

EUROPE

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

CAPITAL AND RISK SOLUTIONS

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

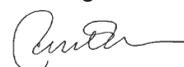
QUARTERLY DIVIDENDS

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

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

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

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



P. A. Mahon
President and Chief Executive Officer

November 4, 2020

DEVELOPMENTS

- **COVID-19 Pandemic Impacts**

The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted on March 27, 2020. Under the CARES Act, the U.S. Federal government authorized broad based economic relief and support for individuals and businesses, including changes to distribution and loan rules from employer retirement plans and Individual Retirement Accounts (IRAs) which are similar to the relief offered in prior disaster relief laws. The Company implemented the distribution and loan changes. The Internal Revenue Service (IRS) and the U.S. Department of Labor (DOL) subsequently issued an interpretive guidance on the CARES Act and the Company updated its CARES Act distribution and loan processes and procedures accordingly. The CARES Act distributions are allowed through December 31, 2020 and loans were allowed through September 22, 2020. The CARES Act has not prevented the Company from executing on its overall business strategy and growth objectives.

- The U.S. presidential election is taking place on November 3, 2020. While the impact of election results on financial markets and economic conditions is uncertain, it could have an impact on the Company's results.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

During the third quarter of 2020, Empower Retirement operations and technology functions maintained full execution as the market disruption created by the COVID-19 pandemic subsided. The Company maintained a nearly full work-at-home status across the entire enterprise throughout the quarter, including associates in North America and India. Call volumes and web traffic returned to normal levels. For the most part, retirement investors have not engaged in reactive selling with a significant majority of Empower Retirement plan participants making no change to their investments. The Company continued to see increased levels of interest in advisory and financial wellness offerings.

Empower Retirement and others in the retirement industry lobbied for, and received, relief from federal government regulators to help individuals who needed to access their retirement savings in the event of financial hardships. Following the law's passage, Empower Retirement implemented new processes and waived fees on all new retirement plan loans and hardship withdrawals to support these needs. Empower Retirement did not charge origination fees on any new plans and suspended charges for all hardship withdrawals. These changes covered all tax-qualified workplace retirement plans administered by Empower Retirement that permit such distributions, and include new provisions allowed for under the CARES Act. Beginning in the third quarter of 2020, Empower Retirement reinstated fees on certain new retirement plan loans and hardship withdrawals.

- On August 17, 2020, Empower Retirement completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital for US\$825 million on closing and deferred consideration of up to US\$175 million subject to achievement of target growth objectives. The upfront consideration was funded with cash on hand and US\$500 million in debt financing. Financial Services' third quarter 2020 results include the results of Personal Capital from the August 17, 2020 acquisition date.
- Empower Retirement expects to incur one-time integration expenses of US\$57 million pre-tax, with the integration of Personal Capital expected to be completed in the first quarter of 2022. In addition, transaction expenses of US\$20 million post-tax were incurred to date in the third quarter of 2020 which are reflected in the U.S. Corporate business unit.

Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

- On September 8, 2020, Empower Retirement announced that it has reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Based on the terms of the agreement, and subject to regulatory approvals, Empower Retirement will acquire the retirement services business of MassMutual for a total value of approximately US\$3.35 billion. The value includes a reinsurance ceding commission of US\$2.35 billion and US\$1.0 billion of required capital to support the business. The Company intends to fund the transaction with existing cash, short-term debt and US\$1.5 billion of long-term debt issued on September 17, 2020. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.

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

Empower Retirement anticipates realizing cost synergies through the migration of the MassMutual's retirement services business onto Empower Retirement's recordkeeping platform. Run rate cost synergies are expected to be US\$160 million pre-tax at the end of integration in 2022. Revenue synergies in 2022 are expected to be US\$30 million pre-tax and continue to grow beyond 2022.

Empower Retirement expects to incur one-time integration expenses of US\$125 million pre-tax and transaction expenses of US\$55 million pre-tax, US\$4 million post-tax of which were incurred in the third quarter of 2020. The integration is expected to be completed within 18 months following closing.

- On September 28, 2020, Empower Retirement announced a definitive agreement to acquire the retirement business of Fifth Third Bank, which is expected to close in the fourth quarter of 2020. The transaction is not expected to have a material impact on Empower Retirement's financial results.
- Empower Retirement participant accounts were 9.4 million at September 30, 2020, which is comparable with December 31, 2019. Participants declined from 9.7 million at June 30, 2020 primarily due to the loss of one large client.
- Empower Retirement assets under administration were US\$683 billion at September 30, 2020, up from US\$673 billion at December 31, 2019, primarily due to higher equity market levels. In addition, Personal Capital assets under management were US\$14 billion at September 30, 2020.
- In July 2020, Empower Retirement was named the 2020 Retirement Leader of the Year in the annual Mutual Fund Industry Awards, organized by Pageant Media. Retirement Leader of the Year is awarded to a firm that has made a key impact on growing retirement assets through unique retirement solutions, marketing campaigns and significant contributions to the retirement industry at large.

