

## CONSOLIDATED STATEMENTS OF OPERATIONS

| For the years ended December 31, (in millions of Canadian dollars, except for per share amounts) | 2020            | 2019            |
|--|-----------------|-----------------|
| <b>Revenue</b>   |                 |                 |
| Premiums   |                 |                 |
| Gross  | \$ 26,190       | \$ 22,680       |
| Less: Ceded  | 2,452           | 2,392           |
| Net premiums   | 23,738          | 20,288          |
| Net investment income (loss):  |                 |                 |
| Interest and other investment income (Note 5)  | 5,407           | 5,855           |
| Fair value and foreign currency changes on assets and liabilities (Note 5)                       | 6,860           | 7,118           |
| Net gains (losses) on available-for-sale assets  | 451             | 167             |
| Net investment income (loss)   | 12,718          | 13,140          |
| Fee income (Note 17)   | 6,881           | 6,251           |
| <b>Total revenue</b>   | <b>43,337</b>   | <b>39,679</b>   |
| <b>Benefits and expenses</b>   |                 |                 |
| Gross claims and benefits paid (Note 10)   | 18,307          | 17,421          |
| Increase (decrease) in insurance contract liabilities (Note 10)                                  | 14,860          | 11,367          |
| Decrease (increase) in reinsurance assets (Note 10)  | 204             | (28)            |
| Increase (decrease) in investment contract liabilities (Note 10)                                 | 61              | 65              |
| Reinsurance expenses (recoveries) (Note 11)  | (2,353)         | (2,131)         |
| Commissions  | 2,612           | 2,417           |
| Net transfer to (from) segregated funds (Note 22)  | (1,825)         | (437)           |
| Operating expenses (Note 18)   | 7,401           | 7,033           |
| Premium taxes  | 428             | 406             |
| Interest expense   | 355             | 333             |
| <b>Total benefits and expenses</b>   | <b>40,050</b>   | <b>36,446</b>   |
| <b>Income (loss) before income taxes</b>   | <b>3,287</b>    | <b>3,233</b>    |
| Less: Income tax expense (benefit) (Note 20)   | 495             | 286             |
| <b>Total net income (loss)</b>   | <b>2,792</b>    | <b>2,947</b>    |
| Less: Net income (loss) attributable to participating policyholders (Note 21)                    | 283             | 230             |
| Net income (loss) attributable to non-controlling interests                                      | 11              | 4               |
| <b>Shareholders' net income (loss)</b>   | <b>2,498</b>    | <b>2,713</b>    |
| Less: Preferred shareholders' dividends  | 94              | 95              |
| <b>Common shareholders' net income (loss)</b>  | <b>\$ 2,404</b> | <b>\$ 2,618</b> |
| <b>Average exchange rates during the reporting periods:</b>                                      | U.S. dollars    | 1.34            |
|  |                 | 1.33            |
| <b>Earnings (loss) per share (Note 26)</b>   |                 |                 |
| Basic earnings (loss) per share  | \$ 4.11         | \$ 4.42         |
| Diluted earnings (loss) per share  | \$ 4.10         | \$ 4.40         |
| <b>Dividends per common share</b>  | <b>\$ 2.200</b> | <b>\$ 2.100</b> |

The attached notes form part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| For the years ended December 31, (in millions of Canadian dollars)           | 2020            | 2019            |
|--|-----------------|-----------------|
| <b>Total net income (loss)</b>   | <b>\$ 2,792</b> | <b>\$ 2,947</b> |
| <b>Other comprehensive income (loss), net of taxes:</b>                      |                 |                 |
| Items that may be reclassified subsequently to income:                       |                 |                 |
| Change in unrealized foreign currency translation gains (losses):            |                 |                 |
| Unrealized gains (losses)  | (204)           | (564)           |
| Change in unrealized gains (losses) on available-for-sale assets:            |                 |                 |
| Unrealized gains (losses)  | 658             | 489             |
| Reclassifications to net income (loss)                                       | (339)           | (120)           |
| Change in unrealized gains (losses) on cash flow hedges:                     |                 |                 |
| Unrealized gains (losses)  | (15)            | 33              |
| Reclassifications to net income (loss)                                       | 9               | (19)            |
| Share of other comprehensive income (loss) in joint ventures and associates: |                 |                 |
| Unrealized gains (losses)  | (9)             | (9)             |
| Total items that may be reclassified subsequently to income                  | 100             | (190)           |
| Items that will not be reclassified subsequently to income:                  |                 |                 |
| Remeasurement of defined benefit plans                                       | 22              | (42)            |
| Total items that will not be reclassified subsequently to income             | 22              | (42)            |
| Total other comprehensive income (loss)                                      | 122             | (232)           |
| <b>Total comprehensive income (loss)</b>                                     | <b>2,914</b>    | <b>2,715</b>    |
| Less: Participating policyholders' comprehensive income (loss) (Note 21)     | 277             | 227             |
| Non-controlling interests' comprehensive income (loss)                       | 11              | 4               |
| <b>Shareholders' comprehensive income (loss)</b>                             | <b>\$ 2,626</b> | <b>\$ 2,484</b> |

## INCOME TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME (LOSS)

| For the years ended December 31, (in millions of Canadian dollars)                      | 2020            | 2019           |
|---|-----------------|----------------|
| <b>Income tax benefit (expense):</b>  |                 |                |
| Items that may be reclassified subsequently to income:                                  |                 |                |
| Unrealized foreign currency translation gains (losses)                                  | \$ (16)         | \$ —           |
| Unrealized gains (losses) on available-for-sale assets                                  | (180)           | (110)          |
| Reclassifications to net income for available-for-sale assets                           | 87              | 31             |
| Unrealized gains (losses) on cash flow hedges   | 2               | (13)           |
| Reclassifications to net income for cash flow hedges                                    | 1               | 8              |
| Total items that may be reclassified subsequently to income                             | (106)           | (84)           |
| Items that will not be reclassified subsequently to income:                             |                 |                |
| Remeasurement of defined benefit plans  | (8)             | 21             |
| Total items that will not be reclassified subsequently to income                        | (8)             | 21             |
| <b>Total income tax benefit (expense) included in other comprehensive income (loss)</b> | <b>\$ (114)</b> | <b>\$ (63)</b> |

The attached notes form part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| As at December 31, (in millions of Canadian dollars)                                | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>Assets</b>   |                   |                   |
| Cash, cash equivalents and short-term securities (Note 5)                           | \$ 13,527         | \$ 9,575          |
| Debt securities (Notes 5 and 6)   | 89,089            | 81,606            |
| Equity securities (Notes 5 and 6)   | 6,631             | 4,787             |
| Mortgages and loans (Notes 5 and 6)   | 49,946            | 48,222            |
| Derivative assets (Notes 5 and 6)   | 2,160             | 1,548             |
| Other invested assets (Note 5)  | 5,778             | 5,357             |
| Policy loans (Note 5)   | 3,265             | 3,218             |
| Investment properties (Note 5)  | 7,516             | 7,306             |
| Invested assets   | 177,912           | 161,619           |
| Other assets (Note 8)   | 5,152             | 5,216             |
| Reinsurance assets (Notes 10 and 11)  | 3,843             | 4,024             |
| Deferred tax assets (Note 20)   | 1,634             | 1,455             |
| Intangible assets (Note 9)  | 2,477             | 2,083             |
| Goodwill (Note 9)   | 6,072             | 5,832             |
| Total general fund assets   | 197,090           | 180,229           |
| Investments for account of segregated fund holders (Note 22)                        | 125,921           | 116,973           |
| <b>Total assets</b>   | <b>\$ 323,011</b> | <b>\$ 297,202</b> |
| <b>Liabilities and equity</b>   |                   |                   |
| <b>Liabilities</b>  |                   |                   |
| Insurance contract liabilities (Note 10)  | \$ 145,773        | \$ 131,184        |
| Investment contract liabilities (Note 10)   | 3,189             | 3,116             |
| Derivative liabilities (Notes 5 and 6)  | 1,744             | 2,040             |
| Deferred tax liabilities (Note 20)  | 383               | 406               |
| Other liabilities (Note 12)   | 14,858            | 14,937            |
| Senior debentures (Note 13)   | 500               | 500               |
| Subordinated debt (Note 14)   | 4,781             | 3,538             |
| Total general fund liabilities  | 171,228           | 155,721           |
| Insurance and investment contracts for account of segregated fund holders (Note 22) | 125,921           | 116,973           |
| <b>Total liabilities</b>  | <b>\$ 297,149</b> | <b>\$ 272,694</b> |
| <b>Equity</b>   |                   |                   |
| Issued share capital and contributed surplus  | \$ 10,591         | \$ 10,619         |
| Shareholders' retained earnings and accumulated other comprehensive income          | 13,878            | 12,779            |
| Total shareholders' equity  | 24,469            | 23,398            |
| Participating policyholders' equity   | 1,368             | 1,091             |
| Non-controlling interests' equity   | 25                | 19                |
| <b>Total equity</b>   | <b>\$ 25,862</b>  | <b>\$ 24,508</b>  |
| <b>Total liabilities and equity</b>   | <b>\$ 323,011</b> | <b>\$ 297,202</b> |

|  |              |      |      |
|--|--------------|------|------|
| <b>Exchange rates at the end of the reporting periods:</b> | U.S. dollars | 1.27 | 1.30 |
|--|--------------|------|------|

The attached notes form part of these Consolidated Financial Statements.

Approved on behalf of the Board of Directors on February 10, 2021.



**Dean A. Connor**  
President and Chief Executive Officer



**Sara Grootwassink Lewis**  
Director

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, (in millions of Canadian dollars)

2020

2019

**Shareholders:**

**Preferred shares (Note 15)**

|                                    |          |          |
|------------------------------------|----------|----------|
| Balance, beginning and end of year | \$ 2,257 | \$ 2,257 |
|------------------------------------|----------|----------|

**Common shares (Note 15)**

|  |              |              |
|--|--------------|--------------|
| Balance, beginning of year               | 8,289        | 8,419        |
| Stock options exercised                  | 23           | 28           |
| Common shares purchased for cancellation | (50)         | (158)        |
| <b>Balance, end of year</b>              | <b>8,262</b> | <b>8,289</b> |

**Contributed surplus**

|                             |           |           |
|-----------------------------|-----------|-----------|
| Balance, beginning of year  | 73        | 73        |
| Share-based payments        | 4         | 5         |
| Stock options exercised     | (5)       | (5)       |
| <b>Balance, end of year</b> | <b>72</b> | <b>73</b> |

**Retained earnings**

|  |               |               |
|--|---------------|---------------|
| Balance, beginning of year   | 11,318        | 11,267        |
| Adjustment for change in accounting policy (Note 2)                  | —             | (22)          |
| <b>Balance, beginning of year, after change in accounting policy</b> | <b>11,318</b> | <b>11,245</b> |
| Net income (loss)  | 2,498         | 2,713         |
| Dividends on common shares   | (1,283)       | (1,236)       |
| Dividends on preferred shares  | (94)          | (95)          |
| Common shares purchased for cancellation (Note 15)                   | (150)         | (434)         |
| Changes attributable to acquisition (Note 3)                         | —             | (875)         |
| <b>Balance, end of year</b>  | <b>12,289</b> | <b>11,318</b> |

**Accumulated other comprehensive income (loss), net of taxes (Note 27)**

|  |              |              |
|--|--------------|--------------|
| Balance, beginning of year                           | 1,461        | 1,690        |
| Total other comprehensive income (loss) for the year | 128          | (229)        |
| <b>Balance, end of year</b>                          | <b>1,589</b> | <b>1,461</b> |

|  |                  |                  |
|--|------------------|------------------|
| <b>Total shareholders' equity, end of year</b> | <b>\$ 24,469</b> | <b>\$ 23,398</b> |
|--|------------------|------------------|

**Participating policyholders:**

|  |          |        |
|--|----------|--------|
| Balance, beginning of year                                     | \$ 1,091 | \$ 864 |
| Net income (loss) (Note 21)                                    | 283      | 230    |
| Total other comprehensive income (loss) for the year (Note 27) | (6)      | (3)    |

|   |                 |                 |
|---|-----------------|-----------------|
| <b>Total participating policyholders' equity, end of year</b> | <b>\$ 1,368</b> | <b>\$ 1,091</b> |
|---|-----------------|-----------------|

**Non-controlling interests:**

|  |       |      |
|--|-------|------|
| Balance, beginning of year                   | \$ 19 | \$ — |
| Net income (loss)                            | 11    | 4    |
| Changes attributable to acquisition (Note 3) | —     | 15   |
| Additional contribution                      | 13    | —    |
| Distribution to non-controlling interests    | (18)  | —    |

|   |              |              |
|---|--------------|--------------|
| <b>Total non-controlling interests' equity, end of year</b> | <b>\$ 25</b> | <b>\$ 19</b> |
|---|--------------|--------------|

|                     |                  |                  |
|---------------------|------------------|------------------|
| <b>Total equity</b> | <b>\$ 25,862</b> | <b>\$ 24,508</b> |
|---------------------|------------------|------------------|

The attached notes form part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| For the years ended December 31, (in millions of Canadian dollars)                     | 2020             | 2019            |
|--|------------------|-----------------|
| <b>Cash flows provided by (used in) operating activities</b>                           |                  |                 |
| Income (loss) before income taxes  | \$ 3,287         | \$ 3,233        |
| Adjustments:   |                  |                 |
| Interest expense related to financing activities                                       | 209              | 249             |
| Increase (decrease) in insurance and investment contract liabilities                   | 14,921           | 11,432          |
| Decrease (increase) in reinsurance assets  | 204              | (28)            |
| Realized and unrealized (gains) losses and foreign currency changes on invested assets | (7,311)          | (7,285)         |
| Sales, maturities and repayments of invested assets                                    | 76,289           | 59,162          |
| Purchases of invested assets   | (81,709)         | (64,165)        |
| Income taxes received (paid)   | (690)            | (698)           |
| Mortgage securitization (Note 5)   | 197              | 264             |
| Other operating activities <sup>(1)</sup>  | 1,856            | 310             |
| <b>Net cash provided by (used in) operating activities</b>                             | <b>7,253</b>     | <b>2,474</b>    |
| <b>Cash flows provided by (used in) investing activities</b>                           |                  |                 |
| Net (purchase) sale of property and equipment  | (158)            | (114)           |
| Investment in and transactions with joint ventures and associates (Note 16)            | (1)              | 19              |
| Dividends received from joint ventures and associates (Note 16)                        | 29               | 45              |
| Acquisitions, net of cash and cash equivalents (Note 3) <sup>(2)</sup>                 | (469)            | (167)           |
| Other investing activities   | (287)            | (213)           |
| <b>Net cash provided by (used in) investing activities</b>                             | <b>(886)</b>     | <b>(430)</b>    |
| <b>Cash flows provided by (used in) financing activities</b>                           |                  |                 |
| Increase in (repayment of) borrowed funds  | 81               | 132             |
| Issuance of subordinated debt, net of issuance costs (Note 14)                         | 1,740            | 747             |
| Repayment of senior financing (Note 12)  | (2,020)          | —               |
| Increase in (repayment of) borrowings from credit facility <sup>(1)</sup>              | 275              | 73              |
| Redemption of senior debentures and subordinated debt (Notes 13 and 14)                | (500)            | (1,050)         |
| Issuance of common shares on exercise of stock options                                 | 18               | 23              |
| Transactions with non-controlling interests  | (5)              | —               |
| Common shares purchased for cancellation (Note 15)                                     | (200)            | (592)           |
| Dividends paid on common and preferred shares  | (1,360)          | (1,318)         |
| Payment of lease liabilities   | (136)            | (125)           |
| Interest expense paid  | (205)            | (253)           |
| <b>Net cash provided by (used in) financing activities</b>                             | <b>(2,312)</b>   | <b>(2,363)</b>  |
| Changes due to fluctuations in exchange rates  | (92)             | (190)           |
| Increase (decrease) in cash and cash equivalents                                       | 3,963            | (509)           |
| Net cash and cash equivalents, beginning of year                                       | 6,685            | 7,194           |
| Net cash and cash equivalents, end of year   | 10,648           | 6,685           |
| Short-term securities, end of year   | 2,873            | 2,860           |
| <b>Net cash, cash equivalents and short-term securities, end of year (Note 5)</b>      | <b>\$ 13,521</b> | <b>\$ 9,545</b> |

<sup>(1)</sup> Reflects a change in presentation for our credit facility effective January 1, 2020. We have updated our prior period to reflect this change in presentation.

<sup>(2)</sup> Consists of total cash consideration paid of \$514 (\$192 in 2019), less cash and cash equivalents acquired of \$45 (\$25 in 2019).

The attached notes form part of these Consolidated Financial Statements.