

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*
(in Canadian \$ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2019	June 30 2019	September 30 2018	September 30 2019	September 30 2018
Income					
Premium income					
Gross premiums written	\$ 10,660	\$ 11,148	\$ 11,408	\$ 32,511	\$ 29,713
Ceded premiums	(1,336)	(15,035)	(1,071)	(17,479)	(3,297)
Total net premiums	<u>9,324</u>	<u>(3,887)</u>	<u>10,337</u>	<u>15,032</u>	<u>26,416</u>
Net investment income (note 6)					
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)
Total net investment income	<u>3,554</u>	<u>4,042</u>	<u>207</u>	<u>13,411</u>	<u>1,518</u>
Fee and other income	1,496	2,591	1,483	5,566	4,399
	<u>14,374</u>	<u>2,746</u>	<u>12,027</u>	<u>34,009</u>	<u>32,333</u>
Benefits and expenses					
Policyholder benefits					
Gross	8,878	9,214	7,882	27,256	23,620
Ceded	(762)	(672)	(625)	(2,051)	(1,846)
Total net policyholder benefits	<u>8,116</u>	<u>8,542</u>	<u>7,257</u>	<u>25,205</u>	<u>21,774</u>
Policyholder dividends and experience refunds	352	415	396	1,207	1,296
Changes in insurance and investment contract liabilities	2,972	(8,987)	1,393	(1,090)	312
Total paid or credited to policyholders	<u>11,440</u>	<u>(30)</u>	<u>9,046</u>	<u>25,322</u>	<u>23,382</u>
Commissions	571	598	611	1,779	1,801
Operating and administrative expenses	1,258	1,374	1,244	3,933	3,722
Premium taxes	123	125	122	378	367
Financing charges	70	72	69	214	151
Amortization of finite life intangible assets	57	54	54	164	153
Restructuring expenses	—	—	67	—	67
Earnings before income taxes	<u>855</u>	<u>553</u>	<u>814</u>	<u>2,219</u>	<u>2,690</u>
Income taxes (note 15)	47	53	107	230	337
Net earnings before non-controlling interests	<u>808</u>	<u>500</u>	<u>707</u>	<u>1,989</u>	<u>2,353</u>
Attributable to non-controlling interests	45	7	(16)	43	2
Net earnings	<u>763</u>	<u>493</u>	<u>723</u>	<u>1,946</u>	<u>2,351</u>
Preferred share dividends (note 12)	33	34	34	100	100
Net earnings - common shareholders	<u>\$ 730</u>	<u>\$ 459</u>	<u>\$ 689</u>	<u>\$ 1,846</u>	<u>\$ 2,251</u>
Earnings per common share (note 12)					
Basic	\$ 0.786	\$ 0.489	\$ 0.697	\$ 1.940	\$ 2.277
Diluted	<u>\$ 0.785</u>	<u>\$ 0.489</u>	<u>\$ 0.697</u>	<u>\$ 1.939</u>	<u>\$ 2.275</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*
(in Canadian \$ millions)

	For the three months ended			For the nine months ended	
	September 30	June 30	September 30	September 30	September 30
	2019	2019	2018	2019	2018
Net earnings	\$ 763	\$ 493	\$ 723	\$ 1,946	\$ 2,351
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	(183)	(466)	(334)	(863)	82
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	50	10	30	120	10
Income tax (expense) benefit	(7)	(1)	(4)	(16)	(1)
Unrealized gains (losses) on available-for-sale assets	71	93	(58)	323	(160)
Income tax (expense) benefit	(8)	(16)	11	(53)	31
Realized (gains) losses on available-for-sale assets	(17)	(23)	2	(45)	7
Income tax expense (benefit)	1	3	—	4	(1)
Unrealized gains (losses) on cash flow hedges	2	1	—	4	23
Income tax (expense) benefit	(1)	—	—	(1)	(4)
Realized (gains) losses on cash flow hedges	—	—	—	—	(69)
Income tax expense (benefit)	—	—	—	—	17
Non-controlling interests	4	(12)	28	(74)	44
Income tax (expense) benefit	(1)	4	(7)	15	(13)
Total items that may be reclassified	(89)	(407)	(332)	(586)	(34)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	(125)	(184)	79	(423)	275
Income tax (expense) benefit	25	41	(20)	92	(63)
Non-controlling interests	1	16	(8)	28	(20)
Income tax (expense) benefit	—	(4)	2	(7)	5
Total items that will not be reclassified	(99)	(131)	53	(310)	197
Total other comprehensive income (loss)	(188)	(538)	(279)	(896)	163
Comprehensive income (loss)	\$ 575	\$ (45)	\$ 444	\$ 1,050	\$ 2,514

CONSOLIDATED BALANCE SHEETS *(unaudited)*
(in Canadian \$ millions)

	September 30 2019	December 31 2018
Assets		
Cash and cash equivalents	\$ 3,853	\$ 4,168
Bonds (note 6)	115,893	124,862
Mortgage loans (note 6)	24,141	25,014
Stocks (note 6)	10,086	9,290
Investment properties (note 6)	5,542	5,218
Loans to policyholders	8,717	8,929
	<u>168,232</u>	<u>177,481</u>
Assets held for sale (note 4)	876	897
Funds held by ceding insurers	8,791	9,251
Goodwill	6,490	6,548
Intangible assets	3,875	3,976
Derivative financial instruments	694	417
Owner occupied properties	733	731
Fixed assets	452	448
Other assets	3,051	2,567
Premiums in course of collection, accounts and interest receivable	5,321	5,202
Reinsurance assets (note 9)	21,195	6,126
Current income taxes	264	218
Deferred tax assets	876	981
Investments on account of segregated fund policyholders (note 10)	222,604	209,527
Investments on account of segregated fund policyholders held for sale (note 4)	3,172	3,319
Total assets	<u>\$ 446,626</u>	<u>\$ 427,689</u>
Liabilities		
Insurance contract liabilities (note 9)	\$ 174,433	\$ 166,720
Investment contract liabilities (note 9)	1,721	1,711
Liabilities held for sale (note 4)	876	897
Debentures and other debt instruments	6,316	6,459
Funds held under reinsurance contracts	1,410	1,367
Derivative financial instruments	1,483	1,562
Accounts payable	3,070	3,262
Other liabilities	4,749	3,855
Current income taxes	508	402
Deferred tax liabilities	1,127	1,210
Investment and insurance contracts on account of segregated fund policyholders (note 10)	222,604	209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale (note 4)	3,172	3,319
Total liabilities	<u>421,469</u>	<u>400,291</u>
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,796	2,737
Non-controlling interests in subsidiaries	121	138
Shareholders' equity		
Share capital		
Preferred shares	2,714	2,714
Common shares (note 11)	5,633	7,283
Accumulated surplus	13,578	13,342
Accumulated other comprehensive income	149	1,045
Contributed surplus	166	139
Total equity	<u>25,157</u>	<u>27,398</u>
Total liabilities and equity	<u>\$ 446,626</u>	<u>\$ 427,689</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*
(in Canadian \$ millions)

	September 30, 2019					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	\$ 9,997	\$ 139	\$ 13,342	\$ 1,045	\$ 2,875	\$ 27,398
Change in accounting policy (note 2)	—	—	(109)	—	—	(109)
Revised balance, beginning of year	9,997	139	13,233	1,045	2,875	27,289
Net earnings	—	—	1,946	—	43	1,989
Other comprehensive income (loss)	—	—	—	(896)	38	(858)
	9,997	139	15,179	149	2,956	28,420
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,175)	—	—	(1,175)
Shares exercised and issued under share-based payment plans (note 11)	26	(34)	—	—	31	23
Share-based payment plans expense	—	28	—	—	—	28
Equity settlement of Putnam share-based plans	—	—	—	—	(33)	(33)
Shares purchased and cancelled under Substantial Issuer Bid (note 11)	(2,000)	—	—	—	—	(2,000)
Excess of redemption proceeds over stated capital per Substantial Issuer Bid (note 11)	1,628	—	(1,628)	—	—	—
Common share carrying value adjustment per Substantial Issuer Bid (note 11)	(1,304)	—	1,304	—	—	—
Substantial Issuer Bid transaction costs (note 11)	—	—	(3)	—	—	(3)
Shares cancelled under Putnam share-based plans	—	33	—	—	(36)	(3)
Dilution gain on non-controlling interests	—	—	1	—	(1)	—
Balance, end of period	\$ 8,347	\$ 166	\$ 13,578	\$ 149	\$ 2,917	\$ 25,157

	September 30, 2018					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	\$ 9,974	\$ 143	\$ 12,098	\$ 386	\$ 2,935	\$ 25,536
Change in accounting policy	—	—	(64)	—	—	(64)
Revised balance, beginning of year	9,974	143	12,034	386	2,935	25,472
Net earnings	—	—	2,351	—	2	2,353
Other comprehensive income (loss)	—	—	—	163	(16)	147
	9,974	143	14,385	549	2,921	27,972
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,154)	—	—	(1,154)
Shares exercised and issued under share-based payment plans (note 11)	38	(41)	—	—	36	33
Share-based payment plans expense	—	34	—	—	—	34
Equity settlement of Putnam share-based plans	—	—	—	—	(58)	(58)
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(48)	—	—	—	—	(48)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	37	—	(37)	—	—	—
Acquisition of PanAgora non-controlling interest	—	—	(54)	—	(21)	(75)
Acquisition of Invesco non-controlling interest	—	—	—	—	20	20
Dilution loss on non-controlling interests	—	—	(8)	—	8	—
Balance, end of period	\$ 10,001	\$ 136	\$ 13,032	\$ 549	\$ 2,906	\$ 26,624

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*
(in Canadian \$ millions)

	For the nine months ended September 30	
	2019	2018
Operations		
Earnings before income taxes	\$ 2,219	\$ 2,690
Income taxes paid, net of refunds received	(205)	(331)
Adjustments:		
Change in insurance and investment contract liabilities	12,201	(512)
Change in funds held by ceding insurers	292	481
Change in funds held under reinsurance contracts	131	(25)
Change in reinsurance assets	(1,279)	58
Changes in fair value through profit or loss	(8,712)	3,208
Other	172	(640)
	4,819	4,929
Financing Activities		
Issue of common shares (note 11)	26	38
Purchased and cancelled common shares (note 11)	(2,000)	(48)
Substantial issuer bid transaction costs	(3)	—
Issue of debentures and senior notes	—	1,512
Repayment of debentures	—	(1,096)
Decrease in line of credit of subsidiary	(173)	(159)
Increase in debentures and other debt instruments	225	—
Dividends paid on common shares	(1,175)	(1,154)
Dividends paid on preferred shares	(100)	(100)
	(3,200)	(1,007)
Investment Activities		
Bond sales and maturities	18,348	19,117
Mortgage loan repayments	1,624	2,156
Stock sales	2,100	2,465
Investment property sales	8	20
Change in loans to policyholders	(17)	(118)
Proceeds from assets held for sale	—	169
Business acquisitions, net of cash and cash equivalents acquired	—	(279)
Change in cash and cash equivalents classified as assets held for sale (note 4)	39	—
Investment in bonds	(18,711)	(20,739)
Investment in mortgage loans	(3,003)	(3,303)
Investment in stocks	(1,710)	(2,874)
Investment in investment properties	(441)	(220)
	(1,763)	(3,606)
Effect of changes in exchange rates on cash and cash equivalents	(171)	15
Increase (decrease) in cash and cash equivalents	(315)	331
Cash and cash equivalents, beginning of period	4,168	3,551
Cash and cash equivalents, end of period	\$ 3,853	\$ 3,882
Supplementary cash flow information		
Interest income received	\$ 3,899	\$ 3,961
Interest paid	201	185
Dividend income received	214	189

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

(in Canadian \$ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Corporation of Canada group of companies and its direct parent is Power Financial Corporation (Power Financial).

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its operating subsidiaries including The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2019 were approved by the Board of Directors on October 30, 2019.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2018 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2019 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2018 except as described below.

Changes in Accounting Policies

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. Under IFRIC 23, a provision for tax uncertainties which meet the probable threshold for recognition is measured based on the amount most likely to occur. The provision for tax uncertainties will be classified as current or deferred based on how a disallowance of the underlying uncertain tax treatment would impact the tax provision accrual as of the balance sheet date. The application of the interpretation of the standard resulted in a decrease of \$109 to opening accumulated surplus at January 1, 2019.

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. Under IFRS 16, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date on the Consolidated Balance Sheets.

The right-of-use asset is initially measured based on the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The asset is depreciated to the earlier of the useful life of the right-of-use asset or the lease term using the straight-line method. Depreciation expense on right-of-use assets is included within operating and administrative expenses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily

2. *Basis of Presentation and Summary of Accounting Policies (cont'd)*

determined, the Company shall use its incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate. The lease liability is measured at amortized cost using the effective interest method and is included within other liabilities. Interest expense on lease liabilities is included within operating and administrative expenses.

The Company has elected to apply a practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

The Company has elected to adopt IFRS 16 using a modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

On initial application, the Company has elected to measure right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any lease related balances relating to that lease recognized on the Consolidated Balance Sheets immediately before the date of initial application. At January 1, 2019, right-of-use assets of \$551 were recognized (\$522 within other assets and \$29 within investment properties) and lease liabilities of \$551 were recognized within other liabilities. Lease related balances included within accounts payable on the Consolidated Balance Sheets at December 31, 2018 of \$62 were reclassified to decrease right-of-use assets recognized to \$489 at January 1, 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 3.82%.

The following table reconciles the Company's operating lease obligations at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	\$	900
Discounting using the incremental borrowing rate at January 1, 2019		(170)
Non-lease components included in operating lease commitments		(110)
Leases not yet commenced at January 1, 2019 included in operating lease commitments		(57)
Short-term leases included in operating lease commitments		(6)
Low-value leases included in operating lease commitments		(6)
Lease liabilities recognized at January 1, 2019	\$	551

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.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2018 consolidated annual audited financial statements.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2018 consolidated annual audited financial statements and notes thereto.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating.

3. Business Acquisitions and Other Transactions

(a) U.S. Individual Life Insurance and Annuity Business Reinsurance Agreement

On January 24, 2019, Great-West Financial announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in its United States segment. The transaction was completed on June 1, 2019. The Consolidated Balance Sheets were impacted by the transfer of \$15,595 of invested assets to Protective Life (note 6), recognition of \$15,230 of reinsurance assets (note 9) and \$1,069 of cash received as a result of the transaction. Within the Consolidated Statements of Earnings, the Company recognized increases of \$13,889 to ceded premiums, \$1,080 to fee and other income, \$219 to total net investment income (note 6) and \$116 to operating and administrative expenses, as well as a decrease of \$12,463 to total paid or credited to policyholders. The net loss resulting from the transaction was \$247 (\$199 after-tax) (note 16).

(b) Invesco Ltd. (Ireland)

On August 1, 2018, the Company, through its indirect wholly-owned subsidiary Irish Life Group Limited, completed its agreement to acquire a controlling interest in Invesco Ltd. (Ireland), an independent financial consultancy firm in Ireland that specializes in employee benefit consultancy and private wealth management who manages and administers assets on behalf of clients.

During the second quarter of 2019, the comprehensive valuation of the fair value of the net assets acquired, including intangible assets and completion of the final purchase price allocation, was finalized with no significant adjustment to goodwill. Revenue and net earnings of Invesco Ltd. (Ireland) were not significant to the results of the Company.

4. Assets Held for Sale

Sale of policies to Scottish Friendly

In 2018, Canada Life Limited, an indirect wholly-owned 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. The transfer of these policies is expected to occur in the fourth quarter of 2019, as part of the United Kingdom Business Transformation (note 5). The composition of the assets and liabilities of the disposal group classified as assets held for sale are as follows:

	September 30	December 31
	2019	2018
Assets		
Cash and cash equivalents	\$ 68	\$ 112
Bonds	758	731
Stocks	22	22
Investment properties	25	29
Loans to policyholders	3	3
Assets held for sale	876	897
Investments on account of segregated fund policyholders	3,172	3,319
Total assets included in disposal group classified as held for sale	\$ 4,048	\$ 4,216
Liabilities		
Insurance contract liabilities	\$ 856	\$ 870
Investment contract liabilities	20	27
Liabilities held for sale	876	897
Investment and insurance contracts on account of segregated fund policyholders	3,172	3,319
Total liabilities included in disposal group classified as held for sale	\$ 4,048	\$ 4,216

The composition of assets and liabilities of the disposal group will be finalized after a comprehensive evaluation of the fair value of the assets and liabilities to be transferred has been completed. Net earnings from the disposal of these policies are not expected to be material to the consolidated financial statements.

Subsequent event

On October 22, 2019, the required court approval for the transfer of these policies was received and this transfer is expected to occur with effect from November 1, 2019.

5. Restructuring Expenses

United Kingdom Business Transformation

At September 30, 2019, the Company has a restructuring provision of \$43 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

Balance, beginning of year	\$	61
Amounts used		(14)
Changes in foreign exchange rates		(4)
Balance, end of period	\$	43

6. Portfolio Investments

(a) Carrying values and estimated fair values of portfolio investments are as follows:

	September 30, 2019		December 31, 2018	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ⁽¹⁾	\$ 84,866	\$ 84,866	\$ 90,015	\$ 90,015
Classified fair value through profit or loss ⁽¹⁾	1,906	1,906	1,886	1,886
Available-for-sale	12,062	12,062	13,239	13,239
Loans and receivables	17,059	19,278	19,722	20,619
	115,893	118,112	124,862	125,759
Mortgage loans				
Residential				
Designated fair value through profit or loss ⁽¹⁾	1,160	1,160	813	813
Loans and receivables	9,253	9,602	9,721	9,808
	10,413	10,762	10,534	10,621
Commercial				
	13,728	14,600	14,480	14,790
	24,141	25,362	25,014	25,411
Stocks				
Designated fair value through profit or loss ⁽¹⁾	9,489	9,489	8,658	8,658
Available-for-sale	31	31	11	11
Available-for-sale, at cost ⁽²⁾	210	210	267	267
Equity method	356	353	354	293
	10,086	10,083	9,290	9,229
Investment properties				
	5,542	5,542	5,218	5,218
Total ⁽³⁾	\$ 155,662	\$ 159,099	\$ 164,384	\$ 165,617

⁽¹⁾ A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

⁽²⁾ Fair value cannot be reliably measured, therefore the investments are held at cost.

⁽³⁾ As a result of the reinsurance transaction with Protective Life (note 3), invested assets were transferred.

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6. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2019	December 31 2018
Impaired amounts by classification		
Fair value through profit or loss	\$ 137	\$ 178
Available-for-sale	19	30
Loans and receivables	34	28
Total	\$ 190	\$ 236

The carrying amount of impaired investments includes \$156 bonds and \$34 mortgage loans at September 30, 2019 (\$202 bonds, \$24 mortgage loans and \$10 stocks at December 31, 2018). The above carrying values for loans and receivables are net of allowances of \$50 at September 30, 2019 and \$20 at December 31, 2018.

(c) Net investment income comprises the following:

For the three months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 940	\$ 218	\$ 78	\$ 93	\$ 171	\$ 1,500
Net realized gains						
Available-for-sale	16	—	9	—	—	25
Other classifications	2	1	—	—	—	3
Net allowances for credit losses on loans and receivables	—	—	—	—	—	—
Other income (expenses)	—	—	—	(30)	(46)	(76)
	958	219	87	63	125	1,452
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	—	—	—	—	—	—
Designated fair value through profit or loss	2,118	66	213	—	(310)	2,087
Recorded at fair value through profit or loss	—	—	—	15	—	15
	2,118	66	213	15	(310)	2,102
Total	\$ 3,076	\$ 285	\$ 300	\$ 78	\$ (185)	\$ 3,554

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6. Portfolio Investments (cont'd)

For the three months ended September 30, 2018	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,104	\$ 230	\$ 61	\$ 83	\$ 142	\$ 1,620
Net realized gains (losses)						
Available-for-sale	(2)	—	—	—	—	(2)
Other classifications	5	12	—	—	—	17
Net allowances for credit losses on loans and receivables	—	(4)	—	—	—	(4)
Other income (expenses)	—	—	—	(22)	(31)	(53)
	<u>1,107</u>	<u>238</u>	<u>61</u>	<u>61</u>	<u>111</u>	<u>1,578</u>
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(17)	—	(1)	—	—	(18)
Designated fair value through profit or loss	(1,260)	(4)	36	—	(101)	(1,329)
Recorded at fair value through profit or loss	—	—	—	(24)	—	(24)
	<u>(1,277)</u>	<u>(4)</u>	<u>35</u>	<u>(24)</u>	<u>(101)</u>	<u>(1,371)</u>
Total	<u>\$ (170)</u>	<u>\$ 234</u>	<u>\$ 96</u>	<u>\$ 37</u>	<u>\$ 10</u>	<u>\$ 207</u>

For the nine months ended September 30, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,067	\$ 683	\$ 221	\$ 272	\$ 418	\$ 4,661
Net realized gains						
Available-for-sale	31	—	21	—	—	52
Other classifications ⁽¹⁾	153	88	—	—	—	241
Net allowances for credit losses on loans and receivables	—	(48)	—	—	—	(48)
Other income (expenses)	—	—	—	(84)	(123)	(207)
	<u>3,251</u>	<u>723</u>	<u>242</u>	<u>188</u>	<u>295</u>	<u>4,699</u>
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	58	—	—	—	—	58
Designated fair value through profit or loss	7,529	144	1,244	—	(307)	8,610
Recorded at fair value through profit or loss	—	—	—	44	—	44
	<u>7,587</u>	<u>144</u>	<u>1,244</u>	<u>44</u>	<u>(307)</u>	<u>8,712</u>
Total	<u>\$ 10,838</u>	<u>\$ 867</u>	<u>\$ 1,486</u>	<u>\$ 232</u>	<u>\$ (12)</u>	<u>\$ 13,411</u>

⁽¹⁾ Includes realized gains from invested assets transferred as a result of the reinsurance transaction with Protective Life (note 3).

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6. Portfolio Investments (cont'd)

For the nine months ended September 30, 2018	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 3,293	\$ 684	\$ 188	\$ 253	\$ 375	\$ 4,793
Net realized gains (losses)						
Available-for-sale	(7)	—	2	—	—	(5)
Other classifications	12	72	—	—	21	105
Net allowances for credit losses on loans and receivables	—	(4)	—	—	—	(4)
Other income (expenses)	—	—	—	(69)	(94)	(163)
	<u>3,298</u>	<u>752</u>	<u>190</u>	<u>184</u>	<u>302</u>	<u>4,726</u>
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(30)	—	(1)	—	—	(31)
Designated fair value through profit or loss	(3,315)	(41)	94	—	55	(3,207)
Recorded at fair value through profit or loss	—	—	—	30	—	30
	<u>(3,345)</u>	<u>(41)</u>	<u>93</u>	<u>30</u>	<u>55</u>	<u>(3,208)</u>
Total	<u>\$ (47)</u>	<u>\$ 711</u>	<u>\$ 283</u>	<u>\$ 214</u>	<u>\$ 357</u>	<u>\$ 1,518</u>

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends, distributions from private equity and equity income from the investment in IGM Financial Inc. (IGM), an affiliated company controlled by Power Financial. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

7. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2018 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2018 consolidated annual audited financial statements.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors to make payments when due.

Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2018.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These consolidated financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

7. Financial Instruments Risk Management (cont'd)

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. The Company's debt obligations are denominated in Canadian dollars, euros and U.S. dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios.

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions. If sustained however, the parallel shift could impact the Company's range of scenarios covered.

7. Financial Instruments Risk Management (cont'd)

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries prescribed scenarios:

- At September 30, 2019 and December 31, 2018, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2019 and December 31, 2018, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholders' net earnings of the Company of a 1% change in the Company's view of the range of interest rates to be covered by these provisions. The following provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions:

	September 30, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (166)	\$ 697	\$ (165)	\$ 639
Increase (decrease) in net earnings	\$ 109	\$ (505)	\$ 115	\$ (465)

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity values. However, there may be additional market and liability impacts as a result of changes in the equity values that will cause the liabilities to fluctuate differently than the equity values. The following provides information on the expected impacts of a 10% increase or 10% decrease in equity values:

	September 30, 2019		December 31, 2018	
	10% increase	10% decrease	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (108)	\$ 145	\$ (87)	\$ 338
Increase (decrease) in net earnings	\$ 88	\$ (115)	\$ 73	\$ (266)

7. *Financial Instruments Risk Management (cont'd)*

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2019		December 31, 2018	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions for equities				
Increase (decrease) in non-participating insurance contract liabilities	\$ (624)	\$ 719	\$ (591)	\$ 680
Increase (decrease) in net earnings	\$ 492	\$ (559)	\$ 476	\$ (539)

8. **Fair Value Measurement**

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange-traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and most mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, investment properties and equity release mortgages.

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8. Fair Value Measurement (cont'd)

The following presents the Company's assets and liabilities measured at fair value on a recurring basis by hierarchy level:

Assets measured at fair value	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,853	\$ —	\$ —	\$ 3,853
Financial assets at fair value through profit or loss				
Bonds	—	86,705	67	86,772
Mortgage loans	—	—	1,160	1,160
Stocks	8,959	—	530	9,489
Total financial assets at fair value through profit or loss	<u>8,959</u>	<u>86,705</u>	<u>1,757</u>	<u>97,421</u>
Available-for-sale financial assets				
Bonds	—	12,062	—	12,062
Stocks	27	—	4	31
Total available-for-sale financial assets	<u>27</u>	<u>12,062</u>	<u>4</u>	<u>12,093</u>
Investment properties	—	—	5,542	5,542
Funds held by ceding insurers	114	6,451	—	6,565
Derivatives ⁽¹⁾	2	692	—	694
Reinsurance assets	—	133	—	133
Assets held for sale	90	758	25	873
Other assets:				
Trading account assets	327	525	—	852
Other ⁽²⁾	—	172	—	172
Total assets measured at fair value	<u><u>\$ 13,372</u></u>	<u><u>\$ 107,498</u></u>	<u><u>\$ 7,328</u></u>	<u><u>\$ 128,198</u></u>
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 2	\$ 1,481	\$ —	\$ 1,483
Investment contract liabilities	—	1,721	—	1,721
Investment contract liabilities held for sale	—	—	20	20
Other liabilities	—	172	—	172
Total liabilities measured at fair value	<u><u>\$ 2</u></u>	<u><u>\$ 3,374</u></u>	<u><u>\$ 20</u></u>	<u><u>\$ 3,396</u></u>

⁽¹⁾ Excludes collateral received from counterparties of \$296.

⁽²⁾ Includes collateral received under securities lending agreements.

⁽³⁾ Excludes collateral pledged to counterparties of \$555.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

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8. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,168	\$ —	\$ —	\$ 4,168
Financial assets at fair value through profit or loss				
Bonds	—	91,834	67	91,901
Mortgage loans	—	—	813	813
Stocks	8,254	—	404	8,658
Total financial assets at fair value through profit or loss	8,254	91,834	1,284	101,372
Available-for-sale financial assets				
Bonds	—	13,239	—	13,239
Stocks	9	—	2	11
Total available-for-sale financial assets	9	13,239	2	13,250
Investment properties	—	—	5,218	5,218
Funds held by ceding insurers	230	6,925	—	7,155
Derivatives ⁽¹⁾	8	409	—	417
Assets held for sale	134	731	29	894
Other assets:				
Trading account assets	597	246	—	843
Other ⁽²⁾	—	84	—	84
Total assets measured at fair value	<u>\$ 13,400</u>	<u>\$ 113,468</u>	<u>\$ 6,533</u>	<u>\$ 133,401</u>
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 2	\$ 1,560	\$ —	\$ 1,562
Investment contract liabilities	—	1,711	—	1,711
Investment contract liabilities held for sale	—	1	26	27
Other liabilities	—	84	—	84
Total liabilities measured at fair value	<u>\$ 2</u>	<u>\$ 3,356</u>	<u>\$ 26</u>	<u>\$ 3,384</u>

⁽¹⁾ Excludes collateral received from counterparties of \$109.

⁽²⁾ Includes collateral received under securities lending arrangements.

⁽³⁾ Excludes collateral pledged to counterparties of \$612.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

GREAT-WEST LIFECO INC.

8. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	September 30, 2019									
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Investment contract liabilities	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	\$ 67	\$ 813	\$ 404	\$ 2	\$ 5,218	\$ 29	\$ 6,533	\$ —	\$ 26	\$ 26
Change in accounting policy (note 2)	—	—	—	—	29	—	29	—	—	—
Revised balance, beginning of year	67	813	404	2	5,247	29	6,562	—	26	26
Total gains (losses)										
Included in net earnings	5	133	31	—	44	(4)	209	—	—	—
Included in other comprehensive income ⁽¹⁾	(5)	(53)	—	—	(182)	—	(240)	—	—	—
Purchases	—	—	133	2	441	—	576	—	—	—
Issues	—	318	—	—	—	—	318	—	—	—
Sales	—	—	(38)	—	(8)	—	(46)	—	—	—
Settlements	—	(51)	—	—	—	—	(51)	—	—	—
Other	—	—	—	—	—	—	—	—	(6)	(6)
Transfers into Level 3	—	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—	—	—
Balance, end of period	\$ 67	\$ 1,160	\$ 530	\$ 4	\$ 5,542	\$ 25	\$ 7,328	\$ —	\$ 20	\$ 20
Total gains (losses) for the period included in net investment income	\$ 5	\$ 133	\$ 31	\$ —	\$ 44	\$ (4)	\$ 209	\$ —	\$ —	\$ —
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2019	\$ 5	\$ 133	\$ 31	\$ —	\$ 44	\$ (4)	\$ 209	\$ —	\$ —	\$ —

⁽¹⁾ Other comprehensive income includes unrealized gains (losses) on foreign exchange.

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8. Fair Value Measurement (cont'd)

December 31, 2018

	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Investment contract liabilities	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	\$ 65	\$ —	\$ 243	\$ 1	\$ 4,851	\$ —	\$ 5,160	\$ 22	\$ —	\$ 22
Total gains (losses)										
Included in net earnings	—	(24)	20	—	33	—	29	—	—	—
Included in other comprehensive income ⁽¹⁾	2	20	—	—	70	—	92	—	—	—
Business acquisition	—	799	—	—	—	—	799	—	—	—
Purchases	—	—	203	1	356	—	560	—	—	—
Issues	—	76	—	—	—	—	76	—	—	—
Sales	—	—	(62)	—	(63)	—	(125)	—	—	—
Settlements	—	(58)	—	—	—	—	(58)	—	—	—
Other	—	—	—	—	—	—	—	4	—	4
Transfers into Level 3	—	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—	—	—	—	—
Transferred to held for sale	—	—	—	—	(29)	29	—	(26)	26	—
Balance, end of year	\$ 67	\$ 813	\$ 404	\$ 2	\$ 5,218	\$ 29	\$ 6,533	\$ —	\$ 26	\$ 26
Total gains (losses) for the year included in net investment income	\$ —	\$ (24)	\$ 20	\$ —	\$ 33	\$ —	\$ 29	\$ —	\$ —	\$ —
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2018	\$ —	\$ (24)	\$ 19	\$ —	\$ 26	\$ —	\$ 21	\$ —	\$ —	\$ —

⁽¹⁾ Other comprehensive income includes unrealized gains (losses) on foreign exchange.

8. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets and liabilities categorized as Level 3 in the fair value hierarchy:

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.6% - 10.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% - 6.8%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.7%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/entering into long term care of the loanholders.	Discount rate	Range of 3.7% - 4.8%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

9. Insurance and Investment Contract Liabilities

September 30, 2019			
	Gross liability	Reinsurance assets ⁽¹⁾	Net
Insurance contract liabilities	\$ 174,433	\$ 21,062	\$ 153,371
Investment contract liabilities	1,721	133	1,588
Total	\$ 176,154	\$ 21,195	\$ 154,959
December 31, 2018			
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 166,720	\$ 6,126	\$ 160,594
Investment contract liabilities	1,711	—	1,711
Total	\$ 168,431	\$ 6,126	\$ 162,305

⁽¹⁾ Includes reinsurance assets recognized upon the completion of the reinsurance transaction with Protective Life (note 3).

10. Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	September 30	December 31
	2019	2018
Cash and cash equivalents	\$ 12,429	\$ 13,458
Bonds	44,960	42,142
Mortgage loans	2,724	2,746
Stocks and units in unit trusts	97,652	89,853
Mutual funds	54,576	50,956
Investment properties	12,871	12,319
	<u>225,212</u>	<u>211,474</u>
Accrued income	403	380
Other liabilities	(4,115)	(3,191)
Non-controlling mutual funds interest	1,104	864
Total	<u><u>\$ 222,604</u></u>	<u><u>\$ 209,527</u></u>

(b) Investment and insurance contracts on account of segregated fund policyholders

	For the nine months	
	ended September 30	
	2019	2018
Balance, beginning of year	\$ 209,527	\$ 217,357
Additions (deductions):		
Policyholder deposits	17,326	18,129
Net investment income	1,521	1,434
Net realized capital gains on investments	2,082	3,428
Net unrealized capital gains (losses) on investments	18,632	(476)
Unrealized gains (losses) due to changes in foreign exchange rates	(9,021)	68
Policyholder withdrawals	(17,985)	(19,950)
Business acquisition	—	950
Change in Segregated Fund investment in General Fund	(10)	21
Change in General Fund investment in Segregated Fund	126	(16)
Net transfer from General Fund	19	19
Non-controlling mutual funds interest	240	(757)
Assets held for sale (note 4)	147	—
Total	<u>13,077</u>	<u>2,850</u>
Balance, end of period	<u><u>\$ 222,604</u></u>	<u><u>\$ 220,207</u></u>

10. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 8)

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 142,426	\$ 69,443	\$ 13,881	\$ 225,750
Investments on account of segregated fund policyholders held for sale ⁽²⁾	3,153	3	8	3,164
Total investments on account of segregated fund policyholders measured at fair value	\$ 145,579	\$ 69,446	\$ 13,889	\$ 228,914

(1) Excludes other liabilities, net of other assets, of \$3,146.

(2) Excludes other assets, net of other liabilities, of \$8.

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 131,603	\$ 67,199	\$ 13,235	\$ 212,037
Investments on account of segregated fund policyholders held for sale ⁽²⁾	3,297	5	9	3,311
Total investments on account of segregated fund policyholders measured at fair value	\$ 134,900	\$ 67,204	\$ 13,244	\$ 215,348

(1) Excludes other liabilities, net of other assets, of \$2,510.

(2) Excludes other assets, net of other liabilities, of \$8.

During the first nine months of 2019 certain foreign stock holdings valued at \$1,318 have been transferred from Level 2 to Level 1 (\$1,842 were transferred from Level 2 to Level 1 at December 31, 2018) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have visibility through to the underlying assets.

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10. Segregated Funds (cont'd)

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	September 30, 2019		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	\$ 13,235	\$ 9	\$ 13,244
Change in accounting policy ⁽¹⁾	136	—	136
Revised balance, beginning of year	13,371	9	13,380
Total losses included in segregated fund investment income	(5)	(1)	(6)
Purchases	631	—	631
Sales	(116)	—	(116)
Balance, end of period	\$ 13,881	\$ 8	\$ 13,889

⁽¹⁾ The segregated funds adopted IFRS 16 which resulted in equal and offsetting right-of-use assets and lease liabilities of \$136 being recorded in investment properties and other liabilities within investments on account of segregated fund policyholders as of January 1, 2019. The adoption of IFRS 16 had no net impact on investments on account of segregated fund policyholders as of January 1, 2019.

	December 31, 2018		
	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	\$ 12,572	\$ —	\$ 12,572
Total gains included in segregated fund investment income	404	—	404
Purchases	651	—	651
Sales	(425)	—	(425)
Transfers into Level 3	51	—	51
Transfers out of Level 3	(9)	—	(9)
Transferred to assets held for sale	(9)	9	—
Balance, end of period	\$ 13,235	\$ 9	\$ 13,244

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors. There were no transfers into or out of Level 3 during the period ended September 30, 2019.

11. Share Capital

Common Shares

	For the nine months ended September 30			
	2019		2018	
	Number	Carrying value	Number	Carrying value
Common shares				
Balance, beginning of year	987,739,408	\$ 7,283	988,722,659	\$ 7,260
Purchased and cancelled under Substantial Issuer Bid	(59,700,974)	(2,000)	—	—
Excess of redemption proceeds over stated capital per Substantial Issuer Bid	—	1,628	—	—
Share issuance - Qualifying Holdco Alternative per Substantial Issuer Bid	595,747,641	2,306	—	—
Cancellation of Shares - Qualifying Holdco Alternative per Substantial Issuer Bid	(595,747,641)	(3,610)	—	—
Purchased and cancelled under Normal Course Issuer Bid	—	—	(1,457,456)	(48)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	—	—	—	37
Exercised and issued under stock option plan	846,966	26	1,118,249	38
Balance, end of period	928,885,400	\$ 5,633	988,383,452	\$ 7,287

During the nine months ended September 30, 2019, 846,966 common shares were exercised under the Company's stock plan with a carrying value of \$26, including \$4 from contributed surplus transferred upon exercise (1,118,249 with a carrying value of \$38, including \$4 from contributed surplus transferred upon exercise during the nine months ended September 30, 2018).

On January 28, 2019, the Company announced a normal course issuer bid commencing February 1, 2019 and terminating January 31, 2020 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the nine months ended September 30, 2019, the Company did not purchase any common shares under the current normal course issuer bid (1,457,456 during the nine months ended September 30, 2018 under the previous normal course issuer bid at a cost of \$48). During the nine months ended September 30, 2018, the excess paid over the average carrying value was \$37 and was recognized as a reduction to accumulated surplus under the previous normal course issuer bid.

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 \$2,000 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 \$2,000. The excess paid over the average carrying value under the Offer was \$1,628 and was recognized as a reduction to accumulated surplus. Transaction costs of \$3 were incurred in connection with the Offer and charged to accumulated surplus.

Related Party Transaction

As part of the substantial issuer bid, Power Financial and IGM participated in the Offer. IGM tendered its Lifeco shares proportionately. Power Financial tendered a portion of its Lifeco common shares on a proportionate basis and all remaining Lifeco common shares 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

11. *Share Capital (cont'd)*

tax objectives. Under the Qualifying Holdco Alternative, the Corporation issued and subsequently cancelled 595,747,641 shares which resulted in a net decrease in share capital of \$1,304 with a corresponding increase in accumulated surplus.

12. **Earnings per Common Share**

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Earnings				
Net earnings	\$ 763	\$ 723	\$ 1,946	\$ 2,351
Preferred share dividends	(33)	(34)	(100)	(100)
Net earnings - common shareholders	\$ 730	\$ 689	\$ 1,846	\$ 2,251
Number of common shares				
Average number of common shares outstanding	928,855,248	988,674,609	951,777,203	988,785,884
Add: Potential exercise of outstanding stock options	343,713	717,086	458,637	903,225
Average number of common shares outstanding - diluted basis	929,198,961	989,391,695	952,235,840	989,689,109
Basic earnings per common share	\$ 0.786	\$ 0.697	\$ 1.940	\$ 2.277
Diluted earnings per common share	\$ 0.785	\$ 0.697	\$ 1.939	\$ 2.275
Dividends per common share	\$ 0.4130	\$ 0.3890	\$ 1.2390	\$ 1.1670

13. **Capital Management**

(a) **Policies and Objectives**

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

13. Capital Management (cont'd)

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a regulatory capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries.

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer, defined by OSFI, is the aggregate of all defined capital requirements multiplied by a scalar of 1.05. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. The following provides a summary of the LICAT information and ratios for Great-West Life:

	September 30 2019	December 31 2018
Tier 1 Capital	\$ 11,603	\$ 12,455
Tier 2 Capital	3,466	3,686
Total Available Capital	15,069	16,141
Surplus Allowance & Eligible Deposits	11,927	10,665
Total Capital Resources	\$ 26,996	\$ 26,806
 Base Solvency Buffer (includes 1.05 scalar)	 \$ 19,368	 \$ 19,165
 Total LICAT Ratio (OSFI Supervisory Target = 100%) ⁽¹⁾	 139%	 140%

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

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

14. Pension Plans and Other Post-Employment Benefits

The total pension plans and other post-employment benefits expense included in operating expenses and other comprehensive income are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Pension plans				
Service costs	\$ 50	\$ 57	\$ 154	\$ 171
Net interest costs	7	6	21	19
Curtailment	(1)	—	(2)	(1)
	<u>56</u>	<u>63</u>	<u>173</u>	<u>189</u>
Other post-employment benefits				
Service costs	1	1	2	2
Net interest costs	3	3	10	10
	<u>4</u>	<u>4</u>	<u>12</u>	<u>12</u>
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	<u>60</u>	<u>67</u>	<u>185</u>	<u>201</u>
Pension plans - re-measurements				
Actuarial (gain) loss	258	(108)	1,078	(302)
Return on assets (greater) less than assumed	(148)	28	(672)	14
Administrative expenses less than assumed	(1)	(1)	(3)	(2)
Change in the asset ceiling	13	9	(16)	32
Pension plans re-measurement (gain) loss	<u>122</u>	<u>(72)</u>	<u>387</u>	<u>(258)</u>
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	<u>3</u>	<u>(7)</u>	<u>36</u>	<u>(17)</u>
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	<u>125</u>	<u>(79)</u>	<u>423</u>	<u>(275)</u>
Total pension plans and other post- employment benefits (income) expense including re-measurements	<u>\$ 185</u>	<u>\$ (12)</u>	<u>\$ 608</u>	<u>\$ (74)</u>

The following sets out the weighted average discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		June 30		December 31	
	2019	2018	2019	2018	2018	2017
Weighted average discount rate	2.4%	3.4%	2.6%	3.3%	3.4%	3.1%

15. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2019	2018	2019	2018
Current income taxes	\$ 26	\$ 78	\$ 180	\$ 243
Deferred income taxes	21	29	50	94
Total income tax expense	\$ 47	\$ 107	\$ 230	\$ 337

(b) Effective Income Tax Rate

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

The overall effective income tax rate for the three months ended September 30, 2019 was 5.5% compared to 13.1% for the three months ended September 30, 2018. The overall effective income tax rate for the nine months ended September 30, 2019 was 10.4% compared to 12.5% for the nine months ended September 30, 2018.

The effective income tax rate for the three months ended September 30, 2019 is lower than the effective income tax rate for the same period last year 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 effective income tax rate for the nine months ended September 30, 2019 is lower than the effective income tax rate for the same period last year primarily due to changes in certain tax estimates.

16. Segmented Information

Consolidated Net Earnings

For the three months ended September 30, 2019

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	\$ 3,606	\$ 966	\$ 4,752	\$ —	\$ 9,324
Net investment income					
Regular net investment income	732	319	402	(1)	1,452
Changes in fair value through profit or loss	366	201	1,535	—	2,102
Total net investment income	1,098	520	1,937	(1)	3,554
Fee and other income	447	665	384	—	1,496
	<u>5,151</u>	<u>2,151</u>	<u>7,073</u>	<u>(1)</u>	<u>14,374</u>
Benefits and expenses					
Paid or credited to policyholders	3,867	1,362	6,211	—	11,440
Other ⁽¹⁾	850	655	444	3	1,952
Financing charges	32	28	9	1	70
Amortization of finite life intangible assets	24	22	11	—	57
Earnings (loss) before income taxes	<u>378</u>	<u>84</u>	<u>398</u>	<u>(5)</u>	<u>855</u>
Income taxes (recovery)	31	7	11	(2)	47
Net earnings (loss) before non-controlling interests	<u>347</u>	<u>77</u>	<u>387</u>	<u>(3)</u>	<u>808</u>
Non-controlling interests	47	(3)	1	—	45
Net earnings (loss)	<u>300</u>	<u>80</u>	<u>386</u>	<u>(3)</u>	<u>763</u>
Preferred share dividends	28	—	5	—	33
Net earnings (loss) before capital allocation	<u>272</u>	<u>80</u>	<u>381</u>	<u>(3)</u>	<u>730</u>
Impact of capital allocation	28	(3)	(24)	(1)	—
Net earnings (loss) - common shareholders	<u>\$ 300</u>	<u>\$ 77</u>	<u>\$ 357</u>	<u>\$ (4)</u>	<u>\$ 730</u>

⁽¹⁾ Includes commissions, operating and administrative expenses and premium taxes.

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16. Segmented Information (cont'd)

For the three months ended September 30, 2018

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	\$ 3,266	\$ 1,148	\$ 5,923	\$ —	\$ 10,337
Net investment income					
Regular net investment income	663	460	451	4	1,578
Changes in fair value through profit or loss	(646)	(160)	(565)	—	(1,371)
Total net investment income	17	300	(114)	4	207
Fee and other income	437	673	373	—	1,483
	<u>3,720</u>	<u>2,121</u>	<u>6,182</u>	<u>4</u>	<u>12,027</u>
Benefits and expenses					
Paid or credited to policyholders	2,468	1,233	5,345	—	9,046
Other ⁽¹⁾	841	695	436	5	1,977
Financing charges	32	28	8	1	69
Amortization of finite life intangible assets	20	24	10	—	54
Restructuring expenses	—	—	67	—	67
Earnings (loss) before income taxes	359	141	316	(2)	814
Income taxes (recovery)	65	24	19	(1)	107
Net earnings (loss) before non-controlling interests	294	117	297	(1)	707
Non-controlling interests	(19)	2	1	—	(16)
Net earnings (loss)	313	115	296	(1)	723
Preferred share dividends	29	—	5	—	34
Net earnings (loss) before capital allocation	284	115	291	(1)	689
Impact of capital allocation	31	(2)	(28)	(1)	—
Net earnings (loss) - common shareholders	<u>\$ 315</u>	<u>\$ 113</u>	<u>\$ 263</u>	<u>\$ (2)</u>	<u>\$ 689</u>

⁽¹⁾ Includes commissions, operating and administrative expenses and premium taxes.

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16. Segmented Information (cont'd)

For the nine months ended September 30, 2019

	Canada	United States ⁽²⁾	Europe	Lifeco Corporate	Total
Income					
Total net premiums	\$ 9,918	\$ (10,647)	\$ 15,761	\$ —	\$ 15,032
Net investment income					
Regular net investment income	2,105	1,432	1,161	1	4,699
Changes in fair value through profit or loss	3,602	1,434	3,676	—	8,712
Total net investment income	5,707	2,866	4,837	1	13,411
Fee and other income	1,309	3,088	1,169	—	5,566
	<u>16,934</u>	<u>(4,693)</u>	<u>21,767</u>	<u>1</u>	<u>34,009</u>
Benefits and expenses					
Paid or credited to policyholders	13,157	(7,049)	19,214	—	25,322
Other ⁽¹⁾	2,570	2,132	1,372	16	6,090
Financing charges	96	88	27	3	214
Amortization of finite life intangible assets	67	62	35	—	164
Earnings (loss) before income taxes	<u>1,044</u>	<u>74</u>	<u>1,119</u>	<u>(18)</u>	<u>2,219</u>
Income taxes (recovery)	137	4	94	(5)	230
Net earnings (loss) before non-controlling interests	<u>907</u>	<u>70</u>	<u>1,025</u>	<u>(13)</u>	<u>1,989</u>
Non-controlling interests	43	—	—	—	43
Net earnings (loss)	<u>864</u>	<u>70</u>	<u>1,025</u>	<u>(13)</u>	<u>1,946</u>
Preferred share dividends	85	—	15	—	100
Net earnings (loss) before capital allocation	<u>779</u>	<u>70</u>	<u>1,010</u>	<u>(13)</u>	<u>1,846</u>
Impact of capital allocation	84	(10)	(72)	(2)	—
Net earnings (loss) - common shareholders	<u>\$ 863</u>	<u>\$ 60</u>	<u>\$ 938</u>	<u>\$ (15)</u>	<u>\$ 1,846</u>

⁽¹⁾ Includes commissions, operating and administrative expenses and premium taxes.

⁽²⁾ Includes the loss on the reinsurance transaction with Protective Life of \$247 (\$199 after-tax) (note 3).

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16. Segmented Information (cont'd)

For the nine months ended September 30, 2018

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	\$ 9,558	\$ 3,116	\$ 13,742	\$ —	\$ 26,416
Net investment income					
Regular net investment income	1,941	1,363	1,413	9	4,726
Changes in fair value through profit or loss	(731)	(1,000)	(1,477)	—	(3,208)
Total net investment income	1,210	363	(64)	9	1,518
Fee and other income	1,308	1,959	1,132	—	4,399
	<u>12,076</u>	<u>5,438</u>	<u>14,810</u>	<u>9</u>	<u>32,333</u>
Benefits and expenses					
Paid or credited to policyholders	8,291	2,879	12,212	—	23,382
Other ⁽¹⁾	2,469	2,055	1,351	15	5,890
Financing charges	96	26	28	1	151
Amortization of finite life intangible assets	60	67	26	—	153
Restructuring expenses	—	—	67	—	67
Earnings (loss) before income taxes	1,160	411	1,126	(7)	2,690
Income taxes (recovery)	203	68	68	(2)	337
Net earnings (loss) before non-controlling interests	957	343	1,058	(5)	2,353
Non-controlling interests	(2)	3	1	—	2
Net earnings (loss)	959	340	1,057	(5)	2,351
Preferred share dividends	86	—	14	—	100
Net earnings (loss) before capital allocation	873	340	1,043	(5)	2,251
Impact of capital allocation	92	(7)	(81)	(4)	—
Net earnings (loss) - common shareholders	<u>\$ 965</u>	<u>\$ 333</u>	<u>\$ 962</u>	<u>\$ (9)</u>	<u>\$ 2,251</u>

⁽¹⁾ Includes commissions, operating and administrative expenses and premium taxes.