GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2019

E1138(3/19)-3/19

Quarterly Report to Shareholders

For cautionary notes regarding forward-looking information and non-IFRS financial measures, see page 4.

Copies of this report are available at www.greatwestlifeco.com or by contacting the Corporate Secretary's Office at 204-946-4388.

GREAT-WEST
LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to March 31, 2019 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2019 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco or the Company) today announced net earnings attributable to common shareholders (net earnings) of $657 million or $0.67 per common share for the first quarter of 2019 compared to $731 million or $0.74 per common share for the same quarter last year. Net earnings in the first quarter of 2019 of $657 million decreased from $731 million in the prior year, primarily due to higher income taxes, lower net fee income in Canada and the U.S., and unfavourable claims experience in Europe.

Highlights

Sales up $55.6 billion to $90.2 billion

- Sales for the first quarter of 2019 were $90.2 billion, up 160% from the first quarter of 2018, primarily driven by a very large sale at Empower Retirement and a large fund management mandate in Europe.

Capital strength and financial flexibility maintained

- The Great-West Life Assurance Company reported a Life Insurance Capital Adequacy Test (LICAT) ratio of 140% at March 31, 2019.
- Adjusted return on equity, which excludes the impact of restructuring costs, was 13.7% for the first quarter of 2019.
- Subsequent to March 31, 2019, on April 17, 2019, the Company announced that it will take up and purchase for cancellation 59,700,974 of its common shares at a purchase price of $33.50 per share under the Company's Substantial Issuer Bid, for aggregate consideration of $2.0 billion.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's consolidated operating results are grouped into four reportable segments – Canada, United States, Europe and Lifeco Corporate – reflecting geographic lines as well as the management and corporate structure of the Company. For more information, please refer to the Company's 2019 first quarter Management's Discussion and Analysis (MD&A).

CANADA

- **Q1 Canada segment net earnings of $283 million** – Net earnings for the first quarter of 2019 were $283 million compared to $316 million in the first quarter of 2018, a decrease of 10%. Growth in net earnings related to group and individual insurance, which included strong morbidity and investment results, was more than offset by lower earnings from wealth business, due to lower average assets and margin compression, and by higher taxes than in the prior year.

- **Canadian companies moving to one brand – Canada Life** – On April 3, 2019, the Company announced its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, are moving to one brand in Canada: Canada Life. Canada Life will become the brand under which the organization will create, deliver and communicate products and services in Canada across all of its lines of business. In addition to the move to a new brand, Great-West Life, London Life, Canada Life and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., have also begun the process to formally amalgamate as one company: The Canada Life Assurance Company. This initiative is separate from, but aligned with, the move to one brand and will further simplify the business. The proposed amalgamation is a multi-step process that would occur only after obtaining required board, regulatory and policyholder approvals.

UNITED STATES

- **Q1 U.S. segment net earnings up 3%** – Net earnings for the first quarter of 2019 were US$61 million, up 3%, compared to net earnings of US$59 million in the first quarter of 2018, primarily driven by improved results at Putnam as a result of higher net investment income on seed capital and lower operating expenses.
- **Sale of U.S. individual life insurance and annuity business** – On January 24, 2019, the Company announced that its subsidiary, Great-West Life & Annuity Insurance Company, was selling substantially all of its U.S. individual life insurance and annuity business, via an indemnity reinsurance agreement, to Protective Life Insurance Company. The business to be transferred contributed $33 million (US$25 million) to the Company's first quarter of 2019 net earnings, compared to $31 million (US$24 million) for the same quarter last year. The transaction is expected to close in the second quarter of 2019, subject to regulatory and customary closing conditions.
- **Q1 U.S. segment sales up 187%** – U.S. sales in the first quarter of 2019 of US$57.0 billion were up 187% from the first quarter of 2018, primarily driven by Empower Retirement large plan sales. Putnam sales were US$10.9 billion, an increase of US$0.4 billion compared to the same period last year, driven by a 14% increase in institutional asset sales partially offset by a 1% decrease in mutual fund sales.

EUROPE

- **Q1 Europe segment net earnings of $299 million** – Net earnings for the first quarter of 2019 were $299 million, down 13% compared to net earnings of $344 million in the first quarter of 2018, primarily driven by higher taxes and unfavourable claims experience in Ireland and Reinsurance.
- **Q1 Europe segment sales up 95%** – Europe sales in the first quarter of 2019 of $11.2 billion were up 95% from the first quarter of 2018, reflecting higher fund management sales in Ireland and higher bulk annuity sales in the U.K.
- **U.K. operations advance transformation activities** – The U.K. operations made progress on the previously announced targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter of 2020. Annualized savings achieved to March 31, 2019 on the U.K. restructuring program were £8 million pre-tax compared to £3 million pre-tax at December 31, 2018.

GREAT-WEST LIFECO INC.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.4130 per share on the common shares of Lifeco payable June 28, 2019 to shareholders of record at the close of business May 31, 2019.

In addition, the Directors approved quarterly dividends on Lifeco's preferred shares, as follows:

First Preferred Shares	Record Date	Payment Date	Amount, per share
Series F	May 31, 2019	June 28, 2019	$0.36875
Series G	May 31, 2019	June 28, 2019	$0.3250
Series H	May 31, 2019	June 28, 2019	$0.30313
Series I	May 31, 2019	June 28, 2019	$0.28125
Series L	May 31, 2019	June 28, 2019	$0.353125
Series M	May 31, 2019	June 28, 2019	$0.3625
Series N	May 31, 2019	June 28, 2019	$0.1360
Series O	May 31, 2019	June 28, 2019	$0.185865
Series P	May 31, 2019	June 28, 2019	$0.3375
Series Q	May 31, 2019	June 28, 2019	$0.321875
Series R	May 31, 2019	June 28, 2019	$0.3000
Series S	May 31, 2019	June 28, 2019	$0.328125
Series T	May 31, 2019	June 28, 2019	$0.321875

For purposes of the Income Tax Act (Canada), and any similar provincial legislation, the dividends referred to above are eligible dividends.

P. A. Mahon
President and Chief Executive Officer

May 1, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2019
DATED: MAY 1, 2019

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

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019. Also refer to the 2018 Annual MD&A and audited consolidated financial statements in the Company's 2018 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

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

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Earnings			
Net earnings - common shareholders	**$ 657**	$ 710	$ 731
Net earnings per common share	**0.665**	0.719	0.740
Dividends paid per common share	**0.413**	0.389	0.389
Return on common shareholders' equity(1)			
Net earnings	**13.5%**	14.0%	11.4%
Adjusted net earnings(2)	**13.7%**	14.3%	13.8%
Premiums and deposits			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 9,595**	$ 9,045	$ 8,174
Policyholder deposits (Segregated funds):			
Individual products	**3,632**	4,705	3,988
Group products	**2,094**	1,641	2,422
Premiums and deposits reported in the financial statements	**15,321**	15,391	14,584
Self-funded premium equivalents (Administrative services only contracts)(3)	**811**	802	748
Proprietary mutual funds and institutional deposits(3)	**24,713**	21,390	17,794
Total premiums and deposits(3)	**40,845**	37,583	33,126
Fee and other income	**1,479**	1,420	1,433
Net policyholder benefits, dividends and experience refunds	**8,987**	8,496	7,829
Total assets per financial statements	**$ 442,492**	$ 427,689	$ 432,651
Proprietary mutual funds and institutional net assets(4)	**304,230**	281,664	285,843
Total assets under management(4)	**746,722**	709,353	718,494
Other assets under administration(5)	**804,202**	689,520	673,597
Total assets under administration	**$1,550,924**	$1,398,873	$1,392,091
Total equity	**$ 27,400**	$ 27,398	$ 26,435
The Great-West Life Assurance Company consolidated Life Insurance Capital Adequacy Test Ratio(6)	**140%**	140%	130%
Book value per common share	**$ 22.07**	$ 22.08	$ 21.01

(1) Return on common shareholders' equity is detailed within the "Capital Allocation Methodology" section.

(2) Return on common shareholders' equity - adjusted net earnings (a non-IFRS measure) is adjusted for the impact of U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs. For further details on this measure, refer to the "Capital Allocation Methodology" section.

(3) In addition to premiums and deposits reported in the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). This measure provides useful information as it is an indicator of top line growth.

(4) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight of the investment policies.

(5) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration includes recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volume, size and trends.

(6) The Life Insurance Capital Adequacy Test (LICAT) ratio is based on the consolidated results of The Great-West Life Assurance Company, Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section for additional details.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders (net earnings) for the three month period ended March 31, 2019 were $657 million compared to $731 million a year ago and $710 million in the previous quarter. On a per share basis, this represents $0.665 per common share ($0.665 diluted) compared to $0.740 per common share ($0.739 diluted) a year ago and $0.719 per common share ($0.719 diluted) in the previous quarter.

Net earnings - common shareholders

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Individual Customer	**$ 124**	$ 171	$ 138
Group Customer	**151**	144	142
Canada Corporate	**8**	(5)	36
	283	310	316
United States			
Financial Services	**86**	84	91
Asset Management	**(4)**	(29)	(16)
U.S. Corporate	**(1)**	—	—
	81	55	75
Europe			
Insurance & Annuities	**203**	271	244
Reinsurance	**97**	89	104
Europe Corporate	**(1)**	(11)	(4)
	299	349	344
Lifeco Corporate	**(6)**	(4)	(4)
Net earnings - common shareholders	**$ 657**	$ 710	$ 731

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

MARKET IMPACTS

Interest Rate Environment

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

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

For a further description of the Company's sensitivity to interest rate fluctuations, refer to "Financial Instruments Risk Management", note 7 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

Equity Markets

In the regions where the Company operates, average equity market levels in the first quarter of 2019 decreased compared to the same period in 2018; however, ended the quarter at higher market levels compared to December 31, 2018. Relative to the Company's expectation, the change in average market levels and market volatility had a positive impact of $20 million on net earnings during the first quarter of 2019 ($2 million positive impact in the first quarter of 2018), related to asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company. In addition, net earnings were positively impacted by approximately $23 million in the first quarter of 2019 ($6 million positive impact in the first quarter of 2018), primarily related to seed money investments held in the U.S. Asset Management and Canada Corporate business units. In addition, the increase in equity markets negatively impacted the first quarter 2019 net earnings by $19 million ($12 million positive impact in the first quarter of 2018) as a result of the combination of actuarial assumption changes in the Canada segment and an unfavourable tax related item in the Europe segment.

Comparing the first quarter of 2019 to the first quarter of 2018, average equity market levels were down by 1% in Canada (as measured by S&P TSX), 1% in the U.S. (measured by S&P 500), 4% in the U.K. (measured by FTSE 100) and 8% in broader Europe (measured by EURO STOXX 50). The major equity indices finished the first quarter of 2019 up by 12% in Canada, 13% in the U.S., 8% in the U.K. and 12% in broader Europe compared to December 31, 2018.

Foreign Currency

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

The average currency translation rate for the first quarter of 2019 increased for the U.S. dollar and decreased for the British pound and the euro compared to the first quarter of 2018. The overall impact of currency movement on the Company’s net earnings for the three month period ended March 31, 2019 was an increase of $4 million compared to translation rates a year ago.

From December 31, 2018 to March 31, 2019, the exchange rates at the end of the reporting period used to translate U.S. dollar and euro assets and liabilities to the Canadian dollar decreased, while the British pound was consistent. The movements in end-of-period exchange rates resulted in unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of $162 million in-quarter recorded in other comprehensive income.

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

ACTUARIAL ASSUMPTION CHANGES

During the first quarter of 2019, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $129 million, compared to $121 million for the same quarter last year and $83 million for the previous quarter. In Europe, net earnings were positively impacted by $101 million, primarily due to updated annuitant mortality and economic assumptions. In Canada, net earnings were positively impacted by $28 million, primarily due to updated morbidity assumptions.

PREMIUMS AND DEPOSITS AND SALES

Total premiums and deposits (a non-IFRS financial measure) include premiums on risk-based insurance and annuity products net of ceded reinsurance (as defined under IFRS), premium equivalents on self-funded group insurance ASO contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top-line growth.

Sales (a non-IFRS financial measure) for risk-based insurance and annuity products include 100% of single premium and annualized premiums expected in the first twelve months of the plan. Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies. For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds. For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan. This measure provides an indicator of new business growth.

Premiums and deposits

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Individual Customer	**$ 2,508**	$ 2,862	$ 2,616
Group Customer	**4,136**	3,776	4,437
	6,644	6,638	7,053
United States			
Financial Services	**3,286**	3,105	3,110
Asset Management	**14,550**	17,483	13,235
	17,836	20,588	16,345
Europe			
Insurance & Annuities	**11,911**	6,485	6,412
Reinsurance	**4,454**	3,872	3,316
	16,365	10,357	9,728
Total premiums and deposits	**$ 40,845**	$ 37,583	$ 33,126

Sales

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada	**$ 3,180**	$ 3,447	$ 3,822
United States	**75,848**	32,080	25,076
Europe - Insurance & Annuities	**11,181**	5,972	5,739
Total sales	**$ 90,209**	$ 41,499	$ 34,637

The information in the table above is a summary of results for the Company's total premiums and deposits and sales. Additional commentary regarding premiums and deposits and sales is included in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Investment income earned (net of investment properties expenses)	**$ 1,478**	$ 1,653	$ 1,543
Net allowances for credit losses on loans and receivables	**(3)**	—	—
Net realized gains	**11**	13	61
Regular investment income	**1,486**	1,666	1,604
Investment expenses	**(36)**	(34)	(31)
Regular net investment income	**1,450**	1,632	1,573
Changes in fair value through profit or loss	**4,365**	(398)	(1,487)
Net investment income	**$ 5,815**	$ 1,234	$ 86

Net investment income in the first quarter of 2019, which includes changes in fair value through profit or loss, increased by $5,729 million compared to the same quarter last year. The changes in fair value in the first quarter of 2019 were an increase of $4,365 million compared to a decrease of $1,487 million for the first quarter of 2018. In the first quarter of 2019, the net increase to fair values was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets. In the first quarter of 2018, the net decrease to fair values was primarily due to an increase in bond yields across all geographies.

Regular net investment income in the first quarter of 2019 of $1,450 million, which excludes changes in fair value through profit or loss, decreased by $123 million compared to the same quarter last year. The decrease was primarily due to lower interest on bond investments as well as lower net realized gains driven by fewer early mortgage redemptions in the first quarter of 2019 compared to the same quarter last year. Net realized gains include gains on available-for-sale securities of $5 million for the first quarter of 2019 compared to losses of $1 million for the same quarter last year.

Net investment income in the first quarter of 2019 increased by $4,581 million compared to the previous quarter, primarily due to an increase in fair values of $4,365 million in the first quarter of 2019 compared to a decrease of $398 million in the previous quarter. The net increase to fair values during the first quarter was primarily due to a decline in bond yields across all geographies and an increase in Canadian equity markets. The net decrease to fair values in the previous quarter was primarily due to a decline in Canadian equity markets, partially offset by a decline in bond yields across all geographies.

Credit Markets

In the first quarter of 2019, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $10 million ($7 million net recovery in the first quarter of 2018). Changes in credit ratings in the Company's fixed income portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $14 million ($4 million net negative impact in the first quarter of 2018).

In April 2019, a U.K. retailer, which is a primary tenant in four properties that the Company owns or has issued mortgages on, entered a prepackaged administration. The U.K. retailer continues to operate after transferring control of its assets to a new company controlled by the group's secured lenders. The Company is monitoring developments closely and continuing to assess the potential impact to its holdings.

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada			
Segregated funds, mutual funds and other	**$ 371**	$ 378	$ 390
ASO contracts	**51**	50	48
	422	428	438
United States			
Segregated funds, mutual funds and other	**659**	644	631
Europe			
Segregated funds, mutual funds and other	**398**	348	364
Total fee and other income	**$ 1,479**	$ 1,420	$ 1,433

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Canada	**$ 2,426**	$ 2,272	$ 2,378
United States	**1,208**	1,172	1,117
Europe	**5,353**	5,052	4,334
Total	**$ 8,987**	$ 8,496	$ 7,829

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

For the three months ended March 31, 2019, net policyholder benefits, dividends and experience refunds were $9.0 billion, an increase of $1.2 billion from the same period last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new and restructured reinsurance agreements, higher volumes relating to existing business and the impact of currency movement in Europe.

Compared to the previous quarter, net policyholder benefits, dividends and experience refunds increased by $0.5 billion**.** The increase in Europe was primarily due to the same reasons discussed for the in-quarter results, while the increase in Canada was primarily due to an increase in death and surrender benefits.

INCOME TAXES

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

In the first quarter of 2019, the Company had an effective income tax rate of 16%, up from 9% in the first quarter of 2018. The increase in the effective income tax rate for the first quarter of 2019 was primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

In the first quarter of 2019, the Company had an effective income tax rate of 16%, up from 6% in the fourth quarter of 2018. The increase in the effective income tax rate was primarily due to changes in certain tax estimates.

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

Refer to note 15 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019 for further details.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2019			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ 78,118	$ 47,842	$ 54,667	$ 180,627
Assets held for sale	—	—	908	908
Goodwill and intangible assets	5,525	2,093	2,843	10,461
Other assets	3,465	4,768	19,038	27,271
Investments on account of segregated fund policyholders	81,994	32,736	105,063	219,793
Investments on account of segregated fund policyholders held for sale	—	—	3,432	3,432
Total assets	169,102	87,439	185,951	442,492
Proprietary mutual funds and institutional net assets	6,676	247,725	49,829	304,230
Total assets under management	175,778	335,164	235,780	746,722
Other assets under administration	16,736	742,238	45,228	804,202
Total assets under administration	$ 192,514	$ 1,077,402	$ 281,008	$ 1,550,924

	December 31, 2018			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 75,647	$ 47,500	$ 54,334	$ 177,481
Assets held for sale	—	—	897	897
Goodwill and intangible assets	5,516	2,130	2,878	10,524
Other assets	3,110	4,495	18,336	25,941
Investments on account of segregated fund policyholders	76,633	31,816	101,078	209,527
Investments on account of segregated fund policyholders held for sale	—	—	3,319	3,319
Total assets	160,906	85,941	180,842	427,689
Proprietary mutual funds and institutional net assets	6,214	235,075	40,375	281,664
Total assets under management	167,120	321,016	221,217	709,353
Other assets under administration	13,615	630,881	45,024	689,520
Total assets under administration	$ 180,735	$ 951,897	$ 266,241	$ 1,398,873

Total assets under administration at March 31, 2019 increased by $152.1 billion to $1.6 trillion compared to December 31, 2018, primarily due to the impact of market movement and new business growth, partially offset by the impact of currency movement. The increase of $111.4 billion in the U.S. segment's other assets under administration includes the impact of large plan sales in the first quarter of 2019. The increase of $3.1 billion in the Canada segment's other assets under administration was primarily due to the acquisition of Guggenheim Real Estate LLC, which added $2.2 billion in assets under administration.

Assets held for sale of $908 million and investments on account of segregated fund policyholders held for sale of $3,432 million at March 31, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. Refer to note 4 of the Company's March 31, 2019 condensed consolidated interim unaudited financial statements for further information on assets classified as held for sale. The impact of the agreement to sell, via indemnity reinsurance, substantially all of the U.S. segment individual life insurance and annuity business to Protective Life Insurance Company (Protective Life) will be reflected in assets when the transaction closes, which is anticipated to be in the second quarter of 2019.

INVESTED ASSETS

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

Bond portfolio – It is the Company's policy to acquire primarily investment grade bonds subject to prudent and well-defined investment policies. Modest investments in below investment grade rated securities may occur while not changing the overall discipline and conservative approach to the investment strategy. The total bond portfolio, including short-term investments, was $126.3 billion or 70% of invested assets at March 31, 2019 and $124.9 billion or 71% at December 31, 2018. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 79% rated A or higher.

Bond portfolio quality	**March 31, 2019**		December 31, 2018	
AAA	**$ 22,834**	**18 %**	$ 23,558	19%
AA	**34,807**	**28**	33,793	27
A	**41,879**	**33**	41,008	33
BBB	**25,768**	**20**	25,553	20
BB or lower	**1,011**	**1**	950	1
Total	**$ 126,299**	**100 %**	$ 124,862	100%

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

Mortgage portfolio	**March 31, 2019**				December 31, 2018	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 602**	**$ 1,491**	**$ 2,093**	**8%**	$ 2,104	8%
Multi-family residential	**3,861**	**3,759**	**7,620**	**30**	$ 7,617	31
Equity release	**—**	**924**	**924**	**4**	$ 813	3
Commercial	**297**	**14,575**	**14,872**	**58**	$ 14,480	58
Total	**$ 4,760**	**$ 20,749**	**$ 25,509**	**100%**	$ 25,014	100%

The total mortgage portfolio was $25.5 billion or 14% of invested assets at March 31, 2019, compared to $25.0 billion or 14% of invested assets at December 31, 2018. Total insured loans were $4.8 billion or 19% of the mortgage portfolio. The equity release mortgages had a weighted average loan-to-value of 24% (23% at December 31, 2018).

Single family residential mortgages

Region	March 31, 2019		December 31, 2018	
Ontario	**$ 1,055**	**51%**	$ 1,055	51%
Quebec	**443**	**21**	445	21
Alberta	**126**	**6**	126	6
British Columbia	**107**	**5**	112	5
Newfoundland	**106**	**5**	108	5
Saskatchewan	**90**	**4**	90	4
Nova Scotia	**61**	**3**	62	3
New Brunswick	**53**	**3**	54	3
Manitoba	**47**	**2**	47	2
Other	**5**	**—**	5	—
Total	**$ 2,093**	**100%**	$ 2,104	100%

During the three months ended March 31, 2019, single family mortgage originations, including renewals, were $83 million, of which 27% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at March 31, 2019 (21 years at December 31, 2018).

Provision for future credit losses

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

At March 31, 2019, the total actuarial provision for future credit losses in insurance contract liabilities was $2,657 million compared to $2,595 million at December 31, 2018, an increase of $62 million, primarily due to normal business activity, partially offset by the impact of rating changes and currency.

The aggregate of impairment provisions of $11 million ($23 million at December 31, 2018) and actuarial provision for future credit losses in insurance contract liabilities of $2,657 million ($2,595 million at December 31, 2018) represents 1.7% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2019 (1.7% at December 31, 2018).

United Kingdom property related exposures

At March 31, 2019, the Company's holdings of property related investments in the U.K. were $8.0 billion, or 4.5% of invested assets, and comparable to $7.8 billion at December 31, 2018. These holdings remain well diversified across property type - Retail (33%), Industrial/Other (32%), Office (18%), Equity Release (11%) and Multi-family (6%). Of the Retail sector holdings, 47% relate to warehouse/distribution and other retail, 32% relate to shopping centres and department stores and 21% relate to grocery retail sub-categories.

DERIVATIVE FINANCIAL INSTRUMENTS

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

At March 31, 2019, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $119 million ($113 million at December 31, 2018) and pledged on derivative liabilities was $418 million ($691 million at December 31, 2018). Collateral pledged on derivative liabilities decreased in the first quarter of 2019 as a result of a decrease in derivative liabilities, primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the three month period ended March 31, 2019, the outstanding notional amount of derivative contracts increased by $2.8 billion to $22.4 billion, primarily due to an increase in forward settling mortgage backed security transactions (“to-be-announced-securities”) and regular hedging activities.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $496 million at March 31, 2019 from $417 million at December 31, 2018. The increase is primarily driven by the impact of the Canadian dollar strengthening against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

LIABILITIES

Total liabilities

	March 31 2019	December 31 2018
Insurance and investment contract liabilities	**$ 172,519**	$ 168,431
Liabilities held for sale	**908**	897
Other general fund liabilities	**18,440**	18,117
Investment and insurance contracts on account of segregated fund policyholders	**219,793**	209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale	**$ 3,432**	$ 3,319
Total	**$ 415,092**	$ 400,291

Total liabilities increased by $14.8 billion to $415.1 billion at March 31, 2019 from December 31, 2018. Investment and insurance contracts on account of segregated fund policyholders increased by $10.3 billion, primarily due to the impact of net market value gains and investment income of $13.7 billion, partially offset by the impact of currency movement of $3.2 billion and net withdrawals of $0.2 billion. Insurance and investment contract liabilities increased by $4.1 billion, primarily due to fair value adjustments and the impact of new business, partially offset by the weakening of the euro and U.S. dollar against the Canadian dollar.

Liabilities held for sale of $0.9 billion and investment and insurance contracts on account of segregated fund policyholders held for sale of $3.4 billion at March 31, 2019 relate to the pending sale of a heritage block of policies to Scottish Friendly, which is expected to close in the second half of 2019. For further information on liabilities classified as held for sale, refer to note 4 to the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

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

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. At March 31, 2019, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $4,385 million ($4,169 million at December 31, 2018). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated fund and variable annuity guarantee exposure

		March 31, 2019			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 32,107	$ —	$ 19	$ 57	$ 57
United States	13,259	50	—	43	85
Europe					
Insurance & Annuities	9,863	5	—	608	608
Reinsurance[2]	1,035	313	—	8	321
Total Europe	10,898	318	—	616	929
Total	**$ 56,264**	**$ 368**	**$ 19**	**$ 716**	**$ 1,071**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2019.
(2) Reinsurance exposure is to markets in Canada and the U.S.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2019. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $5 million for the first quarter of 2019 ($6 million for the first quarter of 2018) with the majority arising in the Reinsurance business unit in the Europe segment.

LIFECO CAPITAL STRUCTURE

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

DEBENTURES AND OTHER DEBT INSTRUMENTS

At March 31, 2019, debentures and other debt instruments decreased by $78 million to $6,381 million compared to December 31, 2018 primarily due to the impact of currency movement.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2019 was $10,012 million, which was comprised of $7,298 million of common shares, $2,464 million of non-cumulative First Preferred Shares, $213 million of 5-year rate reset First Preferred Shares and $37 million of floating rate First Preferred Shares.

The Company commenced a normal course issuer bid (NCIB) on February 1, 2019 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the three months ended March 31, 2019, the Company did not repurchase any common shares under the NCIB. Under the previous NCIB, for the three months ended March 31, 2018, the Company repurchased and subsequently cancelled 431,000 common shares at an average cost per share of $34.22.

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to $2 billion of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019. Subsequent to the quarter, on April 17, 2019, the Company announced that it had repurchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of $33.50 per share for an aggregate purchase price of $2 billion.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company’s liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2019, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $8.1 billion ($7.8 billion at December 31, 2018) and other liquid assets and marketable securities of $95.1 billion ($93.2 billion at December 31, 2018). Included in the cash, cash equivalents and short-term bonds at March 31, 2019 was $1.0 billion ($1.0 billion at December 31, 2018) held at the Lifeco holding company level. In addition, the Company maintains committed lines of credit with Canadian chartered banks for potential unanticipated liquidity needs. The Company's cash, cash equivalents, short-term bonds and other liquid assets and marketable securities at March 31, 2019 do not reflect the impact of the settlement of the substantial issuer bid, which expired on April 12, 2019 and will be reflected in results for the second quarter of 2019. To settle this transaction, $0.7 billion of the $1.0 billion cash, cash equivalents and short-term bonds held at the Lifeco holding company level was used with the remaining portion funded through dividends from the Company's subsidiaries. Following this transaction, the Company continues to maintain levels of liquid investments adequate to meet its anticipated liquidity needs.

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

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

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2019	2018
Cash flows relating to the following activities:		
Operations	**$ 809**	$ 1,159
Financing	**(405)**	(236)
Investment	**(43)**	(1,003)
	361	(80)
Effects of changes in exchange rates on cash and cash equivalents	**(48)**	124
Increase (decrease) in cash and cash equivalents in the period	**313**	44
Cash and cash equivalents, beginning of period	**4,168**	3,551
Cash and cash equivalents, end of period	**$ 4,481**	$ 3,595

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

In the first quarter of 2019, cash and cash equivalents increased by $313 million from December 31, 2018. Cash flows provided by operations during the first quarter of 2019 were $809 million, a decrease of $350 million compared to the first quarter of 2018. Cash flows used in financing were $405 million, primarily used for the payment of dividends to common and preferred shareholders. In the first quarter of 2019, the Company increased the quarterly dividend to common shareholders from $0.389 per common share to $0.413 per common share. For the three months ended March 31, 2019, cash flows were used by the Company to acquire an additional $43 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

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

CAPITAL MANAGEMENT AND ADEQUACY

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

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Life Insurance Capital Adequacy Test (LICAT).

The LICAT ratio compares the regulatory capital resources of a company to its Base Solvency Buffer or required capital. The Base Solvency Buffer is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business.

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

Great-West Life’s consolidated LICAT ratio at March 31, 2019 was 140% (140% at December 31, 2018). The LICAT ratio does not take into account any impact from $1.0 billion of liquidity at the Lifeco holding company level at March 31, 2019 ($1.0 billion at December 31, 2018). On April 17, 2019, the Company announced that it had repurchased and subsequently cancelled common shares for aggregate consideration of $2.0 billion. The Company expects that the impact of the dividends paid by Great-West Life to Lifeco to support this transaction will decrease Great-West Life's consolidated LICAT ratio for June 30, 2019 by approximately 6 points.

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

LICAT Ratio	**March 31 2019**	Dec. 31 2018
Tier 1 Capital	**$ 12,404**	$ 12,455
Tier 2 Capital	**3,722**	3,686
Total Available Capital	**16,126**	16,141
Surplus Allowance & Eligible Deposits	**11,137**	10,665
Total Capital Resources	**$ 27,263**	$ 26,806
Base Solvency Buffer (includes OSFI scalar 1.05)	**$ 19,508**	$ 19,165
Total Ratio (OSFI Supervisory Target = 100%)[1]	**140%**	140%

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

OSFI Regulatory Capital Initiatives

The IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts.* The IASB Board agreed to implementation of IFRS 17, for periods beginning on or after January 1, 2022. IFRS 17 includes, among other things, new requirements for the recognition and measurement of insurance contracts the Company issues and reinsurance contracts it holds. The new standard is expected to have a significant impact for insurers related to the timing of earnings recognition and on the presentation and disclosure of results. Adoption of the standard is expected to lead to further review and possible amendments to the OSFI LICAT Guideline.

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

CAPITAL ALLOCATION METHODOLOGY

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

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

Return on Equity - Net earnings basis[(1)]	**March 31 2019**	Dec. 31 2018	March 31 2018
Canada	**17.2 %**	19.4 %	17.8 %
U.S. Financial Services	**10.9 %**	12.1 %	16.9 %
U.S. Asset Management (Putnam)	**(1.7)%**	(2.5)%	(27.2)%
Europe	**16.6 %**	15.9 %	15.5 %
Lifeco Corporate	**(7.1)%**	(2.0)%	(5.7)%
Total Lifeco Net Earnings Basis	**13.5 %**	14.0 %	11.4 %

Return on Equity - Adjusted net earnings basis[(1)(2)]	**March 31 2019**	Dec. 31 2018	March 31 2018
Canada[(3)]	**17.2 %**	19.4 %	20.0 %
U.S. Financial Services[(4)]	**10.9 %**	12.1 %	10.9 %
U.S. Asset Management (Putnam)[(5)]	**(1.7)%**	(2.5)%	(1.0)%
Europe[(6)]	**17.3 %**	16.6 %	14.9 %
Lifeco Corporate	**(7.1)%**	(2.0)%	(5.7)%
Total Lifeco Adjusted Net Earnings Basis[(3)4)(5)(6)]	**13.7 %**	14.3 %	13.8 %

(1) ROE is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.
(2) Adjusted ROE (a non-IFRS financial measure) is the calculation of adjusted net earnings divided by the average common shareholders' equity over the trailing four quarters.
(3) Canada adjusted net earnings excludes $19 million related to the impact of U.S. tax reform in the fourth quarter of 2017. The second quarter of 2017 excludes restructuring costs of $126 million.
(4) U.S. Financial Services adjusted net earnings excludes the positive impact of U.S. tax reform of $197 million in the fourth quarter of 2017.
(5) U.S. Asset Management (Putnam) adjusted net earnings excludes the impact of a net charge on the sale of an equity investment of $122 million and the impact of U.S. tax reform of $448 million in the fourth quarter of 2017.
(6) Europe adjusted net earnings for the third quarter of 2018 excludes restructuring costs of $56 million related to the Insurance and Annuities business unit ($4 million in the fourth quarter of 2017, $1 million in the third quarter of 2017 and $1 million in the second quarter of 2017). Adjusted net earnings for the fourth quarter of 2017 also excludes the positive impact of U.S. tax reform of $54 million.

The Company reported ROE based on net earnings of 13.5% at March 31, 2019, down from 14.0% at December 31, 2018. Lifeco's net earnings for the second quarter of 2018 included a net positive impact of $60 million, arising from refinancing in the U.S. segment completed in the quarter, which increased the March 31, 2019 and December 31, 2018 ROE by 0.3%. Lifeco's net earnings for the third quarter of 2017 included a provision of $175 million related to the impact of 2017 Atlantic hurricane activity, which reduced the March 31, 2018 ROE by 0.9%.

The Company reported ROE based on adjusted net earnings of 13.7% at March 31, 2019, down from 14.3% at December 31, 2018 and 13.8% at March 31, 2018. Adjusted net earnings exclude the impact of U.S. tax reform, the net charge on the sale of an equity investment and restructuring costs.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. In first quarter of 2019, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record. These ratings are not a recommendation to buy, sell or hold the securities of the Company or its subsidiaries and do not address market price or other factors that might determine suitability of a specific security for a particular investor. The ratings also may not reflect the potential impact of all risks on the value of securities and are subject to revision or withdrawal at any time by the rating agency.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company’s leading position in the Canadian insurance market and competitive positions in the U.S. and European markets. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in first quarter of 2019.

Following Lifeco's announcement on January 24, 2019 that its subsidiary, Great-West Life & Annuity Insurance Company (GWL&A) had reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business, Moody’s Investors Service issued a news release announcing that it has placed the insurance financial strength (IFS) ratings of GWL&A and its New York subsidiary on review for downgrade. The A3 issuer rating of GWLA’s US holding company, GWL&A Financial, Inc., and the Baa1 (hyb) senior debt rating of debentures issued by Great-West Life & Annuity Insurance Capital, LP, were also placed on review for downgrade.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Irish Life	Great-West Life & Annuity Insurance Company
A.M. Best Company	Financial Strength		A+	A+	A+		A+
DBRS Limited	Issuer Rating	A (high)	AA				
	Financial Strength		AA	AA	AA		NR
	Senior Debt	A (high)					
	Subordinated Debt				AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA	AA	AA
	Senior Debt	A					
	Subordinated Debt				A+		
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3		Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA	AA	AA		AA
	Senior Debt	A+					
	Subordinated Debt				AA-		

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Great-West Life and its operating subsidiaries, London Life and Canada Life; Great-West Financial and Putnam; together with Lifeco's Corporate results.

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

CANADA

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

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 6,644**	$ 6,638	$ 7,053
Sales	**3,180**	3,447	3,822
Fee and other income	**422**	428	438
Net earnings	**283**	310	316
Total assets	**$ 169,102**	$ 160,906	$ 162,066
Proprietary mutual funds and institutional net assets	**6,676**	6,214	6,837
Total assets under management	**175,778**	167,120	168,903
Other assets under administration	**16,736**	13,615	12,978
Total assets under administration	**$ 192,514**	$ 180,735	$ 181,881

2019 DEVELOPMENTS

- Subsequent to March 31, 2019, on April 3, 2019, the Company announced its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, are moving to one brand in Canada: Canada Life. Canada Life will become the brand under which the organization will create, deliver and communicate products and services in Canada across all of its lines of business. In addition to the move to a new brand, Great-West Life, London Life, Canada Life and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., have also begun the process to formally amalgamate as one company: The Canada Life Assurance Company. This initiative is separate from, but aligned with, the move to one brand and will further simplify the business. The proposed amalgamation is a multi-step process that would occur only after obtaining required board, regulatory and policyholder approvals.
- On January 31, 2019, Great-West Life Realty Advisors Inc. (GWLRA), a wholly owned subsidiary of the Company, completed its acquisition of Guggenheim Real Estate LLC (GRE), the real estate private equity platform of Guggenheim Investments. The transaction is not expected to have a material impact on the Company's financial results.

- On February 20, 2019, the Company launched Flexbox™, a unique group benefits solution for small business employers developed to help increase access to employee health benefits for a broader spectrum of previously underserved customers, as part of the insurer's investment in the physical, mental and financial well-being of Canadians.
- During the first quarter of 2019, London Life and Quadrus Investment Services Ltd. completed the national roll-out of a goals-based asset management program. Constellation Managed Portfolios (Constellation) is a program to help Freedom 55 Financial™ and Wealth and Insurance Solutions Enterprise (WISE) advisors align their customers' investments with their financial priorities. It features a customer-focused digital tool to help customers through the risk-assessment process and to set up, and report on, goal portfolios with the appropriate asset mix and funds and uses the recently launched London Life Pathways funds.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 2,508**	$ 2,862	$ 2,616
Sales	**2,357**	2,479	2,525
Fee and other income	**237**	242	250
Net earnings	**124**	171	138

Premiums and deposits
Premiums and deposits for the first quarter of 2019 decreased by $0.1 billion to $2.5 billion compared to the same quarter last year, primarily due to a decrease in segregated fund deposits, partially offset by an increase in participating life insurance premiums.

Premiums and deposits for the first quarter of 2019 decreased by $0.4 billion to $2.5 billion compared to the previous quarter, primarily due to lower participating life insurance premiums.

Sales
Sales for the first quarter of 2019 were $2.4 billion compared to $2.5 billion for the same quarter last year, reflecting a decrease in segregated fund sales, partially offset by higher third party mutual fund sales and higher life insurance sales.

Sales for the first quarter of 2019 decreased by $0.1 billion compared to the previous quarter, primarily due to a decrease in segregated fund and participating life insurance sales, partially offset by higher proprietary and third party mutual fund sales.

For the individual wealth investment fund business, net cash outflows for the first quarter of 2019 were $360 million compared to net cash outflows of $137 million for the same quarter last year and net cash outflows of $216 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2019 decreased by $13 million to $237 million compared to the same quarter last year. The decrease was primarily due to slightly lower average assets under administration and lower margins.

Fee and other income for the first quarter of 2019 decreased by $5 million compared the previous quarter due to lower margins, partially offset by higher average assets under administration.

Net earnings
Net earnings for the first quarter of 2019 decreased by $14 million to $124 million compared to the same quarter last year. The decrease was primarily due to lower net fee income and lower contributions from investment experience. These items were partially offset by higher contributions from insurance contract liability basis changes.

Net earnings for the first quarter of 2019 decreased by $47 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes and lower net fee income, partially offset by higher contributions from investment experience.

For the first quarter of 2019, the net loss attributable to the participating account was $8 million compared to nil for the same quarter last year. The decrease in net earnings was primarily due to less favourable impact of new business.

For the first quarter of 2019, net earnings attributable to the participating account increased by $11 million compared to the previous quarter. The increase was primarily due to more favourable impact of new business.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 4,136**	$ 3,776	$ 4,437
Sales	**823**	968	1,297
Fee and other income	**170**	172	170
Net earnings	**151**	144	142

Premiums and deposits
Premiums and deposits for the first quarter of 2019 decreased by $0.3 billion to $4.1 billion compared to the same quarter last year. The decrease was primarily due to lower segregated fund deposits and lower premiums and deposits related to single premium group annuities (SPGAs), partially offset by an increase in administrative services only (ASO) deposits for group insurance.

Premiums and deposits for the first quarter of 2019 increased from $3.8 billion to $4.1 billion compared to the previous quarter, primarily due to an increase in segregated fund deposits.

Sales
Sales for the first quarter of 2019 of $0.8 billion decreased by $0.5 billion compared to the same quarter last year. The decrease was primarily due to lower large case sales for group insurance as well as lower sales of SPGAs. Sales of large cases can be highly variable from quarter to quarter.

Sales for the first quarter of 2019 were $0.8 billion compared to $1.0 billion for the previous quarter, primarily due to lower sales relating to SPGAs and group capital accumulation plan (GCAP) products, partially offset by higher group insurance sales driven by the large case market.

For the group wealth segregated fund business, net cash inflows for the first quarter of 2019 were $400 million, compared to net cash inflows of $101 million for the same quarter last year and net cash outflows of $73 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2019 of $170 million was comparable to the same quarter last year and to the previous quarter.

Net earnings
Net earnings for the first quarter of 2019 increased by $9 million to $151 million compared to the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes and more favourable morbidity experience. The increase was partially offset by less favourable mortality experience.

Net earnings for the first quarter of 2019 increased by $7 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes, partially offset by less favourable mortality and morbidity experience.

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

In the first quarter of 2019, net earnings were $8 million compared to $36 million for the same quarter last year. Net earnings in the first quarter of 2018 were more favourably impacted by changes to certain income tax estimates.

In the first quarter of 2019, net earnings were $8 million compared to a net loss of $5 million in the previous quarter. The increase was primarily due to higher net investment income and lower expenses.

UNITED STATES
The United States operating results for Lifeco include the results of Great-West Financial, Putnam and the results of the insurance businesses in the United States branches of Great-West Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. The Company also provides life insurance, annuity and executive benefits products through its Individual Markets operations. On January 24, 2019, Great-West Financial reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life. The transaction is expected to close in the second quarter of 2019 and will allow Great-West Financial to focus on the defined contribution retirement market and its Empower Retirement brand.

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

TRANSLATION OF FOREIGN CURRENCY
Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

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

Selected consolidated financial information - United States

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 17,836**	$ 20,588	$ 16,345
Sales	**75,848**	32,080	25,076
Fee and other income	**659**	644	631
Net earnings - common shareholders	**81**	55	75
Net earnings (US$) - common shareholders	**61**	41	59
Total assets	**$ 87,439**	$ 85,941	$ 85,070
Proprietary mutual funds and institutional net assets	**247,725**	235,075	235,926
Total assets under management	**335,164**	321,016	320,996
Other assets under administration	**742,238**	630,881	617,388
Total assets under administration	**$ 1,077,402**	$ 951,897	$ 938,384

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2019 DEVELOPMENTS

- On January 24, 2019, the Company announced that its subsidiary, Great-West Financial, reached an agreement to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business to Protective Life. Because the transaction is structured as a reinsurance agreement, the Company will hold both the liability and offsetting reinsurance asset. Protective Life will assume the economics and risks associated with the reinsured business. The Company estimates that this will result in an after-tax transaction value of approximately $1.6 billion (US$1.2 billion), excluding one-time expenses. The transaction value includes a positive ceding commission and an expected capital release of approximately $530 million (US$400 million). The business to be transferred includes bank-owned and corporate-owned life insurance, single premium life insurance, individual annuities as well as closed block life insurance and annuities, which contributed $33 million (US$25 million) to the Company's net earnings for three months ended March 31, 2019 compared to $31 million (US$24 million) for the same quarter last year and $17 million (US$13 million) for the previous quarter. The Company will retain a small block of participating life insurance policies which will be administered by Protective Life following the close of the transaction. The transaction is expected to close in the second quarter of 2019, subject to regulatory and customary closing conditions. At closing, the Company continues to expect to recognize an IFRS book value loss related to this transaction and transaction costs. Post-transaction, the Company will focus on the defined contribution retirement and asset management markets in the U.S.
- Empower Retirement participant accounts have grown to 9.1 million at March 31, 2019 from 8.8 million at December 31, 2018, primarily driven by large plan sales in the first quarter of 2019.
- Empower Retirement assets under administration grew to US$609 billion at March 31, 2019, up from US$516 billion at December 31, 2018.

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 3,286**	$ 3,105	$ 3,110
Sales[(1)]	**61,298**	14,597	11,841
Fee and other income	**374**	359	341
Net earnings	**86**	84	91
Premiums and deposits (US$)	**$ 2,470**	$ 2,353	$ 2,468
Sales (US$)[(1)]	**46,088**	11,058	9,398
Fee and other income (US$)	**281**	272	270
Net earnings (US$)	**65**	63	72

(1) For the three months ended March 31, 2019, sales included US$0.3 billion relating to Putnam managed funds sold on the Empower Retirement platform (US$0.3 billion for the months ended March 31, 2018 and US$0.3 billion for the three months ended December 31, 2018).

Premiums and deposits

Premiums and deposits for the first quarter of 2019 of US$2.5 billion were comparable to the same quarter last year.

Premiums and deposits for the first quarter of 2019 increased from $2.4 billion to $2.5 billion compared to the previous quarter. The increase was primarily due to higher deposits from existing Empower Retirement participants, partially offset by lower sales for Individual Markets.

Sales

Sales in the first quarter of 2019 increased by US$36.7 billion to US$46.1 billion compared to the same quarter last year, primarily due to an increase in Empower Retirement driven by large plan sales. Approximately 82% of the in-quarter sales related to one new client with close to 200,000 participants. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

Sales in the first quarter of 2019 increased by US$35.0 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income

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

Fee and other income for the first quarter of 2019 increased by US$11 million to US$281 million compared to the same quarter last year, primarily due to growth in participants.

Fee and other income for the first quarter of 2019 increased by US$9 million to US$281 million compared to the previous quarter, primarily due to growth in participants and higher average equity market levels.

Net earnings
Net earnings for the first quarter of 2019 decreased by US$7 million to US$65 million compared to the same quarter last year. The decrease was primarily due to lower contributions from investment experience, partially offset by more favourable mortality experience.

Net earnings for the first quarter of 2019 increased by US$2 million compared to the previous quarter. The increase was primarily due to favourable mortality experience, partially offset by lower contributions from investment experience, higher expenses and lower contributions from insurance contract liability basis changes. In addition, the fourth quarter of 2018 included an increase in variable annuity insurance contract liabilities due to equity market declines that did not recur.

ASSET MANAGEMENT

2019 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at March 31, 2019 of US$170.6 billion increased by US$1.1 billion compared to the same period last year, while average AUM for the three months ended March 31, 2019 of US$168.0 billion decreased by 3% compared to the same period last year. Putnam's ending AUM increased by US$10.4 billion compared to December 31, 2018.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2019, approximately 86% and 77% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. Additionally, approximately 72% of Putnam's fund assets performed at levels in the Lipper top quartile on a three-year basis.
- Putnam ranked sixth (out of 49) for the 10-year performance in the 2018 Barron's Annual Best Fund Families rankings, which were released in the first quarter of 2019. Putnam increased its ranking from ninth in the 2017 rankings.
- In the first quarter of 2019, the Putnam Income Fund (PNCYX) received a Lipper Fund Award for its performance over the past ten years in the Core Bond category. As of January 31, 2019, Lipper ranked Putnam Income Fund as #1 out of 291 funds in the Core Bond 10-year category as well as in the 7th percentile for one-year performance; 2nd percentile for three-year performance; and 24th percentile for five-year performance.

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Sales	**$ 14,550**	$ 17,483	$ 13,235
Fee income			
Investment management fees	**198**	199	203
Performance fees	**(6)**	(8)	(11)
Service fees	**37**	37	36
Underwriting & distribution fees	**56**	57	62
Fee income	**285**	285	290
Core net earnings (loss)(1)	**8**	(18)	(3)
Less: Financing and other expenses (after-tax)(1)	**(12)**	(11)	(13)
Reported net earnings (loss)	**(4)**	(29)	(16)
Sales (US$)	**$ 10,940**	$ 13,245	$ 10,504
Fee income (US$)			
Investment management fees (US$)	**149**	151	161
Performance fees (US$)	**(4)**	(6)	(9)
Service fees (US$)	**28**	28	29
Underwriting & distribution fees (US$)	**42**	43	49
Fee income (US$)	**215**	216	230
Core net earnings (loss) (US$)(1)	**6**	(14)	(2)
Less: Financing and other expenses (after-tax) (US$)(1)	**(9)**	(8)	(11)
Reported net earnings (loss) (US$)	**(3)**	(22)	(13)
Pre-tax operating margin(2)	**6.6%**	(10.8)%	(0.6)%
Average assets under management (US$)	**$ 168,049**	$ 168,743	$ 173,554

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

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

Sales

Sales in the first quarter of 2019 increased by US$0.4 billion to US$10.9 billion compared to the same quarter last year, primarily due to a US$0.5 billion increase in institutional sales, partially offset by a US$0.1 billion decrease in mutual fund sales.

Sales in the first quarter of 2019 decreased by US$2.3 billion compared to the previous quarter, primarily due to a US$2.0 billion decrease in mutual fund sales and a US$0.3 billion decrease in institutional sales.

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

Fee income for the first quarter of 2019 decreased by US$15 million to US$215 million compared to the same quarter last year. The decrease was primarily due to lower investment management fees, driven by lower average AUM and change in asset mix, and lower underwriting and distribution fees, partially offset by improved mutual fund performance fees.

Fee income for the first quarter of 2019 was comparable to the previous quarter.

Net earnings
Core net earnings (a non-IFRS financial measure) for the first quarter of 2019 were US$6 million compared to a core net loss of US$2 million for the same quarter last year. The increase is primarily due to higher net investment income and lower operating expenses, which included the impact of expense reduction initiatives. These items were partially offset by lower fee income driven by lower average AUM. In the first quarter of 2019, the reported net loss, including financing and other expenses, was US$3 million compared to a reported net loss of US$13 million for the same quarter last year. Financing and other expenses for the first quarter of 2019 decreased by US$2 million to US$9 million compared to the same quarter last year primarily due to lower net financing costs.

Core net earnings for the first quarter of 2019 were US$6 million compared to a core net loss of US$14 million for the previous quarter. The increase in core net earnings was primarily due to higher net investment income and lower operating expenses discussed for the in-quarter results. The reported net loss, including financing and other expenses, for the first quarter of 2019 was US$3 million compared to a reported net loss of US$22 million for the previous quarter. Financing and other expenses for the first quarter of 2019 increased by US$1 million to US$9 million compared to the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Beginning assets	**$ 160,200**	$ 177,199	$ 171,458
Sales - Mutual funds	**6,860**	8,817	6,916
Redemptions - Mutual funds	**(6,859)**	(8,341)	(7,258)
Net asset flows - Mutual funds	**1**	476	(342)
Sales - Institutional	**4,080**	4,428	3,588
Redemptions - Institutional	**(6,096)**	(6,055)	(4,451)
Net asset flows - Institutional	**(2,016)**	(1,627)	(863)
Net asset flows - Total	**(2,015)**	(1,151)	(1,205)
Impact of market/performance	**12,395**	(15,848)	(785)
Ending assets	**$ 170,580**	$ 160,200	$ 169,468
Average assets under management			
Mutual funds	**79,484**	79,198	79,415
Institutional assets	**88,565**	89,545	94,139
Total average assets under management	**$ 168,049**	$ 168,743	$ 173,554

Average AUM for the three months ended March 31, 2019 were US$168.0 billion, a decrease of US$5.5 billion or 3% compared to the same quarter last year, primarily due to institutional fund net asset outflows. Net asset outflows for the first quarter of 2019 increased by US$0.8 billion to US$2.0 billion compared to the same quarter last year. In-quarter institutional net asset outflows were US$2.0 billion.

Average AUM for the three months ended March 31, 2019 decreased by US$0.7 billion compared to the previous quarter, primarily due to the timing of market movements.

UNITED STATES CORPORATE

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

In the first quarter of 2019, the net loss was US$1 million compared to nil for the same quarter last year and the previous quarter, primarily due to higher expenses.

EUROPE

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

TRANSLATION OF FOREIGN CURRENCY

Foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial period. All income and expense items are translated at an average rate for the period.

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

Selected consolidated financial information - Europe

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 16,365**	$ 10,357	$ 9,728
Fee and other income	**398**	348	364
Net earnings - common shareholders	**299**	349	344
Total assets	**$ 185,951**	$ 180,842	$ 185,515
Proprietary mutual funds and institutional net assets	**49,829**	40,375	43,080
Total assets under management	**235,780**	221,217	228,595
Other assets under administration	**45,228**	45,024	43,231
Total assets under administration[(1)]	**$ 281,008**	$ 266,241	$ 271,826

(1) At March 31, 2019, total assets under administration excludes $8.4 billion of assets managed for other business units within the Lifeco group of companies ($7.8 billion at December 31, 2018 and $8.3 billion at March 31, 2018).

2019 DEVELOPMENTS

- As of March 31, 2019, £8 million of pre-tax annualized expense reductions have been achieved relating to the U.K. restructuring program compared to £3 million as of December 31, 2018. The Company remains on track to achieve targeted annual expense reductions of £20 million pre-tax by the end of the fourth quarter of 2020 from various sources including process improvements and a reduction in headcount.
- Some market volatility continues as exit negotiations between the U.K. and the European Union (EU) have yet to reach an agreed conclusion. The Company's U.K. and other European businesses have plans which have been executed, or are ready to be executed, that will address and minimize the impact under several different outcomes, including where the U.K. has no exit agreements with the EU. While there are some impacts from market uncertainty, the impacts are not expected to have a material impact on the Company's financial results.
- During the first quarter of 2019, Irish Life Investment Managers (ILIM), a subsidiary of the Company, launched a number of new Environmental, Social and Governance (ESG) funds in a jointly managed equity strategy with NN Investment Partners; which contributed to the significant increase in sales during the quarter.
- During the first quarter of 2019, the Company announced a long-term longevity reinsurance agreement with a Dutch-based pension provider covering 70% of an €8 billion portfolio of annuities.
- During the first quarter of 2019, Canada Life Irish Holding Company Ltd., a subsidiary of the Company, entered into an agreement to acquire an interest in Jung DMS & Cie AG (JDC), one of the leading broker pools in Germany. The transaction is expected to close in the third quarter of 2019 and is subject to customary regulatory approvals and certain closing conditions.
- During the first quarter of 2019, Canada Life Limited, a subsidiary of the Company, was rated the market leader in U.K. Group Risk according to the Swiss Re Group Watch 2019 Survey.
- Stonehaven UK Limited, a subsidiary of the Company that operates under the brand Canada Life Home Finance was awarded "Retirement Mortgage Product Innovation" and "Innovation - Lender" awards at the 2019 Mortgage Finance Gazette Awards.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits[(1)]	**$ 11,911**	$ 6,485	$ 6,412
Sales[(1)]	**11,181**	5,972	5,739
Fee and other income	**395**	345	360
Net earnings	**203**	271	244

(1) For the three months ended March 31, 2019, premiums and deposits and sales exclude $0.2 billion of assets managed for other business units within the Lifeco group of companies ($0.4 billion for the three months ended December 31, 2018 and $0.4 billion for the three months ended March 31, 2018).

Premiums and deposits
Premiums and deposits for the first quarter of 2019 increased by $5.5 billion to $11.9 billion compared to the same quarter last year, primarily due to higher fund management sales in Ireland and higher bulk annuity sales in the U.K., partially offset by the impact of currency movement. Higher fund management sales in Ireland reflect the arrangement with NN Investment Partners entered into during the quarter. Fund management sales can be highly variable from period to period.

Premiums and deposits for the first quarter of 2019 increased by $5.4 billion compared to the previous quarter, primarily due to higher fund management sales in Ireland and higher bulk annuity sales in the U.K., partially offset by lower pension sales in Ireland.

Sales
Sales for the first quarter of 2019 increased by $5.4 billion to $11.2 billion compared to the same quarter last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the first quarter of 2019 increased by $5.2 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income
Fee and other income for the first quarter of 2019 increased by $35 million to $395 million compared to the same quarter last year, primarily due to higher investment related fee income in Ireland, which can be highly variable from quarter to quarter, and higher asset management fees in Germany. These items were partially offset by the impact of currency movement.

Fee and other income for the first quarter of 2019 increased by $50 million compared to the previous quarter, primarily due to higher investment related fee income in Ireland, discussed for the in-quarter results.

Net earnings
Net earnings for the first quarter of 2019 decreased by $41 million to $203 million compared to the same quarter last year. The decrease was primarily due to higher claims from morbidity experience in Ireland and unfavourable impact of changes to certain tax estimates, partially offset by more favourable impact of new business. Where there is evidence of an adverse trend in claims, pricing action is being considered to restore profit targets.

Net earnings for the first quarter of 2019 decreased by $68 million compared to the previous quarter, primarily due to unfavourable morbidity experience in Ireland and the unfavourable impact of changes to certain tax estimates. These items were partially offset by higher contributions from insurance contract liability basis changes.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2019	Dec. 31 2018	March 31 2018
Premiums and deposits	**$ 4,454**	$ 3,872	$ 3,316
Fee and other income	**3**	3	4
Net earnings	**97**	89	104

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

Premiums and deposits for the first quarter of 2019 increased from $3.3 billion to $4.5 billion compared to the same quarter last year, primarily due to new reinsurance agreements, higher volumes relating to existing business and the impact of currency movement.

Premiums and deposits for the first quarter of 2019 increased by $0.6 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income
Fee and other income for the first quarter of 2019 decreased by $1 million to $3 million compared to the same quarter last year, primarily due to restructured reinsurance agreements.

Fee and other income for the first quarter of 2019 of $3 million was comparable to the previous quarter.

Net earnings
Net earnings for the first quarter of 2019 decreased by $7 million to $97 million compared to the same quarter last year. The decrease was primarily due to less favourable claims experience in the life and annuity business and lower contributions from insurance contract liability basis changes. These items were partially offset by higher business volumes and lower impact of new business.

Net earnings for the first quarter of 2019 increased by $8 million compared to the previous quarter, primarily due to higher business volumes and higher contributions from insurance contract liability basis changes. The increase was partially offset by less favourable claims experience.

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

In the first quarter of 2019, Europe Corporate had a net loss of $1 million compared to a net loss of $4 million for the same quarter last year, primarily due to lower business development costs.

The net loss for the three months ended March 31, 2019 was $1 million compared to a net loss of $11 million for the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended March 31, 2019, Lifeco Corporate had a net loss of $6 million compared to a net loss of $4 million for the same period in 2018, primarily due to lower net investment income.

The net loss for the three months ended March 31, 2019 of $6 million increased from a net loss of $4 million in the previous quarter. The increase was primarily due to lower net investment income, partially offset by lower operating expenses.

RISK MANAGEMENT AND CONTROL PRACTICES

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

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2019.

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

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

OTHER INFORMATION

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes during the three month period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2018.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2019**	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue(1)(2)	**$ 16,889**	$ 11,699	$ 12,027	$ 10,613	$ 9,693	$ 12,912	$ 10,222	$ 11,077
Common shareholders								
Net earnings								
Total	**$ 657**	$ 710	$ 689	$ 831	$ 731	$ 392	$ 581	$ 585
Basic - per share	**0.665**	0.719	0.697	0.839	0.740	0.397	0.587	0.591
Diluted - per share	**0.665**	0.719	0.697	0.839	0.739	0.396	0.587	0.590
Adjusted net earnings(3)								
Total	**$ 657**	$ 710	$ 745	$ 831	$ 731	$ 734	$ 582	$ 712
Basic - per share	**0.665**	0.719	0.754	0.839	0.740	0.742	0.589	0.719
Diluted - per share	**0.665**	0.719	0.753	0.839	0.739	0.741	0.588	0.718

(1) Revenue includes the changes in fair value through profit or loss on investment assets.
(2) 2017 comparative figures have been reclassified to reflect presentation adjustments relating to the adoption of IFRS 15, *Revenue from Contracts with Customers,* as described in note 2 to the Company's December 31, 2018 annual consolidated financial statements.
(3) Adjusted net earnings attributable to common shareholders and adjusted net earnings per common share are non-IFRS measures of earnings performance. The following adjustments were made in each quarter:

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Restructuring costs	$ —	$ —	$ 56	$ —	$ —	$ 4	$ 1	$ 127
Net charge on sale of equity investment	—	—	—	—	—	122	—	—
U.S. tax reform impact	—	—	—	—	—	216	—	—
Total Adjustments	**$ —**	**$ —**	**$ 56**	**$ —**	**$ —**	**$ 342**	**$ 1**	**$ 127**

Lifeco's consolidated net earnings attributable to common shareholders were $657 million for the first quarter of 2019 compared to $731 million reported a year ago. On a per share basis, this represents $0.665 per common share ($0.665 diluted) for the first quarter of 2019 compared to $0.740 per common share ($0.739 diluted) a year ago.

Total revenue for the first quarter of 2019 was $16,889 million and comprises premium income of $9,595 million, regular net investment income of $1,450 million, a positive change in fair value through profit or loss on investment assets of $4,365 million and fee and other income of $1,479 million.

TRANSLATION OF FOREIGN CURRENCY

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

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

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

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2019	December 31 2018	March 31 2018
Income			
Premium income			
Gross premiums written	**$ 10,703**	$ 10,271	$ 9,293
Ceded premiums	**(1,108)**	(1,226)	(1,119)
Total net premiums	**9,595**	9,045	8,174
Net investment income (note 6)			
Regular net investment income	**1,450**	1,632	1,573
Changes in fair value through profit or loss	**4,365**	(398)	(1,487)
Total net investment income	**5,815**	1,234	86
Fee and other income	**1,479**	1,420	1,433
	16,889	11,699	9,693
Benefits and expenses			
Policyholder benefits			
Gross	**9,164**	8,737	7,996
Ceded	**(617)**	(599)	(625)
Total net policyholder benefits	**8,547**	8,138	7,371
Policyholder dividends and experience refunds	**440**	358	458
Changes in insurance and investment contract liabilities	**4,925**	190	(1,049)
Total paid or credited to policyholders	**13,912**	8,686	6,780
Commissions	**610**	673	594
Operating and administrative expenses	**1,301**	1,311	1,237
Premium taxes	**130**	128	121
Financing charges	**72**	70	71
Amortization of finite life intangible assets	**53**	59	49
Earnings before income taxes	**811**	772	841
Income taxes (note 15)	**130**	50	77
Net earnings before non-controlling interests	**681**	722	764
Attributable to non-controlling interests	**(9)**	(21)	—
Net earnings	**690**	743	764
Preferred share dividends (note 12)	**33**	33	33
Net earnings - common shareholders	**$ 657**	$ 710	$ 731
Earnings per common share (note 12)			
Basic	**$ 0.665**	$ 0.719	$ 0.740
Diluted	**$ 0.665**	$ 0.719	$ 0.739

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2019	December 31 2018	March 31 2018
Net earnings	**$ 690**	$ 743	$ 764
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	**(214)**	684	755
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**60**	(60)	(80)
Income tax (expense) benefit	**(8)**	8	11
Unrealized gains (losses) on available-for-sale assets	**159**	46	(87)
Income tax (expense) benefit	**(29)**	(9)	15
Realized (gains) losses on available-for-sale assets	**(5)**	(1)	1
Unrealized gains (losses) on cash flow hedges	**1**	—	26
Income tax (expense) benefit	**—**	—	(5)
Realized (gains) losses on cash flow hedges	**—**	—	12
Income tax expense (benefit)	**—**	—	(3)
Non-controlling interests	**(66)**	(14)	10
Income tax (expense) benefit	**12**	8	(4)
Total items that may be reclassified	**(90)**	662	651
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)	**(114)**	(241)	46
Income tax (expense) benefit	**26**	58	(9)
Non-controlling interests	**11**	22	(2)
Income tax (expense) benefit	**(3)**	(5)	1
Total items that will not be reclassified	**(80)**	(166)	36
Total other comprehensive income (loss)	**(170)**	496	687
Comprehensive income	**$ 520**	$ 1,239	$ 1,451

GREAT-WEST
LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

		March 31 2019		December 31 2018
Assets				
Cash and cash equivalents	**$**	**4,481**	$	4,168
Bonds (note 6)		**126,299**		124,862
Mortgage loans (note 6)		**25,509**		25,014
Stocks (note 6)		**10,063**		9,290
Investment properties (note 6)		**5,449**		5,218
Loans to policyholders		**8,826**		8,929
		180,627		177,481
Assets held for sale (note 4)		**908**		897
Funds held by ceding insurers		**9,299**		9,251
Goodwill		**6,530**		6,548
Intangible assets		**3,931**		3,976
Derivative financial instruments		**496**		417
Owner occupied properties		**724**		731
Fixed assets		**445**		448
Other assets		**2,996**		2,567
Premiums in course of collection, accounts and interest receivable		**6,074**		5,202
Reinsurance assets (note 9)		**6,124**		6,126
Current income taxes		**185**		218
Deferred tax assets		**928**		981
Investments on account of segregated fund policyholders (note 10)		**219,793**		209,527
Investments on account of segregated fund policyholders held for sale (note 4)		**3,432**		3,319
Total assets	**$**	**442,492**	$	427,689
Liabilities				
Insurance contract liabilities (note 9)	**$**	**170,790**	$	166,720
Investment contract liabilities (note 9)		**1,729**		1,711
Liabilities held for sale (note 4)		**908**		897
Debentures and other debt instruments		**6,381**		6,459
Funds held under reinsurance contracts		**1,381**		1,367
Derivative financial instruments		**1,254**		1,562
Accounts payable		**3,174**		3,262
Other liabilities		**4,520**		3,855
Current income taxes		**494**		402
Deferred tax liabilities		**1,236**		1,210
Investment and insurance contracts on account of segregated fund policyholders (note 10)		**219,793**		209,527
Investment and insurance contracts on account of segregated fund policyholders held for sale (note 4)		**3,432**		3,319
Total liabilities		**415,092**		400,291
Equity				
Non-controlling interests				
Participating account surplus in subsidiaries		**2,752**		2,737
Non-controlling interests in subsidiaries		**125**		138
Shareholders' equity				
Share capital				
Preferred shares		**2,714**		2,714
Common shares (note 11)		**7,298**		7,283
Accumulated surplus		**13,483**		13,342
Accumulated other comprehensive income		**875**		1,045
Contributed surplus		**153**		139
Total equity		**27,400**		27,398
Total liabilities and equity	**$**	**442,492**	$	427,689

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 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 (loss)	**—**	**—**	**690**	**—**	**(9)**	**681**
Other comprehensive income (loss)	**—**	**—**	**—**	**(170)**	**46**	**(124)**
	9,997	**139**	**13,923**	**875**	**2,912**	**27,846**
Dividends to shareholders						
Preferred shareholders (note 12)	**—**	**—**	**(33)**	**—**	**—**	**(33)**
Common shareholders	**—**	**—**	**(408)**	**—**	**—**	**(408)**
Shares exercised and issued under share-based payment plans (note 11)	**15**	**(30)**	**—**	**—**	**28**	**13**
Share-based payment plans expense	**—**	**11**	**—**	**—**	**—**	**11**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(26)**	**(26)**
Shares cancelled under Putnam share-based plans	**—**	**33**	**—**	**—**	**(36)**	**(3)**
Dilution gain on non-controlling interests	**—**	**—**	**1**	**—**	**(1)**	**—**
Balance, end of period	**$ 10,012**	**$ 153**	**$ 13,483**	**$ 875**	**$ 2,877**	**$ 27,400**

	March 31, 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	—	—	764	—	—	764
Other comprehensive income (loss)	—	—	—	687	(5)	682
	9,974	143	12,798	1,073	2,930	26,918
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(33)	—	—	(33)
Common shareholders	—	—	(385)	—	—	(385)
Shares exercised and issued under share-based payment plans (note 11)	11	(38)	—	—	36	9
Share-based payment plans expense	—	16	—	—	—	16
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(15)	—	—	—	—	(15)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	12	—	(12)	—	—	—
Acquisition of PanAgora non-controlling interest	—	—	(54)	—	(21)	(75)
Dilution loss on non-controlling interests	—	—	(3)	—	3	—
Balance, end of period	$ 9,982	$ 121	$ 12,311	$ 1,073	$ 2,948	$ 26,435

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2019	2018
Operations		
Earnings before income taxes	**$ 811**	$ 841
Income taxes paid, net of refunds received	**(37)**	(123)
Adjustments:		
Change in insurance and investment contract liabilities	**5,206**	(805)
Change in funds held by ceding insurers	**78**	231
Change in funds held under reinsurance contracts	**15**	(4)
Change in reinsurance assets	**(172)**	24
Changes in fair value through profit or loss	**(4,365)**	1,487
Other	**(727)**	(492)
	809	1,159
Financing Activities		
Issue of common shares (note 11)	**15**	11
Purchased and cancelled common shares (note 11)	**—**	(15)
Issue of debentures and senior notes	**—**	498
Repayment of debentures	**—**	(200)
Increase (decrease) in line of credit of subsidiary	**20**	(94)
Increase (decrease) in debentures and other debt instruments	**1**	(18)
Dividends paid on common shares	**(408)**	(385)
Dividends paid on preferred shares	**(33)**	(33)
	(405)	(236)
Investment Activities		
Bond sales and maturities	**5,653**	6,677
Mortgage loan repayments	**436**	655
Stock sales	**528**	482
Investment property sales	**7**	12
Change in loans to policyholders	**13**	3
Proceeds from assets held for sale	**—**	169
Business acquisitions, net of cash and cash equivalents acquired	**—**	(222)
Change in cash and cash equivalents classified as assets held for sale (note 4)	**31**	—
Investment in bonds	**(5,040)**	(6,951)
Investment in mortgage loans	**(983)**	(1,094)
Investment in stocks	**(474)**	(601)
Investment in investment properties	**(214)**	(133)
	(43)	(1,003)
Effect of changes in exchange rates on cash and cash equivalents	**(48)**	124
Increase in cash and cash equivalents	**313**	44
Cash and cash equivalents, beginning of period	**4,168**	3,551
Cash and cash equivalents, end of period	**$ 4,481**	$ 3,595
Supplementary cash flow information		
Interest income received	**$ 1,344**	$ 1,306
Interest paid	**46**	38
Dividend income received	**70**	58

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 months ended March 31, 2019 were approved by the Board of Directors on May 1, 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 March 31, 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.

<u>Changes in Accounting Policies</u>
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 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.

<u>Use of Significant Judgments, Estimates and Assumptions</u>
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) 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. As at March 31, 2019, the purchase price allocation is incomplete, with the initial amount assigned to goodwill of $80 on the date of acquisition to be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

(b) 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 Company will continue to retain the obligation to the contract holders and will recognize reinsurance assets from the agreement. Protective Life will assume the economics and risks associated with the reinsured business. In addition to recognition of reinsurance assets, the Company expects to recognize a loss in the Consolidated Statements of Earnings at the closing of this transaction. The transaction is expected to close during the second quarter of 2019 subject to regulatory and customary closing conditions.

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 second half 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:

		March 31 2019		December 31 2018
Assets				
Cash and cash equivalents	**$**	**81**	$	112
Bonds		**774**		731
Stocks		**24**		22
Investment properties		**26**		29
Loans to policyholders		**3**		3
Assets held for sale		**908**		897
Investments on account of segregated fund policyholders		**3,432**		3,319
Total assets included in disposal group classified as held for sale	**$**	**4,340**	$	4,216
Liabilities				
Insurance contract liabilities	**$**	**884**	$	870
Investment contract liabilities		**24**		27
Liabilities held for sale		**908**		897
Investment and insurance contracts on account of segregated fund policyholders		**3,432**		3,319
Total liabilities included in disposal group classified as held for sale	**$**	**4,340**	$	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 have been completed. Net earnings from the disposal of these policies are not expected to be material to the consolidated financial statements.

5. Restructuring Expenses

United Kingdom Business Transformation

At March 31, 2019, the Company has a restructuring provision of $56 remaining in other liabilities. The change in the restructuring provision for the United Kingdom Business Transformation is set out below:

Balance, beginning of year	**$**	**61**
Amounts used		**(5)**
Changes in foreign exchange rates		**—**
Balance, end of period	**$**	**56**

6. Portfolio Investments

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

	March 31, 2019		December 31, 2018	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 91,897**	**$ 91,897**	$ 90,015	$ 90,015
Classified fair value through profit or loss [1]	**1,949**	**1,949**	1,886	1,886
Available-for-sale	**12,849**	**12,849**	13,239	13,239
Loans and receivables	**19,604**	**21,250**	19,722	20,619
	126,299	**127,945**	124,862	125,759
Mortgage loans				
Residential				
Designated fair value through profit or loss [1]	**924**	**924**	813	813
Loans and receivables	**9,713**	**9,930**	9,721	9,808
	10,637	**10,854**	10,534	10,621
Commercial	**14,872**	**15,435**	14,480	14,790
	25,509	**26,289**	25,014	25,411
Stocks				
Designated fair value through profit or loss [1]	**9,429**	**9,429**	8,658	8,658
Available-for-sale	**12**	**12**	11	11
Available-for-sale, at cost [2]	**270**	**270**	267	267
Equity method	**352**	**322**	354	293
	10,063	**10,033**	9,290	9,229
Investment properties	**5,449**	**5,449**	5,218	5,218
Total	**$ 167,320**	**$ 169,716**	$ 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.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2019	December 31 2018
Impaired amounts by classification		
Fair value through profit or loss	$ 251	$ 178
Available-for-sale	31	30
Loans and receivables	12	28
Total	$ 294	$ 236

The carrying amount of impaired investments includes $271 bonds, $12 mortgage loans and $11 stocks at March 31, 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 $9 at March 31, 2019 and $20 at December 31, 2018.

(c) Net investment income comprises the following:

For the three months ended March 31, 2019	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,027	$ 235	$ 66	$ 87	$ 91	$ 1,506
Net realized gains						
Available-for-sale	1	—	4	—	—	5
Other classifications	4	2	—	—	—	6
Net allowances for credit losses on loans and receivables	—	(3)	—	—	—	(3)
Other income (expenses)	—	—	—	(28)	(36)	(64)
	1,032	234	70	59	55	1,450
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	38	—	—	—	—	38
Designated fair value through profit or loss	3,276	55	874	—	127	4,332
Recorded at fair value through profit or loss	—	—	—	(5)	—	(5)
	3,314	55	874	(5)	127	4,365
Total	$ 4,346	$ 289	$ 944	$ 54	$ 182	$ 5,815

6. Portfolio Investments (cont'd)

For the three months ended March 31, 2018	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,074	$ 227	$ 57	$ 85	$ 123	$ 1,566
Net realized gains (losses)						
Available-for-sale	(2)	—	1	—	—	(1)
Other classifications	4	58	—	—	—	62
Other income (expenses)	—	—	—	(23)	(31)	(54)
	1,076	285	58	62	92	1,573
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(7)	—	—	—	—	(7)
Designated fair value through profit or loss	(1,404)	(17)	(258)	—	141	(1,538)
Recorded at fair value through profit or loss	—	—	—	58	—	58
	(1,411)	(17)	(258)	58	141	(1,487)
Total	$ (335)	$ 268	$ (200)	$ 120	$ 233	$ 86

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). 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.

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

- At March 31, 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 March 31, 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:

	March 31, 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	**$ (171)**	**$ 661**	$ (165)	$ 639
Increase (decrease) in net earnings	**$ 119**	**$ (483)**	$ 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:

	March 31, 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	**$ (89)**	**$ 194**	$ (87)	$ 338
Increase (decrease) in net earnings	**$ 75**	**$ (155)**	$ 73	$ (266)

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:

	March 31, 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	**$ (597)**	**$ 686**	$ (591)	$ 680
Increase (decrease) in net earnings	**$ 482**	**$ (545)**	$ 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.

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:

	March 31, 2019			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 4,481	$ —	$ —	$ 4,481
Financial assets at fair value through profit or loss				
Bonds	—	93,780	66	93,846
Mortgage loans	—	—	924	924
Stocks	8,946	—	483	9,429
Total financial assets at fair value through profit or loss	8,946	93,780	1,473	104,199
Available-for-sale financial assets				
Bonds	—	12,849	—	12,849
Stocks	10	—	2	12
Total available-for-sale financial assets	10	12,849	2	12,861
Investment properties	—	—	5,449	5,449
Funds held by ceding insurers	160	6,942	—	7,102
Derivatives (1)	—	496	—	496
Assets held for sale	105	774	26	905
Other assets:				
Trading account assets	687	292	—	979
Other (2)	—	105	—	105
Total assets measured at fair value	$ 14,389	$ 115,238	$ 6,950	$ 136,577
Liabilities measured at fair value				
Derivatives (3)	$ 6	$ 1,248	$ —	$ 1,254
Investment contract liabilities	—	1,729	—	1,729
Investment contract liabilities held for sale	—	1	23	24
Other liabilities	—	105	—	105
Total liabilities measured at fair value	$ 6	$ 3,083	$ 23	$ 3,112

(1) Excludes collateral received from counterparties of $114.
(2) Includes collateral received under securities lending agreements.
(3) Excludes collateral pledged to counterparties of $358.

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

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	$ 13,400	$ 113,468	$ 6,533	$ 133,401
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	$ 2	$ 3,356	$ 26	$ 3,384

(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.

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:

	March 31, 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	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	**2**	**55**	**15**	**—**	**(5)**	**(3)**	**64**	**—**	**—**
Included in other comprehensive income [1]	**(3)**	**—**	**—**	**—**	**—**	**—**	**(3)**	**—**	**—**
Purchases	**—**	**—**	**69**	**—**	**214**	**—**	**283**	**—**	**—**
Issues	**—**	**69**	**—**	**—**	**—**	**—**	**69**	**—**	**—**
Sales	**—**	**—**	**(5)**	**—**	**(7)**	**—**	**(12)**	**—**	**—**
Settlements	**—**	**(13)**	**—**	**—**	**—**	**—**	**(13)**	**—**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(3)**	**(3)**
Transfers into Level 3	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance, end of period	**$ 66**	**$ 924**	**$ 483**	**$ 2**	**$ 5,449**	**$ 26**	**$ 6,950**	**$ 23**	**$ 23**
Total gains (losses) for the period included in net investment income	**$ 2**	**$ 55**	**$ 15**	**$ —**	**$ (5)**	**$ (3)**	**$ 64**	**$ —**	**$ —**
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2019	**$ 2**	**$ 55**	**$ 15**	**$ —**	**$ (5)**	**$ (3)**	**$ 64**	**$ —**	**$ —**

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

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 2.4% - 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 2.4%	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 4.2% - 4.7%	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

	March 31, 2019		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 170,790**	**$ 6,124**	**$ 164,666**
Investment contract liabilities	**1,729**	**—**	**1,729**
Total	**$ 172,519**	**$ 6,124**	**$ 166,395**

	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

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

	March 31 2019	December 31 2018
Cash and cash equivalents	**$ 12,999**	$ 13,458
Bonds	**42,915**	42,142
Mortgage loans	**2,741**	2,746
Stocks and units in unit trusts	**96,017**	89,853
Mutual funds	**54,733**	50,956
Investment properties	**12,696**	12,319
	222,101	211,474
Accrued income	**452**	380
Other liabilities	**(3,700)**	(3,191)
Non-controlling mutual funds interest	**940**	864
Total	**$ 219,793**	$ 209,527

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

	For the three months ended March 31	
	2019	2018
Balance, beginning of year	**$ 209,527**	$ 217,357
Additions (deductions):		
Policyholder deposits	**5,726**	6,410
Net investment income	**116**	496
Net realized capital gains on investments	**117**	1,501
Net unrealized capital gains (losses) on investments	**13,471**	(4,848)
Unrealized gains (losses) due to changes in foreign exchange rates	**(3,171)**	6,588
Policyholder withdrawals	**(5,912)**	(6,791)
Business acquisition	**—**	950
Change in Segregated Fund investment in General Fund	**—**	3
Change in General Fund investment in Segregated Fund	**—**	(3)
Net transfer from General Fund	**(5)**	9
Non-controlling mutual funds interest	**76**	(641)
Assets held for sale (note 4)	**(113)**	—
Other	**(39)**	—
Total	**10,266**	3,674
Balance, end of period	**$ 219,793**	$ 221,031

10. Segregated Funds (cont'd)

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

	March 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 141,930**	**$ 67,037**	**$ 13,643**	**$ 222,610**
Investments on account of segregated fund policyholders held for sale [2]	**3,410**	**5**	**9**	**3,424**
Total investments on account of segregated fund policyholders measured at fair value	**$ 145,340**	**$ 67,042**	**$ 13,652**	**$ 226,034**

(1) Excludes other liabilities, net of other assets, of $2,817.

(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 three months of 2019 certain foreign stock holdings valued at $1,377 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.

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:

	March 31, 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	**(102)**	**—**	**(102)**
Purchases	**433**	**—**	**433**
Sales	**(59)**	**—**	**(59)**
Transfers into Level 3	**—**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**—**
Balance, end of period	**$ 13,643**	**$ 9**	**$ 13,652**

[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.

11. Share Capital

Common Shares

	For the three months ended March 31			
	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 Normal Course Issuer Bid	**—**	**—**	(431,000)	(15)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**—**	—	12
Exercised and issued under stock option plan	**494,565**	**15**	330,380	11
Balance, end of period	**988,233,973**	**$ 7,298**	988,622,039	$ 7,268

During the three months ended March 31, 2019, 494,565 common shares were exercised under the Company's stock plan with a carrying value of $15, including $2 from contributed surplus transferred upon exercise (330,380 with a carrying value of $11, including $1 from contributed surplus transferred upon exercise during the three months ended March 31, 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 three months ended March 31, 2019, the Company did not purchase any common shares under the current normal course issuer bid (431,000 during the three months ended March 31, 2018 under the previous normal course issuer bid at a cost of $15). During the three months ended March 31, 2018, the excess paid over the average carrying value was $12 and was recognized as a reduction to equity 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 billion of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019.

Subsequent Event

On April 17, 2019, the Company purchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of $33.50 per share for an aggregate purchase price of $2 billion.

12. Earnings per Common Share

	For the three months ended March 31	
	2019	2018
Earnings		
Net earnings	**$ 690**	$ 764
Preferred share dividends	**(33)**	(33)
Net earnings - common shareholders	**$ 657**	$ 731
Number of common shares		
Average number of common shares outstanding	**987,830,447**	988,611,044
Add: Potential exercise of outstanding stock options	**306,494**	1,109,312
Average number of common shares outstanding - diluted basis	**988,136,941**	989,720,356
Basic earnings per common share	**$ 0.665**	$ 0.740
Diluted earnings per common share	**$ 0.665**	$ 0.739
Dividends per common share	**$ 0.4130**	$ 0.3890

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.

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:

	March 31 2019	December 31 2018
Tier 1 Capital	**$ 12,404**	$ 12,455
Tier 2 Capital	**3,722**	3,686
Total Available Capital	**16,126**	16,141
Surplus Allowance & Eligible Deposits	**11,137**	10,665
Total Capital Resources	**$ 27,263**	$ 26,806
Base Solvency Buffer (includes 1.05 scalar)	**$ 19,508**	$ 19,165
Total LICAT Ratio (OSFI Supervisory Target = 100%) [1]	**140%**	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 March 31	
	2019	2018
Pension plans		
Service costs	**$ 54**	$ 59
Net interest costs	**7**	6
	61	65
Other post-employment benefits		
Service costs	**1**	1
Net interest costs	**3**	3
	4	4
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**65**	69
Pension plans - re-measurements		
Actuarial (gain) loss	**495**	(99)
Return on assets (greater) less than assumed	**(383)**	57
Administrative expenses less than assumed	**(1)**	(1)
Change in the asset ceiling	**(18)**	—
Pension plans re-measurement (gain) loss	**93**	(43)
Other post-employment benefits - re-measurements		
Actuarial (gain) loss	**21**	(3)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**114**	(46)
Total pension plans and other post-employment benefits expense including re-measurements	**$ 179**	$ 23

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:

	March 31		December 31	
	2019	2018	2018	2017
Weighted average discount rate	**2.9%**	3.2%	3.4%	3.1%

15. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31			
	2019		2018	
Current income taxes	**$**	**71**	$	84
Deferred income taxes		**59**		(7)
Total income tax expense	**$**	**130**	$	77

(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 March 31, 2019 was 16.0% compared to 9.1% for the three months ended March 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the same period last year primarily due to changes in certain tax estimates and a lower percentage of income subject to lower rates in foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2019 was 16.0% compared to 6.4% for the three months ended December 31, 2018.

The effective income tax rate for the three months ended March 31, 2019 is higher than the effective income tax rate for the fourth quarter of 2018 primarily due to changes in certain tax estimates.

16. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2019

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,087	$ 1,266	$ 5,242	$ —	$ 9,595
Net investment income					
Regular net investment income	656	469	326	(1)	1,450
Changes in fair value through profit or loss	2,282	666	1,417	—	4,365
Total net investment income	2,938	1,135	1,743	(1)	5,815
Fee and other income	422	659	398	—	1,479
	6,447	3,060	7,383	(1)	16,889
Benefits and expenses					
Paid or credited to policyholders	5,172	2,219	6,521	—	13,912
Other [(1)]	877	686	473	5	2,041
Financing charges	32	31	9	—	72
Amortization of finite life intangible assets	21	20	12	—	53
Earnings (loss) before income taxes	345	104	368	(6)	811
Income taxes (recovery)	70	20	41	(1)	130
Net earnings (loss) before non-controlling interests	275	84	327	(5)	681
Non-controlling interests	(8)	—	(1)	—	(9)
Net earnings (loss)	283	84	328	(5)	690
Preferred share dividends	28	—	5	—	33
Net earnings (loss) before capital allocation	255	84	323	(5)	657
Impact of capital allocation	28	(3)	(24)	(1)	—
Net earnings (loss) - common shareholders	$ 283	$ 81	$ 299	$ (6)	$ 657

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

For the three months ended March 31, 2018

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,151	$ 1,074	$ 3,949	$ —	$ 8,174
Net investment income					
Regular net investment income	612	441	517	3	1,573
Changes in fair value through profit or loss	(334)	(580)	(573)	—	(1,487)
Total net investment income (loss)	278	(139)	(56)	3	86
Fee and other income	438	631	364	—	1,433
	3,867	1,566	4,257	3	9,693
Benefits and expenses					
Paid or credited to policyholders	2,639	752	3,389	—	6,780
Other [(1)]	816	674	457	5	1,952
Financing charges	32	29	10	—	71
Amortization of finite life intangible assets	20	21	8	—	49
Earnings (loss) before income taxes	360	90	393	(2)	841
Income taxes	46	13	18	—	77
Net earnings (loss) before non-controlling interests	314	77	375	(2)	764
Non-controlling interests	—	—	—	—	—
Net earnings (loss)	314	77	375	(2)	764
Preferred share dividends	28	—	5	—	33
Net earnings (loss) before capital allocation	286	77	370	(2)	731
Impact of capital allocation	30	(2)	(26)	(2)	—
Net earnings (loss) - common shareholders	$ 316	$ 75	$ 344	$ (4)	$ 731

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

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