agreement covers approximately €4.7 billion of pension liabilities and approximately 104,500 in-payment and deferred policies.

- **Expanding into new markets** – In the first quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. The agreement covers a block of in-force whole life policies.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.4380 per share on the common shares of Lifeco payable June 30, 2021 to shareholders of record at the close of business June 2, 2021.

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 | June 2, 2021 | June 30, 2021 | $0.36875 |
| Series G | June 2, 2021 | June 30, 2021 | $0.3250 |
| Series H | June 2, 2021 | June 30, 2021 | $0.30313 |
| Series I | June 2, 2021 | June 30, 2021 | $0.28125 |
| Series L | June 2, 2021 | June 30, 2021 | $0.353125 |
| Series M | June 2, 2021 | June 30, 2021 | $0.3625 |
| Series N | June 2, 2021 | June 30, 2021 | $0.109313 |
| Series P | June 2, 2021 | June 30, 2021 | $0.3375 |
| Series Q | June 2, 2021 | June 30, 2021 | $0.321875 |
| Series R | June 2, 2021 | June 30, 2021 | $0.3000 |
| Series S | June 2, 2021 | June 30, 2021 | $0.328125 |
| Series T | June 2, 2021 | June 30, 2021 | $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

May 5, 2021

**Publicly Traded Common Stocks**

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at March 31, 2021. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

| Immediate change in publicly traded common stock values | March 31, 2021 | | | |
|---|---|---|---|---|
| | 20% increase | 10% increase | 10% decrease | 20% decrease |
| Potential increase (decrease) on LICAT Ratio | 1 point | 1 point | 0 points | 0 points |

**Interest Rates**

Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company's surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards.

| Immediate parallel shift in yield curve | March 31, 2021 | |
|---|---|---|
| | 50 bps increase | 50 bps decrease |
| Potential increase (decrease) on LICAT Ratio | (2 points) | 3 points |

LICAT sensitivities are rounded to the nearest point. Impact of a LICAT interest rate risk scenario shift is not included in the sensitivity estimates.

**LICAT Interest Rate Scenario Shift**

The LICAT interest rate requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. OSFI prescribes a smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility.

During the third quarter of 2020, the Company experienced a shift to a different most adverse interest rate scenario in North America. The Company previously communicated that a shift to a different adverse scenario was estimated to decrease the Company's consolidated LICAT Ratio by approximately 5.5 points. This impact is spread over a six quarter period resulting in less than a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 3 points being reflected over the next 3 quarters, if the Company remains on the current scenario.

**OSFI Regulatory Capital Initiatives**

OSFI issued an Advisory effective for January 1, 2021, which confirmed the interest rate risk smoothing calculation on participating insurance, and provided clarification of available capital for certain participating insurance blocks. The available capital clarification impacted the March 31, 2021 LICAT Ratio by less than 1 point. The Advisory will remain in effect until January 1, 2023, when it will be subsequently incorporated into the LICAT guideline.

The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Refer to the "Accounting Policies - International Financial Reporting Standards" section of the Company's 2020 Annual MD&A for further details.

## RETURN ON EQUITY (ROE)[1]

| **Base Return on Equity**[1] | **March 31 2021** | Dec. 31 2020 | March 31 2020 |
|---|---|---|---|
| Canada | **18.7 %** | 18.5 % | 17.2 % |
| U.S. Financial Services | **6.7 %** | 8.6 % | 9.9 % |
| U.S. Asset Management (Putnam) | **2.7 %** | 0.7 % | (0.5)% |
| Europe | **12.9 %** | 11.8 % | 12.1 % |
| Capital and Risk Solutions | **39.4 %** | 38.8 % | 36.9 % |
| **Total Lifeco Base Earnings Basis**[1] | **13.6 %** | 12.8 % | 13.5 % |

| **Return on Equity**[1] | **March 31 2021** | Dec. 31 2020 | March 31 2020 |
|---|---|---|---|
| Canada | **18.3 %** | 16.4 % | 13.2 % |
| U.S. Financial Services | **4.7 %** | 5.6 % | 3.4 % |
| U.S. Asset Management (Putnam) | **13.3 %** | 11.6 % | (12.0)% |
| Europe | **17.3 %** | 15.7 % | 14.2 % |
| Capital and Risk Solutions | **46.7 %** | 44.4 % | 31.0 % |
| **Total Lifeco Net Earnings Basis** | **15.7 %** | 14.1 % | 10.3 % |

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

The Company reported base return on equity of 13.6% at March 31, 2021, compared to 12.8% at December 31, 2020 and 13.5% at March 31, 2020. The Company reported return on equity of 15.7% at March 31, 2021, compared to 14.1% at December 31, 2020 and 10.3% at March 31, 2020.

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada Life), this allocation method generally tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

## RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the first quarter of 2021, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and strong capitalization. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company’s leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in first quarter of 2021.

| Rating agency | Measurement | Lifeco | Canada Life | Irish Life | GWL&A |
|---|---|---|---|---|---|
| A.M. Best Company | Financial Strength | | A+ | | A+ |
| DBRS Morningstar | Issuer Rating | A (high) | AA | | |
| | Financial Strength | | AA | | NR |
| | Senior Debt | A (high) | | | |
| | Subordinated Debt | | AA (low) | | |
| Fitch Ratings | Insurer Financial Strength | | AA | AA | AA |
| | Senior Debt | A | | | |
| | Subordinated Debt | | A+ | | |
| Moody's Investors Service | Insurance Financial Strength | | Aa3 | | Aa3 |
| S&P Global Ratings | Insurer Financial Strength | | AA | | AA |
| | Senior Debt | A+ | | | |
| | Subordinated Debt | | AA- | | |

## *SEGMENTED OPERATING RESULTS*

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Canada Life and its operating subsidiaries; GWL&A (Financial Services) and Putnam (Asset Management); together with Lifeco's corporate results.

### TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

## CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as wealth savings and income products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

**DEVELOPMENTS**

- Subsequent to the first quarter of 2021, on April 19, 2021, Canada Life fully lifted the suspension on redemptions and transfers out of its Canadian real estate investment funds which had been temporarily suspended on March 20, 2020, as economic conditions caused by the COVID-19 situation resulted in valuation uncertainty in the real estate industry. This follows the partial lifting of the suspension, on January 11, 2021, of contributions and transfers into the Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.
- During the first quarter of 2021, the Company launched new products and services to improve customer experience and help customers meet their financial and wellness objectives:
    - Canada Life announced that My Term, a new customizable product that allows the Company's customers to choose the coverage option that works best for them, would be launching in April 2021. With term length options between five and 50 years, a yearly renewable term structure and conversion options, Canada Life My Term is among the most adaptable in the industry.
    - Canada Life began providing HumanisRx's MedCheckUp program to Canada Life customers who are receiving disability benefits and have complex or unique medication needs. Canada Life is the first national insurer to offer medication reviews for disability.
- On April 26, 2021, the Company introduced an advisor platform named Advisor Solutions. In doing so, Canada Life is evolving the way the Company partners with advisors who do business with the Company directly. Through this platform, Canada Life will offer support based on the needs and characteristics of advisors' individual practices.

## SELECTED FINANCIAL INFORMATION - CANADA

| | For the three months ended | | |
|---|---|---|---|
| | **March 31 2021** | Dec. 31 2020 | March 31 2020 |
| **Base earnings (loss)[1]** | | | |
| Individual Customer | **$ 138** | $ 132 | $ 138 |
| Group Customer | **154** | 205 | 143 |
| Canada Corporate | **6** | 11 | (8) |
| **Base earnings (loss)[1]** | **$ 298** | $ 348 | $ 273 |
| **Items excluded from base earnings[1]** | | | |
| Actuarial assumption changes and other management actions[1] | **$ (13)** | $ (147) | $ (94) |
| Market-related impacts on liabilities[1] | **2** | (10) | (28) |
| Net gain/charge on business dispositions[1][2] | **—** | 143 | — |
| Restructuring costs[1][2] | **—** | (34) | — |
| **Net earnings (loss) - common shareholders** | **$ 287** | $ 300 | $ 151 |
| **Premiums and deposits[1][3]** | | | |
| Individual Customer | **$ 2,977** | $ 3,049 | $ 2,784 |
| Group Customer | **4,698** | 3,968 | 4,216 |
| **Premiums and deposits[1][3]** | **$ 7,675** | $ 7,017 | $ 7,000 |
| **Sales[1]** | | | |
| Individual Insurance | **$ 109** | $ 116 | $ 118 |
| Individual Wealth | **3,243** | 2,818 | 2,784 |
| Group Insurance | **276** | 111 | 119 |
| Group Wealth | **1,105** | 684 | 611 |
| **Sales[1]** | **$ 4,733** | $ 3,729 | $ 3,632 |
| **Wealth management net cash flows[1]** | | | |
| Individual Customer | **$ 323** | $ 75 | $ 95 |
| Group Customer | **(304)** | (76) | (98) |
| **Wealth management net cash flows[1]** | **$ 19** | $ (1) | $ (3) |
| **Fee and other income** | | | |
| Individual Customer | **$ 266** | $ 251 | $ 246 |
| Group Customer | **188** | 195 | 179 |
| Canada Corporate | **15** | 15 | 15 |
| **Fee and other income** | **$ 469** | $ 461 | $ 440 |
| Total assets | **$ 187,684** | $ 187,698 | $ 167,271 |
| Proprietary mutual funds and institutional net assets[1] | **6,437** | 7,311 | 6,184 |
| Total assets under management[1] | **194,121** | 195,009 | 173,455 |
| Other assets under administration[1] | **19,412** | 18,554 | 16,379 |
| **Total assets under administration[1]** | **$ 213,533** | $ 213,563 | $ 189,834 |

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) The net gain on the sale of GLC and restructuring costs are included in the Canada Corporate business unit.
(3) Comparative figures have been reclassified to reflect presentation adjustments.

**Base and net earnings**
In the first quarter of 2021, the Canada segment's net earnings of $287 million increased by $136 million compared to the same quarter last year. Base earnings of $298 million increased by $25 million compared to the same quarter last year, primarily due to favourable morbidity experience in Group Customer and favourable impact of new business in Individual Customer, partially offset by lower contributions from investment experience in Individual Customer.

Items excluded from base earnings were negative $11 million compared to negative $122 million for the same quarter last year. Actuarial assumption changes and management actions were negative $13 million compared to $94 million for the same quarter last year, which reflected the impacts of significant equity market declines in the first quarter of 2020. Positive market-related impacts were $2 million in the first quarter of 2021 compared to negative market-related impacts of $28 million in the same quarter last year. Negative market-related impacts in the first quarter of 2020 resulted from in-quarter equity market declines and volatility on segregated fund guarantees and their related hedging ineffectiveness.

For the first quarter of 2021, net earnings attributable to the participating account were $26 million compared to $11 million for the same quarter last year, primarily due to more favourable impact of new business.

**Sales**
Sales for the first quarter of 2021 of $4.7 billion increased by $1.1 billion compared to the same quarter last year, primarily due to higher large case group wealth and insurance sales as well as higher individual wealth mutual fund sales.

In the first quarter of 2021, wealth management net cash inflows were $19 million compared to net cash outflows of $3 million for the same quarter last year. Net cash inflows for the first quarter of 2021 were primarily due to positive Individual Customer and Group Customer plan member flows, partially offset by the loss of an institutional mandate.

**Fee and other income**
Fee and other income for the first quarter of 2021 of $469 million increased by $29 million compared to the same quarter last year. The increase was primarily due to higher fee income in Individual Customer and Group Customer as a result of higher average assets under administration driven by higher average equity market levels as markets declined significantly in the first quarter of 2020 due to the onset of the COVID-19 pandemic.

## UNITED STATES
The United States segment operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam Investments (Putnam) and the results of the insurance businesses in the U.S. branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. This includes the retirement services business of MassMutual, acquired on December 31, 2020. The Financial Services business unit also includes the results of Personal Capital, a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020. In addition, a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance are also included in the Financial Services business unit.

Through its Asset Management business unit, and specifically Putnam, the Company provides investment management, certain administrative functions, distribution and related services, through a broad range of investment products.