

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian \$ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	September 30 2020	September 30 2019
Income					
Premium income					
Gross premiums written	\$ 11,190	\$ 11,494	\$ 10,660	\$ 34,849	\$ 32,511
Ceded premiums	(1,214)	(1,104)	(1,336)	(3,577)	(17,479)
Total net premiums	<u>9,976</u>	<u>10,390</u>	<u>9,324</u>	<u>31,272</u>	<u>15,032</u>
Net investment income (note 5)					
Regular net investment income	1,493	1,596	1,452	4,403	4,699
Changes in fair value through profit or loss	785	6,318	2,102	3,715	8,712
Total net investment income	<u>2,278</u>	<u>7,914</u>	<u>3,554</u>	<u>8,118</u>	<u>13,411</u>
Fee and other income	1,486	1,406	1,496	4,333	5,566
	<u>13,740</u>	<u>19,710</u>	<u>14,374</u>	<u>43,723</u>	<u>34,009</u>
Benefits and expenses					
Policyholder benefits					
Gross	9,542	9,777	8,878	29,354	27,256
Ceded	(646)	(618)	(762)	(2,241)	(2,051)
Total net policyholder benefits	<u>8,896</u>	<u>9,159</u>	<u>8,116</u>	<u>27,113</u>	<u>25,205</u>
Changes in insurance and investment contract liabilities					
Gross	1,879	8,575	3,399	7,820	12,558
Ceded	(366)	(1,675)	(427)	(1,131)	(13,648)
Total net changes in insurance and investment contract liabilities	<u>1,513</u>	<u>6,900</u>	<u>2,972</u>	<u>6,689</u>	<u>(1,090)</u>
Policyholder dividends and experience refunds	259	500	352	1,130	1,207
Total paid or credited to policyholders	<u>10,668</u>	<u>16,559</u>	<u>11,440</u>	<u>34,932</u>	<u>25,322</u>
Commissions	549	565	571	1,739	1,779
Operating and administrative expenses	1,365	1,294	1,258	3,994	3,933
Premium taxes	119	121	123	356	378
Financing charges	71	69	70	205	214
Amortization of finite life intangible assets	58	61	57	175	164
Earnings before income taxes	<u>910</u>	<u>1,041</u>	<u>855</u>	<u>2,322</u>	<u>2,219</u>
Income taxes (note 15)	19	95	47	101	230
Net earnings before non-controlling interests	<u>891</u>	<u>946</u>	<u>808</u>	<u>2,221</u>	<u>1,989</u>
Attributable to non-controlling interests	32	49	45	90	43
Net earnings	<u>859</u>	<u>897</u>	<u>763</u>	<u>2,131</u>	<u>1,946</u>
Preferred share dividends (note 12)	33	34	33	100	100
Net earnings - common shareholders	<u>\$ 826</u>	<u>\$ 863</u>	<u>\$ 730</u>	<u>\$ 2,031</u>	<u>\$ 1,846</u>
Earnings per common share (note 12)					
Basic	<u>\$ 0.891</u>	<u>\$ 0.930</u>	<u>\$ 0.786</u>	<u>\$ 2.190</u>	<u>\$ 1.940</u>
Diluted	<u>\$ 0.891</u>	<u>\$ 0.930</u>	<u>\$ 0.785</u>	<u>\$ 2.189</u>	<u>\$ 1.939</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
	2020	2020	2019	2020	2019
Net earnings	\$ 859	\$ 897	\$ 763	\$ 2,131	\$ 1,946
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	123	(523)	(183)	383	(863)
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	(40)	30	50	(100)	120
Income tax (expense) benefit	6	(4)	(7)	14	(16)
Unrealized gains (losses) on available-for-sale assets	13	228	71	263	323
Income tax (expense) benefit	(2)	(40)	(8)	(46)	(53)
Realized (gains) losses on available-for-sale assets	(11)	(78)	(17)	(127)	(45)
Income tax expense (benefit)	2	9	1	14	4
Unrealized gains (losses) on cash flow hedges	17	(3)	2	19	4
Income tax (expense) benefit	(1)	1	(1)	(1)	(1)
Realized (gains) losses on cash flow hedges	(9)	1	—	(8)	—
Non-controlling interests	10	(6)	4	(73)	(74)
Income tax (expense) benefit	1	6	(1)	25	15
Total items that may be reclassified	109	(379)	(89)	363	(586)
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)	(26)	(629)	(125)	(328)	(423)
Income tax (expense) benefit	2	159	25	77	92
Revaluation surplus on transfer to investment properties (note 7)	11	—	—	11	—
Income tax (expense) benefit	(1)	—	—	(1)	—
Non-controlling interests	(1)	64	1	25	28
Income tax (expense) benefit	—	(15)	—	(6)	(7)
Total items that will not be reclassified	(15)	(421)	(99)	(222)	(310)
Total other comprehensive income (loss)	94	(800)	(188)	141	(896)
Comprehensive income	\$ 953	\$ 97	\$ 575	\$ 2,272	\$ 1,050

GREAT-WEST LIFECO INC.

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

	September 30	December 31
	2020	2019
Assets		
Cash and cash equivalents	\$ 5,372	\$ 4,628
Bonds (note 5)	127,090	115,028
Mortgage loans (note 5)	25,369	24,268
Stocks (note 5)	9,793	10,375
Investment properties (note 5)	5,853	5,887
Loans to policyholders	8,899	8,601
	182,376	168,787
Funds held by ceding insurers	8,273	8,714
Reinsurance assets (note 8)	22,335	20,707
Goodwill	7,573	6,505
Intangible assets	3,976	3,879
Derivative financial instruments	787	451
Owner occupied properties	741	727
Fixed assets	449	455
Other assets	3,211	3,110
Premiums in course of collection, accounts and interest receivable	6,134	5,881
Current income taxes	189	236
Deferred tax assets	750	693
Investments on account of segregated fund policyholders (note 9)	236,943	231,022
Total assets	\$ 473,737	\$ 451,167
Liabilities		
Insurance contract liabilities (note 8)	\$ 184,379	\$ 174,521
Investment contract liabilities (note 8)	4,047	1,656
Debentures and other debt instruments	9,108	5,993
Funds held under reinsurance contracts	1,602	1,433
Derivative financial instruments	1,669	1,381
Accounts payable	2,852	3,352
Other liabilities	5,219	4,689
Current income taxes	374	461
Deferred tax liabilities	896	1,116
Investment and insurance contracts on account of segregated fund policyholders (note 9)	236,943	231,022
Total liabilities	447,089	425,624
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,872	2,759
Non-controlling interests in subsidiaries	119	107
Shareholders' equity		
Share capital		
Preferred shares	2,714	2,714
Common shares (note 11)	5,647	5,633
Accumulated surplus	14,485	13,660
Accumulated other comprehensive income	636	495
Contributed surplus	175	175
Total equity	26,648	25,543
Total liabilities and equity	\$ 473,737	\$ 451,167

GREAT-WEST LIFECO INC.

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

	September 30, 2020					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	\$ 8,347	\$ 175	\$ 13,660	\$ 495	\$ 2,866	\$ 25,543
Net earnings	—	—	2,131	—	90	2,221
Other comprehensive income	—	—	—	141	29	170
	8,347	175	15,791	636	2,985	27,934
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,219)	—	—	(1,219)
Shares exercised and issued under share-based payment plans (note 11)	14	(50)	—	—	49	13
Share-based payment plans expense	—	43	—	—	—	43
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	7	—	—	(15)	(8)
Dilution gain on non-controlling interests	—	—	13	—	(13)	—
Balance, end of period	\$ 8,361	\$ 175	\$ 14,485	\$ 636	\$ 2,991	\$ 26,648
	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	—	—	(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

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

	For the nine months ended September 30	
	2020	2019
Operations		
Earnings before income taxes	\$ 2,322	\$ 2,219
Income taxes paid, net of refunds received	(251)	(205)
Adjustments:		
Change in insurance and investment contract liabilities	10,331	12,201
Change in funds held by ceding insurers	556	292
Change in funds held under reinsurance contracts	169	131
Change in reinsurance assets	(1,079)	(1,279)
Changes in fair value through profit or loss	(3,715)	(8,712)
Other	(619)	172
	7,714	4,819
Financing Activities		
Issue of common shares (note 11)	14	26
Purchased and cancelled common shares (note 11)	—	(2,000)
Substantial issuer bid transaction costs (note 11)	—	(3)
Issue of debentures and senior notes (note 10)	3,713	—
Repayment of debentures (note 10)	(500)	—
Decrease in credit line of subsidiary	(278)	(173)
Increase (decrease) in debentures and other debt instruments	(1)	225
Dividends paid on common shares	(1,219)	(1,175)
Dividends paid on preferred shares	(100)	(100)
	1,629	(3,200)
Investment Activities		
Bond sales and maturities	16,650	18,348
Mortgage loan repayments	1,519	1,624
Stock sales	3,257	2,100
Investment property sales	70	8
Change in loans to policyholders	(170)	(17)
Business acquisitions, net of cash and cash equivalents acquired (note 3)	(1,060)	—
Sale of business, net of cash and cash equivalents in subsidiary (note 3)	108	—
Change in cash and cash equivalents classified as assets held for sale	—	39
Investment in bonds	(23,093)	(18,711)
Investment in mortgage loans	(2,418)	(3,003)
Investment in stocks	(3,374)	(1,710)
Investment in investment properties	(155)	(441)
	(8,666)	(1,763)
Effect of changes in exchange rates on cash and cash equivalents	67	(171)
Increase (decrease) in cash and cash equivalents	744	(315)
Cash and cash equivalents, beginning of period	4,628	4,168
Cash and cash equivalents, end of period	\$ 5,372	\$ 3,853
Supplementary cash flow information		
Interest income received	\$ 3,405	\$ 3,899
Interest paid	191	201
Dividend income received	243	214

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 (Power Corporation) group of companies and is a subsidiary of Power Corporation.

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 Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) 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, 2020 were approved by the Board of Directors on November 4, 2020.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2019 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2020 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, 2019 except as described below.

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments and for which discrete financial information is available. Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments (note 16). The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. The Company's operating segments include Canada, United States, Europe, Capital and Risk Solutions, and Lifeco Corporate. The Canada segment comprises the Individual Customer and Group Customer business units. GWL&A and Putnam are included in the United States segment. The Europe segment comprises United Kingdom, Ireland, and Germany. Reinsurance, which had previously been reported as part of the Europe segment, is reported in the Capital and Risk Solutions segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

Changes in Accounting Policies

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 3, *Business Combinations*; IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*; and IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 7, *Financial Instruments: Disclosures*, effective January 1, 2020. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

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

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2019:

Standard	Summary of Future Changes
IFRS 17 - <i>Insurance Contracts</i>	<p>In June 2020, the IASB issued amendments to IFRS 17, <i>Insurance Contracts</i> (IFRS 17). The amended standard confirmed the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, <i>Financial Instruments</i> (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17.</p> <p>IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statement of Earnings, in particular the timing of earnings recognition for insurance contracts. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.</p>
IAS 37 - <i>Provisions, Contingent Liabilities, and Contingent Assets</i>	<p>In May 2020, the IASB issued amendments to IAS 37, <i>Provisions, Contingent Liabilities, and Contingent Assets</i>. The amendments specify which costs should be included when assessing whether a contract will be loss-making.</p> <p>These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.</p>
<i>Annual Improvements 2018-2020 Cycle</i>	<p>In May 2020, the IASB issued <i>Annual Improvements 2018-2020 Cycle</i> as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, <i>Financial Instruments</i> and IFRS 16, <i>Leases</i>.</p> <p>The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.</p>
IFRS 16 - <i>Leases</i>	<p>In May 2020, the IASB published amendments to IFRS 16, <i>Leases</i> amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification.</p> <p>The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.</p>

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

Standard	Summary of Future Changes
IAS 39 - <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 - <i>Financial Instruments: Disclosures</i> , IFRS 4 - <i>Insurance Contracts</i> and IFRS 16 - <i>Leases</i>	<p>In August 2020, the IASB published <i>Interest Rate Benchmark Reform – Phase 2</i> (with amendments relevant to the Company under IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.</p> <p>The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.</p>

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, 2019 consolidated annual audited financial statements and notes thereto.

Impact of COVID-19 on Significant Judgments, Estimates and Assumptions

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and significant market uncertainty. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions.

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. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

The fair value of portfolio investments (note 5), the valuation of goodwill and other intangible assets and the recoverability of deferred tax asset carrying values reflect management's judgment.

Given the uncertainty surrounding the current environment, the actual financial results could differ from the estimates made in preparation of these financial statements.

3. Business Acquisitions, Disposals and Other Transactions

(a) Acquisition of Personal Capital Corporation

On August 17, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital Corporation (Personal Capital), a hybrid wealth manager that combines a digital experience with personalized advice delivered by human advisors. Prior to the completion of the acquisition, IGM Financial Inc. (IGM), an affiliated company controlled by Power Corporation, held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM.

As at September 30, 2020, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 2020 reflect management's current best estimate of the purchase price allocation. The valuation of the assets acquired and liabilities assumed, and completion of the purchase price allocation are expected to be finalized during the fourth quarter of 2020. As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of \$954 on the date of acquisition, will be adjusted in future periods.

The initial amounts assigned to the assets acquired, goodwill, and liabilities assumed on August 17, 2020, reported as at September 30, 2020 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	\$ 36
Goodwill	954
Deferred tax asset	106
Other assets	39
Total assets acquired and goodwill	\$ 1,135
Total liabilities assumed	\$ 38

The estimated purchase consideration has not been finalized as at September 30, 2020. The current estimate of the purchase consideration is \$1,097 (U.S. \$825). In addition, there is a contingent consideration earn-out up to \$233 (U.S. \$175) based on the achievement of growth in assets under management metrics defined in the Merger Agreement, payable following measurements through December 31, 2021 and December 31, 2022.

Revenue and net earnings of Personal Capital were not significant to the results of the Company.

During the three and nine months ended September 30, 2020, the Company incurred transaction expenses of \$29 (U.S. \$22) and are included within operating and administrative expenses in the Consolidated Statements of Earnings.

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

On January 24, 2019, GWL&A 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 liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. In October 2019, Protective Life provided the Company with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, the Company formally objected to these proposed adjustments. The Master Transaction Agreement requires the parties to attempt to resolve these differences in an informal manner and that process is ongoing. Based on the information presently known, it is difficult to predict the outcome of this matter with certainty, but this matter is not expected to

3. *Business Acquisitions, Disposals and Other Transactions (cont'd)*

materially impact the consolidated financial position of the Company. This matter is expected to be resolved in the fourth quarter of 2020.

(c) Sale of Irish Progressive Services International Limited

On February 10, 2020, Irish Life announced the sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The transaction was completed on August 4, 2020. The Company recognized a net gain of \$94 after-tax in the Consolidated Statements of Earnings that includes a curtailment gain and other restructuring and transaction costs. The carrying value and earnings of the business are immaterial to the Company.

(d) Sale of GLC Asset Management

On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life.

The Company will receive net cash consideration of \$145 as a result of the transaction and expects to recognize a gain. The carrying value and earnings of the business are immaterial to the Company. This is a related party transaction, and board of directors of each of the Company and Canada Life established a committee of directors independent of management and Mackenzie to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to its board of directors. The proposed transaction will be subject to customary closing conditions including receipt of required regulatory approvals and is expected to be completed in the fourth quarter of 2020.

(e) Acquisition of MassMutual Retirement Services Business

On September 8, 2020, GWL&A announced that it had entered into an agreement to purchase, via indemnity reinsurance, the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual). The Company will assume the economics and risks associated with the reinsured business, MassMutual will continue to retain the obligation to the contract holders. The Company will pay a ceding commission of U.S. \$2,350 to MassMutual, and intends to fund the transaction with existing cash, short-term debt and U.S. \$1,500 in long-term debt issued on September 17, 2020 (note 10). The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.

(f) Northleaf Capital Partners Ltd.

On September 17, 2020, the Company and Mackenzie announced that they had entered into a joint agreement to acquire a non-controlling interest in Northleaf Capital Partners Ltd. (Northleaf), a premier global private equity, private credit and infrastructure fund manager. The Company and Mackenzie will acquire a 49.9% non-controlling interest and a 70% economic interest in Northleaf for consideration that includes a payment on closing of \$245 as well as contingent consideration at the end of five years. The Company has also committed as part of the transaction to make a minimum investment over the next 18 to 24 months in Northleaf's product offerings. Mackenzie and Lifeco will have an obligation and right to purchase an additional equity and voting interest in Northleaf commencing in approximately five years and extending into future periods. The revenue and net earnings of Northleaf are not expected to be significant to the results of the Company.

Subsequent event

On October 29, 2020, the Company and Mackenzie completed the acquisition of a non-controlling interest in Northleaf.

4. Restructuring Expenses

Putnam Restructuring

At September 30, 2020, the Company has a restructuring provision of \$17 remaining in other liabilities. The change in the restructuring provision for the Putnam restructuring is set out below:

	September 30	December 31
	2020	2019
Balance, beginning of year	\$ 37	\$ —
Restructuring expenses	—	52
Amounts used	(20)	(15)
Changes in foreign exchange rates	—	—
Balance, end of period	\$ 17	\$ 37

United Kingdom Business Transformation

At September 30, 2020, the Company has a restructuring provision of \$28 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

	September 30	December 31
	2020	2019
Balance, beginning of year	\$ 39	\$ 61
Amounts used	(11)	(21)
Changes in foreign exchange rates	—	(1)
Balance, end of period	\$ 28	\$ 39

Due to COVID-19, the United Kingdom Business Transformation has been delayed and is expected to be completed by the end of 2021.

5. Portfolio Investments

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

	September 30, 2020		December 31, 2019	
	Carrying value	Fair value	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss ⁽¹⁾	\$ 93,221	\$ 93,221	\$ 84,229	\$ 84,229
Classified fair value through profit or loss ⁽¹⁾	1,865	1,865	1,717	1,717
Available-for-sale	13,960	13,960	11,710	11,710
Loans and receivables	18,044	21,070	17,372	19,344
	127,090	130,116	115,028	117,000
Mortgage loans				
Residential				
Designated fair value through profit or loss ⁽¹⁾	1,805	1,805	1,314	1,314
Loans and receivables	8,918	9,532	9,073	9,347
	10,723	11,337	10,387	10,661
Commercial				
	14,646	15,840	13,881	14,485
	25,369	27,177	24,268	25,146
Stocks				
Designated fair value through profit or loss ⁽¹⁾	9,178	9,178	9,752	9,752
Available-for-sale	17	17	16	16
Available-for-sale, at cost ⁽²⁾	166	166	189	189
Equity method	432	358	418	410
	9,793	9,719	10,375	10,367
Investment properties				
	5,853	5,853	5,887	5,887
Total	\$ 168,105	\$ 172,865	\$ 155,558	\$ 158,400

⁽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.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2020	December 31 2019
Impaired amounts by classification		
Fair value through profit or loss	\$ 22	\$ 21
Available-for-sale	18	16
Loans and receivables	25	29
Total	\$ 65	\$ 66

The carrying amount of impaired investments includes \$38 bonds, \$25 mortgage loans and \$2 stocks at September 30, 2020 (\$37 bonds and \$29 mortgage loans at December 31, 2019). The above carrying values for loans and receivables are net of allowances of \$49 at September 30, 2020 and \$51 at December 31, 2019.

(c) Net investment income comprises the following:

For the three months ended September 30, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 898	\$ 218	\$ 101	\$ 98	\$ 139	\$ 1,454
Net realized gains (losses)						
Available-for-sale	18	—	(7)	—	—	11
Other classifications ⁽¹⁾	1	6	88	—	—	95
Net allowances for credit losses on loans and receivables	—	(1)	—	—	—	(1)
Other income (expenses)	—	—	—	(34)	(32)	(66)
	917	223	182	64	107	1,493
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	7	—	—	—	—	7
Designated fair value through profit or loss	243	(8)	303	—	212	750
Recorded at fair value through profit or loss	—	—	—	28	—	28
	250	(8)	303	28	212	785
Total	\$ 1,167	\$ 215	\$ 485	\$ 92	\$ 319	\$ 2,278

⁽¹⁾ Includes a realized gain on disposal of the shares of IPSI (note 3).

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5. Portfolio Investments (cont'd)

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 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
For the nine months ended September 30, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,724	\$ 659	\$ 264	\$ 299	\$ 433	\$ 4,379
Net realized gains (losses)						
Available-for-sale	134	—	(6)	—	—	128
Other classifications ⁽¹⁾	5	25	88	—	—	118
Net allowances for credit losses on loans and receivables	—	(10)	—	—	—	(10)
Other income (expenses)	—	—	—	(95)	(117)	(212)
	2,863	674	346	204	316	4,403
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	79	—	—	—	—	79
Designated fair value through profit or loss	4,077	98	(702)	—	320	3,793
Recorded at fair value through profit or loss	—	—	—	(157)	—	(157)
	4,156	98	(702)	(157)	320	3,715
Total	\$ 7,019	\$ 772	\$ (356)	\$ 47	\$ 636	\$ 8,118

⁽¹⁾ Includes a realized gain on disposal of the shares of IPSI (note 3).

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5. Portfolio Investments (cont'd)

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	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 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>

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., an affiliated company controlled by Power Corporation. 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.

6. 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 2019 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, 2019 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, 2019.

(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 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.

6. 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 rate risk considers the Canadian Institute of Actuaries prescribed scenarios:

- At September 30, 2020 and December 31, 2019, 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, 2020 and December 31, 2019, 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.

6. Financial Instruments Risk Management (cont'd)

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. The following table 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.

The sensitivities in the table include the impact of a parallel shift in ultimate interest rates outlined in actuarial standards.

	September 30, 2020		December 31, 2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (293)	\$ 798	\$ (230)	\$ 811
Increase (decrease) in net earnings	\$ 228	\$ (617)	\$ 175	\$ (619)

(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 on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

Some insurance and investment contract liabilities with long-tail cash-flows are supported by publicly traded common stocks and investments in other non-fixed income assets, primarily comprised of investment properties, real estate funds, private stocks, and equity release mortgages. The value of the liabilities may fluctuate with changes in the value of the supporting assets. The liabilities for other products such as segregated fund products with guarantees also fluctuate with equity values.

There may be additional market and liability impacts as a result of changes in the value of publicly traded common stocks and other non-fixed income assets that will cause the liabilities to fluctuate differently than the equity values. This means that the relative impact on liabilities of falls in market values increases with larger falls.

The following table provides information on the expected impacts of an immediate 10% or 20% increase or decrease in the value of publicly traded common stocks on insurance and investment contract liabilities and on the shareholders' net earnings of the Company. The expected impacts take into account the expected change in hedge assets.

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6. Financial Instruments Risk Management (cont'd)

	September 30, 2020				December 31, 2019			
	20% increase	10% increase	10% decrease	20% decrease	20% increase	10% increase	10% decrease	20% decrease
Change in publicly traded common stock values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (33)	\$ (19)	\$ 110	\$ 315	\$ (63)	\$ (33)	\$ 45	\$ 223
Increase (decrease) in net earnings	\$ 27	\$ 15	\$ (88)	\$ (249)	\$ 54	\$ 27	\$ (39)	\$ (182)

The following table provides information on the expected impacts of an immediate 5% or 10% increase or decrease in the value of other non-fixed income assets on insurance and investment contract liabilities and on the shareholders' net earnings of the Company:

	September 30, 2020				December 31, 2019			
	10% increase	5% increase	5% decrease	10% decrease	10% increase	5% increase	5% decrease	10% decrease
Change in other non-fixed income asset values								
Increase (decrease) in non-participating insurance and investment contract liabilities	\$ (32)	\$ (3)	\$ 83	\$ 208	\$ (74)	\$ (32)	\$ 35	\$ 117
Increase (decrease) in net earnings	\$ 26	\$ 2	\$ (63)	\$ (156)	\$ 60	\$ 25	\$ (28)	\$ (90)

The Canadian Institute of Actuaries Standards of Practice for the valuation of insurance contract liabilities establish limits on the investment return assumptions for publicly traded common stocks and other non-fixed income assets which are generally based on historical returns on market indices. The sensitivities shown in the tables above allow for the impact of changes in these limits following market falls.

The best estimate return assumptions for publicly traded common stocks and other non-fixed income assets are primarily based on long-term historical averages. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2020		December 31, 2019	
	1% increase	1% decrease	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	\$ (672)	\$ 871	\$ (645)	\$ 752
Increase (decrease) in net earnings	\$ 534	\$ (683)	\$ 509	\$ (585)

7. 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 investment funds, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and 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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7. 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, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 5,372	\$ —	\$ —	\$ 5,372
Financial assets at fair value through profit or loss				
Bonds	—	95,014	72	95,086
Mortgage loans	—	—	1,805	1,805
Stocks	7,921	57	1,200	9,178
Total financial assets at fair value through profit or loss	<u>7,921</u>	<u>95,071</u>	<u>3,077</u>	<u>106,069</u>
Available-for-sale financial assets				
Bonds	—	13,960	—	13,960
Stocks	9	—	8	17
Total available-for-sale financial assets	<u>9</u>	<u>13,960</u>	<u>8</u>	<u>13,977</u>
Investment properties	—	—	5,853	5,853
Funds held by ceding insurers	77	6,203	—	6,280
Derivatives ⁽¹⁾	3	784	—	787
Reinsurance assets	—	141	—	141
Other assets:				
Trading account assets	316	585	—	901
Other ⁽²⁾	4	92	—	96
Total assets measured at fair value	<u>\$ 13,702</u>	<u>\$ 116,836</u>	<u>\$ 8,938</u>	<u>\$ 139,476</u>
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 1	\$ 1,668	\$ —	\$ 1,669
Investment contract liabilities	—	4,047	—	4,047
Other liabilities	4	92	—	96
Total liabilities measured at fair value	<u>\$ 5</u>	<u>\$ 5,807</u>	<u>\$ —</u>	<u>\$ 5,812</u>

⁽¹⁾ Excludes collateral received from counterparties of \$258.

⁽²⁾ Includes collateral received under securities lending agreements.

⁽³⁾ Excludes collateral pledged to counterparties of \$831.

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

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7. Fair Value Measurement (cont'd)

Assets measured at fair value	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 4,628	\$ —	\$ —	\$ 4,628
Financial assets at fair value through profit or loss				
Bonds	—	85,879	67	85,946
Mortgage loans	—	—	1,314	1,314
Stocks	8,956	118	678	9,752
Total financial assets at fair value through profit or loss	8,956	85,997	2,059	97,012
Available-for-sale financial assets				
Bonds	—	11,710	—	11,710
Stocks	12	—	4	16
Total available-for-sale financial assets	12	11,710	4	11,726
Investment properties	—	—	5,887	5,887
Funds held by ceding insurers	216	6,445	—	6,661
Derivatives ⁽¹⁾	—	451	—	451
Reinsurance assets	—	127	—	127
Other assets:				
Trading account assets	332	760	—	1,092
Other ⁽²⁾	43	355	—	398
Total assets measured at fair value	\$ 14,187	\$ 105,845	\$ 7,950	\$ 127,982
Liabilities measured at fair value				
Derivatives ⁽³⁾	\$ 3	\$ 1,378	\$ —	\$ 1,381
Investment contract liabilities	—	1,656	—	1,656
Other liabilities	43	355	—	398
Total liabilities measured at fair value	\$ 46	\$ 3,389	\$ —	\$ 3,435

⁽¹⁾ Excludes collateral received from counterparties of \$155.

⁽²⁾ Includes collateral received under securities lending arrangements.

⁽³⁾ Excludes collateral pledged to counterparties of \$580.

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

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7. 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, 2020					
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽⁴⁾	Available- for-sale stocks	Investment properties	Total Level 3 assets
Balance, beginning of year	\$ 67	\$ 1,314	\$ 678	\$ 4	\$ 5,887	\$ 7,950
Total gains (losses)						
Included in net earnings	1	90	(10)	—	(157)	(76)
Included in other comprehensive income ⁽¹⁾	4	—	—	—	10	14
Purchases	—	—	229	4	155	388
Issues	—	454	—	—	—	454
Sales	—	—	(54)	—	(70)	(124)
Settlements	—	(53)	—	—	—	(53)
Transferred from owner occupied properties ⁽²⁾	—	—	—	—	28	28
Transfers into Level 3 ⁽³⁾	—	—	357	—	—	357
Transfers out of Level 3 ⁽³⁾	—	—	—	—	—	—
Balance, end of period	\$ 72	\$ 1,805	\$ 1,200	\$ 8	\$ 5,853	\$ 8,938
Total gains (losses) for the period included in net investment income	\$ 1	\$ 90	\$ (10)	\$ —	\$ (157)	\$ (76)
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2020	\$ 1	\$ 90	\$ (9)	\$ —	\$ (157)	\$ (75)

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

(2) As a result of the sale of IPSI, a property with a fair value of \$28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of \$11 and income tax expense of \$(1) in the Consolidated Statements of Comprehensive Income.

(3) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. 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 or the lifting of redemption restrictions on investments in mutual and segregated funds.

(4) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

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7. Fair Value Measurement (cont'd)

December 31, 2019

	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks ⁽³⁾	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	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	—	—	—	—	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	4	109	40	—	37	(2)	188	—	—
Included in other comprehensive income ⁽¹⁾	(4)	(5)	—	—	(36)	(1)	(46)	—	—
Purchases	—	—	299	2	644	—	945	—	—
Issues	—	469	—	—	—	—	469	—	—
Sales	—	—	(65)	—	(5)	(26)	(96)	—	—
Settlements	—	(72)	—	—	—	—	(72)	—	—
Other	—	—	—	—	—	—	—	(26)	(26)
Transfers into Level 3 ⁽²⁾	—	—	—	—	—	—	—	—	—
Transfers out of Level 3 ⁽²⁾	—	—	—	—	—	—	—	—	—
Balance, end of year	\$ 67	\$ 1,314	\$ 678	\$ 4	\$ 5,887	\$ —	\$ 7,950	\$ —	\$ —
Total gains (losses) for the year included in net investment income	\$ 4	\$ 109	\$ 40	\$ —	\$ 37	\$ (2)	\$ 188	\$ —	\$ —
Change in unrealized gains for the year included in earnings for assets held at December 31, 2019	\$ 4	\$ 105	\$ 38	\$ —	\$ 37	\$ —	\$ 184	\$ —	\$ —

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

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. 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 or the lifting of redemption restrictions on investments in mutual and segregated funds.

(3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

7. Fair Value Measurement (cont'd)

The following sets out information about significant unobservable inputs used at period-end in measuring assets 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 Reversionary rate Vacancy rate	Range of 2.8% - 11.9% Range of 4.0% - 6.8% Weighted average of 2.0%	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. 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. 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 - equity release mortgages (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 3.3% - 4.3%	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.

8. Insurance and Investment Contract Liabilities

	September 30, 2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 184,379	\$ 22,194	\$ 162,185
Investment contract liabilities	4,047	141	3,906
Total	\$ 188,426	\$ 22,335	\$ 166,091
	December 31, 2019		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	\$ 174,521	\$ 20,580	\$ 153,941
Investment contract liabilities	1,656	127	1,529
Total	\$ 176,177	\$ 20,707	\$ 155,470

9. 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 2020	December 31 2019
Cash and cash equivalents	\$ 15,167	\$ 12,501
Bonds	49,646	44,973
Mortgage loans	2,631	2,670
Stocks and units in unit trusts	104,056	104,330
Mutual funds	55,494	55,779
Investment properties ⁽¹⁾	12,657	12,986
	239,651	233,239
Accrued income	394	373
Other liabilities	(4,109)	(3,737)
Non-controlling mutual funds interest	1,007	1,147
Total	\$ 236,943	\$ 231,022

⁽¹⁾ Since March 20, 2020, Canada Life has temporarily suspended contributions to, and redemptions and transfers from, its real estate investment funds as the COVID-19 virus has impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual.

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

	For the nine months ended September 30	
	2020	2019
Balance, beginning of year	\$ 231,022	\$ 209,527
Additions (deductions):		
Policyholder deposits	16,029	17,326
Net investment income	1,320	1,521
Net realized capital gains on investments	4,203	2,082
Net unrealized capital (losses) gains on investments	(7,006)	18,632
Unrealized gains (losses) due to changes in foreign exchange rates	5,540	(9,021)
Policyholder withdrawals	(14,288)	(17,985)
Change in Segregated Fund investment in General Fund	27	(10)
Change in General Fund investment in Segregated Fund	235	126
Net transfer from General Fund	1	19
Non-controlling mutual funds interest	(140)	240
Assets held for sale	—	147
Total	5,921	13,077
Balance, end of period	\$ 236,943	\$ 222,604

9. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 7)

	September 30, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 146,352	\$ 79,749	\$ 13,763	\$ 239,864

⁽¹⁾ Excludes other liabilities, net of other assets, of \$2,921.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders ⁽¹⁾	\$ 146,861	\$ 73,173	\$ 13,988	\$ 234,022

⁽¹⁾ Excludes other liabilities, net of other assets, of \$3,000.

During the first nine months of 2020, certain foreign stock holdings valued at \$2,484 have been transferred from Level 1 to Level 2 (\$153 were transferred from Level 1 to Level 2 at December 31, 2019) 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 access to the underlying asset details within an investment fund.

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, 2020	December 31, 2019		
	Total ⁽¹⁾	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	\$ 13,988	\$ 13,235	\$ 9	\$ 13,244
Change in accounting policy	—	136	—	136
Revised balance, beginning of year	13,988	13,371	9	13,380
Total gains (losses) included in segregated fund investment income	71	141	(1)	140
Purchases	120	760	—	760
Sales	(451)	(284)	(8)	(292)
Transfers into Level 3	35	—	—	—
Transfers out of Level 3	—	—	—	—
Balance, end of period	\$ 13,763	\$ 13,988	\$ —	\$ 13,988

⁽¹⁾ At September 30, 2020, there were no investments on account of segregated fund policyholders held for sale.

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.

10. Debentures and Other Debt Instruments

On May 14, 2020, the Company issued \$600 aggregate principal amount 2.379% debentures at par, maturing on May 14, 2030. Interest on the debentures is payable semi-annually in arrears on May 14 and November 14 in each year, commencing November 14, 2020 until the date on which the debentures are repaid. The debentures are redeemable at any time prior to February 14, 2030 in whole or in part at the greater of the Canada Yield Price (as defined in the trust indenture governing the debentures) and par, and on or after February 14, 2030 in whole or in part at par, together in each case with accrued and unpaid interest.

On July 8, 2020, the Company issued \$250 aggregate principal amount 2.981% debentures at par, maturing on July 8, 2050. Interest on the debentures is payable semi-annually in arrears on January 8 and July 8 in each year, commencing January 8, 2021 until the date on which the debentures are repaid. The debentures are redeemable at any time prior to January 8, 2050 in whole or in part at the greater of the Canada Yield Price (as defined in the trust indenture governing the debentures) and par, and on or after January 8, 2050 in whole or in part at par, together in each case with accrued and unpaid interest.

On July 13, 2020, the Company announced the re-opening of the offering of 2.981% debentures due July 8, 2050, and on July 15, 2020 issued an additional \$250 aggregate principal amount. The July 15, 2020 debentures were issued at a price of \$986.31 per \$1,000 par value for an effective yield of 3.051%. Upon issuance of the July 15, 2020 debentures, \$500 aggregate principal amount of 2050 debentures was issued and outstanding. The July 15, 2020 debentures form a single series with, are issued under the same Committee on Uniform Securities Identification Procedures (CUSIP) number as, and have the same terms as to status, redemption or otherwise as, the initial debentures issued on July 8, 2020.

On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, issued \$663 (U.S. \$500) aggregate principal amount of 0.904% senior notes due August 12, 2025. The senior notes are fully and unconditionally guaranteed by the Company.

On August 13, 2020, the Company repaid the principal amount of its maturing 4.65% \$500 debentures, together with accrued interest.

On September 17, 2020, Empower Finance 2020, LP, a subsidiary of the Company, issued \$526 (U.S. \$400) aggregate principal amount of 1.357% senior notes due September 17, 2027, \$526 (U.S. \$400) aggregate principal amount of 1.776% senior notes due March 17, 2031 and \$921 (U.S. \$700) aggregate principal amount of 3.075% senior notes due September 17, 2051. The senior notes are fully and unconditionally guaranteed by the Company. In the event the acquisition of the MassMutual retirement services business (note 3) is not consummated on or prior to June 8, 2021 (or such later date as extended automatically pursuant to the acquisition agreement or by agreement of the parties to the acquisition agreement), then Empower Finance 2020, LP will be required to redeem the senior notes at a special mandatory redemption price equal to 101% of the aggregate principal amount of the notes plus accrued and unpaid interest.

11. Share Capital

Common Shares

	For the nine months ended September 30			
	2020		2019	
	Number	Carrying value	Number	Carrying value
Common shares				
Balance, beginning of year	927,281,186	\$ 5,633	987,739,408	\$ 7,283
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)
Exercised and issued under stock option plan	445,520	14	846,966	26
Balance, end of period	927,726,706	\$ 5,647	928,885,400	\$ 5,633

During the nine months ended September 30, 2020, 445,520 common shares were exercised under the Company's stock plan with a carrying value of \$14, including \$2 from contributed surplus transferred upon exercise (846,966 with a carrying value of \$26, including \$4 from contributed surplus transferred upon exercise during the nine months ended September 30, 2019).

On January 17, 2020, the Company announced a normal course issuer bid commencing January 22, 2020 and terminating January 21, 2021 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, 2020, the Company did not purchase any common shares under the current normal course issuer bid (nil during the nine months ended September 30, 2019 under the previous normal course issuer bid).

As a result of the COVID-19 pandemic impact on markets, on March 13, 2020, the Office of the Superintendent of Financial Institutions (OSFI) instructed Canadian banks and insurers to suspend share buybacks until further notice.

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 Corporation (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 tax objectives. Under the Qualifying Holdco Alternative, the Corporation

11. Share Capital (cont'd)

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	
	2020	2019	2020	2019
Earnings				
Net earnings	\$ 859	\$ 763	\$ 2,131	\$ 1,946
Preferred share dividends	(33)	(33)	(100)	(100)
Net earnings - common shareholders	\$ 826	\$ 730	\$ 2,031	\$ 1,846
Number of common shares				
Average number of common shares outstanding	927,696,986	928,855,248	927,639,358	951,777,203
Add: Potential exercise of outstanding stock options	67,163	343,713	94,541	458,637
Average number of common shares outstanding - diluted basis	927,764,149	929,198,961	927,733,899	952,235,840
Basic earnings per common share	\$ 0.891	\$ 0.786	\$ 2.190	\$ 1.940
Diluted earnings per common share	\$ 0.891	\$ 0.785	\$ 2.189	\$ 1.939
Dividends per common share	\$ 0.4380	\$ 0.4130	\$ 1.3140	\$ 1.2390

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, 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 required capital, defined by OSFI, as the aggregate of all defined capital requirements. 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 Canada Life:

	September 30 2020	December 31 2019
Tier 1 Capital	\$ 11,400	\$ 11,952
Tier 2 Capital	4,787	3,637
Total Available Capital	16,187	15,589
Surplus Allowance & Eligible Deposits	13,788	12,625
Total Capital Resources	\$ 29,975	\$ 28,214
 Required Capital	\$ 22,803	\$ 20,911
 Total LICAT Ratio (OSFI Supervisory Target = 100%) ⁽¹⁾	131 %	135 %

⁽¹⁾ Total Ratio (%) = (Total Capital Resources / Required Capital)

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	
	2020	2019	2020	2019
Pension plans				
Service costs	\$ 56	\$ 50	\$ 172	\$ 154
Net interest costs	5	7	19	21
Curtailment ⁽¹⁾	(9)	(1)	(10)	(2)
	<u>52</u>	<u>56</u>	<u>181</u>	<u>173</u>
Other post-employment benefits				
Service costs	1	1	2	2
Net interest costs	3	3	9	10
	<u>4</u>	<u>4</u>	<u>11</u>	<u>12</u>
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	<u>56</u>	<u>60</u>	<u>192</u>	<u>185</u>
Pension plans - re-measurements				
Actuarial loss	168	258	417	1,078
Return on assets greater than assumed	(118)	(148)	(98)	(672)
Administrative expenses less than assumed	—	(1)	(2)	(3)
Change in the asset ceiling	(26)	13	(10)	(16)
Pension plans re-measurement loss	<u>24</u>	<u>122</u>	<u>307</u>	<u>387</u>
Other post-employment benefits - re-measurements				
Actuarial loss	<u>2</u>	<u>3</u>	<u>21</u>	<u>36</u>
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	<u>26</u>	<u>125</u>	<u>328</u>	<u>423</u>
Total pension plans and other post- employment benefits expense including re-measurements	<u>\$ 82</u>	<u>\$ 185</u>	<u>\$ 520</u>	<u>\$ 608</u>

⁽¹⁾ Includes a curtailment gain recognized on disposal of shares of IPSI (note 3).

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	
	2020	2019	2020	2019	2019	2018
Weighted average discount rate	2.3 %	2.4 %	2.4 %	2.6 %	2.6 %	3.4 %

15. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Current income taxes	\$ 87	\$ 26	\$ 140	\$ 180
Deferred income taxes	(68)	21	(39)	50
Total income tax expense	\$ 19	\$ 47	\$ 101	\$ 230

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.75% 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, 2020 was 2.1% compared to 5.5% for the three months ended September 30, 2019. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended September 30, 2019 primarily due to changes in certain tax estimates as well as the non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 4.8% compared to 6.9% for the three months ended September 30, 2019.

The overall effective income tax rate for the nine months ended September 30, 2020 was 4.3% compared to 10.4% for the nine months ended September 30, 2019. The effective income tax rate for the nine months ended September 30, 2020 is lower than the effective income tax rate for the nine months ended September 30, 2019 primarily due to changes in certain tax estimates and an increase in the amount of income subject to lower rates in jurisdictions outside of Canada partially offset by lower non-taxable investment income. The effective income tax rate for the shareholder account for the nine months ended September 30, 2020 was 5.7% compared to 13.2% for the nine months ended September 30, 2019.

The overall effective income tax rate for the three months ended September 30, 2020 was 2.1% compared to 9.1% for the three months ended June 30, 2020. The effective income tax rate for the three months ended September 30, 2020 is lower than the effective income tax rate for the three months ended June 30, 2020 primarily due to higher tax-exempt investment income as well as the non-taxable gain on the disposal of the shares of IPSI partially offset by changes in certain tax estimates. The effective income tax rate for the shareholder account for the three months ended September 30, 2020 was 4.8% compared to 9.0% for the three months ended June 30, 2020.

16. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2020

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,230	\$ 1,722	\$ 534	\$ 4,490	\$ —	\$ 9,976
Net investment income						
Regular net investment income	714	313	388	80	(2)	1,493
Changes in fair value through profit or loss	486	136	102	61	—	785
Total net investment income	1,200	449	490	141	(2)	2,278
Fee and other income	445	696	342	3	—	1,486
	4,875	2,867	1,366	4,634	(2)	13,740
Benefits and expenses						
Paid or credited to policyholders	3,694	1,973	594	4,407	—	10,668
Other ⁽²⁾	844	728	398	56	7	2,033
Financing charges	33	25	6	3	4	71
Amortization of finite life intangible assets	25	20	13	—	—	58
Earnings (loss) before income taxes	279	121	355	168	(13)	910
Income taxes (recovery)	(7)	22	12	(5)	(3)	19
Net earnings (loss) before non-controlling interests	286	99	343	173	(10)	891
Non-controlling interests	23	8	—	1	—	32
Net earnings (loss)	263	91	343	172	(10)	859
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	235	91	338	172	(10)	826
Impact of capital allocation	31	(2)	(22)	(5)	(2)	—
Net earnings (loss) - common shareholders	\$ 266	\$ 89	\$ 316	\$ 167	\$ (12)	\$ 826

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

⁽²⁾ 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, 2019

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 3,606	\$ 966	\$ 648	\$ 4,104	\$ —	\$ 9,324
Net investment income						
Regular net investment income	732	319	315	87	(1)	1,452
Changes in fair value through profit or loss	366	201	1,279	256	—	2,102
Total net investment income	1,098	520	1,594	343	(1)	3,554
Fee and other income	447	665	382	2	—	1,496
	<u>5,151</u>	<u>2,151</u>	<u>2,624</u>	<u>4,449</u>	<u>(1)</u>	<u>14,374</u>
Benefits and expenses						
Paid or credited to policyholders	3,867	1,362	1,882	4,329	—	11,440
Other ⁽²⁾	850	655	395	49	3	1,952
Financing charges	32	28	6	3	1	70
Amortization of finite life intangible assets	24	22	11	—	—	57
Earnings (loss) before income taxes	378	84	330	68	(5)	855
Income taxes (recovery)	31	7	21	(10)	(2)	47
Net earnings (loss) before non-controlling interests	347	77	309	78	(3)	808
Non-controlling interests	47	(3)	1	—	—	45
Net earnings (loss)	300	80	308	78	(3)	763
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	272	80	303	78	(3)	730
Impact of capital allocation	28	(3)	(21)	(3)	(1)	—
Net earnings (loss) - common shareholders	<u>\$ 300</u>	<u>\$ 77</u>	<u>\$ 282</u>	<u>\$ 75</u>	<u>\$ (4)</u>	<u>\$ 730</u>

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

⁽²⁾ 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, 2020

	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 9,560	\$ 5,387	\$ 2,254	\$ 14,071	\$ —	\$ 31,272
Net investment income						
Regular net investment income	2,137	968	1,038	252	8	4,403
Changes in fair value through profit or loss	1,570	769	1,079	297	—	3,715
Total net investment income	3,707	1,737	2,117	549	8	8,118
Fee and other income	1,295	2,015	1,015	8	—	4,333
	14,562	9,139	5,386	14,628	8	43,723
Benefits and expenses						
Paid or credited to policyholders	10,897	6,696	3,352	13,987	—	34,932
Other ⁽²⁾	2,591	2,067	1,250	163	18	6,089
Financing charges	97	74	19	9	6	205
Amortization of finite life intangible assets	75	63	37	—	—	175
Earnings (loss) before income taxes	902	239	728	469	(16)	2,322
Income taxes (recovery)	75	37	(13)	6	(4)	101
Net earnings (loss) before non-controlling interests	827	202	741	463	(12)	2,221
Non-controlling interests	67	22	1	—	—	90
Net earnings (loss)	760	180	740	463	(12)	2,131
Preferred share dividends	85	—	15	—	—	100
Net earnings (loss) before capital allocation	675	180	725	463	(12)	2,031
Impact of capital allocation	95	(8)	(65)	(16)	(6)	—
Net earnings (loss) - common shareholders	\$ 770	\$ 172	\$ 660	\$ 447	\$ (18)	\$ 2,031

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

⁽²⁾ 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	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Lifeco Corporate	Total
Income						
Total net premiums	\$ 9,918	\$ (10,647)	\$ 2,757	\$ 13,004	\$ —	\$ 15,032
Net investment income						
Regular net investment income	2,105	1,432	902	259	1	4,699
Changes in fair value through profit or loss	3,602	1,434	2,966	710	—	8,712
Total net investment income	5,707	2,866	3,868	969	1	13,411
Fee and other income	1,309	3,088	1,162	7	—	5,566
	<u>16,934</u>	<u>(4,693)</u>	<u>7,787</u>	<u>13,980</u>	<u>1</u>	<u>34,009</u>
Benefits and expenses						
Paid or credited to policyholders	13,157	(7,049)	5,681	13,533	—	25,322
Other ⁽²⁾	2,570	2,132	1,212	160	16	6,090
Financing charges	96	88	18	9	3	214
Amortization of finite life intangible assets	67	62	35	—	—	164
Earnings (loss) before income taxes	1,044	74	841	278	(18)	2,219
Income taxes (recovery)	137	4	93	1	(5)	230
Net earnings (loss) before non-controlling interests	907	70	748	277	(13)	1,989
Non-controlling interests	43	—	—	—	—	43
Net earnings (loss)	864	70	748	277	(13)	1,946
Preferred share dividends	85	—	15	—	—	100
Net earnings (loss) before capital allocation	779	70	733	277	(13)	1,846
Impact of capital allocation	84	(10)	(64)	(8)	(2)	—
Net earnings (loss) - common shareholders	<u>\$ 863</u>	<u>\$ 60</u>	<u>\$ 669</u>	<u>\$ 269</u>	<u>\$ (15)</u>	<u>\$ 1,846</u>

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).

⁽²⁾ Includes commissions, operating and administrative expenses, and premium taxes.

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16. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	September 30, 2020				
	Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total
Assets					
Invested assets	\$ 86,224	\$ 40,594	\$ 49,444	\$ 6,114	\$ 182,376
Goodwill and intangible assets	5,578	2,965	3,006	—	11,549
Other assets	4,040	20,457	9,671	8,701	42,869
Investments on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	\$ 181,727	\$ 97,104	\$ 180,091	\$ 14,815	\$ 473,737
Liabilities					
Insurance and investment contract liabilities	\$ 79,483	\$ 50,604	\$ 46,822	\$ 11,517	\$ 188,426
Other liabilities	8,753	7,595	4,471	901	21,720
Investment and insurance contracts on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	\$ 174,121	\$ 91,287	\$ 169,263	\$ 12,418	\$ 447,089

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).

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16. Segmented Information (cont'd)

		December 31, 2019				
		Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total
Assets						
	Invested assets	\$ 81,179	\$ 32,768	\$ 48,845	\$ 5,995	\$ 168,787
	Goodwill and intangible assets	5,560	1,990	2,834	—	10,384
	Other assets	3,953	19,421	8,465	9,135	40,974
	Investments on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
	Total	\$ 176,304	\$ 85,612	\$ 174,121	\$ 15,130	\$ 451,167
		December 31, 2019				
		Canada	United States	Europe ⁽¹⁾	Capital and Risk Solutions ⁽¹⁾	Total
Liabilities						
	Insurance and investment contract liabilities	\$ 74,939	\$ 43,689	\$ 45,662	\$ 11,887	\$ 176,177
	Other liabilities	8,448	5,035	3,653	1,289	18,425
	Investment and insurance contracts on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
	Total	\$ 168,999	\$ 80,157	\$ 163,292	\$ 13,176	\$ 425,624

⁽¹⁾ Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions. The realignment resulted in a change to comparative figures within these operating segments. The adjustment had no impact on the net earnings or cash flows of the Company (note 2).