
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2019
DATED: OCTOBER 30, 2019**

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and nine months ended September 30, 2019 and includes a comparison to the corresponding periods in 2018, to the three months ended June 30, 2019, and to the Company's financial condition as at December 31, 2018. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2019. Also refer to the 2018 Annual MD&A and audited consolidated financial statements in the Company's 2018 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking information. Forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected cost reductions and savings and the impact of regulatory developments on the Company's business strategy and growth objectives. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets, business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2018 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking information. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking information whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "adjusted net earnings", "adjusted net earnings (US\$)", "adjusted net earnings per common share", "adjusted return on equity", "core net earnings", "constant currency basis", "impact of currency movement", "premiums and deposits", "pre-tax operating margin", "return on equity - adjusted net earnings", "sales", "assets under management" and "assets under administration". Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS where applicable.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information

(in Canadian \$ millions, except for per share amounts)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Earnings					
Net earnings - common shareholders	\$ 730	\$ 459	\$ 689	\$ 1,846	\$ 2,251
Adjustments ⁽¹⁾⁽⁸⁾	—	199	56	199	56
Adjusted net earnings - common shareholders ⁽¹⁾	730	658	745	2,045	2,307
Per common share					
Basic earnings	0.786	0.489	0.697	1.940	2.277
Adjusted basic earnings, excluding adjustments ⁽¹⁾	0.786	0.701	0.754	2.148	2.333
Dividends paid	0.413	0.413	0.389	1.239	1.167
Book value	21.02	20.84	21.25		
Return on common shareholders' equity⁽²⁾					
Net earnings	12.4%	12.0%	12.8%		
Adjusted net earnings ⁽³⁾	13.4%	13.2%	14.7%		
Premiums and deposits					
Net premium income (Life insurance, guaranteed annuities and insured health products) ⁽⁸⁾	\$ 9,324	\$ (3,887)	\$ 10,337	\$ 15,032	\$ 26,416
Policyholder deposits (Segregated funds):					
Individual products	4,146	3,723	3,833	11,501	11,963
Group products	1,999	1,732	1,790	5,825	6,166
Premiums and deposits reported in the financial statements	15,469	1,568	15,960	32,358	44,545
Self-funded premium equivalents (Administrative services only contracts) ⁽⁴⁾	813	830	744	2,454	2,266
Proprietary mutual funds and institutional deposits ⁽⁴⁾	20,135	17,993	17,878	62,841	54,868
Add back: U.S. Individual Life Insurance & Annuity Business - initial reinsurance ceded premiums ⁽⁴⁾⁽⁸⁾	—	13,889	—	13,889	—
Total premiums and deposits⁽⁴⁾	36,417	34,280	34,582	111,542	101,679
Fee and other income⁽⁸⁾	1,496	2,591	1,483	5,566	4,399
Net policyholder benefits, dividends and experience refunds	8,468	8,957	7,653	26,412	23,070
Total assets per financial statements	\$ 446,626	\$ 441,897	\$ 429,082		
Proprietary mutual funds and institutional net assets ⁽⁵⁾	308,425	305,252	293,766		
Total assets under management⁽⁵⁾	755,051	747,149	722,848		
Other assets under administration ⁽⁶⁾	841,700	820,808	718,410		
Total assets under administration	\$1,596,751	\$1,567,957	\$1,441,258		
Total equity	\$ 25,157	\$ 24,955	\$ 26,624		
The Great-West Life Assurance Company consolidated Life Insurance Capital Adequacy Test Ratio⁽⁷⁾	139%	136%	134%		

⁽¹⁾ Adjusted net earnings attributable to common shareholders and adjusted net earnings per common share (EPS) are non-IFRS financial measures of earnings performance. In the second quarter of 2019, the adjustment was a net charge of \$199 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business (refer to footnote 8 below for the impacts to the Consolidated Statements of Earnings). In the third quarter of 2018, the adjustment was \$56 million of restructuring costs relating to the Company's U.K. operations.

- (2) Return on common shareholders' equity is detailed within the "Capital Allocation Methodology" section.
- (3) Return on common shareholders' equity - adjusted net earnings (a non-IFRS measure) is adjusted for the impact of the net charge on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business, U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs. For further details on this measure, refer to the "Capital Allocation Methodology" section.
- (4) In addition to premiums and deposits reported in the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts. The Company excludes ceded premiums relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business. Total premiums and deposits (a non-IFRS financial measure) provides useful information as it is an indicator of top-line growth.
- (5) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight of the investment policies.
- (6) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration includes recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volume, size and trends.
- (7) The Life Insurance Capital Adequacy Test (LICAT) ratio is based on the consolidated results of The Great-West Life Assurance Company, Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section for additional details.
- (8) Following the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life on June 1, 2019, the Company recorded a net loss of \$199 million (US\$148 million) related to the transaction. Additionally, certain post-closing contingencies exist that may result in additional payments to Lifeco, which could impact net earnings during the fourth quarter of 2019. For the three months ended June 30, 2019 and nine months ended September 30, 2019, the impacts to the Consolidated Statements of Earnings are outlined in the table below:

Impact on Consolidated Statements of Earnings of reinsurance of U.S. individual life insurance and annuity business:	
Net premiums (initial ceded premiums)	\$ (13,889)
Fee and other income (initial ceding commission)	1,080
Net investment income	219
Total paid or credited to policyholders	12,463
Operating, administrative and other expenses	(120)
Total pre-tax net loss per condensed consolidated interim unaudited financial statements (note 3)	(247)
Income taxes	48
Total after-tax net loss	<u>\$ (199)</u>

NET EARNINGS

Consolidated net earnings of Lifeco include the net earnings of The Great-West Life Assurance Company (Great-West Life) and its operating subsidiaries, London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life) and Irish Life Group Limited (Irish Life); Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam); together with Lifeco's Corporate operating results.

Lifeco's net earnings attributable to common shareholders (net earnings) for the three month period ended September 30, 2019 were \$730 million compared to \$689 million a year ago and \$459 million in the previous quarter. On a per share basis, this represents \$0.786 per common share (\$0.785 diluted) compared to \$0.697 per common share (\$0.697 diluted) a year ago and \$0.489 per common share (\$0.489 diluted) in the previous quarter. Lifeco's net earnings for the third quarter of 2018 included restructuring costs of \$56 million related to the Company's U.K. operations. Included in Lifeco's net earnings for the second quarter of 2019 was a net charge of \$199 million (US\$148 million) relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life Insurance Company (Protective Life). Excluding these items, adjusted net earnings for the third quarter of 2018 were \$745 million or \$0.754 per common share and \$658 million or \$0.701 per common share for the second quarter of 2019. As a result of the sale of the U.S. individual life insurance and annuity business during the second quarter of 2019, Lifeco's net earnings for the third quarter of 2019 do not include any earnings from this business, which contributed \$54 million to net earnings in the third quarter 2018.

For the nine months ended September 30, 2019, Lifeco's net earnings were \$1,846 million compared to \$2,251 million a year ago. On a per share basis, this represents \$1.940 per common share (\$1.939 diluted) for 2019 compared to \$2.277 per common share (\$2.275 diluted) a year ago. Excluding the adjustments discussed for the in-quarter results, adjusted net earnings for the nine months ended September 30, 2019 were \$2,045 million or \$2.148 per common share compared to \$2,307 million or \$2.333 per common share a year ago. Included in Lifeco's net earnings for the nine months ended September 30, 2018 was a net positive impact of \$60 million, or \$0.061 per common share, arising from refinancing in the U.S. segment completed in the second quarter of 2018.

Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Canada					
Individual Customer	\$ 85	\$ 135	\$ 165	\$ 344	\$ 514
Group Customer	206	161	150	518	486
Canada Corporate	9	(16)	—	1	(35)
	300	280	315	863	965
United States					
Financial Services ⁽¹⁾	63	62	67	178	192
Asset Management	13	6	(8)	15	(32)
U.S. Corporate ⁽²⁾	1	3	—	3	52
Reinsured Insurance & Annuity Business ⁽¹⁾⁽³⁾	—	(169)	54	(136)	121
	77	(98)	113	60	333
Europe					
Insurance & Annuities	306	207	240	716	765
Reinsurance	55	77	87	229	288
Europe Corporate	(4)	(2)	(64)	(7)	(91)
	357	282	263	938	962
Lifeco Corporate	(4)	(5)	(2)	(15)	(9)
Net earnings - common shareholders	\$ 730	\$ 459	\$ 689	\$ 1,846	\$ 2,251
Adjustments ⁽³⁾					
Net charge on sale, via reinsurance, of a U.S. business	—	199	—	199	—
Restructuring costs	—	—	56	—	56
Adjusted net earnings - common shareholders	\$ 730	\$ 658	\$ 745	\$ 2,045	\$ 2,307

⁽¹⁾ Reinsured Insurance & Annuity Business reflects business transferred to Protective Life under an indemnity reinsurance agreement effective June 1, 2019. Comparative figures have been adjusted to reflect current presentation.

⁽²⁾ U.S. Corporate net earnings for the second quarter of 2018 included a net positive impact of \$60 million arising from refinancing in the U.S. segment completed in the second quarter of 2018.

⁽³⁾ Adjustments to net earnings for the three months ending June 30, 2019 and the nine months ending September 30, 2019 were a net charge of \$199 million (US\$148 million) relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business and are included in the Reinsured Insurance & Annuity Business unit of the U.S. segment. Adjustments for the three and nine months ending September 30, 2018 were \$56 million of restructuring costs relating to the Company's U.K. operations.

The information in the table above is a summary of results for net earnings of the Company. Additional commentary regarding net earnings is included in the "Segmented Operating Results" section.

MARKET IMPACTS

Interest Rate Environment

Interest rates in countries where the Company operates mostly decreased during the quarter. The net change in interest rates did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates did not have a material impact on net earnings or on the LICAT ratio.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for matching asset and liability cash flows. As a result, the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss is mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to interest rate fluctuations, refer to "Financial Instruments Risk Management", note 7 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2019.

Equity Markets

In the regions where the Company operates, average equity market levels for the three months ended September 30, 2019 were higher in Canada, the U.S. and broader Europe and lower in the U.K. compared to the same period in 2018, however, ended the quarter mostly at higher market levels compared to June 30, 2019. For the nine months ended September 30, 2019, average equity markets were higher in Canada and the U.S. and lower in the U.K. and broader Europe compared to the same period in 2018.

Relative to the Company's expectation, the change in average market levels and market volatility had a negative impact of \$5 million on net earnings during the third quarter of 2019 and \$11 million positive impact year-to-date (\$1 million positive impact in the third quarter of 2018 and \$2 million positive impact year-to-date in 2018), related to asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company. In addition, net earnings were positively impacted by approximately \$4 million in the third quarter of 2019 and \$41 million year-to-date (\$2 million negative impact in the third quarter of 2018 and \$9 million positive impact year-to-date in 2018), primarily related to seed money investments held in the U.S. Asset Management and Canada Corporate business units. In addition, the change in equity markets negatively impacted the third quarter 2019 net earnings by \$1 million and \$27 million year-to-date (\$1 million positive impact in the third quarter of 2018 and \$6 million positive impact year-to-date in 2018) as a result of the combination of actuarial assumption changes in the Canada segment and an unfavourable tax related item in the Europe segment.

Comparing the third quarter of 2019 to the third quarter of 2018, average equity market levels were up by 1% in Canada (as measured by S&P TSX), 4% in the U.S. (measured by S&P 500) and 1% in broader Europe (measured by EURO STOXX 50) and down 3% in the U.K. (measured by FTSE 100). The major equity indices finished the third quarter of 2019 up by 2% in Canada, 1% in the U.S. and 3% in broader Europe and were down less than 1% in the U.K. compared to June 30, 2019.

Foreign Currency

Throughout this document, several terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement" and "effect of currency translation fluctuations". These measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. This non-IFRS measure provides useful information as it facilitates the comparability of results between periods.

The average currency translation rate for the third quarter of 2019 increased for the U.S. dollar and decreased for the British pound and the euro compared to the third quarter of 2018. The overall impact of currency movement on the Company's net earnings for the three month period ended September 30, 2019 was a decrease of \$15 million (decrease of \$20 million year-to-date) compared to translation rates a year ago.

From June 30, 2019 to September 30, 2019, the exchange rates at the end of the reporting period used to translate U.S. dollar assets and liabilities to the Canadian dollar increased, while the euro and British pound decreased. The movements in end-of-period exchange rates resulted in unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of \$140 million in-quarter (\$759 million net unrealized loss year-to-date) recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

ACTUARIAL ASSUMPTION CHANGES

During the third quarter of 2019, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of \$81 million, compared to \$203 million for the same quarter last year and \$2 million for the previous quarter.

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. Included in the update in actuarial assumptions positive impact of \$81 million is the impact of these revisions to actuarial standards, and other updates in the calibration of stochastic scenarios, which resulted in a negative net earnings impact of \$48 million in the Canada and U.S. segments.

In Europe, net earnings were positively impacted by \$138 million, primarily due to updated annuitant mortality and economic assumptions, partially offset by updated life mortality assumptions. In Canada, net earnings were negatively impacted by \$55 million, primarily due to updated policyholder behaviour assumptions and updates to the ultimate reinvestment rate, driven by the actuarial standards updates, partially offset by updated morbidity assumptions and the annual update of asset default provisions. In the U.S., net earnings were negatively impacted by \$2 million, primarily due to updated economic assumptions, which included the actuarial standards updates.

For the nine months ended September 30, 2019, actuarial assumption changes resulted in a positive net earnings impact of \$212 million, compared to a positive impact of \$533 million for the same period in 2018. Excluding the impact of actuarial assumption changes relating to the reinsurance transaction with Protective Life discussed for Q2 2019, actuarial assumption changes resulted in a positive adjusted net earnings impact of \$248 million.

NET INVESTMENT INCOME

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Investment income earned (net of investment properties expenses)	\$ 1,470	\$ 1,629	\$ 1,598	\$ 4,577	\$ 4,724
Net allowances for credit losses on loans and receivables	—	(45)	(4)	(48)	(4)
Net realized gains	28	254	15	293	100
Regular investment income	1,498	1,838	1,609	4,822	4,820
Investment expenses	(46)	(41)	(31)	(123)	(94)
Regular net investment income	1,452	1,797	1,578	4,699	4,726
Changes in fair value through profit or loss	2,102	2,245	(1,371)	8,712	(3,208)
Net investment income	\$ 3,554	\$ 4,042	\$ 207	\$ 13,411	\$ 1,518

Net investment income in the third quarter of 2019, which includes changes in fair value through profit or loss, increased by \$3,347 million compared to the same quarter last year. The changes in fair value in the third quarter of 2019 were an increase of \$2,102 million compared to a decrease of \$1,371 million for the third quarter of 2018. In the third quarter of 2019, the net increase to fair values was primarily due to a decline in bond yields across all geographies. In the third quarter of 2018, the net decrease to fair values was primarily due to an increase in bond yields across all geographies.

Regular net investment income in the third quarter of 2019 of \$1,452 million, which excludes changes in fair value through profit or loss, decreased by \$126 million compared to the same quarter last year. The decrease was primarily due to lower interest on bond investments relating to U.S. segment assets transferred under the indemnity reinsurance agreement with Protective Life in the second quarter of 2019. Net realized gains include gains on available-for-sale securities of \$25 million for the third quarter of 2019 compared to losses of \$2 million for the same quarter last year.

For the nine months ended September 30, 2019, net investment income increased by \$11,893 million compared to the same period last year. The changes in fair value for the nine month period in 2019 were an increase of \$8,712 million compared to a decrease of \$3,208 million during the same period in 2018. The changes in fair value were primarily due to a decrease in bond yields across all geographies and an increase in Canadian equity markets in 2019, compared to an increase in bond yields across all geographies in 2018.

Regular net investment income for the nine months ended September 30, 2019 decreased by \$27 million compared to the same period last year. The decrease was primarily due to lower interest on bond investments relating to the transaction with Protective Life discussed for the in-quarter results and higher net allowances for credit losses, partially offset by higher net realized gains. For the nine months ended September 30, 2019, net allowances for credit losses on loans and receivables of \$48 million primarily reflect the impact of an increase to net allowances for mortgage loans, primarily related to a U.K. retail tenant entering a prepackaged administration in the second quarter of 2019. Higher net realized gains for the nine months ended September 30, 2019 were primarily driven by U.S. segment assets transferred under the transaction with Protective Life in the second quarter of 2019, which were offset by changes in insurance contract liabilities and subsequently ceded to Protective Life as part of the transaction. Net realized gains include gains on available-for-sale securities of \$52 million for the nine months ended September 30, 2019 compared to losses of \$5 million for the same period last year.

Net investment income in the third quarter of 2019 decreased by \$488 million compared to the previous quarter, primarily due to lower realized gains and lower interest on bond investments relating to the transaction with Protective Life discussed for the in-quarter results.

Credit Markets

In the third quarter of 2019, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by \$3 million (\$3 million net charge in the third quarter of 2018). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by \$3 million (\$28 million net negative impact in the third quarter of 2018).

For the nine months ended September 30, 2019, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by \$19 million (\$5 million net recovery year-to-date in 2018). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable. Charges for the nine months ended September 30, 2019 were primarily driven by impairment charges on mortgage loans as a result of a U.K. retail tenant entering a prepackaged administration, which was followed by a Company Voluntary Agreement (CVA). Changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by \$12 million year-to-date (\$25 million net negative impact year-to-date in 2018).

These credit impacts do not reflect the impact to insurance contract liabilities related to the decline in the expected cash flows relating to the mortgage loans and investment properties where certain U.K. retailers occupying the properties continued to experience financial difficulties reflected in the second quarter of 2019. The related negative impact to common shareholders' net earnings was \$68 million and is discussed as part of the United Kingdom property related exposures in the "Invested Assets" section.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as ASO contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Canada					
Segregated funds, mutual funds and other	\$ 396	\$ 390	\$ 389	\$ 1,157	\$ 1,162
ASO contracts	51	50	48	152	146
	<u>447</u>	<u>440</u>	<u>437</u>	<u>1,309</u>	<u>1,308</u>
United States					
Segregated funds, mutual funds and other	665	684	673	2,008	1,959
Life insurance and annuity reinsurance ceding commission ⁽¹⁾	—	1,080	—	1,080	—
	<u>665</u>	<u>1,764</u>	<u>673</u>	<u>3,088</u>	<u>1,959</u>
Europe					
Segregated funds, mutual funds and other	384	387	373	1,169	1,132
Total fee and other income	<u>\$ 1,496</u>	<u>\$ 2,591</u>	<u>\$ 1,483</u>	<u>\$ 5,566</u>	<u>\$ 4,399</u>

⁽¹⁾ For the three months ended June 30, 2019 and the nine months ended September 30, 2019, fee and other income included a ceding commission of \$1,080 million related to the Protective Life transaction.

The information in the table above is a summary of gross fee and other income for the Company. Excluding the ceding commission related to the Protective Life transaction, fee and other income for the nine months ended September 30, 2019 was \$4,486 million. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Canada	\$ 2,328	\$ 2,416	\$ 2,305	\$ 7,170	\$ 7,052
United States	933	1,084	1,266	3,225	3,420
Europe	5,207	5,457	4,082	16,017	12,598
Total	\$ 8,468	\$ 8,957	\$ 7,653	\$ 26,412	\$ 23,070

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended September 30, 2019, net policyholder benefits, dividends and experience refunds were \$8.5 billion, an increase of \$0.8 billion from the same period last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements and higher volumes relating to existing business in Europe, partially offset by higher ceded policyholder benefits in the United States as a result of the sale, via indemnity reinsurance, on June 1, 2019 to Protective Life.

For the nine months ended September 30, 2019, net policyholder benefits, dividends and experience refunds were \$26.4 billion, an increase of \$3.3 billion from the same period last year driven by higher net policyholder benefits. The increase in benefit payments was primarily due to the same reasons discussed for the in-quarter results.

Net policyholder benefits, dividends and experience refunds of \$8.5 billion decreased by \$0.5 billion compared to the previous quarter, primarily driven by lower net policyholder benefits. The decrease in benefit payments was primarily due to lower volumes relating to existing business in Europe and higher ceded policyholder benefits in the United States as a result of the sale, via indemnity reinsurance, on June 1, 2019 to Protective Life.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 27% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the third quarter of 2019, the Company had an effective income tax rate of 6%, down from 13% in the third quarter of 2018. The decrease in the effective income tax rate for the third quarter of 2019 was primarily due to a change in the income mix in jurisdictions outside of Canada that are subject to different tax rates as well as changes in certain tax estimates.

The Company had an effective income tax rate of 10% for the nine months ended September 30, 2019, which was down from 13% for the same period last year, primarily due to changes in certain tax estimates.

In the third quarter of 2019, the Company had an effective income tax rate of 6%, down from 10% in the second quarter of 2019. The decrease in the effective income tax rate was primarily due to a change in the income mix in jurisdictions outside of Canada that are subject to different tax rates, partially offset by the impact of an Alberta corporate tax rate decrease that favourably impacted second quarter results.

Effective January 1, 2019, the Company applied IFRIC 23, *Uncertainty over Income Tax Treatments*. Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

Refer to note 15 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2019 for further details.

CONSOLIDATED FINANCIAL POSITION

ASSETS

	September 30, 2019			
	Canada	United States	Europe	Total
Assets under administration				
Assets				
Invested assets	\$ 80,738	\$ 33,755	\$ 53,739	\$ 168,232
Assets held for sale	—	—	876	876
Goodwill and intangible assets	5,554	2,020	2,791	10,365
Other assets	4,065	19,578	17,734	41,377
Investments on account of segregated fund policyholders	83,792	31,737	107,075	222,604
Investments on account of segregated fund policyholders held for sale	—	—	3,172	3,172
Total assets	174,149	87,090	185,387	446,626
Proprietary mutual funds and institutional net assets	6,853	250,183	51,389	308,425
Total assets under management	181,002	337,273	236,776	755,051
Other assets under administration	17,210	778,450	46,040	841,700
Total assets under administration	\$ 198,212	\$ 1,115,723	\$ 282,816	\$ 1,596,751
	December 31, 2018			
	Canada	United States	Europe	Total
Assets				
Invested assets	\$ 75,647	\$ 47,500	\$ 54,334	\$ 177,481
Assets held for sale	—	—	897	897
Goodwill and intangible assets	5,516	2,130	2,878	10,524
Other assets	3,110	4,495	18,336	25,941
Investments on account of segregated fund policyholders	76,633	31,816	101,078	209,527
Investments on account of segregated fund policyholders held for sale	—	—	3,319	3,319
Total assets	160,906	85,941	180,842	427,689
Proprietary mutual funds and institutional net assets	6,214	235,075	40,375	281,664
Total assets under management	167,120	321,016	221,217	709,353
Other assets under administration	13,615	630,881	45,024	689,520
Total assets under administration	\$ 180,735	\$ 951,897	\$ 266,241	\$ 1,398,873

Total assets under administration at September 30, 2019 increased by \$197.9 billion to \$1.6 trillion compared to December 31, 2018, primarily due to the impact of market movement and new business growth, partially offset by the impact of currency movement. As a result of the indemnity reinsurance agreement with Protective Life, effective June 1, 2019, the U.S. segment's invested assets decreased, as \$15.6 billion of invested assets were derecognized, offset by \$1.1 billion of cash received, while other assets increased as a result of the recognition of \$15.2 billion of reinsurance assets. The increase of \$147.6 billion in the U.S. segment's other assets under administration includes the impact of large plan sales in the first quarter of 2019. The increase of \$3.6 billion in the Canada segment's other assets under administration includes the acquisition of Guggenheim Real Estate LLC during the first quarter of 2019.

Assets held for sale of \$876 million and investments on account of segregated fund policyholders held for sale of \$3,172 million at September 30, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the fourth quarter of 2019. Refer to note 4 of the Company's September 30, 2019 condensed consolidated interim unaudited financial statements for further information on assets classified as held for sale.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. Within the framework of the Company's policies, the Company implements strategies and reviews and adjusts them on an ongoing basis considering liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was \$115.9 billion or 69% of invested assets at September 30, 2019 and \$124.9 billion or 71% at December 31, 2018. The decrease in the bond portfolio was primarily related to \$13.8 billion of assets transferred to support the indemnity reinsurance agreement with Protective Life. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher.

Bond portfolio quality

	September 30, 2019		December 31, 2018	
AAA	\$ 22,905	20 %	\$ 23,558	19%
AA	32,061	28	33,793	27
A	38,573	33	41,008	33
BBB	21,770	18	25,553	20
BB or lower	584	1	950	1
Total	<u>\$ 115,893</u>	<u>100 %</u>	<u>\$ 124,862</u>	<u>100%</u>

Mortgage portfolio – It is the Company's practice to acquire high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages. Equity release mortgages are originated in the Europe segment following well-defined lending criteria. Equity release mortgages are loans provided to seniors who want to continue living in their homes while accessing some of the underlying equity value in their homes. Loans are typically repaid when the borrower dies or moves into long-term care.

Mortgage portfolio

	September 30, 2019				December 31, 2018	
	Insured	Non-insured	Total		Total	
Mortgage loans by type						
Single family residential	\$ 583	\$ 1,491	\$ 2,074	9%	\$ 2,104	8%
Multi-family residential	3,711	3,468	7,179	30	7,617	31
Equity release	—	1,160	1,160	5	813	3
Commercial	272	13,456	13,728	56	14,480	58
Total	<u>\$ 4,566</u>	<u>\$ 19,575</u>	<u>\$ 24,141</u>	<u>100%</u>	<u>\$ 25,014</u>	<u>100%</u>

The total mortgage portfolio was \$24.1 billion or 14% of invested assets at September 30, 2019, compared to \$25.0 billion or 14% of invested assets at December 31, 2018. The decrease in the mortgage portfolio was primarily related to \$1.7 billion of assets transferred to support the indemnity reinsurance agreement with Protective Life. Total insured loans were \$4.6 billion or 19% of the mortgage portfolio. The equity release mortgages had a weighted average loan-to-value of 25% (23% at December 31, 2018).

Single family residential mortgages

Region	September 30, 2019		December 31, 2018	
	\$	%	\$	%
Ontario	1,063	51%	1,055	51%
Quebec	434	21	445	21
Alberta	122	6	126	6
Newfoundland	102	5	108	5
British Columbia	99	5	112	5
Saskatchewan	89	4	90	4
Nova Scotia	59	3	62	3
New Brunswick	54	3	54	3
Manitoba	47	2	47	2
Other	5	—	5	—
Total	\$ 2,074	100%	\$ 2,104	100%

During the nine months ended September 30, 2019, single family mortgage originations, including renewals, were \$346 million, of which 30% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at September 30, 2019 (21 years at December 31, 2018).

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation.

At September 30, 2019, the total actuarial provision for future credit losses in insurance contract liabilities was \$2,385 million compared to \$2,595 million at December 31, 2018, a decrease of \$210 million, primarily due to the sale, via indemnity reinsurance, of substantially all of GWL&A's individual life insurance and annuity business in the United States segment, basis changes, the impact of impairments on U.K. mortgage loans and the impact of currency movement, partially offset by normal business activity.

The aggregate of impairment provisions of \$50 million (\$23 million at December 31, 2018) and actuarial provision for future credit losses in insurance contract liabilities of \$2,385 million (\$2,595 million at December 31, 2018) represents 1.7% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2019 (1.7% at December 31, 2018).

United Kingdom property related exposures

At September 30, 2019, the Company's holdings of property related investments in the U.K. were \$8.3 billion, or 4.9% of invested assets, compared to \$7.8 billion at December 31, 2018. The \$0.5 billion increase from December 31, 2018 was primarily due to commercial mortgage originations. These holdings remain well diversified across property type - Industrial/Other (29%), Retail (28%), Office (21%), Equity Release (14%) and Multi-family (8%). Of the Retail sector holdings, 47% relate to warehouse/distribution and other retail, 31% relate to shopping centres and department stores and 22% relate to grocery retail sub-categories.

In the second quarter of 2019, a number of the Company's U.K. mortgage loans and investment properties were impacted as certain U.K. retailers occupying the properties continued to experience financial difficulties. For these mortgage loans and investment properties, a decline in the expected cash flows from the properties resulted in an increase in insurance contract liabilities, which negatively impacted common shareholders' net earnings by \$68 million and was primarily related to a U.K. retail tenant that entered a prepackaged administration, which was followed by a Company Voluntary Agreement (CVA) during the second quarter of 2019.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third quarter of 2019, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At September 30, 2019, total financial collateral, including initial margin and overcollateralization, received on derivative assets was \$304 million (\$113 million at December 31, 2018) and pledged on derivative liabilities was \$621 million (\$691 million at December 31, 2018). Collateral received on derivative assets increased and collateral pledged on derivative liabilities decreased in 2019, primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the nine month period ended September 30, 2019, the outstanding notional amount of derivative contracts increased by \$3.0 billion to \$22.6 billion, primarily due to an increase in forward settling mortgage backed security transactions ("to-be-announced-securities") and regular hedging activities.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to \$694 million at September 30, 2019 from \$417 million at December 31, 2018. 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. and receive Canadian dollars.

LIABILITIES

Total liabilities	September 30	December 31
	2019	2018
Insurance and investment contract liabilities	\$ 176,154	\$ 168,431
Liabilities held for sale	876	897
Other general fund liabilities	18,663	18,117
Investment and insurance contracts on account of segregated fund policyholders	222,604	209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale	3,172	3,319
Total	\$ 421,469	\$ 400,291

Total liabilities increased by \$21.2 billion to \$421.5 billion at September 30, 2019 from December 31, 2018. Investment and insurance contracts on account of segregated fund policyholders increased by \$13.1 billion, primarily due to the impact of net market value gains and investment income of \$22.2 billion, partially offset by the impact of currency movement of \$9.0 billion and net withdrawals of \$0.7 billion. Insurance and investment contract liabilities increased by \$7.7 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro, British pound, and U.S. dollar against the Canadian dollar.

Liabilities held for sale of \$0.9 billion and investment and insurance contracts on account of segregated fund policyholders held for sale of \$3.2 billion at September 30, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the fourth quarter of 2019. For further information on liabilities classified as held for sale, refer to note 4 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2019.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At September 30, 2019, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were \$3,321 million (\$4,169 million at December 31, 2018). The decrease was primarily due to U.S. business transferred to Protective Life under an indemnity reinsurance agreement effective June 1, 2019.

Segregated fund and variable annuity guarantee exposure

	September 30, 2019				
	Market Value	Investment deficiency by benefit type			
		Income	Maturity	Death	Total ⁽¹⁾
Canada	\$ 32,166	\$ —	\$ 17	\$ 46	\$ 46
United States	10,186	6	—	5	11
Europe					
Insurance & Annuities	9,815	4	—	630	630
Reinsurance ⁽²⁾	929	342	—	—	342
Total Europe	10,744	346	—	630	972
Total	\$ 53,096	\$ 352	\$ 17	\$ 681	\$ 1,029

⁽¹⁾ A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2019.

⁽²⁾ Reinsurance exposure is to markets in Canada and the U.S.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on September 30, 2019 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were \$4 million in-quarter (\$4 million for the third quarter of 2018) and \$15 million year-to-date (\$12 million year-to-date for 2018) with the majority arising in the Reinsurance business unit in the Europe segment.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments considering both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At September 30, 2019, debentures and other debt instruments decreased by \$143 million to \$6,316 million compared to December 31, 2018, primarily due to the impact of currency movement.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2019 was \$8,347 million, which was comprised of \$5,633 million of common shares, \$2,464 million of non-cumulative First Preferred Shares, \$213 million of 5-year rate reset First Preferred Shares and \$37 million of floating rate First Preferred Shares. Common shares decreased by \$1,650 million from December 31, 2018, primarily due to the substantial issuer bid described below, which included the Company issuing and subsequently cancelling 595,747,641 shares as part of a Qualifying Holdco Alternative (as described in the Offer documents).

The Company commenced a normal course issuer bid (NCIB) on February 1, 2019 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the nine months ended September 30, 2019, the Company did not repurchase any common shares under the current NCIB. During the nine months ended September 30, 2018, the Company repurchased and subsequently cancelled 1,457,456 common shares at an average cost per share of \$33.05.

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to \$2 billion of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019. On April 17, 2019, the Company purchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of \$33.50 per share for an aggregate purchase price of \$2 billion. The excess paid over the average carrying value under the Offer was \$1,628 million and was recognized as a reduction to accumulated surplus. Transaction costs of \$3 million were incurred in connection with the Offer and charged to accumulated surplus.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2019, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of \$8.2 billion (\$7.8 billion at December 31, 2018) and other liquid assets and marketable securities of \$86.9 billion (\$93.2 billion at December 31, 2018). Included in the cash, cash equivalents and short-term bonds at September 30, 2019 was \$0.3 billion (\$1.0 billion at December 31, 2018) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. The decrease was primarily due to the settlement of the substantial issuer bid on April 17, 2019. Cash, cash equivalents and short-term bonds at September 30, 2019 do not reflect the net proceeds from the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business, which are held within the U.S. segment. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Cash flows relating to the following activities:				
Operations	\$ 1,271	\$ 2,611	\$ 4,819	\$ 4,929
Financing	(401)	(475)	(3,200)	(1,007)
Investment	(825)	(1,988)	(1,763)	(3,606)
	<u>45</u>	<u>148</u>	<u>(144)</u>	<u>316</u>
Effects of changes in exchange rates on cash and cash equivalents	(27)	(60)	(171)	15
Increase (decrease) in cash and cash equivalents in the period	18	88	(315)	331
Cash and cash equivalents, beginning of period	3,835	3,794	4,168	3,551
Cash and cash equivalents, end of period	<u>\$ 3,853</u>	<u>\$ 3,882</u>	<u>\$ 3,853</u>	<u>\$ 3,882</u>

The principal source of funds for the Company on a consolidated basis is cash provided by operating activities, including premium income, net investment income and fee income. These funds are used primarily to pay policy benefits, policyholder dividends and claims, as well as operating expenses and commissions. Cash flows generated by operations are mainly invested to support future liability cash requirements. Cash flows related to financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the third quarter of 2019, cash and cash equivalents were comparable to June 30, 2019. Cash flows provided by operations during the third quarter of 2019 were \$1.3 billion, a decrease of \$1.3 billion compared to the third quarter of 2018. Cash flows used in financing were \$0.4 billion, primarily used for the payment of dividends to common and preferred shareholders. For the three months ended September 30, 2019, cash flows were used by the Company to acquire an additional \$0.8 billion of investment assets.

For the nine months ended September 30, 2019, cash and cash equivalents decreased by \$0.3 billion from December 31, 2018. Cash flows provided by operations were \$4.8 billion, a decrease of \$0.1 billion compared to the same period in 2018, which included \$1.1 billion of cash received during the second quarter of 2019 as a result of the indemnity reinsurance agreement with Protective Life. Cash flows used in financing were \$3.2 billion, primarily used for the purchase and cancellation of common shares of \$2.0 billion relating to the Company's substantial issuer bid and the payment of dividends to common and preferred shareholders of \$1.3 billion. In the first quarter of 2019, the Company increased the quarterly dividend to common shareholders from \$0.389 per common share to \$0.413 per common share. For the nine months ended September 30, 2019, cash flows were used by the Company to acquire an additional \$1.8 billion of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2018.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company's internal assessment of capital requirements in the context of its risk profiles and requirements and strategic plans. The Company's practice is 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. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a 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 Base Solvency Buffer or required capital. The Base Solvency Buffer is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business.

OSFI has established a Supervisory Target Total Ratio of 100%, and a Supervisory Minimum Total Ratio of 90%. The internal target range of the LICAT ratio for Lifeco's major Canadian operating subsidiaries is 110% to 120% (on a consolidated basis).

Great-West Life's consolidated LICAT ratio at September 30, 2019 was 139% (136% at June 30, 2019 and 140% at December 31, 2018). The LICAT ratio does not take into account any impact from \$0.3 billion of liquidity at the Lifeco holding company level at September 30, 2019 (\$0.3 billion at June 30, 2019). Liquidity at the Lifeco holding company level does not reflect the net proceeds from the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business, which is held within the U.S. segment. During the second quarter, the Company repurchased and subsequently cancelled common shares for aggregate consideration of \$2.0 billion. The dividends paid by Great-West Life to Lifeco to support this transaction decreased Great-West Life's consolidated LICAT ratio for June 30, 2019 by approximately 6 points.

The following provides a summary of the LICAT information and ratios for Great-West Life:

LICAT Ratio	Sept. 30 2019	June 30 2019
Tier 1 Capital	\$ 11,603	\$ 11,134
Tier 2 Capital	3,466	3,655
Total Available Capital	15,069	14,789
Surplus Allowance & Eligible Deposits	11,927	11,723
Total Capital Resources	\$ 26,996	\$ 26,512
Base Solvency Buffer (includes OSFI scalar 1.05)	\$ 19,368	\$ 19,542
Total Ratio (OSFI Supervisory Target = 100%)⁽¹⁾	139%	136%

⁽¹⁾ Total Ratio (%) = Total Capital Resources / Base Solvency Buffer (after 1.05 scalar)

OSFI Regulatory Capital Initiatives

The IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts*. The IASB Board agreed to implementation of IFRS 17, for periods beginning on or after January 1, 2022. IFRS 17 includes, among other things, new requirements for the recognition and measurement 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.

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 any future development including adaptations relating to the IFRS 17 accounting standard and developments relating to Segregated Fund Guarantee Risk requirements.

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian and European segments (essentially Great-West Life), this allocation method generally tracks the regulatory capital requirements, while for GWL&A 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.

The capital allocation methodology allows the Company to calculate comparable return on equity (ROE) for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital.

Return on Equity - Net earnings basis ⁽¹⁾	Sept. 30	June 30	Sept. 30
	2019	2019	2018
Canada	16.3 %	16.6 %	20.7 %
GWL&A	4.5 %	5.8 %	17.9 %
U.S. Asset Management (Putnam)	(0.7)%	(1.6)%	(29.3)%
Europe	17.4 %	16.4 %	16.1 %
Total Lifeco Net Earnings Basis	12.4 %	12.0 %	12.8 %

Return on Equity - Adjusted net earnings basis ⁽¹⁾⁽²⁾	Sept. 30	June 30	Sept. 30
	2019	2019	2018
Canada ⁽³⁾	16.3 %	16.6 %	21.0 %
GWL&A ⁽⁴⁾	11.6 %	12.0 %	12.3 %
U.S. Asset Management (Putnam) ⁽⁵⁾	(0.7)%	(1.6)%	(1.4)%
Europe ⁽⁶⁾	17.4 %	17.1 %	16.2 %
Total Lifeco Adjusted Net Earnings Basis⁽³⁾	13.4 %	13.2 %	14.7 %

⁽¹⁾ ROE is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.

⁽²⁾ Adjusted ROE (a non-IFRS financial measure) is the calculation of adjusted net earnings divided by the average common shareholders' equity over the trailing four quarters.

⁽³⁾ Canada adjusted net earnings exclude \$19 million related to the impact of U.S. tax reform in the fourth quarter of 2017.

⁽⁴⁾ GWL&A adjusted net earnings exclude the net charge of \$199 million relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business in the second quarter of 2019 and the positive impact of U.S. tax reform of \$197 million in the fourth quarter of 2017.

⁽⁵⁾ U.S. Asset Management (Putnam) adjusted net earnings exclude the impact of a net charge on the sale of an equity investment of \$122 million and the impact of U.S. tax reform of \$448 million in the fourth quarter of 2017.

⁽⁶⁾ Europe adjusted net earnings for the third quarter of 2018 exclude restructuring costs of \$56 million related to the Insurance and Annuities business unit (\$4 million in the fourth quarter of 2017). Adjusted net earnings for the fourth quarter of 2017 also exclude the positive impact of U.S. tax reform of \$54 million.

The Company reported ROE based on net earnings of 12.4% at September 30, 2019, up from 12.0% at June 30, 2019 and down from 12.8% at September 30, 2018. Lifeco's net earnings for the second quarter of 2018 included a net positive impact of \$60 million, arising from refinancing in the U.S. segment completed in the quarter, which increased the September 30, 2018 ROE by 0.3%.

The Company reported ROE based on adjusted net earnings of 13.4% at September 30, 2019, compared to 13.2% at June 30, 2019 and 14.7% at September 30, 2018. Adjusted net earnings exclude the net charge relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business, the impact of U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs.

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 third quarter of 2019, 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 consistent dividend track record. 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. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in third quarter of 2019.

Following Lifeco's announcement on January 24, 2019 that its subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), had reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business, Moody's Investors Service (Moody's) placed the Aa3 insurance financial strength (IFS) ratings of GWL&A and its subsidiary, Great-West Life & Annuity Insurance Company of New York, on review for downgrade. Subsequently, on June 4, 2019, Moody's announced it had concluded its review and confirmed the Aa3 IFS ratings of GWL&A and its subsidiary, Great-West Life & Annuity Insurance Company of New York. The A3 issuer rating of GWL&A's U.S. holding company, GWL&A Financial, Inc., and the Baa1 (hybrid) senior debt rating of debentures issued by an affiliate, Great-West Life & Annuity Insurance Capital, LP, were also confirmed. The outlook for GWL&A Financial, Inc., and its subsidiaries that were under review, is now stable.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Irish Life	Great-West Life & Annuity Insurance Company
A.M. Best Company	Financial Strength		A+	A+	A+		A+
DBRS Limited	Issuer Rating	A (high)	AA				NR
	Financial Strength		AA	AA	AA		
	Senior Debt	A (high)			AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA	AA	AA
	Senior Debt	A			A+		
	Subordinated Debt						
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3		Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA	AA	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 Great-West Life and its operating subsidiaries, London Life and Canada Life; GWL&A and Putnam; together with Lifeco's Corporate results.

For reporting purposes, the consolidated operating results are grouped into four reportable segments – Canada, United States, Europe and Lifeco Corporate – reflecting geographic lines as well as the management and corporate structure of the companies.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and 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, critical illness, health and dental protection, creditor insurance as well as retirement savings and income products and other specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits	\$ 7,053	\$ 6,420	\$ 6,269	\$ 20,117	\$ 19,660
Sales	3,520	2,940	2,877	9,640	9,739
Fee and other income	447	440	437	1,309	1,308
Net earnings	300	280	315	863	965
Total assets	\$ 174,149	\$ 170,908	\$ 164,665		
Proprietary mutual funds and institutional net assets	6,853	6,778	7,216		
Total assets under management	181,002	177,686	171,881		
Other assets under administration	17,210	16,756	13,773		
Total assets under administration	\$ 198,212	\$ 194,442	\$ 185,654		

2019 DEVELOPMENTS

- On April 3, 2019, the Company announced its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, are moving to one brand in Canada: Canada Life. On July 19, 2019, the Company announced that the Boards of Directors of its three Canadian life insurance companies, Great-West Life, London Life and Canada Life, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., approved plans to proceed with the amalgamation of these five entities into one company: The Canada Life Assurance Company. Subsequent to September 30, 2019, on October 3, 2019, Great-West Life, London Life and Canada Life announced that their respective voting policyholders voted in favour of the amalgamation plans.

Subject to regulatory approvals, the amalgamation is expected to be completed by January 1, 2020. Upon approval, the companies will be combined into one single life insurance company operating under The Canada Life Assurance Company name. The amalgamation is expected to create operating efficiencies and simplify the Company's capital structure to allow for more efficient use of capital. Great-West Lifeco will remain the parent company, and the amalgamated company will retain all of the amalgamating companies' current corporate office locations.

- On August 1, 2019, Financial Horizons Group (FHG), a managing general agency and wholly owned subsidiary of the Company, completed its acquisition of TORCE Financial Group Inc. and VANCE Financial Group Inc. These acquisitions give FHG a significant presence to serve a diverse customer base, including the Asian markets in Toronto and Vancouver. The transaction is not expected to have a material impact on the Company's financial results.
- During the third quarter of 2019, the Company made several enhancements to SimpleProtect, the Company's digital application, including non face-to-face functionality, which allows advisors to meet with clients and obtain electronic signatures without being in the same physical location, and the addition of critical illness applications.
- During the third quarter of 2019, the Company continued to improve its GroupNet for Plan Members platform to enhance the customer experience, including:
 - The introduction of the HealthConnected portal which features engagement elements like wearable device integration, team challenges and wellness strategy games to maximize employee engagement and results.
 - A new paperless claims experience, which allows members to submit all claim types from their desktop or mobile device.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits	\$ 2,490	\$ 2,511	\$ 2,419	\$ 7,509	\$ 7,599
Sales	2,020	2,223	2,030	6,600	6,808
Fee and other income	252	248	253	737	755
Net earnings	85	135	165	344	514

Premiums and deposits

Premiums and deposits for the third quarter of 2019 increased by \$0.1 billion to \$2.5 billion compared to the same quarter last year, primarily due to an increase in proprietary mutual fund deposits and participating life insurance premiums.

For the nine months ended September 30, 2019, premiums and deposits decreased by \$0.1 billion to \$7.5 billion compared to the same period last year, primarily due to a decrease in segregated fund deposits, partially offset by an increase in participating life insurance premiums.

Premiums and deposits for the third quarter of 2019 of \$2.5 billion were comparable to the previous quarter.

Sales

Sales for the third quarter of 2019 of \$2.0 billion were comparable to the same quarter last year. Higher proprietary and third party mutual fund sales were offset by lower segregated fund sales.

For the nine months ended September 30, 2019, sales decreased by \$0.2 billion to \$6.6 billion compared to the same period last year, primarily due to lower segregated fund sales, partially offset by higher third party mutual fund sales.

Sales for the third quarter of 2019 decreased by \$0.2 billion compared to the previous quarter, primarily due to lower proprietary and third party mutual fund sales as well as lower segregated fund sales.

For the individual wealth investment fund business, net cash outflows for the third quarter of 2019 were \$291 million compared to \$259 million for the same quarter last year and \$436 million for the previous quarter. Net cash outflows for the nine months ended September 30, 2019 were \$1,087 million compared to \$573 million for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2019 of \$252 million was comparable to the same quarter last year and to the previous quarter.

For the nine months ended September 30, 2019, fee and other income decreased by \$18 million to \$737 million compared to the same period last year, primarily due to lower margins.

Net earnings

Net earnings for the third quarter of 2019 decreased by \$80 million to \$85 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, partially offset by higher contributions from investment experience. Insurance contract liability basis changes in the third quarter of 2019 include the impact of updates to policyholder behaviour assumptions, updates to the ultimate reinvestment rate, driven by the actuarial standards updates, and updates to morbidity assumptions.

For the nine months ended September 30, 2019, net earnings decreased by \$170 million to \$344 million compared to the same period last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, lower net fee income and less favourable policyholder behaviour experience. The decreases were partially offset by higher contributions from investment experience.

Net earnings for the third quarter of 2019 decreased by \$50 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes, partially offset by higher contributions from investment experience.

For the third quarter of 2019, net earnings attributable to the participating account were \$47 million compared to a net loss of \$19 million for the same quarter last year. The increase in net earnings was primarily due to higher contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2019, net earnings attributable to the participating account were \$43 million compared to a net loss of \$2 million for the same period last year. The increase in net earnings was primarily due to higher contributions from insurance contract liability basis changes, partially offset by less favourable impact of new business.

For the third quarter of 2019, net earnings attributable to the participating account increased by \$43 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits	\$ 4,563	\$ 3,909	\$ 3,850	\$ 12,608	\$ 12,061
Sales	1,500	717	847	3,040	2,931
Fee and other income	179	175	173	524	513
Net earnings	206	161	150	518	486

Premiums and deposits

Premiums and deposits for the third quarter of 2019 increased by \$0.7 billion to \$4.6 billion compared to the same quarter last year. The increase was primarily due to higher segregated fund deposits and higher premiums from single premium group annuities (SPGAs).

For the nine months ended September 30, 2019, premiums and deposits increased by \$0.5 billion to \$12.6 billion compared to the same period last year. The increase was primarily due to higher administrative services only (ASO) deposits for group insurance, higher segregated fund deposits and higher group insurance premiums.

Premiums and deposits for the third quarter of 2019 increased by \$0.7 billion to \$4.6 billion compared to the previous quarter, primarily due to higher segregated fund deposits and higher premiums from SPGAs.

Sales

Sales for the third quarter of 2019 of \$1.5 billion increased by \$0.7 billion compared to the same quarter last year. The increase was primarily due to higher sales across most product lines, including large case sales.

For the nine months ended September 30, 2019, sales increased by \$0.1 billion to \$3.0 billion compared to the same period last year, primarily due to higher segregated fund sales, partially offset by lower large case sales for group insurance.

Sales for the third quarter of 2019 increased by \$0.8 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

For the group wealth segregated fund business, net cash inflows for the third quarter of 2019 were \$242 million, compared to net cash outflows of \$69 million for the same quarter last year and net cash outflows of \$235 million for the previous quarter. For the nine months ended September 30, 2019, net cash inflows were \$407 million compared to \$23 million for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2019 of \$179 million was comparable to the same quarter last year and to the previous quarter.

Fee and other income for the nine months ended September 30, 2019 increased by \$11 million to \$524 million compared to the same period last year, primarily due to higher assets under administration.

Net earnings

Net earnings for the third quarter of 2019 increased by \$56 million to \$206 million compared to the same quarter last year, primarily due to higher contributions from investment experience and insurance contract liability basis changes.

For the nine months ended September 30, 2019, net earnings increased by \$32 million to \$518 million compared to the same period last year. The increase was primarily due to higher contributions from investment experience and insurance contract liability basis changes as well as more favourable morbidity experience.

Net earnings for the third quarter of 2019 increased by \$45 million compared to the previous quarter. The increase was primarily due to higher contributions from investment experience and insurance contract liability basis changes as well as lower expenses.

CANADA CORPORATE

Canada Corporate consists of items not associated directly with or allocated to the Canadian business units.

In the third quarter of 2019, net earnings were \$9 million compared to net earnings of nil for the same quarter last year. The increase was primarily due to changes in certain income tax estimates, partially offset by higher expenses due to the planned amalgamation of the Canadian life insurance companies.

Net earnings for the nine months ended September 30, 2019 were \$1 million compared to a net loss of \$35 million for the same period last year. The increase was primarily due to changes in certain income tax estimates and higher net investment income on seed capital, partially offset by higher expenses due to the planned amalgamation of the Canadian life insurance companies.

In the third quarter of 2019, net earnings were \$9 million compared to a net loss of \$16 million in the previous quarter, primarily due to changes in certain income tax estimates, partially offset by higher expenses discussed for the in-quarter results.

UNITED STATES

The United States operating results for Lifeco include the results of GWL&A, Putnam and the results of the insurance businesses in the United States branches of Great-West Life and 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. Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, Financial Services also includes 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.

The Reinsured Insurance & Annuity Business unit reflects substantially all of the individual life insurance and annuity business which has been 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.

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

TRANSLATION OF FOREIGN CURRENCY

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 that highlights the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results. This measure provides useful information as it facilitates the comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - United States

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits ⁽¹⁾	\$ 17,670	\$ 15,489	\$ 17,358	\$ 50,995	\$ 51,887
Sales	31,245	24,213	24,284	131,306	73,868
Fee and other income ⁽²⁾	665	1,764	673	3,088	1,959
Net earnings - common shareholders	77	(98)	113	60	333
Net earnings (US\$) - common shareholders ⁽³⁾	59	(73)	87	47	251
Adjusted net earnings - common shareholders ⁽⁴⁾	77	101	113	259	333
Adjusted net earnings (US\$) - common shareholders ⁽³⁾⁽⁴⁾	59	75	87	195	251
<hr/>					
Total assets	\$ 87,090	\$ 86,126	\$ 83,888		
Proprietary mutual funds and institutional net assets	250,183	248,253	246,151		
Total assets under management	337,273	334,379	330,039		
Other assets under administration	778,450	757,569	659,602		
Total assets under administration	\$ 1,115,723	\$ 1,091,948	\$ 989,641		

⁽¹⁾ For the three months ended June 30, 2019 and the nine months ended September 30, 2019, premiums and deposits excluded the initial ceded premium of \$13,889 million (US\$10,365 million) related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

⁽²⁾ For the three months ended June 30, 2019 and nine months ended September 30, 2019, fee and other income included a ceding commission of \$1,080 million (US\$806 million) related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

⁽³⁾ Net earnings (US\$) - common shareholders and adjusted net earnings (US\$) - common shareholders do not include \$9 million of net foreign currency exchange gains for the nine months ended September 30, 2018 as they do not have a US\$ equivalent. These amounts are only included in Canadian dollar net earnings.

⁽⁴⁾ Adjusted net earnings - common shareholders and adjusted net earnings (US\$) - common shareholders are non-IFRS financial measures of earnings performance. Adjusted net earnings for the three months ended June 30, 2019 and the nine months ended September 30, 2019 exclude the net charge of \$199 million (US\$148 million) on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

2019 DEVELOPMENTS

- On June 5, 2019, the Securities and Exchange Commission adopted and released Regulation Best Interest (the Rule). The Rule establishes a new standard of conduct requiring broker-dealers to satisfy a higher standard of care and disclosure when recommending securities and investment strategies, including rollovers and account recommendations, to retail clients and retirement plan participants. The Rule does not apply to discussions with plan sponsors. The Rule is effective June 30, 2020 and the Company intends to fully comply with the Rule by that date. Management does not expect that the Rule will prevent the Company from executing on its overall business strategy and growth objectives.

Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Financial Services ⁽¹⁾	\$ 63	\$ 62	\$ 67	\$ 178	\$ 192
Asset Management	13	6	(8)	15	(32)
U.S. Corporate	1	3	—	3	52
Reinsured Insurance & Annuity Business ⁽¹⁾⁽²⁾	—	(169)	54	(136)	121
Net earnings - common shareholders	\$ 77	\$ (98)	\$ 113	\$ 60	\$ 333
Adjustments					
Net charge on sale, via reinsurance, of a U.S. business	—	199	—	199	—
Adjusted net earnings - common shareholders⁽²⁾	\$ 77	\$ 101	\$ 113	\$ 259	\$ 333
Financial Services (US\$) ⁽¹⁾	\$ 49	\$ 46	\$ 49	\$ 135	\$ 148
Asset Management (US\$)	9	5	(6)	11	(25)
Corporate (US\$)	1	2	—	2	33
Reinsured Insurance & Annuity Business (US\$) ⁽¹⁾⁽²⁾	—	(126)	44	(101)	95
Net earnings (US\$) - common shareholders	\$ 59	\$ (73)	\$ 87	\$ 47	\$ 251
Adjustments					
Net charge on sale, via reinsurance, of a U.S. business (US\$)	—	148	—	148	—
Adjusted net earnings (US\$) - common shareholders⁽²⁾	\$ 59	\$ 75	\$ 87	\$ 195	\$ 251

⁽¹⁾ Reinsured Insurance & Annuity Business reflects business transferred to Protective Life Insurance on June 1, 2019. Comparative figures have been adjusted to reflect current presentation.

⁽²⁾ Adjusted net earnings attributable to common shareholders is a non-IFRS financial measure of earnings performance. Adjustments to net earnings are included in the Reinsured Insurance & Annuity Business unit.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2019 DEVELOPMENTS

- On June 1, 2019, GWL&A, a subsidiary of the Company, completed the sale, via indemnity reinsurance, of substantially all of its individual life insurance and annuity business to Protective Life who now assumes the economics and risks associated with the reinsured business. The transaction resulted in an after-tax transaction value of approximately \$1.6 billion (US\$1.2 billion), excluding one-time expenses. The transaction value included a ceding commission of \$1,080 million (US\$806 million) and a capital release of approximately \$530 million (US\$400 million). The business transferred included bank-owned and corporate-owned life insurance, single premium life insurance, individual annuities as well as closed block life insurance and annuities. Because the transaction is structured as a reinsurance agreement, the Company will hold both the liability and offsetting reinsurance asset. Protective Life will assume the economics and risks associated with the reinsured business.

In the second quarter of 2019, the Company recognized a loss related to this transaction of \$199 million (US\$148 million), which included transaction costs of \$63 million (US\$47 million) and \$36 million (US\$27 million) due to updated expense assumptions primarily related to stranded overhead. The liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. Additionally, certain post-closing contingencies exist that may result in additional payments to Lifeco, which could impact net earnings during the fourth quarter of 2019. GWL&A will retain a block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance. Post-transaction, the Company will focus on the defined contribution retirement and asset management markets in the U.S. segment.

- During the third quarter of 2019, Empower Retirement announced it entered into a 21-year agreement with the Denver Broncos Football Club and Metropolitan Football Stadium District for the naming rights to the Denver Broncos' stadium, which will now be known as "Empower Field at Mile High." The agreement gives Empower Retirement national brand and media exposure, serving as the home for the Broncos and more than 300 other events annually.
- Empower Retirement participant accounts have grown to 9.5 million at September 30, 2019, up from 8.8 million at December 31, 2018.
- Empower Retirement assets under administration have grown to US\$652 billion at September 30, 2019, up from US\$516 billion at December 31, 2018.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits ⁽¹⁾⁽²⁾	\$ 3,071	\$ 2,790	\$ 2,633	\$ 8,633	\$ 7,780
Sales ⁽¹⁾⁽³⁾	16,885	11,720	9,728	89,582	30,213
Fee and other income ⁽¹⁾	369	354	330	1,052	952
Net earnings ⁽¹⁾⁽⁴⁾	63	62	67	178	192
Premiums and deposits (US\$) ⁽¹⁾⁽²⁾	\$ 2,327	\$ 2,081	\$ 2,009	\$ 6,491	\$ 6,047
Sales (US\$) ⁽¹⁾⁽³⁾	12,792	8,746	7,426	67,385	23,518
Fee and other income (US\$) ⁽¹⁾	280	264	252	791	740
Net earnings (US\$) ⁽¹⁾⁽⁴⁾	49	46	49	135	148

⁽¹⁾ The operating results of Financial Services have been restated for comparative periods to reflect the impact of the reinsurance transaction with Protective Life, which closed on June 1, 2019. Following the close of the reinsurance transaction, and included in Financial Services results, the Company will retain a block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance.

⁽²⁾ For the three and nine months ended September 30, 2019, premiums and deposits included US\$34 million and US\$112 million, respectively, relating to the retained policies (US\$38 million and US\$138 million for the three and nine months ended September 30, 2018 and US\$36 million for the three months ended June 30, 2019).

⁽³⁾ For the three and nine months ended September 30, 2019, sales included US\$0.3 billion and US\$0.8 billion, respectively, relating to Putnam managed funds sold on the Empower Retirement platform (US\$0.3 billion and US\$0.8 billion for the three and nine months ended September 30, 2018 and US\$0.2 billion for the three months ended June 30, 2019).

⁽⁴⁾ For the three and nine months ended September 30, 2019, net earnings included US\$6 million and US\$25 million, respectively, relating to the retained policies (US\$5 million and US\$27 million for the three and nine months ended September 30, 2018 and US\$7 million for the three months ended June 30, 2019).

Premiums and deposits

Premiums and deposits for the third quarter of 2019 of US\$2.3 billion increased by US\$0.3 billion compared to the same quarter last year and US\$0.2 billion compared to the previous quarter, primarily due to higher sales across all product lines and higher deposits from existing Empower Retirement participants.

For the nine months ended September 30, 2019, premiums and deposits increased by US\$0.4 billion to US\$6.5 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales

Sales in the third quarter of 2019 of US\$12.8 billion increased by US\$5.4 billion compared to the same quarter last year and US\$4.0 billion compared to the previous quarter, primarily due to higher Empower Retirement sales across all product lines and included several large plan sales. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the nine months ended September 30, 2019, sales increased by US\$43.9 billion to US\$67.4 billion compared to the same period last year, primarily due to an increase in Empower Retirement large plan sales. Included in sales for the first quarter of 2019 was one large sale relating to a new client with close to 200,000 participants.

Fee and other income

Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services and investment advisory services. Generally, fees are earned based on assets under management, assets under administration or the number of plans and participants for which services are provided.

Fee and other income for the third quarter of 2019 of US\$280 million increased by US\$28 million compared to the same quarter last year and US\$16 million compared to the previous quarter, primarily due to growth in participants and higher average equity markets.

For the nine months ended September 30, 2019, fee and other income increased by US\$51 million to US\$791 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Net earnings

Net earnings for the third quarter of 2019 of US\$49 million were comparable to the same quarter last year as net business growth was offset by lower contributions from insurance contract liability basis changes and investment experience.

For the nine months ended September 30, 2019, net earnings decreased by US\$13 million to US\$135 million compared to the same period last year. The decrease was primarily due to higher operating expenses, lower contributions from insurance contract liability basis changes and investment experience, partially offset by net business growth.

Net earnings for the third quarter of 2019 increased by US\$3 million compared to the previous quarter, primarily due to net business growth, partially offset by lower contributions from insurance contract liability basis changes.

ASSET MANAGEMENT**2019 DEVELOPMENTS**

- Putnam's average assets under management (AUM) for the three months ended September 30, 2019 of US\$174.3 billion decreased by US\$1.0 billion compared to the same quarter last year and increased by US\$2.2 billion compared to the previous quarter. For the three months ended September 30, 2019, mutual fund net inflows were US\$1.1 billion.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2019, approximately 90% and 86% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Sales	\$ 14,360	\$ 12,406	\$ 14,128	\$ 41,316	\$ 42,365
Fee income					
Investment management fees	205	204	212	607	622
Performance fees	(3)	(3)	(9)	(12)	(30)
Service fees	37	38	38	112	111
Underwriting & distribution fees	57	59	61	172	184
Fee income	296	298	302	879	887
Core net earnings ⁽¹⁾	22	20	4	50	7
Less: Financing and other expenses (after-tax) ⁽¹⁾	(9)	(14)	(12)	(35)	(39)
Reported net earnings (loss)	13	6	(8)	15	(32)
Sales (US\$)	\$ 10,879	\$ 9,258	\$ 10,785	\$ 31,077	\$ 32,919
Fee income (US\$)					
Investment management fees (US\$)	155	152	162	456	483
Performance fees (US\$)	(2)	(2)	(7)	(8)	(24)
Service fees (US\$)	28	28	29	84	87
Underwriting & distribution fees (US\$)	43	44	47	129	143
Fee income (US\$)	224	222	231	661	689
Core net earnings (US\$) ⁽¹⁾	17	15	3	38	6
Less: Financing and other expenses (after-tax) (US\$) ⁽¹⁾	(8)	(10)	(9)	(27)	(31)
Reported net earnings (loss) (US\$)	9	5	(6)	11	(25)
Pre-tax operating margin ⁽²⁾	9.5%	9.1%	2.0%	8.4%	1.2%
Average assets under management (US\$)	\$ 174,268	\$ 172,040	\$ 175,223	\$ 171,503	\$ 173,865

⁽¹⁾ Core net earnings (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings includes the impact of dealer commissions and software amortization and excludes the impact of certain corporate financing charges and allocations, certain tax adjustments and other non-recurring transactions.

⁽²⁾ Pre-tax operating margin (a non-IFRS financial measure) is a measure of the Asset Management business unit's pre-tax core net earnings divided by the sum of fee income and net investment income.

Sales

Sales in the third quarter of 2019 increased by US\$0.1 billion to US\$10.9 billion compared to the same quarter last year. The increase was primarily due to a US\$0.6 billion increase in institutional sales, mostly offset by a US\$0.5 billion decrease in mutual fund sales.

For the nine months ended September 30, 2019, sales decreased by US\$1.8 billion to US\$31.1 billion compared to the same period last year, primarily due to a US\$0.9 billion decrease in mutual fund sales and a US\$0.9 billion decrease in institutional sales.

Sales in the third quarter of 2019 increased by US\$1.6 billion compared to the previous quarter, primarily due to a US\$1.0 billion increase in institutional sales and a US\$0.6 billion increase in mutual fund sales.

Fee income

Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36 month performance period for mutual funds and a 12 month performance period for institutional portfolios. Performance fees on mutual funds are symmetric, and as a result, can be positive or negative.

Fee income for the third quarter of 2019 decreased by US\$7 million to US\$224 million compared to the same quarter last year. The decrease was primarily due to lower investment management fees, driven by lower average AUM and a change in asset mix, as well as lower underwriting and distribution fees, partially offset by improved mutual fund performance fees.

For the nine months ended September 30, 2019, fee income of US\$661 million decreased by US\$28 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee income for the third quarter of 2019 of US\$224 million increased by US\$2 million compared to the prior quarter, primarily due to higher investment management fees, driven by higher average AUM.

Net earnings

Core net earnings (a non-IFRS financial measure) for the third quarter of 2019 increased by US\$14 million to US\$17 million compared to the same quarter last year. The increase was primarily due to lower operating expenses, which included the impact of expense reduction initiatives, partially offset by lower net fee income. In the third quarter of 2019, reported net earnings, including financing and other expenses, were US\$9 million compared to a reported net loss of US\$6 million for the same quarter last year. Financing and other expenses for the third quarter of 2019 of US\$8 million were comparable to the same quarter last year.

For the nine months ended September 30, 2019, core net earnings increased by US\$32 million to US\$38 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results, as well as higher net investment income on seed capital. Reported net earnings, including financing and other expenses, for the nine months ended September 30, 2019 were US\$11 million compared to a reported net loss of US\$25 million for the same period last year. Financing and other expenses for the nine month period ended September 30, 2019 decreased by US\$4 million to US\$27 million compared to the same period last year, primarily due to lower net financing costs.

Core net earnings for the third quarter of 2019 increased by US\$2 million to US\$17 million compared the previous quarter. The increase was primarily due to the higher net fee income and lower operating expenses, partially offset by lower net investment income. Reported net earnings, including financing and other expenses, for the third quarter of 2019 were US\$9 million compared to US\$5 million for the previous quarter. Financing and other expenses for the third quarter of 2019 decreased by US\$2 million to US\$8 million compared to the previous quarter, primarily due to lower other expenses.

ASSETS UNDER MANAGEMENT

Assets under management (\$US)	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Beginning assets	\$ 174,661	\$ 170,580	\$ 172,445	\$ 160,200	\$ 171,458
Sales - Mutual funds	6,703	6,113	7,242	19,676	20,637
Redemptions - Mutual funds	<u>(5,642)</u>	<u>(6,214)</u>	<u>(5,580)</u>	<u>(18,715)</u>	<u>(18,695)</u>
Net asset flows - Mutual funds	1,061	(101)	1,662	961	1,942
Sales - Institutional	4,176	3,145	3,543	11,401	12,282
Redemptions - Institutional	<u>(6,784)</u>	<u>(3,614)</u>	<u>(3,995)</u>	<u>(16,494)</u>	<u>(12,657)</u>
Net asset flows - Institutional	(2,608)	(469)	(452)	(5,093)	(375)
Net asset flows - Total	(1,547)	(570)	1,210	(4,132)	1,567
Impact of market/performance	<u>1,077</u>	<u>4,651</u>	<u>3,544</u>	<u>18,123</u>	<u>4,174</u>
Ending assets	<u>\$ 174,191</u>	<u>\$ 174,661</u>	<u>\$ 177,199</u>	<u>\$ 174,191</u>	<u>\$ 177,199</u>
<u>Average assets under management</u>					
Mutual funds	83,937	81,951	81,657	81,827	79,975
Institutional assets	<u>90,331</u>	<u>90,089</u>	<u>93,566</u>	<u>89,676</u>	<u>93,890</u>
Total average assets under management	<u>\$ 174,268</u>	<u>\$ 172,040</u>	<u>\$ 175,223</u>	<u>\$ 171,503</u>	<u>\$ 173,865</u>

Average AUM for the three months ended September 30, 2019 were US\$174.3 billion, a decrease of US\$1.0 billion compared to the same quarter last year, primarily due to cumulative institutional net asset outflows, mostly offset by cumulative mutual fund net asset inflows as well as the impact of market movements. Net asset outflows for the third quarter of 2019 were US\$1.5 billion compared to net asset inflows of US\$1.2 billion in the same quarter last year. In-quarter mutual fund net asset inflows were US\$1.1 billion and institutional net asset outflows were US\$2.6 billion.

Average AUM for the nine months ended September 30, 2019 decreased by US\$2.4 billion to US\$171.5 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results. Net asset outflows for the nine months ended September 30, 2019 were US\$4.1 billion compared to net asset inflows of US\$1.6 billion in the same period last year. Year-to-date mutual fund net asset inflows were US\$1.0 billion and institutional net asset outflows were US\$5.1 billion.

Average AUM for the three months ended September 30, 2019 increased by US\$2.2 billion compared to the previous quarter, primarily due to the impact of market movements and mutual fund net asset inflows.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

In the third quarter of 2019, net earnings were US\$1 million compared to net earnings of nil for the same quarter last year. The increase is primarily due to higher net investment income, partially offset by higher strategic expenses.

For the nine months ended September 30, 2019, net earnings decreased by US\$31 million to US\$2 million compared to the same period in 2018. The second quarter of 2018 included a gain on terminating an interest rate hedge as part of a debt refinancing transaction.

For the third quarter of 2019, net earnings of US\$1 million were comparable to the previous quarter as higher net investment income was offset by higher strategic expenses.

The 2018 year-to-date U.S. Corporate U.S. dollar net earnings do not include \$9 million of net foreign currency exchange gains which occurred in the second quarter of 2018 as a result of debt redemptions as they do not have a U.S. dollar equivalent. These amounts are only included in Canadian dollar net earnings.

REINSURED INSURANCE & ANNUITY BUSINESS

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits ⁽¹⁾	\$ 239	\$ 293	\$ 597	\$ 1,046	\$ 1,742
Sales	—	87	428	408	1,290
Fee and other income ⁽²⁾	—	1,112	41	1,157	120
Net earnings	—	(169)	54	(136)	121
Adjusted net earnings ⁽³⁾	—	30	54	63	121
Premiums and deposits (US\$) ⁽¹⁾	\$ 181	\$ 219	\$ 456	\$ 787	\$ 1,353
Sales (US\$)	—	65	327	306	1,002
Fee and other income (US\$) ⁽²⁾	—	830	31	864	93
Net earnings (US\$)	—	(126)	44	(101)	95
Adjusted net earnings (US\$) ⁽³⁾	—	22	44	47	95

⁽¹⁾ For the three months ended June 30, 2019 and the nine months ended September 30, 2019, premiums and deposits excluded the initial ceded premium of \$13,889 million (US\$10,365 million) related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

⁽²⁾ For the three months ended June 30, 2019 and the nine months ended September 30, 2019, fee and other income included a ceding commission of \$1,080 million (US\$806 million) related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

⁽³⁾ Adjusted net earnings - common shareholders and adjusted net earnings (US\$) - common shareholders are non-IFRS financial measures of earnings performance. Adjusted net earnings exclude the net charge of \$199 million (US\$148 million) on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business.

The Reinsured Insurance & Annuity Business unit results reflect sales, fee and other income and net earnings up to June 1, 2019. Following the sale, via indemnity reinsurance, on June 1, 2019 to Protective Life, there were no additional sales, fee and other income and net earnings related to this business unit. Premiums and deposits for the three months ended September 30, 2019 of US\$181 million primarily related to deposits received on separate accounts, with the economics ceded to Protective Life, resulting in no net earnings impact.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, together with an allocation of a portion of Lifeco's corporate results. Insurance & Annuities provides protection and wealth management products, including payout annuity products, through subsidiaries of Canada Life in the U.K., the Isle of Man and Germany, as well as through Irish Life in Ireland. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

TRANSLATION OF FOREIGN CURRENCY

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 that highlights the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results. This measure provides useful information as it facilitates the comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits	\$ 11,694	\$ 12,371	\$ 10,955	\$ 40,430	\$ 30,132
Fee and other income	384	387	373	1,169	1,132
Net earnings - common shareholders	357	282	263	938	962
Adjusted net earnings - common shareholders ⁽¹⁾	357	282	319	938	1,018
<hr/>					
Total assets	\$ 185,387	\$ 184,863	\$ 180,529		
Proprietary mutual funds and institutional net assets	51,389	50,221	40,399		
Total assets under management	236,776	235,084	220,928		
Other assets under administration	46,040	46,483	45,035		
Total assets under administration⁽¹⁾	\$ 282,816	\$ 281,567	\$ 265,963		

⁽¹⁾ At September 30, 2019, total assets under administration excludes \$8.2 billion of assets managed for other business units within the Lifeco group of companies (\$8.4 billion at June 30, 2019 and \$8.4 billion at September 30, 2018).

2019 DEVELOPMENTS

- Some market volatility continues with global economic uncertainty and the U.K. due to leave the European Union (EU). The Company's U.K. and other European businesses have plans which have been executed, or are ready to be executed, that will address and minimize the impact under several different outcomes, including where the U.K. has no exit agreements with the EU. Market uncertainty is not expected to have a material impact on the Company's financial results as the Company's businesses are principally domestic to the countries where they are based.
- As of September 30, 2019, £11 million of pre-tax annualized expense reductions have been achieved relating to the U.K. restructuring program compared to £10 million at June 30, 2019. The Company remains on track to achieve targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter of 2020 from various sources including systems and process improvements and a reduction in headcount.
- In 2018, Canada Life Limited, an indirect wholly-owned U.K. subsidiary of the Company, announced an agreement to sell a heritage block of individual policies to Scottish Friendly, comprised of unit-linked policies and non unit-linked policies. Subsequent to September 30, 2019, on October 22, 2019, the required court approval for the transfer of these policies has been received and this transfer is expected to be effective November 1, 2019.
- On August 30, 2019, Irish Life Group Limited, a subsidiary of the Company, through its subsidiary Invesco Limited, announced it has reached an agreement to acquire Acumen & Trust DAC, a leading Irish-owned independent financial services consultancy firm. The transaction is expected to close in the first quarter of 2020, subject to regulatory approvals. While the transaction is not expected to have a material impact on the Company's financial results, it allows the Company to expand into the areas of employee benefits consulting and individual financial advice.
- Subsequent to September 30, 2019, on October 21, 2019, the Company's German business completed its acquisition of an interest in Jung DMS & Cie AG (JDC), one of the leading broker pools in Germany. While the transaction is not expected to have a material impact on the Company's financial results, it expands the Company's footprint in the German market.

- During the third quarter of 2019, Canada Life U.K. won the "Best Equity Release Provider", "Best Group Protection Provider" and "Best Investment Bond Provider" at the Investment Life & Pensions Moneyfacts Awards 2019.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits ⁽¹⁾	\$ 7,596	\$ 7,936	\$ 7,848	\$ 27,443	\$ 20,500
Sales ⁽¹⁾	7,098	7,131	7,235	25,410	18,509
Fee and other income	382	385	370	1,162	1,122
Net earnings	306	207	240	716	765

⁽¹⁾ For the three and nine months ended September 30, 2019, premiums and deposits and sales exclude \$0.3 billion and \$0.7 billion, respectively, of assets managed for other business units within the Lifeco group of companies (\$0.2 billion and \$0.8 billion for the three and nine months ended September 30, 2018 and \$0.2 billion three months ended June 30, 2019).

Premiums and deposits

Premiums and deposits for the third quarter of 2019 decreased by \$0.3 billion compared to the same quarter last year and \$0.3 billion compared to the previous quarter. These decreases were primarily due to lower bulk annuity sales in U.K. and the impact of currency movement, partially offset by higher fund management sales in Ireland. Fund management sales can be highly variable from period to period.

For the nine months ended September 30, 2019, premiums and deposits increased by \$6.9 billion to \$27.4 billion compared to the same period last year. The increase was primarily due to higher fund management sales in Ireland and higher wealth management sales in U.K., partially offset by lower bulk annuity sales in U.K. and the impact of currency movement.

Sales

Sales for the third quarter of 2019 of \$7.1 billion decreased by \$0.1 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

For the nine months ended September 30, 2019, sales increased by \$6.9 billion compared to the same period last year. The increase was primarily due to higher fund management sales in Ireland and higher wealth management sales in the U.K., partially offset by lower bulk annuity sales in the U.K., lower Ireland retail sales and the impact of currency movement.

Sales for the third quarter of 2019 of \$7.1 billion were comparable to the previous quarter.

Fee and other income

Fee and other income for the third quarter of 2019 increased by \$12 million to \$382 million compared to the same quarter last year, primarily due to higher management fees in Ireland, partially offset by the impact of currency movement.

For the nine months ended September 30, 2019, fee and other income increased by \$40 million to \$1,162 million compared to the same period last year. The increase was primarily due to higher management fees in Ireland and Germany and higher investment related fee income in Ireland, partially offset by lower other income in Ireland and the impact of currency movement.

Fee and other income for the third quarter of 2019 of \$382 million was comparable to the previous quarter.

Net earnings

Net earnings for the third quarter of 2019 increased by \$66 million to \$306 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and investment experience, partially offset by adverse morbidity experience in Ireland and the impact of currency movement. To address the evidence of an adverse trend in claims in Ireland, pricing action has been taken during 2019 with additional action being considered for the fourth quarter of 2019 to restore profit targets.

Net earnings for the nine months ended September 30, 2019 decreased by \$49 million to \$716 million compared to the same period last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, adverse morbidity experience in Ireland, the impact of changes to certain tax estimates and the impact of impairment charges on mortgage loans and reductions in expected property cash flows primarily associated with a U.K. retail tenant entering a prepackaged administration. The decrease was partially offset by the favourable impact of new business and higher contributions from investment experience, which included the impact of bond and mortgage upgrades in 2019, compared to downgrades in 2018, as well as higher realized gains on surplus assets.

Net earnings for the third quarter of 2019 increased by \$99 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes, partially offset by adverse morbidity experience in Ireland and the impact of currency movement. Contributions from investment experience in the third quarter of 2019 were comparable to the previous quarter, as the second quarter of 2019 included the negative impact of impairment charges on mortgage loans and reductions in expected property cash flows primarily associated with a U.K. retail tenant entering a prepackaged administration, which were mostly offset by the positive impact of higher yields on certain new investments.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2019	June 30 2019	Sept. 30 2018	Sept. 30 2019	Sept. 30 2018
Premiums and deposits	\$ 4,098	\$ 4,435	\$ 3,107	\$ 12,987	\$ 9,632
Fee and other income	2	2	3	7	10
Net earnings	55	77	87	229	288

Premiums and deposits

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the third quarter of 2019 increased from \$3.1 billion to \$4.1 billion compared to the same quarter last year, primarily due to new reinsurance agreements and higher volumes relating to existing business.

For the nine months ended September 30, 2019, premiums and deposits increased by \$3.4 billion to \$13.0 billion compared to the same period last year, for the same reasons discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2019 decreased by \$0.3 billion to \$4.1 billion compared to the previous quarter, primarily due to lower volumes relating to existing business.

Fee and other income

Fee and other income for the third quarter of 2019 decreased by \$1 million to \$2 million compared to the same quarter last year, primarily due to restructured reinsurance agreements.

For the nine months ended September 30, 2019, fee and other income decreased by \$3 million to \$7 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2019 was comparable to the previous quarter.

Net earnings

Net earnings for the third quarter of 2019 decreased by \$32 million to \$55 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, less favourable claims experience in the life business and unfavourable initial impacts from new business, partially offset by higher business volumes.

For the nine months ended September 30, 2019, net earnings decreased by \$59 million to \$229 million compared to the same period last year. The decrease was primarily due to unfavourable initial impacts from new business, less favourable claims experience in the life and annuity business and lower contributions from insurance contract liability basis changes, partially offset by higher business volumes.

Net earnings for the third quarter of 2019 decreased by \$22 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes and less favourable claims experience in the life and annuity business, partially offset by less unfavourable initial impacts from new business.

EUROPE CORPORATE

The Europe Corporate account includes financing charges, the impact of certain non-continuing items as well as the results for the legacy international businesses.

In the third quarter of 2019, Europe Corporate had a net loss of \$4 million compared to a net loss of \$64 million in the same quarter last year. Included in the results for the third quarter of 2018 were restructuring costs of \$56 million related to the U.K. operations. Excluding this item, the net loss decreased by \$4 million, primarily due to lower corporate expenses.

For the nine months ended September 30, 2019, Europe Corporate had a net loss of \$7 million compared to a net loss of \$91 million for the same period last year. Excluding the restructuring costs discussed for the in-quarter results, the net loss decreased by \$28 million, primarily due to the impact of changes to certain income tax estimates and lower corporate expenses.

For the three months ended September 30, 2019, Europe Corporate had a net loss of \$4 million compared to a net loss of \$2 million for the previous quarter, primarily due to higher corporate expenses.

LIFECO CORPORATE OPERATING RESULTS

The Lifeco Corporate segment includes operating results for activities of Lifeco that are not associated with the major business units of the Company.

For the three months ended September 30, 2019, the net loss of \$4 million increased by \$2 million compared to the same period last year, primarily due to lower net investment income.

For the nine months ended September 30, 2019, the net loss of \$15 million increased compared to the net loss of \$9 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the three months ended September 30, 2019, the net loss of \$4 million decreased compared to a net loss of \$5 million in the previous quarter, primarily due to lower operating expenses partially offset by lower net investment income.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company's Risk Function is responsible for the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the third quarter of 2019, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2018 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2019, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

Effective January 1, 2019, the Company applied IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23). The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The application of the interpretation of the standard resulted in a decrease of \$109 million to opening accumulated surplus at January 1, 2019, reflecting \$52 million for Canada and \$57 million for Europe.

Effective January 1, 2019, the Company adopted IFRS 16, *Leases* (IFRS 16) which replaces IAS 17, *Leases* (IAS 17). The standard prescribes new guidance for identifying leases as well as the accounting, measurement and presentation of leases by the lessee. The Company has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 has not been restated.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2019.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IAS 28, *Investments in Associates and Joint Ventures*, IAS 19, *Employee Benefits*, and *Annual Improvements 2015 - 2017 Cycle* for the amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs*, effective January 1, 2019. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

In June 2019, the IASB issued an Exposure Draft, which provided targeted amendments to IFRS 17, *Insurance Contracts*, including a deferral of one year of the effective date of the standard and IFRS 9, *Financial Instruments*, to January 1, 2022. The Exposure Draft comment period closed September 25, 2019 with final amendments to the standard expected to be released in mid-2020. The Company is evaluating the potential impact these amendments may have on the Company.

There have been no other significant changes to the future accounting policies that could impact the Company, in addition to the disclosure in the December 31, 2018 Annual MD&A.

OTHER INFORMATION

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management 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.

There have been no changes during the nine month period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

As part of the substantial issuer bid completed in the second quarter of 2019, Power Financial Corporation (Power Financial), Lifeco's parent company, and IGM Financial Inc. (IGM), a member of the Power Financial Corporation group of companies, participated in the Offer. IGM tendered its Lifeco common shares proportionately. Power Financial tendered a portion of its Lifeco common shares on a proportionate basis and all remaining on a non-proportionate basis and this did not impact Power Financial's voting control of the Company. Power Financial and IGM effected their tender offers through a Qualifying Holdco Alternative, which the Company also offered to other shareholders, to assist them in achieving certain Canadian tax objectives.

No other related party transactions have changed materially from December 31, 2018.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in \$ millions, except per share amounts)		2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
Total revenue⁽¹⁾⁽²⁾	\$ 14,374	\$ 2,746	\$ 16,889	\$ 11,699	\$ 12,027	\$ 10,613	\$ 9,693	\$ 12,912	
Common shareholders									
Net earnings									
Total	\$ 730	\$ 459	\$ 657	\$ 710	\$ 689	\$ 831	\$ 731	\$ 392	
Basic - per share	0.786	0.489	0.665	0.719	0.697	0.839	0.740	0.397	
Diluted - per share	0.785	0.489	0.665	0.719	0.697	0.839	0.739	0.396	
Adjusted net earnings⁽³⁾									
Total	\$ 730	\$ 658	\$ 657	\$ 710	\$ 745	\$ 831	\$ 731	\$ 734	
Basic - per share	0.786	0.701	0.665	0.719	0.754	0.839	0.740	0.742	
Diluted - per share	0.785	0.700	0.665	0.719	0.753	0.839	0.739	0.741	

⁽¹⁾ Revenue includes the changes in fair value through profit or loss on investment assets, an initial premium ceded to Protective Life (\$13,889 million for the three months ended June 30, 2019) and a ceding commission received from Protective Life (\$1,080 million for the three months ended June 30, 2019) related to the sale, via indemnity reinsurance, of the individual life insurance and annuity business.

⁽²⁾ 2017 comparative figures have been reclassified to reflect presentation adjustments relating to the adoption of IFRS 15, *Revenue from Contracts with Customers*, as described in note 2 to the Company's December 31, 2018 annual consolidated financial statements.

⁽³⁾ Adjusted net earnings attributable to common shareholders and adjusted net earnings per common share are non-IFRS measures of earnings performance. The following adjustments were made in each quarter:

	2019			2018				2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net charge on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business	\$ —	\$ 199	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restructuring costs	—	—	—	—	56	—	—	4
Net charge on sale of equity investment	—	—	—	—	—	—	—	122
U.S. tax reform impact	—	—	—	—	—	—	—	216
Total Adjustments	\$ —	\$ 199	\$ —	\$ —	\$ 56	\$ —	\$ —	\$ 342

Lifeco's consolidated net earnings attributable to common shareholders were \$730 million for the third quarter of 2019 compared to \$689 million reported a year ago. On a per share basis, this represents \$0.786 per common share (\$0.785 diluted) for the third quarter of 2019 compared to \$0.697 per common share (\$0.697 diluted) a year ago.

Total revenue for the third quarter of 2019 was \$14,374 million and comprises premium income of \$9,324 million, regular net investment income of \$1,452 million, a positive change in fair value through profit or loss on investment assets of \$2,102 million and fee and other income of \$1,496 million.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency							
Period ended	Sept. 30 2019	June 30 2019	Mar. 31 2019	Dec. 31 2018	Sept. 30 2018	June 30 2018	Mar. 31 2018
United States dollar							
Balance sheet	\$ 1.32	\$ 1.31	\$ 1.34	\$ 1.36	\$ 1.29	\$ 1.31	\$ 1.29
Income and expenses	\$ 1.32	\$ 1.34	\$ 1.33	\$ 1.32	\$ 1.31	\$ 1.29	\$ 1.26
British pound							
Balance sheet	\$ 1.63	\$ 1.66	\$ 1.74	\$ 1.74	\$ 1.69	\$ 1.73	\$ 1.81
Income and expenses	\$ 1.63	\$ 1.72	\$ 1.73	\$ 1.70	\$ 1.70	\$ 1.76	\$ 1.76
Euro							
Balance sheet	\$ 1.44	\$ 1.49	\$ 1.50	\$ 1.56	\$ 1.50	\$ 1.53	\$ 1.59
Income and expenses	\$ 1.47	\$ 1.50	\$ 1.51	\$ 1.51	\$ 1.52	\$ 1.54	\$ 1.55

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.