agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. Refer to Note 12 for a discussion on Lifeco's insurance risk.

In the absence of significant insurance risk, the contract is classified as an investment contract or service contract. Investment contracts with discretionary participating features are accounted for in accordance with IFRS 4 and investment contracts without discretionary participating features are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Lifeco has not classified any contracts as investment contracts with discretionary participating features.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to Note 22 for a discussion on Lifeco's risk management.

Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with Lifeco. The Appointed Actuaries of Lifeco's subsidiaries are responsible for determining the amount of the liabilities in order to make appropriate provisions for Lifeco's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance and investment contracts using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the CALM. This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality and morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

REINSURANCE CONTRACTS

Lifeco, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. Assumed reinsurance refers to the acceptance of certain insurance risks by Lifeco underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, Lifeco remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Lifeco considers various factors in the impairment evaluation process, including, but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the statements of earnings.

Any gains or losses on buying reinsurance are recognized in the statement of earnings immediately at the date of purchase in accordance with the CALM.

Assets and liabilities related to reinsurance are reported on a gross basis in the balance sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

**FUNDS HELD BY CEDING INSURERS/
FUNDS HELD UNDER REINSURANCE CONTRACTS**

On the asset side, funds held by ceding insurers are assets that would normally be paid to Lifeco but are retained by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds-withheld basis supporting the insurance or investment contract liabilities ceded. For the funds-withheld assets where the underlying asset portfolio is managed by Lifeco, the credit risk is retained by Lifeco. The funds-withheld balance where Lifeco assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See Note 6 for funds held by ceding insurers that are managed by Lifeco. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds-withheld assets on these contracts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by Lifeco from ceded business written on a funds-withheld basis. Lifeco withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

POLICYHOLDER BENEFITS

Policyholder benefits include benefits and claims on life insurance contracts, maturity payments, annuity payments and surrenders. Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year and settlement of claims. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

NOTE 2 Basis of Presentation and Summary of Significant Accounting Policies (continued)**DERECOGNITION OF SECURITIZED MORTGAGES**

IGM enters into transactions where it transfers financial assets recognized on its balance sheets. The determination of whether the financial assets are derecognized is based on the extent to which the risks and rewards of ownership are transferred.

If substantially all of the risks and rewards of a financial asset are not retained, IGM derecognizes the financial asset. The gains or losses and the servicing fee revenue for financial assets that are derecognized are reported in net investment income in the statements of earnings.

If all or substantially all risks and rewards are retained, the financial assets are not derecognized and the transactions are accounted for as secured financing transactions.

OTHER FINANCIAL LIABILITIES

Debentures and other debt instruments, and capital trust debentures are initially recorded on the balance sheets at fair value and subsequently carried at amortized cost using the effective interest method with amortization expense recorded in financing charges in the statements of earnings. These liabilities are derecognized when the obligation is expired, cancelled or redeemed.

Accounts payable, dividends and interest payable, and deferred income reserves are measured at amortized cost. Deferred income reserves related to investment contracts are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not exceeding 20 years.

Provisions are recognized within other liabilities when the Corporation or its subsidiaries have a present obligation, either legal or constructive, as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. Provisions are measured based on management of the Corporation and of its subsidiaries' best estimate at the balance sheet date. The Corporation recognizes a provision for restructuring when a detailed formal plan for the restructuring has been established and the plan has raised a valid expectation in those affected that the restructuring will occur.

Limited-life fund units represent the interest held by third parties in funds consolidated by the Corporation. These fund units have a defined maximum fixed life where the Corporation has an obligation to distribute the residual interests of the fund to fund partners based on their proportionate share of the fund's equity in the form of cash or other financial assets at the end of the fund's life. Redeemable fund units represent interests held by third parties in funds consolidated by the Corporation that have a redemption feature that requires the company to deliver cash or other financial assets to the holders of the units upon receiving a redemption notice. Limited-life funds and redeemable fund units are classified as financial liabilities and recorded at fair value. Changes in the value are recorded in the statements of earnings in the period of the change.

PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors, unfunded supplementary employee retirement plans (SERP) for eligible employees, and unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependants. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings. Expenses for defined benefit plans are actuarially determined using the projected unit credit method prorated on service, based upon management of the Corporation and of its subsidiaries' assumptions about discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The Corporation and its subsidiaries' accrued benefit liability in respect to defined benefit plans is calculated separately for each plan by discounting the amount of the benefit that employees have earned in return for their service in current and prior periods and deducting the fair value of any plan assets.

The Corporation and its subsidiaries determine the net interest component of the pension expense for the period by applying the discount rate used to measure the accrued benefit liability at the beginning of the annual period to the net accrued benefit liability. The discount rate used to value liabilities is determined by reference to market yields on high-quality corporate bonds.

If the plan benefits are changed, or a plan is curtailed, any past service costs or curtailment gains or losses are recognized immediately in net earnings.

Net interest costs, administration expenses, current service costs, past service costs and curtailment and settlement gains or losses are included in operating and administrative expenses.

Remeasurements represent actuarial gains and losses and the actual return on plan assets, less interest calculated at the discount rate, and changes in the asset ceiling. Remeasurements are recognized immediately through other comprehensive income and are not subsequently reclassified to net earnings.

The accrued benefit asset (liability) represents the plan surplus (deficit) and is included in other assets (other liabilities).

Contributions to the defined contribution plans are expensed as incurred.

INCOME TAXES

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or recovery in the statements of earnings, except to the extent that it relates to items that are not recognized in the statements of earnings (whether in other comprehensive income or directly in equity), in which case the income tax is also recognized in other comprehensive income or directly in equity.

Current income tax

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the rates that have been enacted or substantively enacted at the balance sheet date. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred income tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income and on unused tax attributes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unused tax attributes can be utilized.

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

Recognition of deferred tax assets is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets. The Corporation and its subsidiaries' financial planning process provides a significant basis for the measurement of deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to net current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, jointly controlled corporations and associates, except where the group controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage revenues and asset, liability and capital positions. The Corporation and its subsidiaries' policies prohibit the use of derivative instruments for speculative trading purposes.

Derivatives are measured at fair value and recorded on the balance sheets. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income in the statements of earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market-based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in, the instrument, as well as the availability of pricing information in the market. The Corporation and its subsidiaries generally use similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently, as if there was no hedging relationship.

Where a hedging relationship exists, the Corporation and its subsidiaries document all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the balance sheets or to specific firm commitments or forecasted transactions. The Corporation and its subsidiaries also assess, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting change in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing. Hedge accounting is discontinued when the hedge no longer qualifies for hedge accounting.

Fair value hedges

Fair value hedges are used to manage the exposure to change in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, change in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

Cash flow hedges

Cash flow hedges are used to manage the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. For cash flow hedges, the effective portion of the change in fair value of the hedging instrument is recorded in other comprehensive income, while the ineffective portion is recognized immediately in net investment income. Gains and losses on cash flow hedges that accumulate in other comprehensive income are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from other comprehensive income to net investment income if and when a forecasted transaction is no longer expected to occur.

Net investment hedges

Net investment hedges are used to manage the exposure to changes in the reporting entity's share in the net share of a foreign operation. For net investment hedges, the effective portion of changes in the fair value of the hedging instrument is recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within other comprehensive income and will be reclassified into net earnings when the investments are derecognized.

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

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the statement of earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

EQUITY

Preferred shares are classified as equity if they are non-redeemable or if they are retractable only at the Corporation's option and if any dividends are discretionary. Costs that are directly attributable to the issue of share capital are recognized as a reduction from retained earnings, net of income tax.

Reserves are composed of share-based compensation and other comprehensive income. Share-based compensation reserve represents the vesting of options less options exercised. Other comprehensive income represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the actuarial gains (losses) on benefit pension plans, the unrealized gains (losses) on available-for-sale investments, the unrealized gains (losses) on cash flow hedges, the re-evaluation surplus on transfer to investment properties and the share of other comprehensive income of jointly controlled corporations and associates.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders of subsidiaries.

SHARE-BASED PAYMENTS

Options granted to employees of the Corporation and its subsidiaries are measured at fair value on the date of the grant. Compensation expense is recognized in operating and administrative expenses in the statements of earnings over the vesting period of the granted options, with a corresponding increase in share-based compensation reserve. When the stock options are exercised, the proceeds received, together with the amount recorded in share-based compensation reserve, are included in the stated capital of the entity issuing the corresponding shares.

The Corporation and its subsidiaries recognize a liability for cash-settled awards, including those granted under Performance Share Unit plans and Deferred Share Unit plans. Compensation expense is recognized in operating and administrative expenses in the statements of earnings, net of related hedges, and a liability is recognized on the balance sheets over the vesting period. The liability is remeasured at fair value at each reporting period with the change in the liability recorded in operating and administrative expenses.

FOREIGN CURRENCY TRANSLATION

The Corporation and its subsidiaries operate with multiple functional currencies. The Corporation's financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Corporation.

Assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at exchange rates prevailing at the balance sheet dates for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenues and expenses denominated in foreign currencies are translated into each entity's functional currency at an average of daily rates. Realized and unrealized exchange gains and losses are included in net investment income.

Translation of net investment in foreign operations

Foreign operations are subsidiaries, jointly controlled corporations, associates and/or business units with functional currencies other than the Canadian dollar. Assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all revenues and expenses are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Corporation's net investment in its foreign operations are presented as a component of other comprehensive income. Unrealized foreign currency translation gains and losses are recognized proportionately in net earnings when there has been a disposal of a foreign operation.

EARNINGS PER PARTICIPATING SHARE

Basic earnings per participating share is determined by dividing net earnings available to participating shareholders by the weighted average number of participating shares outstanding for the year. Diluted earnings per participating share is determined using the same method as basic earnings per participating share, except that net earnings available to participating shareholders and the weighted average number of participating shares outstanding are adjusted to include the potential dilutive effect of outstanding stock options granted by the Corporation and its subsidiaries, as determined by the treasury stock method.

COMPARATIVE FIGURES

In 2020, the Corporation modified the presentation of its segmented disclosure to reflect the Reorganization and the Corporation's strategy. Power Financial's results, including its corporate operations, were previously presented separately by the Corporation. Subsequent to the Reorganization, 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 have been restated to conform to the current year's presentation (Note 33).

Effective January 1, 2020, Lifeco divided its Europe activities into two activities: Europe and Capital Risk Solutions. The adjustment had no impact on the net earnings or cash flows of the Corporation. This resulted in a change to comparative figures (Notes 12 and 22).

During the year, the Corporation reclassified certain comparative figures for disclosure items to conform to the current year's presentation. Debentures and other debt instruments have been disaggregated on the balance sheets to distinguish those issued by the Corporation and those issued by subsidiaries that are non-recourse to the Corporation. The related cash flows within financing activities have also been disaggregated in the statements of cash flows. These reclassifications had no impact on the total assets, liabilities, equity, net earnings or total cash flows of the Corporation.

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 their consolidated financial statements when they become effective.

Standard	Summary of future changes
IFRS 17 – <i>Insurance Contracts</i>	<p>In May 2017, the IASB issued IFRS 17, <i>Insurance Contracts</i>, which will replace IFRS 4, <i>Insurance Contracts</i>. On June 26, 2019 the IASB issued an exposure draft covering targeted amendments to the IFRS 17 standard, including a proposed amendment to defer the effective date of the standard. In June 2020, the IASB finalized the amendments to IFRS 17, which included confirmation of the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9–<i>Financial Instruments</i>, keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>The adoption of IFRS 17 is a significant initiative for Lifeco supported by a formal governance framework and project plan, for which substantial resources are being dedicated. Lifeco has assembled a project team that is working on implementation which involves preparing the financial reporting systems and processes for reporting under IFRS 17, policy development and operational and change management. The project team is also monitoring developments from the IASB and various industry groups that Lifeco has representation on. Lifeco continues to make progress in implementing its project plan, with key policy decisions well advanced as well as significant progress on the technology solution.</p> <p>IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. IFRS 17 introduces three new measurement models depending on the nature of the insurance contracts: the General Measurement Model, the Premium Allocation Approach and the Variable Fee Approach. For the General Measurement Model and Variable Fee Approach, IFRS 17 requires entities to measure insurance contract liabilities on the balance sheet as the total of:</p> <ul style="list-style-type: none"> (a) the fulfilment cash flows: the current estimates of amounts that a company expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and (b) the contractual service margin: the future profit for providing insurance coverage. <p>Under IFRS 17, the discount rate used to reflect the time value of money in the fulfilment cash flows must be based on the characteristics of the liability. This is a significant change from IFRS 4 and the CALM, where the discount rate was based on the yield curves of the assets supporting those liabilities (refer to the Corporation's significant accounting policies in Note 2 of these financial statements).</p> <p>The future profit for providing insurance coverage (including impacts of new business) is reflected in the initial recognition of insurance contract liabilities and then recognized into profit or loss over time as the insurance services are provided. IFRS 17 also requires Lifeco to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be onerous. Lifeco is required to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and discount rates. As a result of the new valuation methodologies required under IFRS 17, Lifeco expects its insurance contract liabilities to increase upon adoption.</p> <p>IFRS 17 will affect how Lifeco accounts for its insurance contracts and how the financial performance is reported in the statements of earnings, in particular the timing of earnings recognition for insurance contracts. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. Lifeco is also actively monitoring potential impacts on regulatory capital and its associated ratios and disclosures. Lifeco continues to assess all these impacts through its global implementation plan.</p>

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

Standard	Summary of future changes
Current implication of IFRS 9 – <i>Financial Instruments</i>	<p>In July 2014, the IASB issued a final version of IFRS 9, <i>Financial Instruments</i> to replace IAS 39, <i>Financial Instruments: Recognition and Measurement</i>. The standard provides changes to financial instruments accounting for the following:</p> <ul style="list-style-type: none"> ■ Classification and measurement: this phase requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. ■ Impairment methodology: this phase replaces the current incurred loss model for impairment of financial assets with an expected loss model. ■ Hedge accounting: this phase replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities. <p>In September 2016, the IASB issued an amendment to IFRS 4, <i>Insurance Contracts</i> (IFRS 4). The amendment "Applying IFRS 9, <i>Financial Instruments</i> with IFRS 4, <i>Insurance Contracts</i>" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9 standard before the new proposed insurance contract standard is effective. The two options are as follows:</p> <ul style="list-style-type: none"> ■ <i>Deferral Approach</i>: provides the option to defer implementation of IFRS 9 until the effective date of the new insurance contract standard; or ■ <i>Overlay Approach</i>: provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss. <p>The Corporation qualifies for the amendment and is applying the deferral approach to allow the adoption of both IFRS 9 and IFRS 17, simultaneously.</p> <p>The disclosure for the measurement and classification of the Corporation's portfolio investments provides most of the information required by IFRS 9. The Corporation and Lifeco continue to evaluate the impact of the adoption of this standard with the adoption of IFRS 17.</p> <p>GBL (held through Parjointco), a jointly controlled corporation, does not qualify for the exemption and adopted IFRS 9 on January 1, 2018. The Corporation, in accordance with the amendment of IFRS 4 to defer the adoption of IFRS 9, is permitted although not required to retain the accounting policies applied by an associate or a jointly controlled corporation which is accounted for using the equity method. The Corporation has decided to continue applying IAS 39 to GBL's results.</p>
IAS 37 – <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Corporation and its subsidiaries are evaluating the impact of the adoption of these amendments.</p>
IFRS 16 – <i>Leases</i>	<p>In May 2020, the IASB published amendments to IFRS 16, <i>Leases</i> amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification.</p> <p>The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Corporation and its subsidiaries do not anticipate a significant impact on the financial statements as a result of this amendment.</p>
IFRS 9 – <i>Financial Instruments</i> IAS 39 – <i>Financial Instruments: Recognition and Measurement</i> ; IFRS 7 – <i>Financial Instruments: Disclosures</i> ; IFRS 4 – <i>Insurance Contracts</i> ; and IFRS 16 – <i>Leases</i>	<p>In August 2020, the IASB published <i>Interest Rate Benchmark Reform – Phase 2</i> which issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide relief from remeasurement impacts on financial instruments, and discontinuation of hedging relationships arising from reform of an interest rate benchmark, including its replacement with alternative benchmark rates.</p> <p>The amendments are effective for annual reporting periods beginning on or after January 1, 2021, with earlier application permitted. The Corporation and its subsidiaries are monitoring the interest rate benchmark reform process and have established an internal program to fully transition to alternative reference rates by the end of 2021. The transition to alternative reference rates is not expected to impact the Corporation and its subsidiaries' risk management strategy. The Corporation and its subsidiaries do not expect the adoption of these amendments to have a significant impact on the financial statements.</p>

NOTE 3 Business Acquisitions, Disposals 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 Massachusetts Mutual Life Insurance Company (MassMutual). Lifeco 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 (Note 15). 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, and liabilities assumed and reported as at December 31, 2020 are as follows:

ASSETS ACQUIRED AND GOODWILL	
Cash and cash equivalents	2,594
Bonds	12,006
Mortgage loans	2,326
Funds held by ceding insurers	9,928
Goodwill	2,827
Other assets	403
Deferred tax assets	300
Investments on account of segregated fund policyholders	84,785
	115,169
LIABILITIES ASSUMED	
Insurance contract liabilities	22,316
Investment contract liabilities	4,984
Other liabilities	147
Investment and insurance contracts on account of segregated fund policyholders	84,785
	112,232
NET ASSETS ACQUIRED	2,937

As at December 31, 2020, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at December 31, 2020 reflect Lifeco's current best estimate of the purchase price allocation. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during 2021. As at December 31, 2020, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$2,827 million (US\$2,226 million) on the date of acquisition, 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.

During the year ended December 31, 2020, Lifeco incurred acquisition expenses of \$66 million (US\$51 million) which are included within operating and administrative expenses in the statements of earnings.

As the acquisition occurred on December 31, 2020, the reinsured business did not contribute to 2020 earnings.

Supplemental pro forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, have not been included as it is impracticable as MassMutual had a different financial reporting basis than Lifeco.

Acquisition of Personal Capital Corporation

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

The investment in Personal Capital was previously accounted for by IGM using the equity method. Upon completion of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital and a gain of \$37 million was recorded in share of earnings of investments in jointly controlled corporations and associates, as a result of the remeasurement of IGM's previous investment in Personal Capital at fair value on the date control was attained (Note 7).

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

The amounts assigned to the assets acquired, goodwill, and liabilities assumed on August 17, 2020, reported as at December 31, 2020, are as follows:

ASSETS ACQUIRED AND GOODWILL	
Cash and cash equivalents	36
Goodwill	718
Intangible assets	294
Deferred tax assets	43
Other assets	40
	1,131
LIABILITIES ASSUMED AND CONTINGENT CONSIDERATION	
Other liabilities	33
Contingent consideration	26
	59
NET ASSETS ACQUIRED	1,072

During the fourth quarter of 2020, Lifeco substantially completed its comprehensive evaluation of the fair value of the net assets acquired from Personal Capital and the purchase price allocation. As a result, initial goodwill of \$954 million recognized upon the acquisition of Personal Capital on August 17, 2020 and presented in the Business Acquisitions, Disposals and Other Transactions note to the September 30, 2020 consolidated interim unaudited financial statements has been adjusted in the fourth quarter of 2020. Adjustments were made to the provisional amounts disclosed in the September 30, 2020 consolidated interim unaudited financial statements primarily for the recognition and measurement of intangible assets, contingent consideration and adjustments to the deferred tax assets acquired.

The following provides the change in the carrying value from September 30, 2020 to December 31, 2020 of the goodwill on acquisition.

Goodwill previously reported at September 30, 2020	954
Recognition and measurement of intangible assets	(294)
Recognition and measurement of contingent consideration	26
Adjustment to deferred tax assets and other adjustments	32
Goodwill reported at December 31, 2020	718

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies of future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of Personal Capital. The goodwill is not deductible for tax purposes.

Intangible assets include customer contract-related, brand name and internally developed software.

The purchase consideration was adjusted from \$1,097 million to \$1,072 million (US\$825 million to US\$813 million). The contingent consideration earn-out value of \$26 million (US\$20 million) represents Lifeco's best estimate, which could increase to up to \$231 million (US\$175 million) based on the achievement of growth in assets under management metrics defined in the Merger Agreement, payable following measurements through December 31, 2021 and December 31, 2022. Future changes in the fair value of the contingent consideration measures in accordance with the Merger Agreement will be recognized in the statement of earnings.

Supplemental pro forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, have not been included as the results were not significant to the results of the Corporation.

During the year ended December 31, 2020, Lifeco incurred transaction expenses of \$29 million (US\$22 million) which are included within operating and administrative expenses in the statements of earnings.

Sale of Irish Progressive Services International Limited

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

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

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

The liabilities transferred and ceding commission received at the closing of this transaction were subject to future adjustments. In October 2019, Protective Life provided Lifeco with its listing of proposed adjustments with respect to the liabilities transferred, which Lifeco formally objected to in December 2019. In November 2020, the parties reached resolution and settled cash for adjustments which did not have a material effect on the financial position of the Corporation and no further adjustments are expected.

NOTE 3 Business Acquisitions, Disposals and Other Transactions (continued)**LIFECO AND IGM****GLC Asset Management Group Ltd.**

On December 31, 2020, IGM's subsidiary, Mackenzie, acquired all of the common shares of GLC Asset Management Group Ltd. (GLC) for cash consideration of \$185 million. GLC was a wholly owned subsidiary of Lifeco whose principal activity is the provision of investment management services to Canada Life.

In a separate transaction, Canada Life acquired the fund management contracts relating to the private label Quadrus Group of Funds (QGOF) from Mackenzie for cash consideration of \$30 million. Mackenzie was previously the manager and trustee of the QGOF. Subsequent to the sale, Mackenzie continues to provide investment and administration services to the QGOF.

This is a related party transaction, and the boards of directors of Lifeco and IGM established committees of independent directors to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to their respective boards of directors.

The Corporation previously consolidated GLC, through Lifeco, and therefore the transaction did not have an impact on the statements of earnings and balance sheets.

KOHO FINANCIAL INC.

On December 1, 2020, Koho, a Canada-based digital platform offering a suite of financial services to provide consumers an experience that is an alternative to traditional banks, closed a financing round of \$50 million of new capital led by Drive Capital. Portag3 II participated in the round and invested a further \$12 million. The indirect equity interest held by the Corporation decreased from 54.4% to 48.7% on December 1, 2020. Contemporaneously, the shareholders' agreement was amended, and the Corporation has determined that it no longer controls but has significant influence over Koho and now accounts for its investment as an investment in an associate. As a result, in the fourth quarter, the Corporation has derecognized the assets and liabilities of Koho in its financial statements and has recognized a gain of \$90 million included in net investment income in the statement of earnings.

POTENTIA RENEWABLES INC.

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

The amounts assigned to the assets acquired and liabilities assumed on June 10, 2020, reported as at December 31, 2020 are as follows:

ASSETS ACQUIRED	
Owner-occupied properties and capital assets	85
Intangible assets (power purchase agreements)	150
Goodwill	11
Other assets	9
	255
LIABILITIES ASSUMED	
Other debt instruments	145
Other liabilities	6
Deferred tax liabilities	29
	180
NET ASSETS ACQUIRED	75
CONSIDERATION	
Cash, net of cash and cash equivalents acquired	63
Non-controlling interests, at fair value	12
	75

During the fourth quarter of 2020, Potentia completed its comprehensive evaluation of the fair value of the net assets acquired and the purchase price allocation. Adjustments were made to the provisional amount disclosed in the September 30, 2020 consolidated interim unaudited financial statements, primarily for the measurement of owner-occupied properties and capital assets, intangible assets and recognition of deferred tax liabilities assumed. The goodwill represents the excess of the purchase price over the fair value of the net assets.

Supplemental pro forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, has not been included as the results were not significant to the results of the Corporation.

NOTE 3 Business Acquisitions, Disposals and Other Transactions (continued)**Acquisition of assets**

In 2019, Potentia acquired operating wind and solar assets in North America.

The amounts assigned to the assets acquired and liabilities assumed for these acquisitions are as follows:

ASSETS ACQUIRED	
Owner-occupied properties and capital assets	208
Other assets	8
Intangible assets	142
	358
LIABILITIES ASSUMED	
Other debt instruments	153
Other liabilities	61
	214
NET ASSETS ACQUIRED	144
CONSIDERATION	
Cash, net of cash and cash equivalents acquired	123
Non-controlling interests, at fair value	21
	144

NAUTILUS SOLAR ENERGY, LLC

On July 30, 2019, Power Energy Corporation, an indirect wholly owned subsidiary of the Corporation, acquired for a cash consideration of US\$25 million a 100% equity interest in Nautilus Solar Energy, LLC (Nautilus), a company that acquires, develops, finances and manages distributed solar projects across community, municipal/utility-scale, commercial and industrial markets.

INTEGRAMED AMERICA, INC.

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

The following table summarizes the assets and liabilities derecognized:

ASSETS DERECOGNIZED	
Cash	22
Investments in associates	10
Owner-occupied properties and capital assets	182
Other assets	59
Intangible assets	95
	368
LIABILITIES AND NON-CONTROLLING INTERESTS DERECOGNIZED	
Other debt instruments	129
Other liabilities	271
Non-controlling interests	(5)
	395
RECOVERY ON DECONSOLIDATION	27

POWER SUSTAINABLE ENERGY INFRASTRUCTURE PARTNERSHIP**Subsequent Event**

In January 2021, Power Sustainable, a wholly owned subsidiary of the Corporation, launched Power Sustainable Energy Infrastructure Partnership, a fund with initial 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. Certain existing operating assets and projects under development from Potentia and Nautilus were transferred to the partnership at the closing in exchange for consideration in cash and units of this fund.

NOTE 4 Cash and Cash Equivalents

December 31	2020	2019
Cash	4,033	3,643
Cash equivalents	6,007	3,162
Cash and cash equivalents	10,040	6,805

At December 31, 2020, cash amounting to \$562 million was restricted for use by subsidiaries (\$591 million at December 31, 2019) primarily in respect of cash held in trust for reinsurance agreements or with regulatory authorities, under certain indemnity arrangements and in escrow.

NOTE 5 Investments**CARRYING VALUES AND FAIR VALUES**

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

December 31	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated as fair value through profit or loss ^[1]	100,729	100,729	84,128	84,128
Classified as fair value through profit or loss ^[1]	2,053	2,053	1,717	1,717
Available for sale	11,897	11,897	12,028	12,028
Loans and receivables	23,348	26,545	17,372	19,344
	138,027	141,224	115,245	117,217
Mortgage and other loans				
Loans and receivables	32,546	34,607	30,461	31,420
Designated as fair value through profit or loss ^[1]	2,092	2,092	1,314	1,314
Classified as fair value through profit or loss ^[1]	3	3	-	-
	34,641	36,702	31,775	32,734
Shares				
Designated as fair value through profit or loss ^[1]	10,498	10,498	9,752	9,752
Classified as fair value through profit or loss ^[1]	199	199	173	173
Available for sale ^[2]	1,963	1,963	1,624	1,624
	12,660	12,660	11,549	11,549
Investment properties	6,270	6,270	5,887	5,887
Loans to policyholders	8,387	8,387	8,601	8,601
	199,985	205,243	173,057	175,988

[1] A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch or if a financial asset is managed and its performance is evaluated on a fair value basis. For Lifeco, changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

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

NOTE 5 Investments (continued)**BONDS AND MORTGAGE AND OTHER LOANS**

Carrying value of bonds and mortgage and other loans due over the current and non-current term is as follows:

	Term to maturity			Carrying value
	1 year or less	1-5 years	Over 5 years	Total
December 31, 2020				
Bonds	11,188	28,359	98,445	137,992
Mortgage and other loans	3,224	14,778	16,611	34,613
	14,412	43,137	115,056	172,605

	Term to maturity			Carrying value
	1 year or less	1-5 years	Over 5 years	Total
December 31, 2019				
Bonds	12,351	26,098	76,759	115,208
Mortgage and other loans	2,452	14,124	15,168	31,744
	14,803	40,222	91,927	146,952

The tables shown above exclude the carrying value of impaired bonds and mortgage and other loans, as the ultimate timing of collectability is uncertain. Mortgage and other loans include equity-release mortgages which do not have a fixed redemption date. The maturity profile of the portfolio has therefore been estimated based on redemption experience.

IMPAIRED INVESTMENTS AND ALLOWANCE FOR CREDIT LOSSES

Carrying amount of impaired investments is as follows:

December 31	2020	2019
Impaired amounts by classification		
Fair value through profit or loss	20	21
Available for sale	89	21
Loans and receivables	28	31
Total	137	73

The carrying amount of impaired investments includes bonds, mortgage and other loans and shares. The carrying values for loans and receivables are net of allowances for credit losses of \$62 million as at December 31, 2020 (\$53 million as at December 31, 2019). The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

NET INVESTMENT INCOME

Year ended December 31, 2020	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	3,598	986	365	397	565	5,911
Net realized gains						
Available-for-sale	146	-	186	-	-	332
Other classifications	33	57	86	-	-	176
Net allowances for credit losses on loans and receivables	-	(16)	-	-	-	(16)
Other income (expenses)	-	6	(2)	(127)	74	(49)
	3,777	1,033	635	270	639	6,354
Change in fair value through profit or loss	5,232	167	160	(74)	307	5,792
Net investment income	9,009	1,200	795	196	946	12,146

NOTE 5 Investments (continued)

Year ended December 31, 2019	Bonds	Mortgage and other loans	Shares	Investment properties	Other	Total
Regular net investment income						
Investment income earned	3,971	992	314	374	548	6,199
Net realized gains						
Available-for-sale	57	-	168	-	-	225
Other classifications ^[1]	164	175	-	-	-	339
Net allowances for credit losses on loans and receivables	-	(50)	-	-	-	(50)
Other income (expenses)	-	6	20	(117)	(167)	(258)
	4,192	1,123	502	257	381	6,455
Change in fair value through profit or loss	5,785	107	1,446	37	(388)	6,987
Net investment income	9,977	1,230	1,948	294	(7)	13,442

[1] Includes realized gains from invested assets transferred as a result of the reinsurance transaction with Protective Life.

Net investment income comprises income from investments that are classified as available for sale, loans and receivables, both net of impairment charges, investments classified or designated as fair value through profit or loss and gains realized on deconsolidation of subsidiaries. Investment income from bonds and mortgage and other loans includes interest income and premium and discount amortization. Income from shares includes dividends and distributions from equity investment funds. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and subleased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

TRANSFERRED FINANCIAL ASSETS

Lifeco engages in securities lending to generate additional income. Lifeco's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with Lifeco's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent, which obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in the collateral deposited with Lifeco's lending agent is cash collateral of \$267 million at December 31, 2020 (\$398 million at December 31, 2019). In addition, the securities lending agent indemnifies Lifeco against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2020, Lifeco had loaned securities (which are included in investments) with a fair value of \$8,921 million (\$7,023 million at December 31, 2019).

NOTE 6 Funds Held by Ceding Insurers

At December 31, 2020, Lifeco had amounts on deposit of \$18,383 million (\$8,714 million at December 31, 2019) for funds held by ceding insurers on the balance sheets. Income and expenses arising from the agreements are included in net investment income on the statements of earnings.

As part of the MassMutual acquisition (Note 3), Great-West Life & Annuity assumed, by way of indemnity reinsurance, a block of retirement plan service contracts from a previous reinsurance agreement held by MassMutual. Under the agreement, Great-West Life & Annuity is required to put amounts in trust with MassMutual and Great-West Life & Annuity retains the credit risk on the portfolio of assets included in the amounts on deposit.

The details of the funds on deposit for certain agreements where Lifeco has credit risk are as follows:

CARRYING VALUES AND ESTIMATED FAIR VALUES

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
December 31				
Cash and cash equivalents	245	245	216	216
Bonds	15,365	15,365	6,445	6,445
Mortgages	578	578	-	-
Other assets	137	137	80	80
	16,325	16,325	6,741	6,741
Supporting:				
Reinsurance liabilities	16,094	16,094	6,537	6,537
Surplus	231	231	204	204
	16,325	16,325	6,741	6,741

NOTE 6 Funds Held by Ceding Insurers (continued)**ASSET QUALITY**

The following table provides details of the carrying value of the bond portfolio by credit rating:

December 31	2020	2019
AAA	1,508	601
AA	3,848	2,670
A	5,597	2,264
BBB	4,165	822
BB and lower	247	88
Total bonds	15,365	6,445

NOTE 7 Investments in Jointly Controlled Corporations and Associates

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

December 31, 2020	Jointly controlled corporations		Associates				Total
	Parjointco	Other	Northleaf	China AMC	Personal Capital	Other ⁽¹⁾	
Carrying value, beginning of year	3,954	224	–	1,321	194	200	5,893
Acquisition	–	3	247	–	–	130	380
Investments	–	14	–	–	–	44	58
Disposal	–	(16)	–	–	–	(13)	(29)
Derecognition [Note 3]	–	–	–	–	–	(10)	(10)
Share of earnings (losses)	27	57	1	84	32	(31)	170
Share of other comprehensive income (loss)	320	(4)	–	59	7	3	385
Dividends and distributions	(88)	(6)	–	(28)	–	(2)	(124)
Effects of changes in ownership and other	3	–	–	–	(233)	36	(194)
Carrying value, end of year	4,216	272	248	1,436	–	357	6,529

[1] On December 1, 2020, the Corporation determined that it no longer controls Koho but has significant influence and now accounts for its investment as an associate (Note 3).

December 31, 2019	Jointly controlled corporations		Associates				Total
	Parjointco	Other	China AMC	Personal Capital	Other		
Carrying value, beginning of year	3,291	262	1,362	–	172		5,087
Acquisition	–	–	–	217	–		217
Investments	–	6	–	–	57		63
Share of earnings (losses)	193	(3)	60	(17)	(21)		212
Share of other comprehensive income (loss)	545	(8)	(81)	(6)	(8)		442
Dividends and distributions	(80)	(31)	(20)	–	–		(131)
Effects of changes in ownership and other	5	(2)	–	–	–		3
Carrying value, end of year	3,954	224	1,321	194	200		5,893

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 SIX. At the completion of the transaction, Parjointco maintained approximately the same economic equity interest in GBL of 28%. GBL shareholders approved the implementation of double-voting rights, a condition of the transaction, at GBL's extraordinary shareholders meeting held on April 28, 2020; as a result, Parjointco retained de facto control of GBL.

Following the successful public exchange offer of Parjointco, on July 30, 2020, the board of directors of Pargesa approved the merger between Pargesa and Parjointco Switzerland, a wholly owned subsidiary of Parjointco. As part of the merger, the remaining shareholders of Pargesa were provided compensation of a value substantially equivalent to the exchange ratio offered by Parjointco during the exchange offer, on terms and conditions described in the merger agreement. The merger was approved by Pargesa's shareholders at an extraordinary general meeting held on September 4, 2020 and was completed on November 20, 2020.

NOTE 7 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 100% (100% of the voting rights) at December 31, 2020. In turn, Pargesa's interest in GBL decreased from 50.0% at December 31, 2019 to 28.2% (43.2% of the voting rights) at December 31, 2020. The transaction resulted in an increase in retained earnings of \$19 million at December 31, 2020. The Corporation's share of costs related to the transaction of \$23 million was charged to retained earnings on the statements of changes in equity.

At December 31, 2020, the net asset value of the Corporation's indirect interest in GBL is approximately \$4,451 million. The carrying value of the indirect investment in GBL is \$4,216 million. For the year ended December 31, 2020, revenue of GBL was €6,229 million (C\$9,259 million) (€5,546 million or C\$8,239 million for the year ended December 31, 2019) and net earnings attributable to GBL's common shareholders was €391 million (C\$598 million) (€705 million or C\$1,047 million for the year ended December 31, 2019). Results reported by GBL are in accordance with IFRS 9. The Corporation's share of earnings in Parjointco includes an adjustment to account for GBL's earnings under IAS 39. Other financial information for GBL can be obtained from its publicly available information.

CHINA AMC

At December 31, 2020, Power Corporation and IGM Financial each held an equity interest of 13.9% in China AMC (same at December 31, 2019). China AMC is an asset management company established in Beijing, China. The Corporation and IGM account for their interests in China AMC as an associate using the equity method.

Summarized financial information for China AMC is as follows:

	2020		2019	
	Canadian dollars	Chinese renminbi	Canadian dollars	Chinese renminbi
[in millions]				
Balance sheet at December 31 ^[1]				
Assets	2,672	13,695	2,171	11,645
Liabilities	720	3,688	504	2,701
Comprehensive income for the years ended December 31				
Revenue	1,078	5,539	763	3,977
Net earnings attributable to common shareholders	311	1,598	230	1,201
Total comprehensive income	300	1,542	234	1,219

[1] Excludes fair value adjustments made at the time of acquisition of \$3,248 million (RMB¥16,380 million).

NORTHLEAF CAPITAL GROUP LTD.

On October 29, 2020, IGM's subsidiary, Mackenzie, and Lifeco acquired a 49.9% non-controlling voting interest and a 70% economic interest in Northleaf Capital Group Ltd. (Northleaf), a global private equity, private credit and infrastructure fund manager, through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco. The interest was acquired for cash consideration of \$247 million, including transaction costs of \$6 million, and up to an additional \$245 million in consideration at the end of five years, subject to the business achieving exceptional growth in certain performance measures over the period. Any additional consideration will be recognized as an expense over the five-year period based on the fair value of the expected payment, which will be revalued at each reporting period date. Mackenzie and Lifeco have an obligation and right to purchase the remaining economic and voting interest in Northleaf commencing in approximately five years and extending into future periods. Lifeco and IGM together have committed as part of the transaction to make a minimum investment through 2022 in Northleaf's product offerings. The equity method is used to account for the investment in Northleaf as Mackenzie and Lifeco exercise significant influence, through the acquisition vehicle. Significant influence arises from board representation, participation in the policy-making process and shared strategic initiatives.

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

PERSONAL CAPITAL

On August 17, 2020 Great-West Life & Annuity acquired 100% of the equity of Personal Capital. Upon completion of this transaction, the Corporation, through Lifeco, acquired control of Personal Capital and the Corporation is required to consolidate Personal Capital (Note 3).

LION ELECTRIC CO.

At December 31, 2020, the Corporation, through its wholly owned subsidiary Power Energy, holds a 44.1% equity interest (same at December 31, 2019) as well as certain call rights to acquire additional shares from certain existing shareholders in The Lion Electric Co. (Lion), an innovative manufacturer of zero-emission vehicles. The estimated fair value of the call rights was \$102 million at December 31, 2020 (nil at December 31, 2019) and is included in Derivative financial assets on the balance sheets; an equivalent gain was recorded in net investment income on the statements of earnings during the year ended December 31, 2020.

NOTE 8 Owner-Occupied Properties and Capital Assets

The carrying value and the changes in the carrying value of owner-occupied properties and capital assets are as follows:

	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
December 31, 2020					
Cost, beginning of year	1,046	1,030	718	2,012	4,806
Business acquisitions [Note 3]	1	-	84	-	85
Additions	100	44	397	131	672
Modifications	(9)	-	-	-	(9)
Disposal/retirements	-	(2)	(5)	(51)	(58)
Derecognition	(176)	-	-	(132)	(308)
Transferred to investment properties ^[2]	-	(17)	-	-	(17)
Changes in foreign exchange rates and other	3	4	(61)	(9)	(63)
Cost, end of year	965	1,059	1,133	1,951	5,108
Accumulated amortization, beginning of year	(137)	(202)	(96)	(1,308)	(1,743)
Amortization and impairment	(122)	(19)	(36)	(166)	(343)
Disposal/retirements	-	2	2	46	50
Derecognition	39	-	-	82	121
Changes in foreign exchange rates and other	5	1	1	17	24
Accumulated amortization, end of year	(215)	(218)	(129)	(1,329)	(1,891)
Carrying value, end of year	750	841	1,004	622	3,217

[1] Right-of-use assets include leased properties and leased capital assets.

[2] As a result of the sale of Irish Progressive Services International Limited a property with a carrying value of \$17 million was reclassified from owner-occupied properties to investment properties.

	Right-of-use assets ^[1]	Owner-occupied properties	Capital assets		Total
			Power generating assets	Other	
December 31, 2019					
Cost, beginning of year	854	1,023	386	1,919	4,182
Business acquisitions and acquisition of assets	60	-	168	-	228
Additions	141	37	158	159	495
Modifications	(21)	-	-	-	(21)
Disposal/retirements	-	(10)	(1)	(31)	(42)
Changes in foreign exchange rates and other	12	(20)	7	(35)	(36)
Cost, end of year	1,046	1,030	718	2,012	4,806
Accumulated amortization, beginning of year	-	(187)	(72)	(1,202)	(1,461)
Amortization and impairment	(132)	(16)	(24)	(140)	(312)
Disposal/retirements	-	-	-	12	12
Changes in foreign exchange rates and other	(5)	1	-	22	18
Accumulated amortization, end of year	(137)	(202)	(96)	(1,308)	(1,743)
Carrying value, end of year	909	828	622	704	3,063

[1] Right-of-use assets include leased properties and leased capital assets.

The following table provides the carrying value of owner-occupied properties and capital assets by geographic location:

December 31	2020	2019
Canada	1,993	1,811
United States	940	966
Europe	284	286
	3,217	3,063

NOTE 9 Other Assets

December 31	2020	2019
Premiums in course of collection, accounts receivable and interest receivable	6,711	6,355
Client funds on deposit	2,280	892
Deferred acquisition costs and deferred selling commissions	853	750
Pension benefits [Note 25]	240	231
Income taxes receivable	177	248
Trading account assets	713	1,092
Finance leases receivable	404	405
Prepaid expenses	189	195
Other	933	378
	12,500	10,546

Total Other assets of \$10,897 million as at December 31, 2020 (\$8,998 million as at December 31, 2019) are to be realized within 12 months. This amount excludes deferred acquisition costs and deferred selling commissions, the changes in which are presented below.

DEFERRED ACQUISITION COSTS AND DEFERRED SELLING COMMISSIONS

The changes in the carrying value of the deferred acquisition costs and deferred selling commissions are as follows:

December 31	2020	2019
Balance, beginning of year	750	705
Additions	211	189
Disposals	(41)	(36)
Amortization	(93)	(75)
Changes in foreign exchange rates and other	26	(33)
Balance, end of year	853	750

NOTE 10 Goodwill and Intangible Assets**GOODWILL**

The carrying value and changes in the carrying value of goodwill are as follows:

December 31	2020			2019		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Balance, beginning of year	11,645	(1,321)	10,324	11,730	(1,307)	10,423
Business acquisitions [Note 3]	3,646	-	3,646	46	-	46
Impairment ^{[1][2]}	-	-	-	-	(66)	(66)
Derecognition [Note 3]	(133)	133	-	-	-	-
Changes in foreign exchange rates and other	(34)	27	(7)	(131)	52	(79)
Balance, end of year	15,124	(1,161)	13,963	11,645	(1,321)	10,324

[1] In 2019, \$19 million of the goodwill in Lifeco's Financial Services CGUs was impaired as a result of the reinsurance transaction with Protective Life.

[2] In 2019, IntegraMed conducted its goodwill impairment test and determined that the carrying value of its CGUs was higher than the recoverable amount, which resulted in IntegraMed recording in operating and administrative expenses an impairment charge of \$47 million.

NOTE 10 Goodwill and Intangible Assets (continued)**INTANGIBLE ASSETS**

The carrying value and changes in the carrying value of the intangible assets are as follows:

Indefinite life intangible assets

	Brands trademarks and trade names	Customer contract- related	Mutual fund management contracts	Shareholders' portion of acquired future participating account profit	Total
December 31, 2020					
Cost, beginning of year	1,297	2,562	741	354	4,954
Additions	92	30	-	-	122
Changes in foreign exchange rates and other	(2)	(50)	-	-	(52)
Cost, end of year	1,387	2,542	741	354	5,024
Accumulated impairment, beginning of year	(133)	(1,051)	-	-	(1,184)
Changes in foreign exchange rates and other	-	23	-	-	23
Accumulated impairment, end of year	(133)	(1,028)	-	-	(1,161)
Carrying value, end of year	1,254	1,514	741	354	3,863
December 31, 2019					
Cost, beginning of year	1,330	2,665	741	354	5,090
Additions	1	-	-	-	1
Changes in foreign exchange rates and other	(34)	(103)	-	-	(137)
Cost, end of year	1,297	2,562	741	354	4,954
Accumulated impairment, beginning of year	(140)	(1,101)	-	-	(1,241)
Changes in foreign exchange rates and other	7	50	-	-	57
Accumulated impairment, end of year	(133)	(1,051)	-	-	(1,184)
Carrying value, end of year	1,164	1,511	741	354	3,770

NOTE 10 Goodwill and Intangible Assets (continued)**Finite life intangible assets**

	Technology and software	Customer contract-related	Power purchase agreements	Other	Total
December 31, 2020					
Cost, beginning of year	2,200	1,210	344	553	4,307
Additions	386	189	167	32	774
Disposal	(42)	-	-	(3)	(45)
Derecognition [Note 3]	(41)	-	-	(129)	(170)
Changes in foreign exchange rates and other	(3)	2	-	11	10
Cost, end of year	2,500	1,401	511	464	4,876
Accumulated amortization, beginning of year	(1,305)	(665)	(50)	(214)	(2,234)
Amortization and impairment	(208)	(70)	(23)	(31)	(332)
Disposal	35	-	-	2	37
Derecognition [Note 3]	23	-	-	52	75
Changes in foreign exchange rates and other	4	(3)	-	(7)	(6)
Accumulated amortization, end of year	(1,451)	(738)	(73)	(198)	(2,460)
Carrying value, end of year	1,049	663	438	266	2,416
December 31, 2019					
Cost, beginning of year	1,983	1,226	180	539	3,928
Additions	298	13	165	37	513
Disposal	(25)	-	-	(3)	(28)
Changes in foreign exchange rates and other	(56)	(29)	(1)	(20)	(106)
Cost, end of year	2,200	1,210	344	553	4,307
Accumulated amortization, beginning of year	(1,152)	(603)	(39)	(196)	(1,990)
Amortization	(199)	(74)	(11)	(25)	(309)
Disposal	5	-	-	2	7
Changes in foreign exchange rates and other	41	12	-	5	58
Accumulated amortization, end of year	(1,305)	(665)	(50)	(214)	(2,234)
Carrying value, end of year	895	545	294	339	2,073

NOTE 10 Goodwill and Intangible Assets (continued)**ALLOCATION TO CASH GENERATING UNITS**

Goodwill and indefinite life intangible assets have been assigned to CGUs as follows:

December 31	2020			2019		
	Goodwill	Intangible assets	Total	Goodwill	Intangible assets	Total
LIFECO						
Canada						
Group Customer	1,615	354	1,969	1,632	354	1,986
Individual Customer	2,799	649	3,448	2,808	619	3,427
Europe	2,458	233	2,691	2,345	223	2,568
United States						
Financial Services	3,694	89	3,783	180	–	180
Asset Management	–	1,473	1,473	–	1,508	1,508
IGM ^[1]						
Wealth Management	1,586	23	1,609	1,586	23	1,609
Asset Management	1,275	1,003	2,278	1,251	1,003	2,254
OTHER	536	39	575	522	40	562
	13,963	3,863	17,826	10,324	3,770	14,094

[1] In 2020, IGM realigned its CGUs and the Corporate CGUs were included within the Wealth Management CGUs. The comparative figures have been restated to conform to the current year's presentation.

RECOVERABLE AMOUNT**Lifeco**

For purposes of annual impairment testing, Lifeco allocates goodwill and indefinite life intangible assets to its CGUs. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount to its carrying value.

Fair value is initially assessed with reference to valuation multiples of comparable publicly traded financial institutions and previous business acquisition transactions. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2020, Lifeco conducted its annual impairment testing of goodwill and indefinite life intangible assets based on the September 30, 2020 asset balances. It was determined that the recoverable amounts of CGUs were in excess of their carrying values and there was no evidence of significant impairment.

Any reasonable changes in assumptions and estimates used in determining the recoverable amounts of the CGUs are unlikely to cause the carrying values to exceed their recoverable amounts.

IGM Financial

IGM tests whether goodwill and indefinite life intangible assets are impaired by assessing the carrying amounts with the recoverable amounts. The recoverable amount of IGM's CGUs is based on the best available evidence of fair value less cost of disposal.

In assessing recoverable amounts, valuation approaches are used that may include discounted cash flow analysis and application of capitalization multiples to financial and operating metrics based upon precedent acquisition transactions and trading comparables. Assumptions and estimates employed in discounted cash flows include future changes in assets under management resulting from net sales and investment returns, pricing and profit margin changes and discount rates, which represent Level 3 fair value inputs. Valuation multiples may include price-to-earnings or other conventionally used measures for investment managers or other financial service providers (multiples of value to assets under management, revenues, or other measures of profitability). This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value are Level 2 inputs.

The fair value less cost of disposal of IGM's CGUs was compared with the carrying amount and it was determined there was no impairment. Changes in assumptions and estimates used in determining the recoverable amounts of the CGUs can result in significant adjustments to the valuation of the CGUs.

NOTE 11 Segregated Funds and Other Structured Entities

Lifeco offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective markets. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While Lifeco has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and Lifeco segregates these investments from those of the corporation itself.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of Lifeco under the terms of the policyholder agreement and cannot be used to settle obligations of Lifeco. In Europe, the assets of the funds are functionally and constructively segregated from those of Lifeco. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as investments on account of segregated fund policyholders and with an equal liability titled insurance and investment contracts on account of segregated fund policyholders in the balance sheets.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, Lifeco has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are \$1,490 million at December 31, 2020 (\$1,147 million at December 31, 2019).

Within the statements of earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the balance sheets. As these amounts do not directly impact the revenues and expenses of Lifeco, these amounts are not included separately in the statements of earnings.

The following presents further 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

December 31	2020 ^[1]	2019
Cash and cash equivalents	15,558	12,501
Bonds	65,338	44,973
Mortgage loans	2,686	2,670
Shares and units in unit trusts	112,675	104,330
Mutual funds	127,577	55,779
Investment properties	12,430	12,986
	336,264	233,239
Accrued income	463	373
Other liabilities	(4,185)	(3,737)
Non-controlling mutual fund interest	1,490	1,147
	334,032	231,022

[1] At December 31, 2020, \$84,785 million of investments on account of segregated fund policyholders are reinsured by Lifeco on a modified co-insurance basis (nil at December 31, 2019) (Note 3). Included in this amount are \$87 million of cash and cash equivalents, \$15,320 million of bonds, \$23 million of shares and units in unit trusts, \$69,259 million of mutual funds, \$100 million of accrued income and \$4 million of other liabilities.

NOTE 11 Segregated Funds and Other Structured Entities (continued)**INSURANCE AND INVESTMENT CONTRACTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS**

Years ended December 31	2020	2019
Balance, beginning of year	231,022	209,527
Additions (deductions):		
Policyholder deposits	21,916	24,685
Net investment income	2,695	3,331
Net realized capital gains on investments	8,954	4,265
Net unrealized capital gains on investments	474	19,658
Unrealized gains (losses) due to changes in foreign exchange rates	3,920	(6,539)
Policyholder withdrawals	(20,371)	(24,721)
Business acquisition ^[1]	84,785	-
Change in segregated fund investment in General Fund	51	(4)
General Fund investment in segregated fund	234	105
Net transfer from General Fund	9	23
Non-controlling mutual fund interest	343	283
Transfer from assets held for sale	-	409
	103,010	21,495
Balance, end of year	334,032	231,022

[1] Insurance and investment contracts on account of segregated fund policyholders acquired through the acquisition of MassMutual (Note 3).

INVESTMENT INCOME ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

Years ended December 31	2020	2019
Net investment income	2,695	3,331
Net realized capital gains on investments	8,954	4,265
Net unrealized capital gains on investments	474	19,658
Unrealized gains (losses) due to changes in foreign exchange rates	3,920	(6,539)
Total	16,043	20,715
Change in insurance and investment contract liabilities on account of segregated fund policyholders	16,043	20,715
Net	-	-

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

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

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

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

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

NOTE 11 Segregated Funds and Other Structured Entities (continued)

In 2020 certain foreign equity holdings valued at \$3,190 million were transferred from Level 1 to Level 2 (\$153 million were transferred from Level 1 to Level 2 at December 31, 2019), primarily based on Lifeco's change in use of inputs in addition to quoted prices in active markets for certain foreign equity holdings at year-end. 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.

As at December 31, 2020, \$9,770 million (\$8,471 million at December 31, 2019) of the segregated funds were invested in funds managed by IG Wealth Management and Mackenzie Investments, subsidiaries of IGM and related parties.

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:

	2020	2019		
	Investments on account of segregated fund policyholders ^[1]	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
December 31				
Balance, beginning of year	13,988	13,371	9	13,380
Total gains (losses) included in segregated fund investment income	78	141	(1)	140
Purchases	167	760	-	760
Sales	(712)	(284)	(8)	(292)
Transfers into Level 3	35	-	-	-
Balance, end of year	13,556	13,988	-	13,988

[1] At December 31, 2020, there were no investments on account of segregated fund policyholders held for sale.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

In addition to the segregated funds, Lifeco has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit holders based on the directive of each individual fund.

Some of these funds are managed by related parties of Lifeco and Lifeco receives management fees related to these services. Management fees can be variable due to the performance of factors, such as markets or industries, in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

Fee income earned by Lifeco resulting from Lifeco's interests in segregated funds and other structured entities was \$5,034 million for the year ended December 31, 2020 (\$4,919 million in 2019).

Included within other assets (Note 9) at December 31, 2020 is \$557 million (\$957 million at December 31, 2019) of investments by Lifeco in bonds and shares of Putnam-sponsored funds and \$156 million (\$135 million at December 31, 2019) of investments in shares of sponsored unit trusts in Europe.

NOTE 12 Insurance and Investment Contract Liabilities**INSURANCE AND INVESTMENT CONTRACT LIABILITIES**

	2020			2019		
December 31	Gross liability	Reinsurance assets ^[1]	Net	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	208,902	21,991	186,911	174,521	20,580	153,941
Investment contract liabilities	9,145	130	9,015	1,656	127	1,529
	218,047	22,121	195,926	176,177	20,707	155,470

[1] Includes reinsurance assets recognized upon the completion of the reinsurance transaction with Protective Life.

COMPOSITION OF INSURANCE AND INVESTMENT CONTRACT LIABILITIES AND RELATED SUPPORTING ASSETS

The composition of insurance and investment contract liabilities of Lifeco is as follows:

	2020			2019		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Participating						
Canada	46,107	(199)	46,306	42,271	(247)	42,518
United States	11,090	13	11,077	11,329	12	11,317
Europe ^[1]	155	-	155	173	-	173
Capital and Risk Solutions ^[1]	912	-	912	846	-	846
Non-participating						
Canada	35,449	638	34,811	32,668	498	32,170
United States	65,703	15,908	49,795	32,360	15,091	17,269
Europe ^[1]	48,088	5,622	42,466	45,489	5,230	40,259
Capital and Risk Solutions ^[1]	10,543	139	10,404	11,041	123	10,918
	218,047	22,121	195,926	176,177	20,707	155,470

[1] See comparative figures (Note 2).

The composition of the assets supporting liabilities and equity of Lifeco is as follows:

December 31, 2020	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	21,803	10,545	6,152	2,983	4,624	46,107
United States	5,193	593	13	-	5,291	11,090
Europe	84	-	62	9	-	155
Capital and Risk Solutions	688	12	-	-	212	912
Non-participating liabilities						
Canada	21,511	4,498	2,789	360	6,291	35,449
United States	31,631	4,586	46	-	29,440	65,703
Europe	34,941	5,746	332	2,536	4,533	48,088
Capital and Risk Solutions	2,365	52	-	-	8,126	10,543
Other, including segregated funds	15,285	1,135	754	141	338,113	355,428
Total equity	4,091	636	852	241	21,195	27,015
Total carrying value	137,592	27,803	11,000	6,270	417,825	600,490
Fair value	140,789	29,633	10,963	6,270	417,825	605,480

NOTE 12 Insurance and Investment Contract Liabilities (continued)

December 31, 2019	Bonds	Mortgage loans	Shares	Investment properties	Other	Total
Participating liabilities						
Canada	19,484	9,655	6,142	2,472	4,518	42,271
United States	5,128	626	-	-	5,575	11,329
Europe ^[1]	97	-	63	12	1	173
Capital and Risk Solutions ^[1]	619	20	-	-	207	846
Non-participating liabilities						
Canada	20,270	4,111	2,237	407	5,643	32,668
United States	14,311	2,678	-	-	15,371	32,360
Europe ^[1]	33,062	5,387	299	2,672	4,069	45,489
Capital and Risk Solutions ^[1]	2,484	55	-	-	8,502	11,041
Other, including segregated funds	15,630	902	902	119	231,894	249,447
Total equity	3,943	834	732	205	19,829	25,543
Total carrying value	115,028	24,268	10,375	5,887	295,609	451,167
Fair value	117,000	25,146	10,367	5,887	295,609	454,009

[1] See comparative figures (Note 2).

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are largely offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

CHANGE IN INSURANCE CONTRACT LIABILITIES

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

December 31, 2020	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
Balance, beginning of year	54,619	(235)	54,854	119,902	20,815	99,087	153,941
Impact of new business	(7)	32	(39)	7,028	706	6,322	6,283
Normal change in in-force business	3,883	9	3,874	1,296	750	546	4,420
Management actions and changes in assumptions	55	8	47	161	109	52	99
Business movement from/to external parties	-	-	-	(48)	-	(48)	(48)
MassMutual acquisition [Note 3]	-	-	-	22,316	-	22,316	22,316
Impact of foreign exchange rate changes	(286)	-	(286)	(17)	(203)	186	(100)
Balance, end of year	58,264	(186)	58,450	150,638	22,177	128,461	186,911

December 31, 2019	Participating			Non-participating			Total net
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	
Balance, beginning of year	50,927	(337)	51,264	115,793	6,463	109,330	160,594
Impact of new business	59	-	59	5,339	(266)	5,605	5,664
Normal change in in-force business	4,138	25	4,113	1,784	645	1,139	5,252
Management actions and changes in assumptions	67	77	(10)	(117)	(73)	(44)	(54)
Business movement from/to external parties	-	-	-	(176)	14,802	(14,978)	(14,978)
Impact of foreign exchange rate changes	(572)	-	(572)	(2,721)	(756)	(1,965)	(2,537)
Balance, end of year	54,619	(235)	54,854	119,902	20,815	99,087	153,941

NOTE 12 Insurance and Investment Contract Liabilities (continued)

Under IFRS, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in the in-force business above.

2020

In 2020, the major contributors to the increase in net insurance contract liabilities were the acquisition of MassMutual of \$22,316 million, the impact of new business of \$6,283 million, and the normal change in the in-force business of \$4,420 million.

Net non-participating insurance contract liabilities increased by \$52 million due to management actions and changes in assumptions including a \$377 million increase in Canada, partially offset by decreases of \$212 million in Europe, \$59 million in Capital and Risk Solutions, and \$54 million in the United States.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$269 million, updated morbidity assumptions of \$140 million, of which \$114 million is offset by an increase in other assets, and updated economic and asset-related assumptions of \$98 million. This was partially offset by decreases due to updated life mortality assumptions of \$129 million.

The decrease in Europe was primarily due to updated longevity assumptions of \$138 million, modelling refinements of \$28 million, updated morbidity assumptions of \$24 million, updated policyholder behaviour assumptions of \$19 million, and economic and asset-related assumptions of \$10 million. This was partially offset by an increase due to updated expense and tax assumption of \$6 million.

The decrease in Capital and Risk Solutions was primarily due to updated longevity assumptions of \$135 million, updated economic assumptions of \$41 million, and modelling refinements of \$37 million. This was partially offset by increases due to updated life mortality assumptions of \$107 million, updated expense and tax assumptions of \$28 million, and updated policyholder behaviour assumptions of \$14 million.

The decrease in the United States was primarily due to updated economic assumptions of \$50 million.

Net participating insurance contract liabilities increased by \$47 million in 2020 due to management actions and changes in assumptions. The increase was primarily due to updated economic assumptions of \$2,358 million, and updated policyholder behaviour assumptions of \$34 million. This was partially offset by decreases due to provisions for future policyholder dividends of \$1,899 million, updated expense and tax assumptions of \$446 million, and modelling refinements of \$5 million.

2019

In July 2019, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities, with an effective date of October 15, 2019. The revised standards include decreases to ultimate reinvestment rates and revised calibration criteria for stochastic risk-free interest rates.

In 2019, the major contributor to the decrease in net insurance contract liabilities was the business movement to external parties of \$14,978 million, which includes the transfer to Protective Life, and the net impact of foreign exchange rate changes of \$2,537 million. This was partially offset by increases due to the impact of new business of \$5,664 million, and normal change in the in-force business of \$5,252 million.

Net non-participating insurance contract liabilities decreased by \$44 million in 2019 due to management actions and assumption changes including a \$272 million decrease in Europe, partially offset by a \$145 million increase in Canada and a \$52 million increase in the United States, and a \$31 million increase in Capital and Risk Solutions.

The decrease in Europe was primarily due to updated longevity assumptions of \$187 million, updated economic assumptions of \$98 million, which includes the net impact of new standards and updated life mortality assumptions of \$7 million, partially offset by increases due to updated expense and tax assumptions of \$25 million.

The increase in Canada was primarily due to updated policyholder behaviour assumptions of \$254 million, and updated longevity assumptions of \$54 million, partially offset by decreases due to updated morbidity assumptions of \$169 million and updated economic assumptions of \$6 million, which includes the net impact of new standards.

The increase in the United States was primarily due to updated expense and tax assumptions of \$45 million, and updated life mortality assumptions of \$43 million, partially offset by decreases due to updated economic assumptions of \$34 million, which includes the net impact of new standards.

The increase in Capital and Risk Solutions was primarily due to updated life mortality assumptions of \$87 million and updated expense and tax assumptions of \$34 million, partially offset by decreases due to updated longevity assumptions of \$112 million and updated economic assumptions of \$3 million, which includes the net impact of new standards.

Net participating insurance contract liabilities decreased by \$10 million in 2019 due to management actions and assumption changes. The decrease was primarily due to updated provisions for future policyholder dividends of \$2,232 million, updated expense and tax assumptions of \$535 million, and modelling refinements of \$198 million. This was partially offset by increases due to updated economic assumptions of \$1,884 million, updated policyholder behaviour assumptions of \$935 million and updated life mortality assumptions of \$153 million.

NOTE 12 Insurance and Investment Contract Liabilities (continued)**CHANGE IN INVESTMENT CONTRACT LIABILITIES MEASURED AT FAIR VALUE**

	2020			2019		
December 31	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	1,656	127	1,529	1,711	-	1,711
Normal change in in-force business	2,489	(20)	2,509	(87)	38	(125)
Investment experience	147	26	121	103	(23)	126
Management actions and changes in assumptions	(4)	-	(4)	(4)	-	(4)
Business movement from/to external parties	-	-	-	-	116	(116)
MassMutual acquisition [Note 3]	4,984	-	4,984	-	-	-
Impact of foreign exchange rate changes	(127)	(3)	(124)	(67)	(4)	(63)
Balance, end of year	9,145	130	9,015	1,656	127	1,529

The carrying value of investment contract liabilities approximates their fair value.

GROSS PREMIUM INCOME

December 31	2020	2019
Direct premiums	28,082	25,398
Assumed reinsurance premiums	19,652	17,847
Total	47,734	43,245

GROSS POLICYHOLDER BENEFITS

December 31	2020	2019
Direct	19,538	19,643
Assumed reinsurance	20,067	18,126
Total	39,605	37,769

ACTUARIAL ASSUMPTIONS

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation.

These margins are necessary to provide for possibilities of misestimation and 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.

NOTE 12 Insurance and Investment Contract Liabilities (continued)

The methods for arriving at these valuation assumptions are outlined below:

Actuarial assumptions	Methods
Mortality	<p>A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update Lifeco's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Improvement scales for life insurance and annuitant mortality are updated periodically based on population and industry studies, product-specific considerations, as well as professional guidance. In addition, appropriate provisions have been made for future mortality deterioration on term insurance.</p> <p>Annuitant mortality is also studied regularly and the results are used to modify established annuitant mortality tables.</p>
Morbidity	<p>Lifeco uses industry-developed experience tables modified to reflect emerging Lifeco experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.</p>
Property and casualty reinsurance	<p>Insurance contract liabilities for property and casualty reinsurance written by London Reinsurance Group Inc. (LRG), a subsidiary of Canada Life, are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in net earnings. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.</p>
Investment returns	<p>The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the CALM to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (refer to Note 22).</p>
Expenses	<p>Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the CALM as inflation is assumed to be correlated with new money interest rates.</p>
Policy termination	<p>Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where Lifeco has no experience with specific types of policies or its exposure is limited. Lifeco's most significant exposures are in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Capital and Risk Solutions. Industry experience has guided Lifeco's assumptions for these products as Lifeco's own experience is very limited.</p>
Utilization of elective policy options	<p>There are a wide range of elective options embedded in the policies issued by Lifeco. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on Lifeco or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.</p>
Policyholder dividends and adjustable policy features	<p>Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is Lifeco's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability on shareholders' earnings is reflected in the changes in best estimate assumptions above.</p>

NOTE 12 Insurance and Investment Contract Liabilities (continued)**RISK MANAGEMENT****Insurance risk**

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions, including mortality, persistency, longevity, morbidity, expense variations and investment returns.

Lifeco is in the business of accepting risk associated with insurance contract liabilities. Lifeco's objective is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of its underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following table provides information about Lifeco's insurance contract liabilities' sensitivities to its management's best estimate of the approximate impact as a result of changes in assumptions used to determine Lifeco's liability associated with these contracts.

	Increase (decrease) in net earnings	
	2020	2019
Mortality – 2% increase	(288)	(279)
Annuitant mortality – 2% decrease	(756)	(601)
Morbidity – 5% adverse change	(279)	(253)
Investment returns		
Parallel shift in yield curve		
1% increase	-	-
1% decrease	-	-
Change in interest rates		
1% increase	224	175
1% decrease	(920)	(619)
Change in publicly traded common share values		
20% increase	28	54
10% increase	15	27
10% decrease	(51)	(39)
20% decrease	(208)	(182)
Change in other non-fixed income asset values		
10% increase	34	60
5% increase	6	25
5% decrease	(69)	(28)
10% decrease	(108)	(90)
Change in best estimate return assumptions for equities		
1% increase	556	509
1% decrease	(682)	(585)
Expenses – 5% increase	(165)	(125)
Policy termination and renewal – 10% adverse change	(1,017)	(813)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

	2020			2019		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
December 31						
Canada	81,556	439	81,117	74,939	251	74,688
United States	76,793	15,921	60,872	43,689	15,103	28,586
Europe ^[1]	48,243	5,622	42,621	45,662	5,230	40,432
Capital and Risk Solutions ^[1]	11,455	139	11,316	11,887	123	11,764
	218,047	22,121	195,926	176,177	20,707	155,470

[1] See comparative figures (Note 2).

NOTE 12 Insurance and Investment Contract Liabilities (continued)**Reinsurance risk**

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve Lifeco from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Lifeco. Lifeco evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds-withheld basis where Lifeco retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

NOTE 13 Obligations to Securitization Entities

IGM securitizes residential mortgages through the Canada Mortgage and Housing Corporation (CMHC)-sponsored National Housing Act Mortgage-Backed Securities (NHA MBS) Program and Canada Mortgage Bond (CMB) Program and through Canadian bank-sponsored asset-backed commercial paper (ABCP) programs. These transactions do not meet the requirements for derecognition as IGM retains prepayment risk and certain elements of credit risk. Accordingly, IGM has retained these mortgages on its balance sheets and has recorded offsetting liabilities for the net proceeds received as obligations to securitization entities which are carried at amortized cost.

IGM earns interest on the mortgages and pays interest on the obligations to securitization entities. As part of the CMB transactions, IGM enters into a swap transaction whereby IGM pays coupons on CMBs and receives investment returns on the NHA MBS and the reinvestment of repaid mortgage principal. A component of this swap, related to the obligation to pay CMB coupons and receive investment returns on repaid mortgage principal, is recorded as a derivative and had a negative fair value of \$1 million at December 31, 2020 (a negative fair value of \$6 million in 2019).

The Government of Canada introduced measures to support Canadians through the COVID-19 crisis where mortgage payments can be deferred for up to six months and repaid over the life of the mortgage. The program expired for new applicants on September 30, 2020. Under the NHA MBS and CMB Programs, IGM has an obligation to make timely payments to security holders regardless of whether amounts are received from mortgagors. All mortgages securitized under the NHA MBS and CMB Programs are insured by CMHC or another approved insurer under the program. As part of the ABCP transactions, IGM has provided cash reserves for credit enhancement which are carried at cost. Credit risk is limited to these cash reserves and future net interest income as the ABCP trusts have no recourse to IGM's other assets for failure to make payments when due. Credit risk is further limited to the extent these mortgages are insured.

	2020			2019		
	Securitized mortgages	Obligations to securitization entities	Net	Securitized mortgages	Obligations to securitization entities	Net
December 31						
Carrying value						
NHA MBS and CMB Programs	3,216	3,307	(91)	3,891	3,939	(48)
Bank-sponsored ABCP	2,768	2,867	(99)	2,939	2,975	(36)
Total	5,984	6,174	(190)	6,830	6,914	(84)
Fair value	6,186	6,345	(159)	6,908	6,997	(89)

The carrying value of obligations to securitization entities, which is recorded net of issue costs, includes principal payments received on securitized mortgages that are not due to be settled until after the reporting period. Issue costs are amortized over the life of the obligation using an effective interest method.

NOTE 14 Power Corporation's Debentures and Other Debt Instruments

December 31	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
POWER CORPORATION				
DEBENTURES				
8.57% debentures due April 22, 2039, unsecured	150	259	150	247
4.81% debentures due January 31, 2047, unsecured	248	327	248	292
4.455% debentures due July 27, 2048, unsecured	248	317	248	280
	646	903	646	819
OTHER DEBT INSTRUMENTS				
Revolving credit facility with interest equal to LIBOR plus 0.65%, unsecured	110	110	37	37
Total Power Corporation	756	1,013	683	856

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.

December 31	2020	2019
Balance, beginning of the year	683	646
Increase in other debt instruments	63	37
Changes in foreign exchange rates and other	10	-
Balance, end of year	756	683

There are no principal repayments on debentures in each of the next five years.

NOTE 15 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.

	2020		2019	
December 31	Carrying value	Fair value	Carrying value	Fair value
POWER FINANCIAL				
DEBENTURES				
6.90% debentures due March 11, 2033, unsecured	250	355	250	343
Total Power Financial	250	355	250	343
LIFECO				
DEBENTURES				
4.65% debentures due August 13, 2020, unsecured (repaid during 2020)	–	–	500	508
2.50% debentures due April 18, 2023 (€500 million), unsecured	774	825	728	788
1.75% debentures due December 7, 2026 (€500 million), unsecured	771	857	725	785
3.337% debentures due February 28, 2028, unsecured	498	566	498	526
6.40% subordinated debentures due December 11, 2028, unsecured	100	135	100	128
2.379% debentures due May 14, 2030, unsecured	597	637	–	–
6.74% debentures due November 24, 2031, unsecured	195	287	194	278
6.67% debentures due March 21, 2033, unsecured	394	575	393	557
5.998% debentures due November 16, 2039, unsecured	342	504	342	487
2.981% debentures due July 8, 2050, unsecured	493	514	–	–
7.529% capital trust debentures due June 30, 2052 (face value of \$150 million), unsecured	158	222	159	221
	4,322	5,122	3,639	4,278
OTHER DEBT INSTRUMENTS				
Commercial paper and other short-term debt instruments with interest rates from 0.223% to 0.274% (1.828% to 2.089% at December 31, 2019), unsecured	125	125	130	130
Revolving credit facility with interest equal to LIBOR plus 0.70% (US\$165 million) (US\$230 million at December 31, 2019), unsecured	210	210	299	299
Revolving credit facility with interest equal to LIBOR plus 1.00% (US\$500 million), unsecured	635	635	–	–
Senior notes due August 12, 2025, bearing an interest rate of 0.904% (US\$500 million), unsecured	631	638	–	–
Senior notes due September 17, 2027, bearing an interest rate of 1.357% (US\$400 million), unsecured	505	512	–	–
Senior notes due May 17, 2028, bearing an interest rate of 4.047% (US\$300 million), unsecured	379	420	388	430
Senior notes due March 17, 2031, bearing an interest rate of 1.776% (US\$400 million), unsecured	505	521	–	–
Senior notes due June 3, 2047, bearing an interest rate of 4.15% (US\$700 million), unsecured	874	970	894	993
Senior notes due May 17, 2048, bearing an interest rate of 4.581% (US\$500 million), unsecured	628	732	643	749
Senior notes due September 17, 2051, bearing an interest rate of 3.075% (US\$700 million), unsecured	879	984	–	–
	5,371	5,747	2,354	2,601
Total Lifeco	9,693	10,869	5,993	6,879
IGM FINANCIAL				
DEBENTURES				
3.44% debentures due January 26, 2027, unsecured	400	444	400	413
6.65% debentures due December 13, 2027, unsecured	125	165	125	155
7.45% debentures due May 9, 2031, unsecured	150	216	150	205
7.00% debentures due December 31, 2032, unsecured	175	251	175	236
7.11% debentures due March 7, 2033, unsecured	150	216	150	204
6.00% debentures due December 10, 2040, unsecured	200	280	200	264
4.56% debentures due January 25, 2047, unsecured	200	248	200	227
4.115% debentures due December 9, 2047, unsecured	250	294	250	265
4.174% debentures due July 13, 2048, unsecured	200	238	200	214
4.206% debentures due March 21, 2050, unsecured	250	302	250	271
Debentures of IGM held by Lifeco as investments	(88)	(110)	(101)	(119)
Total IGM	2,012	2,544	1,999	2,335
Total Power Financial, Lifeco and IGM	11,955	13,768	8,242	9,557

NOTE 15 Non-Recourse Debentures and Other Debt Instruments (continued)**LIFECO**

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

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

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

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

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

On September 17, 2020, Empower Finance 2020, LP, a subsidiary of Lifeco, issued \$526 million (US\$400 million) aggregate principal amount of 1.357% senior notes due September 17, 2027, \$526 million (US\$400 million) aggregate principal amount of 1.776% senior notes due March 17, 2031 and \$921 million (US\$700 million) aggregate principal amount of 3.075% senior notes due September 17, 2051. The senior notes are fully and unconditionally guaranteed by Lifeco.

On November 2, 2020, Great-West Lifeco U.S. LLC, a subsidiary of Lifeco, established a 1-year \$635 million (US\$500 million) revolving credit facility with interest on the drawn balance equal to the LIBOR rate plus 1.00%. The facility is fully and unconditionally guaranteed by Lifeco. The facility was fully drawn as at December 31, 2020, with the proceeds used to finance a portion of the MassMutual retirement services business acquisition (Note 3).

Capital Trust Debentures

Canada Life Capital Trust (CLCT), a trust established by Canada Life, had issued \$150 million of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of \$150 million.

Distributions and interest on the capital trust debentures are classified as financing charges in the statements of earnings (Note 24). The fair value for capital trust securities is determined by the bid-ask price.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

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.

December 31	2020	2019
Balance, beginning of the year	8,242	8,473
Issue of debentures and senior notes	3,713	250
Redemption of debentures	(500)	(232)
Increase in other debt instruments	539	1
Decrease in other debt instruments	(1)	(28)
Changes in foreign exchange rates and other	(38)	(222)
Balance, end of year	11,955	8,242

The principal repayments on debentures and other debt instruments in each of the next five years and thereafter are as follows:

2021	970
2022	-
2023	775
2024	-
2025	635
Thereafter	9,641

NOTE 15 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.

December 31	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
OTHER DEBT INSTRUMENTS				
Investment funds				
Revolving credit facilities up to US\$100 million, with interest equal to LIBOR plus 1.9%, secured	5	5	-	-
Revolving credit facility up to \$80 million, with interest equal to prime rate plus 0.3%, secured	23	23	8	8
Renewable energy – project debt				
Construction loan facilities up to US\$55 million, due from January 29, 2021 to March 31, 2021, with interest equal to LIBOR plus margin between 1.5% and 2.25% (US\$31 million), secured	38	38	-	-
Construction loan facility up to US\$75 million, due December 23, 2021, with interest equal to 4.29% (6.25% in 2019)(US\$59 million)(US\$18 million in 2019), secured	72	72	20	20
Construction loan facility up to \$254 million, due August 5, 2045, with interest equal to 3.62%, secured	199	216	-	-
Loan facilities due from December 2021 to January 2028, bearing interest at various rates from 3.0% to 5.5% (US\$24 million), secured	32	32	-	-
Loan facilities due from March 31, 2024 to December 15, 2037, bearing interest at various rates from 3.33% to 6.0%, secured	570	614	466	480
Loan facilities due from June 17, 2025 to September 30, 2037, bearing interest at various rates from 4.82% to 7.0% (US\$54 million)(US\$69 million in 2019), secured	69	76	87	90
Mezzanine loans due from January 2, 2035 to June 30, 2035, bearing interest at various rates from 7.36% to 7.5%, secured	100	111	102	106
Loan facilities due from June 30, 2034 to August 31, 2035, bearing interest at various rates from 4.7% to 6.07%, secured	68	78	25	27
Loan facilities due March 15, 2036, bearing interest at a rate of 4.4% (US\$22 million) (US\$23 million in 2019), secured	28	33	30	32
Standalone businesses				
Revolving credit facility up to \$40 million with interest equal to prime rate plus 1.25% to 3.75%, secured	10	10	28	28
Term loan facilities due in June and December 2022, bearing interest at various floating rates (an effective rate from 6.0% to 11.0%), secured	130	130	129	129
Term loans due January 17, 2020 and revolving credit facilities, bearing interest at various rates from 9.25% to 15.0% (US\$91 million in 2019), secured	-	-	118	118
Total alternative asset investment platforms and other	1,344	1,438	1,013	1,038

RENEWABLE ENERGY**Potentia Renewables Inc.**

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

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

Nautilus Solar Energy, LLC

Nautilus, a wholly owned subsidiary of the Corporation, entered into various non-recourse construction facilities of up to US\$130 million. These facilities are used to fund construction costs for solar facilities and are converted to term loans after the commercial operations date.

NOTE 15 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.

December 31	2020	2019
Balance, beginning of the year	1,013	858
Acquisitions [Note 3]	145	153
Derecognition [Note 3]	(129)	-
Increase in other debt instruments	441	108
Decrease in other debt instruments	(130)	(93)
Changes in foreign exchange rates and other	4	(13)
Balance, end of year	1,344	1,013

The principal repayments on other debt instruments in each of the next five years and thereafter are as follows:

2021	210
2022	172
2023	50
2024	54
2025	91
Thereafter	788

NOTE 16 Other Liabilities

December 31	2020	2019
Accounts payable	3,186	3,436
Bank overdraft	444	379
Dividends and interest payable	493	468
Income taxes payable	355	468
Deferred income reserves	345	380
Deposits and certificates	2,247	886
Funds held under reinsurance contracts	1,648	1,433
Pension and other post-employment benefits [Note 25]	2,395	2,177
Lease liabilities	869	1,022
Limited-life and redeemable fund units	916	838
Other	2,814	2,220
	15,712	13,707

Total Other liabilities of \$9,294 million as at December 31, 2020 (\$8,291 million as at December 31, 2019) are expected to be settled within 12 months.

NOTE 16 Other Liabilities (continued)**LEASE LIABILITIES**

The table below details changes in the Corporation's lease liabilities for the year ended December 31, 2020.

December 31	2020	2019
Lease liabilities, beginning of year	1,022	951
Additions	113	168
Business acquisitions and acquisition of assets	-	45
Derecognition [Note 3]	(134)	-
Modifications	(7)	(22)
Lease payments	(143)	(140)
Interest	33	41
Change in foreign exchange rates and other	(15)	(21)
Lease liabilities, end of year	869	1,022

The table below presents the contractual undiscounted cash flows for lease obligations in each of the next five years and thereafter:

2021	136
2022	118
2023	100
2024	90
2025	82
Thereafter	630
Total undiscounted lease liabilities at December 31, 2020	1,156

NOTE 17 Income Taxes**INCOME TAXES**

The components of income tax expense recognized in the statements of earnings are:

Years ended December 31	2020	2019
Current taxes	457	356
Deferred taxes		
Origination and reversal of temporary differences	(150)	(13)
Expense (recovery) arising from unrecognized (recognized) tax losses, tax credits and temporary differences of prior periods	(236)	222
Effect of change in tax rates or imposition of new taxes and other	6	(11)
	(380)	198
	77	554

The following table shows current and deferred taxes relating to items not recognized in the statements of earnings:

	2020		2019	
December 31	Other comprehensive income	Equity	Other comprehensive income	Equity
Current taxes	28	-	4	78
Deferred taxes (recovery)	3	-	(21)	20
	31	-	(17)	98

NOTE 17 Income Taxes (continued)**EFFECTIVE INCOME TAX RATE**

The Corporation's effective income tax rate is derived as follows:

Years ended December 31	2020	2019
	%	%
Combined statutory Canadian federal and provincial tax rates	26.5	26.6
Increase (decrease) in the income tax rate resulting from:		
Non-taxable investment income	(9.8)	(5.2)
Lower effective tax rates on income not subject to tax in Canada	(10.3)	(8.8)
Share of earnings of investments in jointly controlled corporations and associates	(0.6)	(1.5)
Impact of rate changes on deferred taxes	0.2	(0.3)
Other ^{[1][2]}	(3.9)	4.6
Effective income tax rate	2.1	15.4

[1] In 2020, Other includes the impact of an increase in the recognized deferred tax asset of one of Lifeco's subsidiaries of \$196 million due to the revision by the management of Lifeco of its estimates of future taxable profit, which decreased the effective income tax by 5.4%.

[2] In 2019, Other includes the impact of a decrease in the recognized deferred tax asset of one of Lifeco's subsidiaries due to timing uncertainty in projected taxable income available to utilize certain restricted net operating losses which resulted in a \$199 million charge and increased the effective income tax rate by 5.5%. This was partially offset by a \$101 million benefit at Lifeco due to the resolution of an outstanding issue with a foreign tax authority which reduced the effective income tax rate by 2.8%.

DEFERRED TAXES

Composition and changes in net deferred taxes are as follows:

	Insurance and investment contract liabilities	Investments	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2020							
Balance, beginning of year	(999)	(576)	1,151	(921)	406	244	(695)
Recognized in							
Statements of earnings	375	(232)	268	(60)	9	20	380
Statements of comprehensive income	-	(76)	-	-	59	14	(3)
Statements of changes in equity	-	-	-	-	-	-	-
Business acquisitions	300	-	107	(113)	-	18	312
Foreign exchange rate changes and other	4	19	(5)	26	(2)	(35)	7
Balance, end of year	(320)	(865)	1,521	(1,068)	472	261	1

	Insurance and investment contract liabilities	Investments	Loss carry forwards	Intangible assets	Defined benefit plans	Tax credits and other	Total
For the year ended December 31, 2019 ^[1]							
Balance, beginning of year	(1,379)	(378)	1,468	(893)	372	313	(497)
Recognized in							
Statements of earnings	352	(173)	(261)	(41)	(18)	(57)	(198)
Statements of comprehensive income	-	(27)	-	-	55	(7)	21
Statements of changes in equity	(20)	-	-	-	-	-	(20)
Business acquisitions	-	-	(1)	(1)	-	-	(2)
Foreign exchange rate changes and other	48	2	(55)	14	(3)	(5)	1
Balance, end of year	(999)	(576)	1,151	(921)	406	244	(695)

[1] Due to a change in presentation, the Corporation reclassified the composition of net deferred taxes. The reclassification had no impact on the equity or net earnings of the Corporation (Note 2).

NOTE 17 Income Taxes (continued)

December 31	2020	2019
Presented on the balance sheets as follows:		
Deferred tax assets	1,082	802
Deferred tax liabilities	(1,081)	(1,497)
	1	(695)

Management of the Corporation and of its subsidiaries assess the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2020 are recoverable.

At December 31, 2020, a deferred tax asset of \$1,411 million (\$1,056 million at December 31, 2019) is recognized by Lifeco on tax loss carry forwards totalling \$8,264 million. Of this amount, \$6,579 million expires between 2021 and 2040, while \$1,685 million has no expiry date. Lifeco will realize this benefit in future years through a reduction in current income taxes payable.

A subsidiary of Lifeco has had a history of losses. The subsidiary has a net deferred tax asset balance of \$561 million (US\$442 million) as at December 31, 2020 composed principally of net operating losses and future deductions related to goodwill. During the year ended December 31, 2020, management of Lifeco revised its estimates of future taxable profits to reflect the impact of the completion of the U.S. acquisitions of Personal Capital and MassMutual (Note 3) and as a result recognized a deferred tax asset of \$192 million (US\$151 million) related to losses that had previously been derecognized in 2019. The deferred tax asset increase resulted in an income tax recovery of \$196 million (US\$151 million) in the statement of earnings. In 2019, the deferred tax asset decrease resulted in a charge to income tax expense of \$199 million (US\$151 million). Management of Lifeco

has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated United States income tax return will generate sufficient taxable income to utilize the unused United States losses and deductions for which a deferred tax asset has been recognized.

As at December 31, 2020, the Corporation and its subsidiaries have non-capital losses of \$1,316 million (\$2,297 million in 2019) available to reduce future taxable income for which the benefits have not been recognized. Of this amount, \$1,253 million expires from 2021 to 2040, while \$63 million has no expiry date. In addition, the Corporation and its subsidiaries have capital loss carry forwards of \$340 million (\$300 million in 2019) that can be used indefinitely to offset future capital gains for which the benefits have not been recognized.

As at December 31, 2020, the Corporation and its subsidiaries have deductible temporary differences of \$518 million (\$590 million in 2019) for which the benefits have not been recognized. As at December 31, 2020 and 2019, no deferred tax liability was recognized in respect to temporary differences associated with investments in subsidiaries and jointly controlled corporations as the Corporation and its subsidiaries are able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTE 18 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

December 31	2020		2019	
	Number of shares	Stated capital	Number of shares	Stated capital
		\$		\$
NON-PARTICIPATING SHARES				
First Preferred Shares				
Cumulative Redeemable				
1986 Series	129,400	6	209,400	10
Non-cumulative Redeemable, fixed rate				
Series A	6,000,000	150	6,000,000	150
Series B	8,000,000	200	8,000,000	200
Series C	6,000,000	150	6,000,000	150
Series D	10,000,000	250	10,000,000	250
Series G	8,000,000	200	8,000,000	200
Total non-participating shares		956		960
PARTICIPATING SHARES				
Participating Preferred Shares				
Balance, beginning of year	48,854,772	27	48,854,772	27
Issued	6,006,094	206	-	-
Balance, end of year	54,860,866	233	48,854,772	27
Subordinate Voting Shares				
Balance, beginning of year	377,614,607	699	417,101,146	739
Issued pursuant to the Reorganization	250,628,173	8,687	-	-
Issued under Stock Option Plan	1,497,952	48	1,422,502	33
Purchased for cancellation under normal course issuer bid	(7,352,500)	(110)	-	-
Purchased for cancellation under substantial issuer bid	-	-	(40,909,041)	(73)
Balance, end of year	622,388,232	9,324	377,614,607	699
Total participating shares		9,557		726

Non-Participating Shares

The Cumulative Redeemable First Preferred Shares, 1986 Series are entitled to a quarterly cumulative dividend, at a floating rate equal to one quarter of 70% of the average of the prime rates quoted by two major Canadian chartered banks. The shares are redeemable by the Corporation at \$50.00 per share, together with all declared and unpaid dividends to, but excluding, the date of redemption. The Corporation will make all reasonable efforts to purchase for cancellation, on the open market, 20,000 shares per quarter, at a price not exceeding \$50.00 per share. In 2020, 80,000 shares (37,800 shares in 2019) were purchased for cancellation.

NOTE 18 Stated Capital (continued)

The following First Preferred Shares series are entitled to fixed non-cumulative preferential cash dividends payable quarterly. The Corporation may redeem for cash the First Preferred Shares in whole or in part, at the Corporation's option, with all declared and unpaid dividends to, but excluding, the date of redemption. The dividends and redemption terms are as follows:

First Preferred Shares	Cash dividends payable quarterly	Earliest issuer redemption date	Redemption price
	(\$/share)		(\$/share)
Non-cumulative, fixed rate			
Series A, 5.60%	0.350000	Currently redeemable	25.00
Series B, 5.35%	0.334375	Currently redeemable	25.00
Series C, 5.80%	0.362500	Currently redeemable	25.00
Series D, 5.00%	0.312500	Currently redeemable	25.00
Series G, 5.60%	0.350000	Currently redeemable	25.25

Participating Shares

Participating Preferred Shares are entitled to ten votes per share; and, subject to the rights of holders of the First Preferred Shares, to a non-cumulative dividend of 0.9375¢ per share per annum before dividends on the Subordinate Voting Shares and have the further right to participate, share and share alike, with the holders of the Subordinate Voting Shares in any dividends that may be paid with respect to the Subordinate Voting Shares.

Subordinate Voting Shares are entitled to one vote per share. In 2020, 1,497,952 Subordinate Voting Shares (1,422,502 in 2019) were issued under the Corporation's Executive Stock Option Plan for a consideration of \$42 million (\$30 million in 2019).

Dividends declared on the Corporation's participating shares in 2020 were \$1.79 per share (\$2.002 per share in 2019).

Reorganization

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

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

Normal Course Issuer Bid

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

During the first quarter of 2020, the Corporation purchased for cancellation 7,352,500 Subordinate Voting Shares pursuant to its NCIB at a price of \$193 million. The Corporation's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was \$83 million and was recognized as a reduction to retained earnings. At the end of March 2020, in light of the market environment, the Corporation temporarily suspended its share buybacks and did not make any further purchases before the expiry of the NCIB.

SUBSEQUENT EVENT

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. The Corporation decided to commence share buybacks at the end of February of 2021 to offset dilution from the exercise of employee stock options. At March 17, 2021, the Corporation has repurchased 1,160,000 Subordinate Voting Shares at a price of \$36 million.

Substantial Issuer Bid

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

NOTE 19 Share-Based Compensation

STOCK OPTION PLAN

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

The Replacement Options entitle the option holders to receive 1.05 Subordinate Voting Shares of Power Corporation (PCC Shares) for each common share of Power Financial (PFC Shares) at a subscription price per PCC Share equal to the subscription price per PFC Share, under the existing Power Financial Employee Stock Option Plan, divided by 1.05. The other terms of

the Replacement Options are the same as the terms of the Existing Options, including terms with respect to vesting, expiry of options and termination of employment.

There are 21,170,855 Subordinate Voting Shares and 12,972,010 Subordinate Voting Shares reserved for issuance under Power Corporation's Executive Stock Option Plan and under Power Financial's Employee Stock Option Plan, assumed by Power Corporation, respectively. The plan requires that the exercise price of the option must not be less than the market value of a share on the date of the grant of the option.

A summary of the status of Power Corporation's Executive Stock Option Plan as at December 31, 2020 and 2019, and changes during the respective years ended is as follows:

	2020		2019	
	Options	Weighted-average exercise price	Options	Weighted-average exercise price
		\$		\$
Outstanding, beginning of year	16,356,062	29.35	16,453,341	28.43
Assumption of Power Financial stock option plan	13,733,786	30.93	-	-
Granted	3,994,258	34.23	1,325,223	31.84
Exercised	(1,497,952)	27.89	(1,422,502)	21.09
Forfeited and expired	(1,101,729)	30.08	-	-
Outstanding, end of year	31,484,425	30.70	16,356,062	29.35
Options exercisable, end of year	19,458,880	29.92	11,873,872	28.96

The following table summarizes information about stock options outstanding at December 31, 2020:

Range of exercise prices	Expiry date	Options outstanding			Options exercisable	
		Options	Weighted-average remaining life	Weighted-average exercise price	Options	Weighted-average exercise price
\$			(yrs)	\$		\$
25.12 - 28.75	2021	2,213,325	0.4	26.73	2,213,325	26.73
23.73 - 36.53	2022	3,616,945	1.4	26.77	3,616,945	26.77
28.24 - 31.03	2023	3,328,311	2.4	28.87	3,328,311	28.87
28.51 - 33.68	2024	3,136,681	3.4	31.34	3,117,466	31.35
31.79 - 36.53	2025	3,834,520	4.2	34.47	2,934,520	34.55
27.30 - 30.79	2026	3,054,236	5.2	29.95	2,924,490	29.96
29.61 - 33.68	2027	2,647,612	6.2	32.74	1,323,823	32.74
28.51 - 30.27	2028	3,218,099	7.2	29.53	-	-
31.12 - 31.84	2029	3,343,066	8.3	31.40	-	-
34.23	2030	3,091,630	9.1	34.23	-	-
		31,484,425	4.8	30.70	19,458,880	29.92

NOTE 19 Share-Based Compensation (continued)**COMPENSATION EXPENSE**

During the year ended December 31, 2020, Power Corporation granted 3,994,258 options (1,325,223 options in 2019).

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

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

Generally, options granted vest on the basis of [i] the first 50%, three years from the date of the grant and [ii] the remaining 50% four years from the date of the grant. Options granted in 2020 have the following vesting conditions:

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

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

Lifeco and IGM have also established stock option plans pursuant to which options may be granted to certain officers and employees. In addition, other subsidiaries of the Corporation have established share-based compensation plans. Compensation expense is recorded based on the fair value of the options or the fair value of the equity instruments at the grant date, amortized over the vesting period. Total compensation expense relating to the stock options granted by the Corporation and its subsidiaries amounted to \$71 million in 2020 (\$61 million in 2019) and is recorded in operating and administrative expenses in the statements of earnings.

PERFORMANCE SHARE UNIT PLAN

Power Corporation established a Performance Share Unit (PSU) Plan for selected employees and officers (participants) to assist in retaining and further aligning the interests of participants with those of the shareholders. Under the terms of the Plan, PSUs may be awarded annually and are subject to time and performance vesting conditions. The value of each PSU is based on the share price of the Corporation's Subordinate Voting Shares. The PSUs are cash settled and vest over a three-year period. Participants can elect at the time of grant to receive a portion of their PSUs in the form of performance deferred share units (PDSUs) which also vest over a three-year period. PDSUs are redeemable when a participant is no longer an employee of the Corporation or any of its affiliates, or in the event of the death of the participant, by a lump-sum cash payment based on the value of the PDSU at that time. Additional PSUs and PDSUs are issued in respect of dividends payable on Subordinate Voting Shares based on the value of the PSU or PDSU at the dividend payment date. The carrying value of the PSU liability of \$15 million (\$13 million in 2019) is recorded within other liabilities.

DEFERRED SHARE UNIT PLAN

Power Corporation established a Deferred Share Unit (DSU) Plan for its Directors to promote a greater alignment of interests between Directors and shareholders of the Corporation. Under this Plan, Directors participating in the Plan will receive half of their annual retainer in the form of DSUs and may elect to receive the remainder of their annual retainer entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. The number of DSUs granted is determined by dividing the amount of remuneration payable by the five-day-average closing price on the Toronto Stock Exchange of the Subordinate Voting Shares of the Corporation on the last five days of the fiscal quarter (the value of a DSU). A Director will receive additional DSUs in respect of dividends payable on the Subordinate Voting Shares, based on the value of a DSU on the date on which the dividends were paid on the Subordinate Voting Shares. A DSU is payable, at the time a Director's membership on the Board is terminated (provided the Director is not then a director, officer or employee of an affiliate of the Corporation), or in the event of the death of a Director, by a lump-sum cash payment, based on the value of a DSU at that time. At December 31, 2020, the value of the DSUs outstanding was \$25 million (\$23 million in 2019) and is recorded within other liabilities. Alternatively, directors may participate in a Share Purchase Plan for Directors.

EMPLOYEE SHARE PURCHASE PROGRAM

Power Corporation established an Employee Share Purchase Program, giving employees the opportunity to subscribe for up to 6% of their gross salary to purchase Subordinate Voting Shares of the Corporation on the open market. Power Corporation invests, on the employee's behalf, up to an equal amount.

OTHER SHARE-BASED AWARDS OF SUBSIDIARIES

Power Financial and other subsidiaries of the Corporation have also established other share-based awards and performance share unit plans (plans) for their directors, management and employees. Some of these plans are cash settled and included within other liabilities. Total compensation expense related to these subsidiary plans amounted to \$162 million in 2020 (\$125 million in 2019) and is recorded in operating and administrative expenses on the statements of earnings.

NOTE 20 Non-Controlling Interests

The carrying value of non-controlling interests consists of the following:

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	6,267	1,552	–	292	8,111
Preferred shareholders	2,714	–	2,830	–	5,544
Participating account surplus	2,871	–	–	–	2,871
	11,852	1,552	2,830	292	16,526

December 31, 2019	Lifeco	IGM	Power Financial	Other	Total
Common shareholders	5,899	1,479	6,477	253	14,108
Preferred shareholders	2,714	–	2,830	–	5,544
Participating account surplus	2,759	–	–	–	2,759
	11,372	1,479	9,307	253	22,411

The non-controlling interests reflected in the balance sheets are as follows:

December 31, 2020	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,372	1,479	9,307	253	22,411
Net earnings (losses) attributable to non-controlling interests	1,024	238	249	(23)	1,488
Other comprehensive income (loss) attributable to non-controlling interests	35	1	(31)	3	8
Dividends	(607)	(182)	(137)	–	(926)
Repurchase of common shares and redemption of preferred shares, net of issuance of equity instruments	18	1	(6,555)	114	(6,422)
Effect of changes in ownership interest and other	10	15	(3)	(55)	(33)
Non-controlling interests, end of year	11,852	1,552	2,830	292	16,526

December 31, 2019	Lifeco	IGM	Power Financial	Other	Total
Non-controlling interests, beginning of year	11,692	1,655	9,283	235	22,865
Net earnings (losses) attributable to non-controlling interests	827	254	833	(31)	1,883
Other comprehensive income (loss) attributable to non-controlling interests	(131)	(33)	37	(2)	(129)
Dividends	(584)	(186)	(578)	–	(1,348)
Repurchase of common shares and redemption of preferred shares, net of issuance of equity instruments ^[1]	(295)	(245)	(250)	55	(735)
Effect of changes in ownership interest and other ^[1]	(137)	34	(18)	(4)	(125)
Non-controlling interests, end of year	11,372	1,479	9,307	253	22,411

[1] Includes the impact of the purchase for cancellation of common shares by Power Financial and Lifeco under their substantial issuer bids.

NOTE 20 Non-Controlling Interests (continued)

Financial information of Lifeco and IGM as at and for the year ended December 31, 2020 can be obtained from their publicly available financial statements. Summarized financial information for Lifeco and IGM is as follows:

	2020		2019	
	Lifeco	IGM	Lifeco	IGM
Balance sheet				
Assets	600,490	16,062	451,167	15,391
Liabilities	573,475	11,019	425,624	10,892
Equity	27,015	5,043	25,543	4,499
Comprehensive income				
Net earnings	3,154	764	2,507	749
Other comprehensive income (loss)	(8)	264	(520)	(60)
Cash flows				
Operating activities	9,610	736	6,110	712
Financing activities	2,010	(1,358)	(3,981)	(1,069)
Investing activities	(8,202)	673	(1,539)	427

ACQUISITION OF COMMON SHARES IN POWER FINANCIAL

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

WEALTHSIMPLE

On October 14, 2020, Wealthsimple announced the closing of a \$114 million investment on a pre-money valuation of \$1.4 billion. The investment was led by TCV, one of the largest growth equity investors focused on technology, along with Greylock Partners, Meritech Capital, Allianz X and Two Sigma Ventures. As a result of the investment, these investors acquired an ownership interest of 7.5% on a fully diluted basis. With the closing of the investment, the Corporation now has an undiluted equity interest in Wealthsimple of 74.9%. The impact of the effect of the change in ownership resulted in a gain of \$77 million recorded in retained earnings in the statement of changes in equity 2020.

NOTE 21 Capital Management**POWER CORPORATION**

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

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

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

The capital structure of the Corporation consists of debentures, non-participating shares, participating shareholders' equity and non-controlling interests. The Corporation views non-participating shares as a cost-effective

source of permanent capital. The Corporation is a long-term investor and as such holds positions in long-term investments as well as cash and fixed income securities for liquidity purposes.

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

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

NOTE 21 Capital Management (continued)**LIFECO**

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

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

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

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.

Lifeco's subsidiaries Canada Life, Great-West Life & Annuity and entities based in Europe are subject to minimum regulatory capital requirements.

- 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 December 31, 2020 was 129% (135% at December 31, 2019).

- For entities based in Europe, the local solvency capital regime is the Solvency II basis. At December 31, 2020 and 2019, all Lifeco's European regulated entities met the capital and solvency requirements as prescribed under Solvency II.
- Great-West Life & Annuity is subject to the risk-based capital regulatory regime in the U.S.
- Other foreign operations and foreign subsidiaries of Lifeco are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2020 and 2019, Lifeco maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

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 December 31, 2020 and 2019, 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 December 31, 2020 and 2019, these subsidiaries have complied with all regulatory capital requirements.

NOTE 22 Risk Management

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

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

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

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

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

POWER CORPORATION, POWER FINANCIAL AND ALTERNATIVE ASSET INVESTMENT PLATFORMS AND OTHER

Liquidity risk, credit risk and market risk of Power Corporation, Power Financial and the Corporation's alternative asset investment platforms and other (other subsidiaries), including the impacts due to COVID-19, are discussed in the first section of this note. In subsequent sections, risks related to Lifeco and IGM are discussed.

LIQUIDITY RISK

Power Corporation is a holding company. As such, corporate cash flows are principally derived from dividends received from its subsidiaries and income from investments, less operating expenses, financing charges, income taxes and payment of dividends to its participating and non-participating shareholders. As a holding company, the Corporation's ability to pay dividends is dependent upon the Corporation receiving dividends from its principal operating subsidiaries and other investments. Lifeco and its subsidiaries are subject to restrictions set out in relevant corporate and insurance laws and regulations, which require that solvency and capital ratios be maintained. IGM's subsidiaries are also subject to minimum capital requirements. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiary to pay dividends. In light of the COVID-19 pandemic, regulators are monitoring the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. 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 regularly review their liquidity requirements and seek to maintain sufficient levels of liquidities to meet their operating expenses, financing charges and payment of preferred share dividends for a reasonable period of time, as defined in their policies. The ability of Power Corporation, Power Financial and other subsidiaries to arrange additional financing in the future will depend in part upon prevailing market conditions as well as the business performance and risk profile of Power Corporation, Power Financial and their subsidiaries.

Liquidity is also available through the Corporation's lines of credit with Canadian banks. The Corporation has a committed line of credit of \$250 million. The Corporation also maintains an uncommitted line of credit of \$100 million, and any advances are at the bank's sole discretion. At December 31, 2020, the Corporation utilized \$110 million (\$37 million in 2019) of its committed line of credit and the uncommitted line of credit was not utilized.

Other subsidiaries also have committed lines of credit of \$400 million with Canadian and U.S. banks (\$372 million was undrawn at December 31, 2020). Subsequent to year-end, Sagard 4 entered into a €100 million non-recourse credit facility with interest equal to LIBOR plus 1.70%. The credit facility is secured by the assets and unfunded commitments of Sagard 4.

NOTE 22 Risk Management (continued)

Principal repayments on debentures and other debt instruments, and pension funding (other than those of Lifeco and IGM discussed below) represent the only significant contractual liquidity requirements.

December 31, 2020	Payments due by period			
	Less than 1 year	1-5 years	After 5 years	Total
Debentures and other debt instruments	320	367	1,688	2,375
Future lease payments	20	43	112	175
Pension contributions	5	–	–	5
	345	410	1,800	2,555

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.

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

CREDIT RISK

Fixed income securities and derivatives are subject to credit risk. Power Corporation and Power Financial mitigate credit risk on their fixed income securities by adhering to an investment policy that establishes guidelines which provide exposure limits by defining admissible securities, minimum rating and concentration limits.

Fixed income securities, which are included in investments and in cash and cash equivalents, consist primarily of bonds, bankers' acceptances and highly liquid temporary deposits with Canadian chartered banks and banks in jurisdictions where Power Corporation, Power Financial and other subsidiaries operate, as well as bonds and short-term securities of, or guaranteed by, the Canadian or U.S. governments. Power Corporation and Power Financial regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value. Derivatives can also be used to mitigate foreign exchange exposures. Power Corporation and Power Financial regularly review the credit ratings of derivative financial instrument counterparties. Derivative contracts are over-the-counter with counterparties that are highly rated financial institutions.

Other subsidiaries' financial instruments include other loans and are subject to credit risk. Other subsidiaries regularly review the credit ratings of their counterparties. The maximum exposure to credit risk on these financial instruments is their carrying value.

Power Corporation, Power Financial and other subsidiaries' exposure to and management of credit risk related to cash and cash equivalents, fixed income securities and derivatives have not changed materially since December 31, 2019.

MARKET RISK

Power Corporation and Power Financial and other subsidiaries' financial instruments are comprised of cash and cash equivalents, fixed income securities, other investments (consisting of equity securities, other loans, investment funds and hedge funds), derivatives and debentures and other debt instruments.

Foreign exchange risk

In managing their own cash and cash equivalents as well as fixed income securities, Power Corporation, Power Financial and other subsidiaries may hold cash balances denominated in foreign currencies and thus be exposed to fluctuations in exchange rates. In order to protect against such fluctuations, Power Corporation and Power Financial may from time to time enter into currency-hedging transactions with highly rated financial institutions. As at December 31, 2020, approximately 78% (82% as at December 31, 2019) of Power Corporation, Power Financial and other subsidiaries' cash and cash equivalents and fixed income securities were denominated in Canadian dollars.

Most of Power Corporation's other investments are classified as available for sale. As such, unrealized gains and losses on these investments, resulting from foreign exchange rate variations, are recorded in other comprehensive income until realized. As at December 31, 2020, the impact of a 5% strengthening of the Canadian dollar against foreign currencies would result in an unrealized loss recorded in other comprehensive income of approximately \$109 million (\$89 million as at December 31, 2019). Power Corporation's and Power Financial's debentures are denominated in Canadian dollars.

Power Corporation has net investments in foreign operations. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations are recorded in other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar and Chinese renminbi spot rates impacts the Corporation's total equity.

Power Financial is exposed through Parjointco to foreign exchange risk as a result of Parjointco's investment in a company whose functional currency is the Swiss franc which itself is exposed to foreign exchange risk through GBL, whose functional currency is the euro. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. A 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$7 million (\$7 million in 2019).

NOTE 22 Risk Management (continued)

Power Corporation is also exposed to foreign exchange risk on its investment in China AMC. Foreign currency translation gains and losses on this investment are recorded in other comprehensive income. A 5% increase (decrease) in Canadian currency relative to the foreign currency would decrease (increase) the aggregate carrying value of foreign investment by approximately \$35 million (\$32 million in 2019).

Interest rate risk

Power Corporation, Power Financial and other subsidiaries' financial instruments do not have significant exposure to interest rate risk.

Equity risk

Other investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. During the year, the Corporation recorded investment impairment charges on available-for-sale investments amounting to \$35 million (\$40 million in 2019). As at December 31, 2020, the impact of a 10% decrease in the value of other investments would have resulted in an approximate \$179 million (\$164 million as at December 31, 2019) unrealized loss to be recorded in other comprehensive income.

GBL holds substantial investments classified as available for sale. Unrealized gains and losses on these investments are recorded in other comprehensive income until realized. These investments are reviewed periodically to determine whether there is objective evidence of an impairment in value. As at December 31, 2020, the impact of a 10% decline in equity markets would have resulted in an approximate \$400 million unrealized loss to be recorded in other comprehensive income, representing the Corporation's share of Parjointco's unrealized losses.

Power Corporation and Power Financial sponsor a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Power Corporation. Power Corporation and Power Financial hedge their exposure to the equity risk associated with their PSU Plans through the use of total return swaps.

Other subsidiaries' financial instruments do not have significant exposure to equity risk.

LIFECO

The risk committee of the board of directors of Lifeco is responsible for the oversight of Lifeco's key risks.

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. Approximately 48% (approximately 57% in 2019) of insurance and investment contract liabilities are non-cashable prior to maturity or claim, with a further approximately 26% (14% in 2019) of insurance and investment contract liabilities subject to fair value adjustments under certain conditions.
- 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. At December 31, 2020, Lifeco maintains \$350 million of liquidity at its level through committed lines of credit with Canadian chartered banks. As well, Lifeco maintains a \$150 million liquidity facility at Canada Life, a US\$500 million revolving credit agreement at Great-West Lifeco U.S. LLC, a US\$500 million revolving credit agreement with a syndicate of banks for use by Putnam, and a US\$50 million line of credit at Great-West Life & Annuity.

In the normal course of business, Lifeco enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following table summarizes the principal repayment schedule of certain of Lifeco's financial liabilities.

December 31, 2020	Payments due by period						Total
	1 year	2 years	3 years	4 years	5 years	After 5 years	
Debentures and other debt instruments	970	–	775	–	635	7,229	9,609
Capital trust debentures ^[1]	–	–	–	–	–	150	150
Purchase obligations	113	65	23	13	10	37	261
Future lease payments	88	78	67	60	54	387	734
Pension contributions	316	–	–	–	–	–	316
	1,487	143	865	73	699	7,803	11,070

[1] Payments due have not been reduced to reflect that Lifeco held capital trust securities of \$37 million principal amount (\$55 million carrying value).

NOTE 22 Risk Management (continued)**CREDIT RISK**

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

- Investment policies aim to minimize undue concentration within issuers, connected companies, industries or individual geographies.
- Investment limits specify minimum and maximum limits for each asset class.
- Identification of credit risk through an internal credit risk rating system which includes a detailed assessment of an obligor's creditworthiness. Internal credit risk ratings cannot be higher than the highest rating provided by certain independent ratings companies.
- Portfolios are monitored continuously, and reviewed regularly with the risk committee and the investment committee of the board of directors of Lifeco.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators. Lifeco manages derivative credit risk by including derivative exposure to aggregate credit exposures measured against rating-based obligor limits and through collateral arrangements where possible.
- Counterparties providing reinsurance to Lifeco are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in Lifeco's Reinsurance Risk Management Policy. Lifeco seeks to minimize reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as by seeking protection in the form of collateral or funds-withheld arrangements where possible.
- Investment guidelines also specify collateral requirements.

Maximum exposure to credit risk

The following table summarizes Lifeco's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

December 31	2020	2019
Cash and cash equivalents	7,946	4,628
Bonds		
Fair value through profit or loss	102,892	85,946
Available for sale	11,352	11,710
Loans and receivables	23,348	17,372
Mortgage loans	27,803	24,268
Loans to policyholders	8,387	8,601
Funds held by ceding insurers ^[1]	18,383	8,714
Reinsurance assets	22,121	20,707
Interest due and accrued	1,320	1,196
Accounts receivable	3,080	3,256
Premiums in course of collection	1,702	1,429
Trading account assets	713	1,092
Finance leases receivable	404	405
Other financial assets ^[2]	965	444
Derivative assets	829	451
Total balance sheet maximum credit exposure	231,245	190,219

[1] Includes \$16,325 million as at December 31, 2020 (\$6,741 million as at December 31, 2019) of funds held by ceding insurers where Lifeco retains the credit risk of the assets supporting the liabilities ceded (see Note 6).

[2] Includes items such as income taxes receivable and miscellaneous other assets of Lifeco.

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines have been implemented regarding the acceptability of types of collateral and the valuation parameters. Management of Lifeco monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. Lifeco has \$211 million of collateral received from counterparties as at December 31, 2020 (\$156 million as at December 31, 2019) relating to derivative assets.

As at December 31, 2020 \$15,690 million of the \$22,121 million of reinsurance assets are ceded to Protective Life (\$14,848 million of \$20,707 million at December 31, 2019). This concentration risk is mitigated by funds held in trust of \$16,389 million as at December 31, 2020 (\$15,948 million at December 31, 2019).

NOTE 22 Risk Management (continued)**Concentrations of credit risk**

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics of such debtors are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following table provides details of the carrying value of bonds of Lifeco by issuer, industry sector and business:

December 31, 2020	Canada	United States	Europe	Capital and Risk Solutions	Total
Bonds issued or guaranteed by:					
Treasuries	586	272	10,282	1,372	12,512
Government-related	20,555	2,308	9,287	316	32,466
Agency securitized	178	926	-	17	1,121
Non-agency securitized	2,057	6,550	1,402	136	10,145
Financials	4,361	6,022	5,880	572	16,835
Communications	1,142	1,338	1,124	98	3,702
Consumer products	4,197	6,127	2,816	762	13,902
Energy	2,453	2,450	675	270	5,848
Industrials	2,022	4,585	1,329	406	8,342
Technology	557	1,324	299	263	2,443
Transportation	3,409	1,394	977	154	5,934
Utilities	10,091	4,485	4,811	553	19,940
Short-term bonds	2,332	557	1,066	447	4,402
	53,940	38,338	39,948	5,366	137,592

December 31, 2019	Canada	United States	Europe ^[1]	Capital and Risk Solutions ^[1]	Total
Bonds issued or guaranteed by:					
Treasuries	479	72	10,118	1,068	11,737
Government-related	19,307	1,795	8,521	293	29,916
Agency securitized	110	1,111	-	10	1,231
Non-agency securitized	2,159	4,664	1,573	165	8,561
Financials	4,119	3,011	5,786	560	13,476
Communications	888	617	991	129	2,625
Consumer products	3,761	2,738	2,649	855	10,003
Energy	2,173	1,071	640	266	4,150
Industrials	1,764	2,057	1,281	454	5,556
Technology	552	727	302	265	1,846
Transportation	2,897	546	1,017	180	4,640
Utilities	9,145	2,377	4,426	527	16,475
Short-term bonds	2,680	720	1,049	363	4,812
	50,034	21,506	38,353	5,135	115,028

[1] See comparative figures (Note 2).

NOTE 22 Risk Management (continued)

The following table provides details of the carrying value of mortgage loans of Lifeco by business:

December 31, 2020	Single-family residential	Multi-family residential	Equity-release	Commercial	Total
Canada	2,063	4,331	759	8,883	16,036
United States	-	2,297	-	3,660	5,957
Europe	-	684	1,261	3,801	5,746
Capital and Risk Solutions	-	41	-	23	64
	2,063	7,353	2,020	16,367	27,803

December 31, 2019	Single-family residential	Multi-family residential	Equity-release	Commercial	Total
Canada	2,069	4,496	374	7,871	14,810
United States	-	1,798	-	2,198	3,996
Europe ^[1]	-	661	940	3,787	5,388
Capital and Risk Solutions ^[1]	-	49	-	25	74
	2,069	7,004	1,314	13,881	24,268

[1] See comparative figures (Note 2).

Asset quality

Bond Portfolio Quality December 31	2020	2019
AAA	21,820	22,083
AA	35,530	33,272
A	45,673	37,233
BBB	33,382	21,922
BB and lower	1,187	518
Total bonds	137,592	115,028

Derivative Portfolio Quality December 31	2020	2019
Over-the-counter contracts (counterparty credit ratings):		
AA	424	271
A	369	146
BBB	35	34
Exchange-traded	1	-
Total	829	451

Loans past due, but not impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management of Lifeco has reasonable assurance of collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

December 31	2020	2019
Less than 30 days	17	28
30-90 days	28	1
Greater than 90 days	10	4
Total	55	33

NOTE 22 Risk Management (continued)**Future asset credit losses**

The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

December 31	2020	2019
Participating	1,183	1,175
Non-participating	2,185	1,400
	3,368	2,575

MARKET RISK**Foreign exchange risk**

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

- Lifeco uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented investment guidelines include maximum tolerances for unhedged currency mismatch exposures.
- For assets backing liabilities not matched by currency, Lifeco normally converts the assets back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.
- A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount, resulting in an immaterial change to net earnings.

Interest rate risk

The following policies and procedures are in place to mitigate Lifeco's exposure to interest rate risk:

- Lifeco uses a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), Lifeco generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.

- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments or equities, as described below.
- The risks associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.11% in 2020 (0.10% in 2019). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

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

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

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

NOTE 22 Risk Management (continued)

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

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

If sustained however, the parallel shift could impact Lifeco's range of scenarios covered. 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 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions. For some products, interest rate risk is modelled stochastically in determining the insurance contract liabilities, and for those products, the sensitivities reflect the estimated impact of an immediate 1% increase and 1% decrease in interest rates on the liability.

The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

December 31	2020		2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	(289)	1,185	(230)	811
Increase (decrease) in net earnings	224	(920)	175	(619)

As at December 31, 2020, the accounting for the acquisition of MassMutual 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's current best estimate of the sensitivities.

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.

December 31	2020				2019			
	Increase		Decrease		Increase		Decrease	
	20%	10%	10%	20%	20%	10%	10%	20%
Change in publicly traded common share values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(34)	(18)	62	264	(63)	(33)	45	223
Increase (decrease) in net earnings	28	15	(51)	(208)	54	27	(39)	(182)

NOTE 22 Risk Management (continued)

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.

	2020				2019			
	Increase		Decrease		Increase		Decrease	
	10%	5%	5%	10%	10%	5%	5%	10%
December 31								
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	(41)	(8)	88	138	(74)	(32)	35	117
Increase (decrease) in net earnings	34	6	(69)	(108)	60	25	(28)	(90)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common 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:

December 31	2020		2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	(691)	861	(645)	752
Increase (decrease) in net earnings	556	(682)	509	(585)

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 board of directors of IGM provides oversight and carries out its risk management mandate through various committees.

LIQUIDITY RISK

IGM's liquidity management practices include:

- Maintaining liquid assets and lines of credit to satisfy near-term liquidity needs.
- Ensuring effective controls over liquidity management processes.
- Performing regular cash forecasts and stress testing.
- Regular assessment of capital market conditions and IGM's ability to access bank and capital market funding.
- Ongoing efforts to diversify and expand long-term mortgage funding sources.
- Oversight of liquidity by management and by committees of the board of directors of IGM.

A key liquidity requirement for IGM is the funding of consultant network compensation paid for the distribution of financial products and services. This compensation continues to be paid from operating cash flows.

IGM also maintains sufficient liquidity to fund and temporarily hold mortgages pending sale or securitization to long-term funding sources and to manage any derivative collateral requirements. Through its mortgage banking operations, residential mortgages are sold to third parties including certain mutual funds, institutional investors through private placements, Canadian bank-sponsored securitization trusts, and by issuance and sale of National Housing Act Mortgage-Backed Securities (NHA MBS), including sales to Canada Housing Trust under the Canada Mortgage Bond Program (CMB Program).

Certain subsidiaries of IGM are approved issuers of NHA MBS and are approved sellers into the CMB Program. Capacity for sales under the CMB Program consists of participation in new CMB issues and reinvestment of principal repayments held in principal reinvestment accounts.

IGM maintains committed capacity within certain Canadian bank-sponsored securitization trusts.

NOTE 22 Risk Management (continued)

IGM's contractual maturities of certain liabilities were as follows:

December 31, 2020	Payments due by period				Total
	Demand	Less than 1 year	1-5 years	After 5 years	
Derivative financial instruments	-	13	21	-	34
Deposits and certificates	1,099	2	3	1	1,105
Obligations to securitization entities	-	1,543	4,610	21	6,174
Future lease payments	-	28	88	131	247
Debentures	-	-	-	2,100	2,100
Pension contributions	-	14	-	-	14
Total contractual maturities	1,099	1,600	4,722	2,253	9,674

In addition to IGM's current balance of cash and cash equivalents, liquidity is available through IGM's lines of credit. IGM's lines of credit with various Schedule I Canadian chartered banks totalled \$825 million as at December 31, 2020, unchanged from December 31, 2019. The lines of credit as at December 31, 2020 consisted of committed lines of \$650 million and uncommitted lines of \$175 million. IGM has accessed its uncommitted lines of credit in the past; however, any advances made by the banks under the uncommitted lines are at the banks' sole discretion. As at December 31, 2020 and 2019, IGM was not utilizing its committed lines of credit or its uncommitted lines of credit.

IGM's liquidity position and its management of liquidity risk have not changed materially since December 31, 2019.

CREDIT RISK

IGM's cash and cash equivalents, other investment holdings, mortgage portfolios and derivatives are subject to credit risk. IGM monitors its credit risk management practices on an ongoing basis to evaluate their effectiveness.

At December 31, 2020, IGM's cash and cash equivalents of \$772 million (\$720 million in 2019) consisted of cash balances of \$77 million (\$68 million in 2019) on deposit with Canadian chartered banks and cash equivalents of \$695 million (\$652 million in 2019). 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.

As at December 31, 2020, residential mortgages, recorded on IGM's balance sheet, of \$6.3 billion (\$7.2 billion in 2019) consisted of \$6.0 billion sold to securitization programs (\$6.8 billion in 2019), \$335 million held pending sale or securitization (\$345 million in 2019) and \$14 million related to IGM's intermediary operations (\$24 million in 2019).

IGM manages credit risk related to residential mortgages through:

- adhering to its lending policy and underwriting standards;
- its loan servicing capabilities;
- use of client-insured mortgage default insurance and mortgage portfolio default insurance held by IGM; and
- its practice of originating its mortgages exclusively through its own network of Mortgage Planning Specialists and IG Wealth Management Consultants as part of a client's IG Living Plan™.

In certain instances, credit risk is also limited by the terms and nature of securitization transactions as described below:

- Under the NHA MBS program totalling \$3.2 billion (\$3.9 billion in 2019), IGM is obligated to make timely payment of principal and coupons irrespective of whether such payments were received from the mortgage borrower. However, as required by the NHA MBS program, 100% of the loans are insured by an approved insurer.
- Credit risk for mortgages securitized by transfer to bank-sponsored securitization trusts totalling \$2.8 billion (\$2.9 billion in 2019) is limited to amounts held in cash reserve accounts and future net interest income, the fair values of which were \$73 million (\$72 million in 2019) and \$46 million (\$38 million in 2019), respectively, at December 31, 2020. Cash reserve accounts are reflected on the balance sheets, whereas rights to future net interest income are not reflected on the balance sheets and will be recorded over the life of the mortgages. This risk is further mitigated by insurance with 3.0% of mortgages held in ABCP trusts insured at December 31, 2020 (4.6% in 2019).

At December 31, 2020, residential mortgages recorded on the balance sheet were 55.3% insured (59.1% in 2019). At December 31, 2020, impaired mortgages on these portfolios were \$5 million (\$2 million in 2019). Uninsured non-performing mortgages over 90 days on these portfolios were \$2 million at December 31, 2020 (\$2 million in 2019).

NOTE 22 Risk Management (continued)

IGM also retains certain elements of credit risk on mortgage loans sold to the Investors Mortgage and Short Term Income Fund and to the Investors Canadian Corporate Bond Fund through an agreement to repurchase mortgages in certain circumstances benefiting the funds. These loans are not recorded on IGM's balance sheet as IGM has transferred substantially all of the risks and rewards of ownership associated with these loans.

IGM regularly reviews the credit quality of the mortgages and the adequacy of the allowance for credit losses.

IGM's allowance for credit losses was \$1 million at December 31, 2020 (\$1 million in 2019), and is considered adequate by IGM's management to absorb all credit-related losses in the mortgage portfolios based on: i) historical credit performance experience; ii) recent trends, including the economic impact of COVID-19 and Canada's COVID-19 Economic Response Plan to support Canadians and businesses; iii) current portfolio credit metrics and other relevant characteristics; iv) its strong financial planning relationship with its clients; and v) stress testing of losses under adverse real estate market conditions.

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

IGM is exposed to credit risk through the derivative contracts it utilizes to hedge interest rate risk, to facilitate securitization transactions and to hedge market risk related to certain share-based compensation arrangements. These derivatives are discussed more fully under the market risk section below.

To the extent that the fair value of the derivatives is in a gain position, IGM is exposed to the credit risk that its counterparties fail to fulfill their obligations under these arrangements.

IGM's derivative activities are managed in accordance with its investment policy, which includes counterparty limits and other parameters to manage counterparty risk. Counterparties are all Canadian Schedule I chartered banks and, as a result, management of IGM has determined that its overall credit risk related to derivatives was not significant at December 31, 2020. Management of credit risk related to derivatives has not changed materially since December 31, 2019.

MARKET RISK**Foreign exchange risk**

IGM is exposed to foreign exchange risk on its investments in China AMC. Changes to the carrying value due to changes in foreign exchange rates is recognized in other comprehensive income. A 5% increase (decrease) in Canadian currency relative to foreign currencies would decrease (increase) the aggregate carrying value of foreign investment by approximately \$34 million (\$38 million in 2019).

Interest rate risk

IGM is exposed to interest rate risk on its loan portfolio and on certain of the derivative financial instruments used in IGM's mortgage banking operations.

IGM manages interest rate risk associated with its mortgage banking operations by entering into interest rate swaps with Canadian Schedule I chartered banks as follows:

- IGM has in certain instances funded floating rate mortgages with fixed rate Canada Mortgage Bonds as part of the securitization transactions under the CMB Program. As previously discussed, as part of the CMB Program, IGM is party to a swap whereby it is entitled to receive investment returns on reinvested mortgage principal and is obligated to pay Canada Mortgage Bond coupons. This swap had a negative fair value of \$21 million (negative \$1 million in 2019) and an outstanding notional value of \$0.7 billion at December 31, 2020 (\$0.8 billion in 2019). IGM enters into interest rate swaps with Canadian Schedule I chartered banks to hedge the risk that the interest rates earned on floating rate mortgages and reinvestment returns decline. The fair value of these swaps totalled \$20 million (negative \$5 million in 2019), on an outstanding notional amount of \$1.3 billion at December 31, 2020 (\$1.6 billion in 2019). The negative net fair value of these swaps recorded on the balance sheet was \$1 million at December 31, 2020 (\$6 million in 2019) and had an outstanding notional amount of \$2.0 billion at December 31, 2020 (\$2.4 billion in 2019).
- IGM is exposed to the impact that changes in interest rates may have on the value of mortgages committed to or held pending sale or securitization to long-term funding sources. IGM enters into interest rate swaps to hedge the interest rate risk related to funding costs for mortgages held by IGM pending sale or securitization. The negative fair value of these swaps was \$1 million (positive fair value of \$1 million in 2019) on an outstanding notional amount of \$191 million at December 31, 2020 (\$180 million in 2019).

As at December 31, 2020, the impact to net earnings of a 100-basis-point increase in interest rates would have been a decrease of approximately \$1 million (\$2 million in 2019). IGM's exposure to and management of interest rate risk have not changed materially since December 31, 2019.

Equity risk

IGM is exposed to equity risk on its equity investments which are classified as either available for sale or fair value through profit or loss or investments in associates.

IGM sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of IGM Financial Inc. IGM hedges its exposure to this risk through the use of forward agreements and total return swaps.

RISKS RELATED TO ASSETS UNDER MANAGEMENT

Risks related to the performance of the equity markets, changes in interest rates and changes in foreign currencies relative to the Canadian dollar can have a significant impact on the level and mix of assets under management. These changes in assets under management directly impact earnings of IGM.

NOTE 23 Operating and Administrative Expenses

Years ended December 31	2020	2019
Salaries and other employee benefits	4,781	4,567
General and administrative expenses	2,539	2,516
Amortization, depreciation and impairment	675	687
Premium taxes	480	506
Restructuring and other	219	65
	8,694	8,341

RESTRUCTURING AND OTHER**Lifeco****Canada Restructuring**

During the fourth quarter of 2020, Lifeco completed the sale of GLC to Mackenzie and recorded restructuring and other one-time costs of \$16 million after tax (\$22 million pre tax). Two additional initiatives impacting Lifeco's operations were announced in the fourth quarter of 2020:

- Lifeco announced changes to its Canadian distribution strategy and vision for advisor-based distribution, and
- IGM has notified Lifeco that it intends to terminate its long-term technology infrastructure-related sharing agreement in the first quarter of 2021.

These initiatives, together with the sale of GLC, will result in staff reductions, exit costs for certain facilities lease agreements and decommit activities related to technology and other assets.

As a result, Lifeco has recorded a restructuring provision of \$92 million, which includes the restructuring costs associated with the GLC disposition. The after-tax impact of the restructuring provision is \$68 million. Changes relating to these initiatives are expected to be implemented by the end of 2022 and are not expected to have a significant impact on Lifeco and the Corporation's financial results.

Great-West Life & Annuity Restructuring

Upon acquisition of MassMutual, Great-West Life & Annuity recorded restructuring expenses of \$42 million pre tax (\$33 million after tax) associated with the acquisition of the MassMutual retirement services business. These include a restructuring provision of \$37 million and integration costs of \$5 million. This restructuring is primarily attributed to the reduction of MassMutual staff not retained. In addition, expenses were incurred for the

early termination of certain MassMutual vendor contracts. Lifeco expects to pay out a significant portion of these amounts during 2021. Lifeco expects to incur further restructuring and integration expenses associated with the acquisition over the following 18 months.

United Kingdom Business Transformation

In 2018, Lifeco recorded a restructuring provision in Europe in respect of activities aimed at achieving planned expense reductions and an organizational realignment. Despite delays due to COVID-19, Lifeco had achieved most of the planned benefits by December 31, 2020 and the restructuring has been substantially completed.

Putnam Restructuring

In 2019, Putnam recorded a restructuring provision of \$52 million pre tax (\$36 million after tax). This restructuring is in respect of expense reductions and a realignment of its resources to best position itself for current and future opportunities. The expense reductions will be achieved through a reduction in staff, consolidation of certain mutual funds, digital technology modernization and facilities downsizing.

IGM Financial

During 2020 IGM's incurred restructuring and other charges of \$75 million related to ongoing multi-year transformation initiatives and efforts to enhance its operational effectiveness and also to the acquisition of GLC and other changes to IGM's investment management teams. As a result of these initiatives, IGM recorded charges relating to restructuring and downsizing certain sharing activities with Lifeco as well as impairment of redundant internally generated software assets.

At December 31, 2020, the balance of restructuring provisions, including those above, amounts to \$232 million (\$109 million in 2019) and is recorded in other liabilities.

NOTE 24 Financing Charges

Years ended December 31	2020	2019
Interest on debentures and other debt instruments	484	474
Interest on lease liabilities	33	41
Interest on capital trust debentures	11	11
Other	27	18
	555	544

NOTE 25 Pension Plans and Other Post-Employment Benefits

CHARACTERISTICS, FUNDING AND RISKS

The Corporation and its subsidiaries maintain funded defined benefit pension plans for eligible employees and advisors as well as unfunded supplementary employee retirement plans (SERP) for eligible employees. The Corporation and its subsidiaries also maintain defined contribution pension plans for eligible employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average earnings; however, these plans are closed to new entrants. Many of the defined benefit pension plans also no longer provide future defined benefit accruals. The Corporation and its subsidiaries' defined benefit plan exposure is expected to reduce in future years. Where defined benefit pension accruals continue, in most circumstances active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits, in accordance with the terms of the plans, and assuming the plans are not terminated. Assets supporting the funded pension plans are held in separate trustee pension funds. Obligations for the wholly unfunded plans are supported by assets of the Corporation or its subsidiaries, as applicable.

The defined benefit plans of the Corporation and its subsidiaries are closed to new entrants. New hires are only eligible for defined contribution benefits. As a result, defined benefit plan exposure will continue to be reduced in future years.

The defined contribution pension plans provide pension benefits based on accumulated employee and employer contributions. Contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Corporation and its subsidiaries also provide unfunded post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Lifeco's subsidiaries' plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The obligations for these benefits are supported by assets of the Corporation or its subsidiaries, as applicable.

The Corporation and its subsidiaries have pension and benefit committees or a trustee arrangement that provides oversight for the benefit plans. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements. Significant changes to benefit plans of the Corporation or of its subsidiaries require approval from the respective board of directors or committee thereof.

The Corporation and its subsidiaries' funding policy for the funded pension plans require annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Corporation and its subsidiaries determine if an economic benefit exists in the form of potential reductions in future contributions, the present value of future expenses to be paid from the plan and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Corporation and its subsidiaries to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Corporation and its subsidiaries.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**PLAN ASSETS, BENEFIT OBLIGATION AND FUNDED STATUS**

December 31	2020		2019	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
CHANGE IN FAIR VALUE OF PLAN ASSETS				
Fair value of plan assets, beginning of year	8,045	-	7,452	-
Interest income	213	-	247	-
Employee contributions	17	-	22	-
Employer contributions	210	18	223	22
Actual return on assets greater than interest income	503	-	762	-
Benefits paid	(365)	(18)	(352)	(22)
Settlement	(2)	-	(113)	-
Administrative expenses	(9)	-	(10)	-
Foreign exchange and other	123	-	(186)	-
Fair value of plan assets, end of year	8,735	-	8,045	-
CHANGE IN DEFINED BENEFIT OBLIGATION				
Defined benefit obligation, beginning of year	9,506	448	8,704	428
Current service cost	121	3	108	3
Employee contributions	17	-	22	-
Interest cost	257	14	290	17
Actuarial (gains) losses on:				
Financial assumption changes	744	31	1,102	32
Demographic assumption changes	(11)	2	(26)	(5)
Arising from member experience	31	(5)	11	(4)
Benefits paid	(365)	(18)	(352)	(22)
Past service cost and plan amendments	(6)	-	(1)	-
Settlement	(1)	-	(150)	-
Curtailment	(21)	-	(3)	-
Foreign exchange and other	115	(1)	(199)	(1)
Defined benefit obligation, end of year	10,387	474	9,506	448
FUNDED STATUS				
Fund deficit	(1,652)	(474)	(1,461)	(448)
Unrecognized amount due to asset ceiling (see below)	(29)	-	(37)	-
Accrued benefit liability	(1,681)	(474)	(1,498)	(448)

The aggregate defined benefit obligation of pension plans is as follows:

December 31	2020	2019
Wholly or partly funded plans	9,604	8,792
Wholly unfunded plans	783	714

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)

The net accrued benefit asset (liability) shown above is presented in these financial statements as follows:

	2020			2019		
December 31	Defined benefit pension plans	Other post-employment benefits	Total	Defined benefit pension plans	Other post-employment benefits	Total
Pension benefit assets [Note 9]	240	–	240	231	–	231
Pension and other post-employment benefit liabilities [Note 16]	(1,921)	(474)	(2,395)	(1,729)	(448)	(2,177)
Accrued benefit liability	(1,681)	(474)	(2,155)	(1,498)	(448)	(1,946)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Corporation and its subsidiaries must assess whether the pension asset has economic benefit to the Corporation and its subsidiaries through future contribution reductions, the present value of future expenses

to be paid from the plan, or surplus refunds; in the event the Corporation and its subsidiaries are not entitled to a benefit, a limit or “asset ceiling” is required on the balance sheet. The following provides a breakdown of the changes in the asset ceiling.

December 31	2020	2019
Asset ceiling, beginning of year	37	103
Interest on beginning-of-period asset ceiling	1	4
Change in asset ceiling	(11)	(70)
Foreign exchange rate changes	2	–
Asset ceiling, end of year	29	37

PENSION AND OTHER POST-EMPLOYMENT BENEFIT EXPENSE

	2020		2019	
December 31	Pension plans	Other post-employment benefits	Pension plans	Other post-employment benefits
Defined benefit current service cost	121	3	108	3
Net interest cost	45	14	47	17
Past service cost, plan amendments, curtailments and settlements ^[1]	(26)	–	(41)	–
Administration fees	9	–	10	–
Defined contribution current service cost	152	–	124	–
Expense recognized in net earnings	301	17	248	20
Actuarial losses recognized	764	28	1,087	23
Return on assets greater than interest income	(503)	–	(762)	–
Change in asset ceiling	(11)	–	(70)	–
Expense recognized in other comprehensive income (loss)	250	28	255	23
Total expense	551	45	503	43

[1] Includes a curtailment gain of \$11 million recognized by Lifeco on sale of shares of Irish Progressive Services International Limited. In addition, the Corporation recognized a curtailment gain and a gain due to a plan amendment of \$11 million which reflect the curtailment of certain executives from the Corporation's plan as well as updated pension assumptions used for certain executives.

In 2020, the Corporation and its subsidiaries incurred \$4 million of actuarial losses (\$6 million of actuarial losses in 2019) for pension plan remeasurements not included in the table shown above. This relates to the share of actuarial gains (losses) for investments in jointly controlled corporations and associates.

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ASSET ALLOCATION BY MAJOR CATEGORY WEIGHTED BY PLAN ASSETS**

December 31 Percentage [%]	Defined benefit pension plans	
	2020	2019
Equity securities	42	44
Debt securities	47	46
All other assets	11	10
	100	100

No plan assets are directly invested in the Corporation's or subsidiaries' securities. Lifeco's plan assets include investments in segregated and other funds managed by subsidiaries of Lifeco of \$6,871 million at December 31, 2020 (\$6,031 million at December 31, 2019) of which \$6,790 million (\$5,961 million at December 31, 2019) are included in the balance sheets. Plan assets do not

include any property occupied or other assets used by Lifeco. IGM's plan assets are invested in IGM's mutual funds. A portion of Power Corporation and Power Financial's plan assets are invested in segregated funds managed by a subsidiary of Lifeco.

DETAILS OF DEFINED BENEFIT OBLIGATION**Portion of defined benefit obligation subject to future salary increases**

	2020		2019	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
December 31				
Benefit obligation without future salary increases	9,587	474	8,752	448
Effect of assumed future salary increases	800	-	754	-
Defined benefit obligation	10,387	474	9,506	448

Allocation of defined benefit obligation by membership

December 31 Percentage [%]	2020		2019	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Actives	40	22	40	21
Deferred vesteds	18	-	17	-
Retirees	42	78	43	79
Total	100	100	100	100
Weighted average duration of defined benefit obligation (in years)	18.2	12.1	17.9	11.9

CASH FLOW INFORMATION

The expected employer contributions for the year 2021 are as follows:

	Pension plans	Other post-employment benefits
Funded (wholly or partly) defined benefit plans	146	-
Unfunded defined benefit plans	20	25
Defined contribution plans	157	-
Total	323	25

NOTE 25 Pension Plans and Other Post-Employment Benefits (continued)**ACTUARIAL ASSUMPTIONS AND SENSITIVITIES****Actuarial assumptions**

December 31 Percentage [%]	2020		2019	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Range of discount rates				
To determine benefit cost	2.6–3.2	3.1–3.2	3.4–3.9	3.7–4.4
To determine accrued benefit obligation at year-end	2.1–2.7	2.4–2.6	2.6–3.2	3.1–3.2
Weighted average assumptions used to determine benefit cost ^[1]				
Discount rate	2.9	3.1	3.6	3.9
Rate of compensation increase	3.0	–	3.1	–
Weighted average assumptions used to determine accrued benefit obligation at year-end ^[1]				
Discount rate	2.4	2.5	2.9	3.1
Rate of compensation increase	3.0	–	3.0	–
Weighted average healthcare trend rates ^[1]				
Initial healthcare trend rate		4.8		4.7
Ultimate healthcare trend rate		4.1		4.1
Year ultimate trend rate is reached		2039		2039

[1] Weighted based on the obligations of each plan.

Sample life expectancies based on mortality assumptions

December 31	2020		2019	
	Defined benefit pension plans	Other post-employment benefits	Defined benefit pension plans	Other post-employment benefits
Weighted average life expectancies based on mortality assumptions ^[1] :				
Male				
Age 65 in fiscal year	22.7	22.5	22.6	22.4
Age 65 for those age 35 in the fiscal year	24.6	24.0	24.5	23.9
Female				
Age 65 in fiscal year	24.8	24.7	24.8	24.7
Age 65 for those age 35 in the fiscal year	26.7	26.2	26.6	26.2

[1] Weighted based on the obligations of each plan.

Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty and judgment is required in establishing this assumption. The mortality assumptions applied by the Corporation and

its subsidiaries take into consideration average life expectancy, including allowances for future longevity improvements as appropriate, and reflect variations in such factors as age, gender and geographic location.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

Impact of changes to assumptions on defined benefit obligation

December 31, 2020	1% increase	1% decrease
Defined benefit pension plans:		
Impact of a change to the discount rate	(1,620)	2,103
Impact of a change to the rate of compensation increase	383	(344)
Impact of a change to the rate of inflation	760	(667)
Other post-employment benefits:		
Impact of a change to the discount rate	(48)	58
Impact of a change to assumed medical cost trend rates	36	(30)

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions and therefore the sensitivity analysis presented may not be representative of the actual change.

NOTE 26 Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Corporation and its subsidiaries are end-users of various derivative financial instruments. Contracts are either exchange traded or over-the-counter with counterparties that are credit-worthy financial intermediaries. The Corporation also has call rights to acquire additional shares of Lion at pre-determined prices (Note 7).

The following tables summarize the portfolio of derivative financial instruments of the Corporation and its subsidiaries:

	Notional amount					
December 31, 2020	1 year or less	1-5 years	Over 5 years	Total	Maximum credit risk	Total fair value
DERIVATIVES NOT DESIGNATED AS ACCOUNTING HEDGES						
Interest rate contracts						
Swaps	1,296	1,817	2,664	5,777	349	269
Options purchased	41	166	14	221	-	-
Futures - long	6	3	-	9	-	-
Futures - short	190	4	-	194	-	-
	1,533	1,990	2,678	6,201	349	269
Foreign exchange contracts						
Cross-currency swaps	896	3,068	11,222	15,186	388	(783)
Forward contracts	3,710	-	-	3,710	38	32
	4,606	3,068	11,222	18,896	426	(751)
Other derivative contracts						
Equity contracts	661	-	-	661	26	25
Futures - long	17	-	-	17	-	-
Futures - short	682	-	-	682	1	(4)
Options purchased	-	76	-	76	102	102
Other forward contracts	4,318	-	-	4,318	9	8
	5,678	76	-	5,754	138	131
	11,817	5,134	13,900	30,851	913	(351)
FAIR VALUE HEDGES						
Foreign exchange contracts						
Forward contracts	74	-	-	74	3	3
CASH FLOW HEDGES						
Interest rate contracts						
Swaps	-	40	234	274	14	11
Other derivative contracts						
Equity contracts	27	156	-	183	27	25
	27	196	234	457	41	36
NET INVESTMENT HEDGES						
Foreign exchange contracts						
Forward contracts	786	530	-	1,316	16	15
	12,704	5,860	14,134	32,698	973	(297)

NOTE 26 Derivative Financial Instruments (continued)

December 31, 2019	Notional amount				Maximum credit risk	Total fair value
	1 year or less	1-5 years	Over 5 years	Total		
DERIVATIVES NOT DESIGNATED AS ACCOUNTING HEDGES						
Interest rate contracts						
Swaps	1,075	2,131	2,493	5,699	198	151
Options purchased	35	184	25	244	-	-
Futures - long	9	3	-	12	-	-
Futures - short	10	7	-	17	-	-
	1,129	2,325	2,518	5,972	198	151
Foreign exchange contracts						
Cross-currency swaps	299	2,395	10,345	13,039	209	(1,135)
Forward contracts	1,342	-	-	1,342	17	15
	1,641	2,395	10,345	14,381	226	(1,120)
Other derivative contracts						
Equity contracts	106	-	-	106	2	2
Futures - long	13	-	-	13	-	-
Futures - short	774	-	-	774	-	(2)
Other forward contracts	1,709	-	-	1,709	2	2
	2,602	-	-	2,602	4	2
	5,372	4,720	12,863	22,955	428	(967)
FAIR VALUE HEDGES						
Foreign exchange contracts						
Forward contracts	74	-	-	74	2	2
CASH FLOW HEDGES						
Interest rate contracts						
Forward contracts	122	-	-	122	-	(7)
Swaps	-	60	117	177	11	10
Other derivative contracts						
Equity contracts	20	51	-	71	9	9
	142	111	117	370	20	12
NET INVESTMENT HEDGES						
Foreign exchange contracts						
Forward contracts	641	524	-	1,165	24	17
	6,229	5,355	12,980	24,564	474	(936)

The amount subject to maximum credit risk is limited to the current fair value of the instruments which are in a gain position. The maximum credit risk represents the total cost of all derivative contracts with positive values and does not reflect actual or expected losses. The total fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this would not result in a gain or loss to the Corporation and its subsidiaries as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

NOTE 26 Derivative Financial Instruments (continued)

The Corporation and its subsidiaries use the following derivatives:

Type	Purpose
Interest rate contracts	<p>Interest rate swaps, forward contracts, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities and to reduce the impact of fluctuating interest rates on the mortgage banking operations, intermediary operations and debt instruments. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based.</p> <p>Call options grant the Corporation and its subsidiaries the right to enter into a swap with predetermined fixed rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.</p>
Foreign exchange contracts	<p>Cross-currency swaps are used in combination with other investments to manage foreign exchange risk associated with investment activities and insurance and investment contract liabilities. Under these swaps, principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Corporation and its subsidiaries may also enter into certain foreign exchange forward contracts to hedge certain product liabilities, cash and cash equivalents and cash flows.</p>
Other derivative contracts	<p>Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage the potential credit risk impact of significant declines in certain equity markets.</p> <p>Equity forward agreements and total return swaps are used to manage exposure to fluctuations in the total return of common shares related to deferred compensation arrangements. Forward agreements and total return swaps require the exchange of net contractual payments periodically or at maturity without the exchange of the notional principal amounts on which the payments are based. Certain of these instruments are not designated as hedges.</p>

The ineffective portion of the cash flow hedges during 2020, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) reclassified out of other comprehensive income within the next twelve months is not significant. The maximum time frame for which variable cash flows are hedged is 50 years.

ENFORCEABLE MASTER NETTING AGREEMENTS OR SIMILAR AGREEMENTS

The Corporation and its subsidiaries enter into the International Swaps and Derivative Association's (ISDA's) master agreements for transacting over-the-counter derivatives. The Corporation and its subsidiaries receive and pledge collateral according to the related ISDA's Credit Support Annexes. The ISDA's master agreements do not meet the criteria for offsetting on the balance sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with exchanges and clearing houses, there is no provision for set-off at default. Initial margin is excluded from the tables below as it would become part of a pooled settlement process.

Lifeco's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between Lifeco and its counterparties in the event of default.

NOTE 26 Derivative Financial Instruments (continued)

The following disclosure shows the potential effect on the balance sheets of financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the balance sheets.

	Gross amount of financial instruments presented in the balance sheet	Related amounts not set off in the balance sheet		Net exposure
		Offsetting counterparty position ^[1]	Financial collateral received/ pledged ^[2]	
December 31, 2020				
Financial instruments (assets)				
Derivative financial instruments	973	(631)	(154)	188
Reverse repurchase agreements ^[3]	4	-	(4)	-
	977	(631)	(158)	188
Financial instruments (liabilities)				
Derivative financial instruments	1,270	(631)	(361)	278
	1,270	(631)	(361)	278
December 31, 2019				
Financial instruments (assets)				
Derivative financial instruments	474	(324)	(107)	43
Reverse repurchase agreements ^[3]	4	-	(4)	-
	478	(324)	(111)	43
Financial instruments (liabilities)				
Derivative financial instruments	1,410	(324)	(556)	530
	1,410	(324)	(556)	530

[1] Includes counterparty amounts recognized on the balance sheets where the Corporation and its subsidiaries have a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheets, excluding collateral.

[2] Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. At December 31, 2020, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$211 million (\$156 million at December 31, 2019), received on reverse repurchase agreements was \$4 million (\$4 million at December 31, 2019), and pledged on derivative liabilities was \$560 million (\$634 million at December 31, 2019).

[3] Assets related to reverse repurchase agreements are included in bonds on the balance sheets.

NOTE 27 Fair Value Measurement

The following tables present the carrying amounts and fair value of the Corporation's assets and liabilities recorded or disclosed 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 (Note 2) and below. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment. The following tables distinguish between assets and liabilities recorded at fair value on a recurring basis and those for which fair value is disclosed.

These tables exclude fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value. Items excluded are: cash and cash equivalents, dividends, interest and accounts receivable, loans to policyholders, certain other financial assets, accounts payable, dividends and interest payable and certain other financial liabilities.

December 31, 2020	Carrying value	Level 1	Level 2	Level 3	Total fair value
ASSETS					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	102,782	-	102,709	73	102,782
Available for sale	11,897	-	11,897	-	11,897
Mortgage and other loans					
Fair value through profit or loss	2,095	-	3	2,092	2,095
Shares					
Fair value through profit or loss	10,697	8,828	194	1,675	10,697
Available for sale	1,839	1,030	70	739	1,839
Investment properties	6,270	-	-	6,270	6,270
Funds held by ceding insurers	16,188	245	15,943	-	16,188
Derivative instruments	973	1	868	104	973
Reinsurance assets	130	-	130	-	130
Other assets	980	381	541	58	980
	153,851	10,485	132,355	11,011	153,851
Assets disclosed at fair value					
Bonds					
Loans and receivables	23,348	-	26,488	57	26,545
Mortgage and other loans					
Loans and receivables	32,546	-	27,953	6,654	34,607
Shares					
Available for sale ^[1]	124	-	-	124	124
Funds held by ceding insurers	137	-	-	137	137
	56,155	-	54,441	6,972	61,413
Total	210,006	10,485	186,796	17,983	215,264
LIABILITIES					
Liabilities recorded at fair value					
Investment contract liabilities	9,145	-	9,145	-	9,145
Derivative instruments	1,270	5	1,242	23	1,270
Other liabilities	311	79	188	44	311
	10,726	84	10,575	67	10,726
Liabilities disclosed at fair value					
Obligations to securitization entities	6,174	-	-	6,345	6,345
Power Corporation's debentures and other debt instruments	756	-	1,013	-	1,013
Non-recourse debentures and other debt instruments	13,299	970	14,236	-	15,206
Deposits and certificates	2,246	-	2,246	-	2,246
Other liabilities	951	-	160	791	951
	23,426	970	17,655	7,136	25,761
Total	34,152	1,054	28,230	7,203	36,487

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

NOTE 27 Fair Value Measurement (continued)

December 31, 2019	Carrying value	Level 1	Level 2	Level 3	Total fair value
ASSETS					
Assets recorded at fair value					
Bonds					
Fair value through profit or loss	85,845	-	85,778	67	85,845
Available for sale	12,028	-	12,028	-	12,028
Mortgage and other loans					
Fair value through profit or loss	1,314	-	-	1,314	1,314
Shares					
Fair value through profit or loss	9,925	9,011	118	796	9,925
Available for sale	1,474	743	42	689	1,474
Investment properties	5,887	-	-	5,887	5,887
Funds held by ceding insurers	6,661	216	6,445	-	6,661
Derivative instruments	474	-	470	4	474
Reinsurance assets	127	-	127	-	127
Other assets	1,490	375	1,115	-	1,490
	125,225	10,345	106,123	8,757	125,225
Assets disclosed at fair value					
Bonds					
Loans and receivables	17,372	-	19,281	63	19,344
Mortgage and other loans					
Loans and receivables	30,461	-	24,177	7,243	31,420
Shares					
Available for sale ^[1]	150	-	-	150	150
Funds held by ceding insurers	80	-	-	80	80
	48,063	-	43,458	7,536	50,994
Total	173,288	10,345	149,581	16,293	176,219
LIABILITIES					
Liabilities recorded at fair value					
Investment contract liabilities	1,656	-	1,656	-	1,656
Derivative instruments	1,410	3	1,402	5	1,410
Other liabilities	430	43	355	32	430
	3,496	46	3,413	37	3,496
Liabilities disclosed at fair value					
Obligations to securitization entities	6,914	-	-	6,997	6,997
Power Corporation's debentures and other debt instruments	683	37	819	-	856
Non-recourse debentures and other debt instruments	9,255	496	10,099	-	10,595
Deposits and certificates	886	-	887	-	887
Other liabilities	838	-	480	358	838
	18,576	533	12,285	7,355	20,173
Total	22,072	579	15,698	7,392	23,669

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

There were no significant transfers between Level 1 and Level 2 in 2020 and 2019.

NOTE 27 Fair Value Measurement (continued)

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

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

NOTE 27 Fair Value Measurement (continued)

The following tables present additional information about assets and liabilities measured at fair value on a recurring basis for which the Corporation and its subsidiaries have utilized Level 3 inputs to determine fair value for the years ended December 31, 2020 and 2019.

	Bonds	Mortgages and other loans	Shares					
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[1]	Available for sale	Investment properties	Derivatives net	Other assets (liabilities)	Total
December 31, 2020								
Balance, beginning of year	67	1,314	796	689	5,887	(1)	(32)	8,720
Total gains (losses)								
In net earnings	2	156	94	52	(74)	75	4	309
In other comprehensive income ^[1]	4	15	(2)	41	21	-	-	79
Purchases	-	33	678	92	481	2	-	1,286
Issues	-	622	-	-	-	-	-	622
Sales	-	-	(214)	(127)	(73)	-	-	(414)
Settlements	-	(87)	-	-	-	5	-	(82)
Transferred from owner-occupied properties ^[2]	-	-	-	-	28	-	-	28
Transfers into Level 3	-	39	376	1	-	-	58	474
Other	-	-	(53)	(9)	-	-	(16)	(78)
Balance, end of year	73	2,092	1,675	739	6,270	81	14	10,944

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage 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.

Since March 20, 2020, Canada Life has 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 virus has 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.

Subsequent event

On January 11, 2021, Canada Life lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties has returned as a result of increased market activity. While the temporary suspension on redemptions and transfers out of the Canadian real estate funds remains, the funds are accepting initial redemption requests for a limited period which will be processed, subject to available liquidity, on pre-specified dates.

	Bonds	Mortgages and other loans	Shares					
	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss ^[1]	Available for sale	Investment properties	Derivatives net	Assets (liabilities) held for sale and other assets (liabilities)	Total
December 31, 2019								
Balance, beginning of year	67	813	453	768	5,247	5	(90)	7,263
Total gains (losses)								
In net earnings	4	109	64	42	37	(5)	(1)	250
In other comprehensive income ^[1]	(4)	(5)	-	(15)	(36)	-	(1)	(61)
Purchases	-	-	346	103	644	(2)	-	1,091
Issues	-	469	-	-	-	-	-	469
Sales	-	-	(67)	(59)	(5)	-	(26)	(157)
Settlements	-	(72)	-	-	-	1	45	(26)
Other ^[2]	-	-	-	(150)	-	-	41	(109)
Balance, end of year	67	1,314	796	689	5,887	(1)	(32)	8,720

[1] Amount of other comprehensive income for fair value through profit or loss bonds, mortgage and other loans and investment properties represents the unrealized gains (losses) on foreign exchange.

[2] In January 2019, the investment in Personal Capital was reclassified from available for sale to an investment in an associate (Note 7).

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

NOTE 27 Fair Value Measurement (continued)

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 funds 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 funds and segregated funds.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 2.9%–12.0% Range of 3.9%–6.8% Weighted average of 3.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage 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 3.2%–4.4%	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 28 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	
Year ended December 31, 2020						
Balance, beginning of year	361	694	1,031	(575)	(15)	1,496
Other comprehensive income (loss)	316	15	417	(137)	(4)	607
Reattribution on acquisition of non-controlling interest in Power Financial [Note 20]	53	324	535	(257)	(8)	647
Reattribution on changes in ownership on Parjointco's interest in Pargesa [Note 7]	-	-	1	-	(1)	-
Balance, end of year	730	1,033	1,984	(969)	(28)	2,750

	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	
Year ended December 31, 2019						
Balance, beginning of year	201	1,015	763	(488)	(11)	1,480
Other comprehensive income (loss)	160	(293)	284	(98)	(4)	49
Other	-	(28)	(16)	11	-	(33)
Balance, end of year	361	694	1,031	(575)	(15)	1,496

NOTE 29 Earnings Per Share

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

Years ended December 31	2020	2019
EARNINGS		
Net earnings attributable to shareholders	2,046	1,160
Dividends on non-participating shares	(52)	(52)
Net earnings attributable to participating shareholders	1,994	1,108
Dilutive effect of subsidiaries' outstanding stock options	-	-
Net earnings adjusted for dilutive effect	1,994	1,108
NUMBER OF PARTICIPATING SHARES [millions]		
Weighted average number of participating shares outstanding - Basic	647.5	437.5
Potential exercise of outstanding stock options	0.1	0.4
Weighted average number of participating shares outstanding - Diluted	647.6	437.9
NET EARNINGS PER PARTICIPATING SHARE		
Basic	3.08	2.53
Diluted	3.08	2.53

For 2020, 30 million stock options (9.2 million in 2019) have been excluded from the computation of diluted earnings per share as they were anti-dilutive.

NOTE 30 Related Parties

TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, Power Corporation and its subsidiaries enter into various transactions: subsidiaries provide insurance benefits, sub-advisory services, distribution of insurance products and/or other administrative services to other subsidiaries of the group and to the Corporation; loans to employees; as well as capital commitments to investment funds, performance fees and base management fees paid to subsidiaries of the group. In all cases, these transactions are in the normal course of operations and have been recorded at fair value. Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of other transactions between the Corporation and related parties are disclosed below.

On February 13, 2020, Power Corporation and Power Financial successfully completed the Reorganization pursuant to which each common share of Power Financial held by holders other than Power Corporation and its wholly owned subsidiary was exchanged for 1.05 Subordinate Voting Shares of Power Corporation and \$0.01 in cash. As a result, Power Corporation acquired 238,693,580 Power Financial Common Shares and now holds 100% of the issued and outstanding Common Shares of Power Financial, which were delisted from the Toronto Stock Exchange. In connection with the Reorganization, Pansolo Holding Inc., a corporation controlled by the Desmarais Family Residuary Trust, purchased 6 million participating preferred shares on February 12, 2020. (Notes 2, 18 and 20).

In 2020, IGM sold residential mortgage loans to Canada Life for \$21 million (\$11 million in 2019).

In 2020, Lifeco completed the sale of GLC to Mackenzie and Great-West Life & Annuity completed the acquisition of 100% of the equity of Personal Capital. Prior to the completion of the acquisition, IGM held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM (Note 3). In addition, Lifeco and Mackenzie jointly acquired a non-controlling interest in Northleaf, a premier global private equity, private credit and infrastructure fund manager (Note 7).

After obtaining advanced tax rulings in October 2017, IGM and Power Corporation agreed to tax loss consolidation transactions, whereby shares of a subsidiary that has generated tax losses may be acquired by IGM in each year up to and including 2020. The Corporation recognized the benefit of the tax losses to be realized throughout this program. On each December 31 of 2020 and 2019, IGM acquired shares of such loss companies. The benefits from these tax loss consolidation arrangements ended December 31, 2020.

Lifeco provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of Power Corporation, Power Financial and Lifeco and its subsidiaries.

KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. The persons included in the key management personnel are the members of the Board of Directors of the Corporation, as well as certain management executives of the Corporation and its subsidiaries.

The following table describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Corporation and its subsidiaries:

Years ended December 31	2020	2019
Compensation and employee benefits	27	31
Post-employment benefits	10	5
Share-based payments	14	26
	51	62

NOTE 31 Contingent Liabilities

The Corporation and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions. Provisions are established if, in management of the Corporation and of its subsidiaries' judgment, it is probable a payment will be required and the amount can be reliably estimated. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Corporation. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Corporation. Actual results could differ from the best estimates of the Corporation's and its subsidiaries' management.

LIFECO

Subsidiaries of Lifeco in the United States are defendants in legal actions relating to the costs and features of certain of their retirement or fund products. Management of Lifeco believes the claims are without merit and will be vigorously defending these actions. Based on the information presently known Lifeco's management believes these actions will not have a material adverse effect on Lifeco's consolidated financial position.

IGM FINANCIAL

In December 2018, a proposed class action was filed in the Ontario Superior Court against Mackenzie Financial Corporation, a subsidiary of IGM, which alleges that Mackenzie should not have paid mutual fund trailing commissions to order-execution-only dealers. Although it is difficult to predict the outcome of any such legal action, based on current knowledge of IGM's management and their consultation with their legal counsel, they do not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on IGM's consolidated financial position.

NOTE 32 Commitments and Guarantees

GUARANTEES

In the normal course of operations, the Corporation and its subsidiaries execute agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions and performance contract obligations. The Corporation and its subsidiaries have also agreed to indemnify their directors and certain of their officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation and its subsidiaries could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made any payments under such indemnification agreements. No provisions have been recognized related to these agreements.

LETTERS OF CREDIT

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities at Lifeco is US\$2.1 billion, of which US\$1.8 billion were issued as of December 31, 2020.

The Capital and Risk Solutions activities also periodically use letters of credit as collateral under certain reinsurance contracts for on-balance-sheet policy liabilities.

Potentia has issued letters of credit totalling \$121 million with one-year terms to support required lender reserves, performance guarantees for operating solar assets and awarded wind power purchase agreements, as well as commitments for projects under construction.

Potentia has pledged \$53 million of its assets in connection with a credit facility and Power Energy guaranteed \$61 million in letters of credit issued under the same credit facility in relation to projects under construction.

INVESTMENT COMMITMENTS

With respect to Lifeco, commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines and that are to be disbursed upon fulfilment of certain contract conditions were \$1,990 million as at December 31, 2020, with \$1,874 million maturing within one year, \$95 million maturing within two years and \$21 million maturing within three years.

The Corporation and other subsidiaries have outstanding commitments of \$627 million representing future capital contributions to investment funds and other investments. Subsequent to year-end, the Corporation committed to invest US\$50 million in an investment fund.

PLEDGING OF ASSETS FOR REINSURANCE AGREEMENTS

In addition to the assets pledged by Lifeco disclosed elsewhere in the financial statements:

- [i] The amount of assets included in the Corporation's balance sheet which have a security interest by way of pledging is \$1,421 million (\$1,456 million at December 31, 2019) in respect of reinsurance agreements.

In addition, under certain reinsurance contracts, bonds presented in portfolio investments are held in trust and escrow accounts. Assets are placed in these accounts pursuant to the requirements of certain legal and contractual obligations to support contract liabilities assumed.

- [ii] Lifeco has pledged, in the normal course of business, \$75 million (\$75 million at December 31, 2019) of its assets for the purpose of providing collateral for the counterparty.

ENERGY SALES CONTRACTS

Potentia has entered into various power purchase agreements (PPA) to sell substantially all electricity produced from its solar and wind projects to credit-rated counterparties. The contract rates are fixed for a period of 20 to 25 years.

In 2018, Potentia signed a 25-year PPA for 200MW of wind electricity with Saskatchewan Power Corporation and three 20-year PPAs for 307MW of wind electricity in Alberta. Contracts will be effective when the wind farms are commissioned. Commercial operations are expected to commence as early as 2021.

Potentia has entered into construction and turbine purchase contracts related to the Saskatchewan and Alberta wind projects under development of \$149 million.

Power Energy has issued certain indemnification and guarantees in relation to projects in operations. These guarantees are non-recourse to the Corporation.

NOTE 33 Segmented Information

The Corporation's 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. The following provides a brief description of the three reportable operating segments:

- **Lifeco** is a financial services holding company with interests in life insurance, health insurance, retirement and investment management services, asset management and reinsurance businesses primarily in Canada, the United States and Europe.
- **IGM Financial** is a leading wealth and asset management company 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 Holdings;
- Entities managed by the alternative assets 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 the consolidation elimination entries.

Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

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.

CONSOLIDATED NET EARNINGS

	Lifeco	IGM ^[1]	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
For the year ended December 31, 2020							
REVENUES							
Total net premiums	43,019	-	-	-	-	(20)	42,999
Net investment income	11,662	190	-	574	19	(299)	12,146
Fee income ^[2]	5,902	3,084	-	101	-	(145)	8,942
Other revenues	-	-	-	529	-	-	529
Total revenues	60,583	3,274	-	1,204	19	(464)	64,616
EXPENSES							
Total paid or credited to policyholders	48,487	-	-	-	-	-	48,487
Commissions	2,396	1,088	-	-	-	(45)	3,439
Operating and administrative expenses	6,344	1,148	-	1,111	175	(84)	8,694
Financing charges	284	111	-	86	55	19	555
Total expenses	57,511	2,347	-	1,197	230	(110)	61,175
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,072	927	-	7	(211)	(354)	3,441
Share of earnings of investments in jointly controlled corporations and associates	-	38	27	25	43	37	170
Earnings before income taxes	3,072	965	27	32	(168)	(317)	3,611
Income taxes	(82)	201	-	(14)	(52)	24	77
Net earnings	3,154	764	27	46	(116)	(341)	3,534
ATTRIBUTABLE TO							
Non-controlling interests	1,362	360	33	(59)	133	(341)	1,488
Non-participating shareholders	-	-	-	-	52	-	52
Participating shareholders ^[3]	1,792	404	(6)	105	(301)	-	1,994
	3,154	764	27	46	(116)	(341)	3,534

[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.

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

December 31, 2020	Lifeco	IGM ^[2]	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
Total assets^[1]	600,508	14,521	4,216	7,808	2,470	(419)	629,104
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
Total liabilities	573,478	10,959	–	4,053	2,073	(192)	590,371

[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".

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2020	Canada	United States	Europe	Total
Investments and cash and cash equivalents	97,325	55,162	57,538	210,025
Investments in jointly controlled corporations and associates	1,881	295	4,353	6,529
Other assets	8,297	30,790	19,189	58,276
Goodwill and intangible assets	11,272	5,846	3,124	20,242
Investments on account of segregated fund policyholders	90,680	117,982	125,370	334,032
Total assets	209,455	210,075	209,574	629,104
Total revenues	24,160	28,289	12,167	64,616

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2020	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Operating activities	9,610	737	(13)	1,299	(1,532)	10,101
Financing activities	2,010	(1,358)	1,117	(1,270)	1,139	1,638
Investing activities	(8,202)	673	(849)	(195)	158	(8,415)
Effect of changes in exchange rates on cash and cash equivalents	(100)	–	11	–	–	(89)
Increase (decrease) in cash and cash equivalents	3,318	52	266	(166)	(235)	3,235
Cash and cash equivalents, beginning of the year	4,628	720	374	1,392	(309)	6,805
Cash and cash equivalents, end of year	7,946	772	640	1,226	(544)	10,040

NOTE 33 Segmented Information (continued)**CONSOLIDATED NET EARNINGS**

For the year ended December 31, 2019	Lifeco ^[1]	IGM ^[2]	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
REVENUES							
Total net premiums	24,510	-	-	-	-	(21)	24,489
Net investment income	13,107	169	-	163	51	(48)	13,442
Fee income	7,081	3,051	-	44	-	(95)	10,081
Other revenues	-	-	-	829	-	-	829
Total revenues	44,698	3,220	-	1,036	51	(164)	48,841
EXPENSES							
Total paid or credited to policyholders	33,091	-	-	-	-	-	33,091
Commissions	2,429	1,101	-	-	-	(50)	3,480
Operating and administrative expenses	6,013	1,055	-	1,120	210	(57)	8,341
Financing charges	285	108	-	74	55	22	544
Total expenses	41,818	2,264	-	1,194	265	(85)	45,456
Earnings before investments in jointly controlled corporations and associates, and income taxes	2,880	956	-	(158)	(214)	(79)	3,385
Share of earnings of investments in jointly controlled corporations and associates	-	13	193	(23)	29	-	212
Earnings before income taxes	2,880	969	193	(181)	(185)	(79)	3,597
Income taxes	373	220	-	(10)	(41)	12	554
Net earnings	2,507	749	193	(171)	(144)	(91)	3,043
ATTRIBUTABLE TO							
Non-controlling interests	1,489	458	68	(99)	58	(91)	1,883
Non-participating shareholders	-	-	-	-	52	-	52
Participating shareholders ^[3]	1,018	291	125	(72)	(254)	-	1,108
	2,507	749	193	(171)	(144)	(91)	3,043

[1] Includes the loss on the reinsurance transaction with Protective Life of \$247 million (\$199 million after tax) and the impact of the \$199 million decrease in the deferred income tax asset.

[2] 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".

[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.

NOTE 33 Segmented Information (continued)**TOTAL ASSETS AND LIABILITIES**

December 31, 2019	Lifeco	IGM ^[2]	GBL	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Cash and cash equivalents	4,628	720	-	375	1,082	-	6,805
Investments	163,702	7,264	-	1,713	559	(181)	173,057
Investments in jointly controlled corporations and associates	53	857	3,954	361	668	-	5,893
Other assets	40,974	1,472	-	1,583	350	(73)	44,306
Goodwill and intangible assets	10,844	4,067	-	1,255	1	-	16,167
Investments on account of segregated fund policyholders	231,022	-	-	-	-	-	231,022
Total assets^[1]	451,223	14,380	3,954	5,287	2,660	(254)	477,250
Insurance and investment contract liabilities	176,177	-	-	-	-	-	176,177
Obligation to securitization entities	-	6,914	-	-	-	-	6,914
Power Corporation's debentures and other debt instruments	-	-	-	-	683	-	683
Non-recourse debentures and other debt instruments	5,993	2,100	-	1,013	250	(101)	9,255
Other liabilities	12,432	1,872	-	1,361	1,024	(75)	16,614
Insurance and investment contracts on account of segregated fund policyholders	231,022	-	-	-	-	-	231,022
Total liabilities	425,624	10,886	-	2,374	1,957	(176)	440,665

[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".

TOTAL ASSETS AND TOTAL REVENUES BY GEOGRAPHIC LOCATION

December 31, 2019	Canada	United States	Europe	Total
Investments and cash and cash equivalents	90,917	33,072	55,873	179,862
Investments in jointly controlled corporations and associates	1,420	471	4,002	5,893
Other assets	6,746	19,911	17,649	44,306
Goodwill and intangible assets	11,049	2,183	2,935	16,167
Investments on account of segregated fund policyholders	85,612	31,433	113,977	231,022
Total assets	195,744	87,070	194,436	477,250
Total revenues	24,601	(2,042)	26,282	48,841

CONDENSED STATEMENTS OF CASH FLOWS

December 31, 2019	Lifeco	IGM	Alternative asset investment platforms and other	Corporate	Effect of consolidation	Total
Operating activities	6,110	712	(30)	1,317	(1,488)	6,621
Financing activities	(3,981)	(1,069)	561	(2,873)	2,731	(4,631)
Investing activities	(1,539)	427	(807)	1,519	(1,078)	(1,478)
Effect of changes in exchange rates on cash and cash equivalents	(130)	-	(18)	-	-	(148)
Increase (decrease) in cash and cash equivalents	460	70	(294)	(37)	165	364
Cash and cash equivalents, beginning of the year	4,168	650	668	1,429	(474)	6,441
Cash and cash equivalents, end of year	4,628	720	374	1,392	(309)	6,805

Independent Auditor's Report

To the Shareholders of Power Corporation of Canada

OPINION

We have audited the consolidated financial statements of Power Corporation of Canada (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Insurance Contract Liabilities – Refer to Notes 2 and 12 to the financial statements

Key Audit Matter Description

Great-West Lifeco Inc., a publicly traded operating subsidiary of the Corporation (thereafter, "Lifeco"), has insurance contract liabilities representing a significant portion of the Corporation's total liabilities. Insurance contract liabilities are determined in accordance with generally accepted actuarial practices established by the Canadian Institute of Actuaries using the Canadian Asset Liability Method ("CALM"). This method requires the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

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

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to certain valuation models, mortality and policyholder behaviour assumptions included the following, among others:

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

Taxes – Valuation of Deferred Tax Assets – Refer to Notes 2 and 17 to the financial statements

Key Audit Matter Description

The Corporation and its subsidiaries recognize deferred income taxes for the tax expected to be payable or recoverable on differences arising between the financial statement and tax bases of assets and liabilities, and is recorded at enacted or substantively enacted tax rates in effect for the years in which the differences are expected to settle.

One of Lifeco's subsidiaries has had a history of losses and has a deferred income tax asset comprised principally of net operating losses and judgment is applied in assessing the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections. Lifeco has concluded that through the use of certain tax planning opportunities, it is probable that sufficient taxable income will be generated to utilize certain of the unused losses.

The determination of the recoverability of deferred tax assets in Lifeco's subsidiaries required management of Lifeco to make judgements related to the assessment of management's planned implementation of tax strategies. In addition, management of Lifeco makes significant estimates and assumptions in projecting future taxable income, specifically the revenue growth rates and projected expense margins in the determination of whether the deferred tax asset will be realized. Auditing these judgements required a high degree of auditor judgment as the estimations made by management of Lifeco contain significant measurement uncertainty. This resulted in an increased extent of audit effort, including the need to involve income tax and other specialists.

How the Key Audit Matter was Addressed in the Audit

Our audit procedures related to the tax strategies, revenue growth rates and projected expense margins, and the determination of whether the deferred tax assets in Lifeco's subsidiaries will be realized included the following, among others:

- With the assistance of income tax specialists, analyzed the reasonableness of Lifeco management's projected future taxable income available to determine whether the models properly factor in the impact of the tax planning strategies.
- Tested the reasonableness of the revenue growth rates and projected expense margins used to project future taxable income available to realize the deferred tax asset by:
 - Assessing the key factors influencing management of Lifeco's revenue growth rates and projected expense margins used in the projections through both market and internally entity specific driven evidence.
 - Performing a retrospective analysis of projected future taxable income against actual results from prior years.
- With the assistance of income tax and other specialists, evaluated the proposed tax planning strategies considered in the recoverability analysis to assess whether the deferred tax asset will be realized.

**Massachusetts Mutual Life Insurance Acquisition–Insurance Contract Liabilities –
Refer to Notes 2 and 3 to the financial statements**
Key Audit Matter Description

A subsidiary of Lifeco purchased the retirement services business of Massachusetts Mutual Life Insurance Company ("MassMutual") via indemnity reinsurance and recognized an estimate of the initial fair value of net assets acquired, including insurance contract liabilities. The estimate of the assumed insurance contract liabilities required the use of complex valuation models incorporating projections of cash inflows and outflows using the best estimate of future experience together with a margin for adverse deviation.

While there were a number of estimates and assumptions required to determine the initial fair value of the insurance contract liabilities, the assumptions with the greatest estimation uncertainty are those related to the policyholder behaviour assumptions. Auditing of the valuation models and policyholder behaviour assumptions required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve actuarial specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related the valuation models and policyholder behaviour assumptions as it relates to the acquired insurance contract liabilities included the following, among others:

- With the assistance of actuarial specialists, tested the appropriateness of the valuation models used in the estimation process by calculating an independent estimate of the insurance contract liability for a sample of insurance policies and comparing the results to Lifeco's estimate.
- With the assistance of actuarial specialists, tested the reasonableness of policyholder behaviour assumptions, by:
 - Evaluating whether management of Lifeco's assumptions were determined in accordance with actuarial principles and practices.
 - Analyzing management of Lifeco's interpretation and judgments based on the relative inputs, considering reasonable possible alternative assumptions, and considering industry and other external sources of benchmarking where applicable.
 - Testing the inputs used in the determination of the policyholder behaviour assumptions, including an assessment of the use of experience studies and other data from Lifeco's comparable lines of business in the determination of the MassMutual assumptions.

Personal Capital Corporation Acquisition–Intangible Assets – Refer to Notes 2 and 3 to the financial statements
Key Audit Matter Description

A subsidiary of Lifeco acquired 100% of the equity of Personal Capital Corporation ("Personal Capital") and recognized the assets acquired and the liabilities assumed based on the estimated fair value, including customer relationships and brand intangible assets. The transaction includes a contingent consideration earn-out which is based on the achievement of growth in assets under management ("AUM"). The determination of the fair value of the customer relationships and brand is based on a discounted cash flow model and required management of Lifeco to make significant estimates and assumptions related to forecasted future revenue and earnings before interest tax depreciation and amortization ("EBITDA") margins, and discount rates.

While there are several estimates and assumptions that are required to determine the fair value of the contingent consideration earn-out and the customer relationships and brand, the estimates and assumptions with the highest degree of subjectivity are forecasted future revenue and EBITDA margins, forecasted growth in AUM and discount rates. This required a high degree of auditor judgment and an increased extent of audit effort, including the need to involve fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to forecasted future revenue and EBITDA margins, forecasted growth in AUM, and discount rates used to determine the fair value of the contingent consideration and of the customer relationships and brand intangible assets included the following, among others:

- Evaluated the reasonableness of forecasted revenue and EBITDA margins, and forecasted growth in AUM by comparing the forecasts to:
 - Actual historical results of the acquired entity.
 - Actual results of the acquired entity after acquisition.
 - Underlying analyses detailing business strategies and growth plans.
- Evaluated the reasonableness of forecasted future revenue and forecasted growth in AUM based on reputable third-party reports, comparable company performance, internal and external customer data, and comparing those to the estimates used by management of Lifeco.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates used by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing those to the discount rate selected by management of Lifeco.

Goodwill – IGM Asset Management cash generating unit (“CGU”) – Refer to Notes 2 and 10 to the financial statements

Key Audit Matter Description

The Corporation's evaluation of goodwill for impairment involves the comparison of the recoverable amount of each CGU to its carrying value. A significant portion of the Corporation's goodwill has been allocated to the IGM Asset Management CGU. The recoverable amount of the IGM Asset Management CGU is based on fair value less costs of disposal, which is determined using both a market approach based on valuation multiples and precedent transactions and an income approach based on a discounted cash flow analysis. In determining the recoverable amount of the IGM Asset Management CGU, management made significant estimates and assumptions related to market multiples, changes in future assets under management (“AUM”) resulting from net sales and investment returns, pricing levels, and discount rates. The recoverable amount of the IGM Asset Management CGU exceeded its carrying value as of the measurement date and no impairment was recognized.

While there are several estimates and assumptions that are required to determine the recoverable amount of the IGM Asset Management CGU, the estimates and assumptions with the highest degree of subjectivity are the market multiples used in the market approach and the future changes in AUM resulting from net sales and investment returns, pricing levels, and discount rates used in the income approach. This required significant auditor attention as these estimates are subject to estimation uncertainty and the impact to the assumptions from the COVID-19 pandemic. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures which resulted in an increased extent of audit effort and the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to market multiples, future changes in assets under management resulting from net sales and investment returns, pricing levels, and discount rates used to determine the recoverable amount of IGM Asset Management CGU included the following, among others:

- With the assistance of fair value specialists, evaluated the market multiples by analyzing precedent market transactions and comparable public company multiples and developing a range of independent market multiples and comparing to those selected by management.
- Evaluated management ability to accurately forecast future changes in AUM resulting from net sales and investment returns, and pricing levels by comparing actual results to historical forecasts.
- Evaluated the reasonableness of forecasted changes in AUM resulting from net sales and investment returns, pricing levels rates by comparing the forecasts to:
 - Historical performance of AUM;
 - Historical net sales, investment returns, and pricing levels;
 - Known changes to Mackenzie's operations and its industry, including the impact of the COVID-19 pandemic to future operating performance; and
 - Forecasted information included in press releases, analyst and industry reports.
- With the assistance of fair value specialists, evaluated the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent discount rates and comparing to those selected by management.

OTHER INFORMATION

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

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

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Benoit B. Patry.

[Signed]
Deloitte LLP¹

¹ CPA auditor, CA, public accountancy permit No. A110092

March 17, 2021
Montréal, Québec

Power Corporation of Canada

Five-Year Financial Summary

December 31 [in millions of Canadian dollars, except per share amounts] (unaudited)	2020	2019	2018	2017	2016
CONSOLIDATED BALANCE SHEETS					
Cash and cash equivalents	10,040	6,805	6,441	5,903	5,182
Total assets	629,104	477,250	452,303	445,521	422,724
Shareholders' equity	22,207	14,174	15,118	14,615	13,864
CONSOLIDATED STATEMENTS OF EARNINGS					
REVENUES					
Total net premiums	42,999	24,489	35,440	33,880	31,125
Net investment income	12,146	13,442	3,069	8,074	10,335
Fee income	8,942	10,081	8,776	8,510	7,794
Other revenues	529	829	813	898	1,496
Total revenues	64,616	48,841	48,098	51,362	50,750
EXPENSES					
Total paid or credited to policyholders	48,487	33,091	32,068	35,643	34,675
Commissions	3,439	3,480	3,512	3,712	3,590
Operating and administrative expenses	8,694	8,341	8,175	8,132	8,023
Financing charges	555	544	462	512	490
Total expenses	61,175	45,456	44,217	47,999	46,778
Earnings before investments in jointly controlled corporations and associates, and income taxes	3,441	3,385	3,881	3,363	3,972
Share of earnings (losses) of investments in jointly controlled corporations and associates	170	212	164	214	(122)
Earnings before income taxes	3,611	3,597	4,045	3,577	3,850
Income taxes	77	554	578	543	587
Net earnings	3,534	3,043	3,467	3,034	3,263
ATTRIBUTABLE TO					
Non-controlling interests	1,488	1,883	2,128	1,696	2,129
Non-participating shareholders	52	52	52	52	52
Participating shareholders	1,994	1,108	1,287	1,286	1,082
	3,534	3,043	3,467	3,034	3,263
PER SHARE					
Net earnings attributable to participating shareholders	3.08	2.53	2.77	2.77	2.33
Adjusted net earnings attributable to participating shareholders ^[1]	3.00	2.92	2.46	3.36	2.64
Dividends declared on participating shares	1.79	2.00	1.50	1.41	1.32
Book value per participating share	31.38	30.98	30.38	29.40	27.84
MARKET PRICE (Participating shares)					
High	34.66	34.42	32.56	33.68	31.03
Low	17.62	24.47	23.57	28.65	26.77
Year-end	29.23	33.45	24.53	32.37	30.05

[1] In the first quarter of 2020, the Corporation modified the definition of adjustments and adjusted net earnings. Refer to the section "Non-IFRS Financial Measures and Presentation" in the Corporation's review of financial performance for more information. The comparative amounts for 2017 and 2016 have not been adjusted to reflect this change.

Quarterly Financial Information

[in millions of Canadian dollars, except per share amounts] (unaudited)	Fourth quarter	Third quarter	Second quarter	First quarter
2020				
Total revenues	17,954	14,682	20,631	11,349
Net earnings	979	898	1,107	550
Net earnings attributable to participating shareholders	623	505	666	200
Earnings per share attributable to participating shareholders				
– Basic	0.92	0.75	0.99	0.36
– Diluted	0.92	0.75	0.99	0.36
2019				
Total revenues	11,729	15,422	3,824	17,866
Net earnings	570	971	710	792
Net earnings attributable to participating shareholders	179	359	278	292
Earnings per share attributable to participating shareholders				
– Basic	0.42	0.84	0.64	0.63
– Diluted	0.42	0.84	0.64	0.63

Board of Directors

PIERRE BEAUDOIN ^[5]

Chairman of the Board,
Bombardier Inc.

MARCEL R. COUTU ^{[2][3]}

Company Director

ANDRÉ DESMARAIS, O.C., O.Q. ^[4]

Deputy Chairman of the Corporation

PAUL DESMARAIS, JR., O.C., O.Q. ^[4]

Chairman of the Corporation

GARY A. DOER, O.M. ^[2]

Senior Business Advisor,
Dentons Canada LLP

ANTHONY R. GRAHAM, LL.D. ^{[1][3][4]}

Chairman and Chief Executive Officer,
Sumarria Inc.

J. DAVID A. JACKSON, LL.B. ^[2]

Senior Counsel,
Blake, Cassels & Graydon LLP

PAULA B. MADOFF ^[5]

Company Director

ISABELLE MARCOUX, O.C. ^{[3][4]}

Chair of the Board,
Transcontinental Inc.

CHRISTIAN NOYER ^{[4][5]}

Company Director

R. JEFFREY ORR

President and Chief Executive Officer of the Corporation

T. TIMOTHY RYAN, JR. ^[2]

Company Director

SIIM A. VANASELJA, FCPA, FCA ^[2]

Company Director

[1] LEAD DIRECTOR OF THE CORPORATION

[2] MEMBER OF THE AUDIT COMMITTEE

[3] MEMBER OF THE HUMAN RESSOURCES COMMITTEE

[4] MEMBER OF THE GOVERNANCE AND NOMINATING COMMITTEE

[5] MEMBER OF THE RELATED PARTY AND CONDUCT REVIEW COMMITTEE

Officers

R. JEFFREY ORR

President and
Chief Executive Officer

JOCELYN LEFEBVRE

Vice-Chairman, Europe

MICHEL PLESSIS-BÉLAIR

Vice-Chairman

AMAURY DE SEZE

Vice-Chairman

GREGORY D. TRETIAK, FCPA, FCA

Executive Vice-President
and Chief Financial Officer

CLAUDE GÉNÉREUX

Executive Vice-President

OLIVIER DESMARAIS

Senior Vice-President

PAUL DESMARAIS III

Senior Vice-President

PAUL C. GENEST

Senior Vice-President

ARNAUD BELLENS

Vice-President

HUGO BRETON

Vice-President

MEI DONG

Vice-President

DENIS LE VASSEUR, FCPA, FCA

Vice-President and Controller

STÉPHANE LEMAY

Vice-President, General Counsel and Secretary

YUHONG LIU (HENRY), CFA

Vice-President

EOIN Ó HÓGÁIN, CFA

Vice-President

RICHARD PAN

Vice-President

PIERRE PICHÉ

Vice-President

LUC RENY, CFA

Vice-President

SAMUEL ROBINSON

Vice-President

ADAM D. VIGNA

Vice-President

HONORARY DEPUTY CHAIRMAN

ROBERT GRATTON

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This document is also available on the Corporation's website and on SEDAR at www.sedar.com.

STOCK LISTINGS

Shares of Power Corporation of Canada are listed on the Toronto Stock Exchange:

Subordinate Voting Shares: POW

Participating Preferred Shares: POW.PR.E

First Preferred Shares, 1986 Series: POW.PR.F

First Preferred Shares, Series A: POW.PR.A

First Preferred Shares, Series B: POW.PR.B

First Preferred Shares, Series C: POW.PR.C

First Preferred Shares, Series D: POW.PR.D

First Preferred Shares, Series G: POW.PR.G

TRANSFER AGENT AND REGISTRAR

Computershare Investor Services Inc.

Offices in:

Montréal, Québec; Toronto, Ontario;

Vancouver, British Columbia

www.investorcentre.com

SHAREHOLDER SERVICES

Shareholders with questions relating to the payment of dividends, change of address, share certificates, direct registration and estate transfers should contact the Transfer Agent:

Computershare Investor Services Inc.

Shareholder Services

100 University Avenue, 8th Floor

Toronto, Ontario, Canada M5J 2Y1

Telephone: 1-800-564-6253 (toll-free in Canada and the U.S.)

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