GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2020

E1138(10/20)-11/20

Quarterly Report to Shareholders

For cautionary notes regarding forward-looking information and non-IFRS financial measures, see page 1.

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 September 30, 2020 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 2020 were approved by the Board of Directors at a meeting held today.

Great-West Lifeco Inc. (Lifeco or the Company) today announced its third quarter 2020 results.

Net earnings attributable to common shareholders (net earnings) were $826 million, or $0.89 per common share (EPS), for the third quarter of 2020 compared to $730 million, or $0.79 per common share, for the same quarter last year. Base earnings for the third quarter of 2020 of $679 million or $0.73 per common share compared to $677 million or $0.73 per common share a year ago.

Common Shareholders	Q3 2020	Q3 2019
Base earnings[(1)]		
Canada	$270	$355
United States	83	79
Europe	182	161
Capital and Risk Solutions	156	86
Lifeco Corporate	(12)	(4)
Total base earnings[(1)]	**$679**	**$677**
Items excluded from base earnings[(2)]	**147**	**53**
Net earnings	**$826**	**$730**
Base EPS[(1)]	**$0.73**	**$0.73**
Net EPS	**$0.89**	**$0.79**
Base return on equity[(1)(3)]	**13.5%**	**12.1%**
Return on equity[(1)(3)]	**12.4%**	**12.4%**

(1) Represents a non-IFRS measure. Refer to the “Non-IFRS Financial Measures” section of the Company’s third quarter of 2020 interim MD&A for additional details.

(2) Items excluded from base earnings are actuarial assumption changes and other management actions, market-related impacts on liabilities, the net gain on the sale of Irish Progressive Services International Limited, transaction costs incurred to date related to the acquisitions of Personal Capital Corporation and the retirement services business of Massachusetts Mutual Life Insurance Company and the net charge on sale of the U.S. Individual Markets business. Refer to the “Non-IFRS Financial Measures” section of the Company’s third quarter of 2020 interim MD&A for additional details.

(3) Base return on equity and return on equity are calculated using the trailing four quarters of applicable earnings and common shareholders' equity.

Base EPS for the third quarter of 2020 of $0.73 was comparable with the prior year primarily due to strong business results in the Capital and Risk Solutions segment and favourable experience in the Europe segment, offset by a lower impact from investment experience and new business in the Canada segment.

Reported net EPS for the third quarter of 2020 was $0.89, up from $0.79 in 2019. The increase was primarily due to a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI) and favourable market-related impacts, partially offset by transaction costs incurred to date of $31 million related to U.S. segment acquisitions, in addition to the items discussed for base earnings.

Highlights – In Quarter

Key strategic transactions advanced in quarter

- On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. The Company will receive net cash consideration of $145 million on the transaction and expects to recognize a gain. The transaction is expected to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals.
- On August 4, 2020, Irish Life completed the previously announced sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary, whose principal activity is the provision of outsourced administration services for life assurance companies. The net gain resulting from the transaction was $94 million post-tax.
- On August 17, 2020, the Company's subsidiary, Great-West Life & Annuity, through its Empower Retirement business, completed the acquisition of Personal Capital Corporation (Personal Capital), a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. The combination brings together Empower Retirement's leading retirement plan services and integrated financial tools, and Personal Capital's rapidly growing, digitally oriented personal wealth management platform. The upfront consideration of US$825 million was funded with cash on hand and US$500 million in debt financing with additional deferred consideration of up to US$175 million subject to achievement of target growth objectives.
- On September 8, 2020, the Company's subsidiary, Great-West Life & Annuity, through its Empower Retirement business, announced it had entered into an agreement to purchase the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Empower Retirement anticipates realizing cost synergies through the migration of the MassMutual's retirement services business onto Empower Retirement's recordkeeping platform. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.
- On September 17, 2020, the Company announced the strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. (Northleaf) to expand and enhance its private markets capabilities. Mackenzie and Lifeco will jointly acquire a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investments industry. This transaction was completed on October 29, 2020.

Capital strength and financial flexibility maintained

- The Company's capital position remained strong at September 30, 2020, with a LICAT Ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 131% which is well above the Company's internal target range and the supervisory target.
- During the third quarter of 2020, the Company issued $500 million of 2.981% debentures maturing on July 8, 2050 and repaid $500 million of debentures which matured on August 13, 2020.
- On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, issued $663 million (US$500 million) aggregate principal amount of 0.904% senior notes due August 12, 2025 to support the acquisition of Personal Capital. In addition, on September 17, 2020, Empower Finance 2020, LP, a

subsidiary of the Company, issued three tranches of senior notes totalling $1,973 million (US$1,500 million) to support the announced acquisition of the retirement services business of MassMutual.

Consolidated assets under administration of $1.7 trillion

- Assets under administration were $1.7 trillion at September 30, 2020, an increase of 2% from December 31, 2019.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's consolidated operating results are grouped into five reportable segments – Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate – reflecting the management and corporate structure of the Company. For more information, refer to the Company's third quarter of 2020 interim Management's Discussion and Analysis (MD&A).

CANADA

- **Q3 Canada segment base earnings of $270 million and net earnings of $266 million** – Base earnings for the third quarter of 2020 were $270 million compared to $355 million in the third quarter of 2019, a decrease of 24%. The decrease was primarily due to lower contributions from investment experience and lower impact of new business. Net earnings for the third quarter of 2020 were $266 million, down from $300 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings partially offset by the impact of unfavourable insurance contract liability basis changes in 2019, including the impact of actuarial standards updates.
- **Delivering new products and services to Canadians** – Canada Life became the first Group provider in Canada to launch an employer sponsored Registered Education Savings Program (RESP). The Company also introduced a newly rebranded Canada Life mutual fund shelf, featuring 18 new mutual funds that provides a curated selection of competitive investment strategies across a range of managers, asset classes and styles.

UNITED STATES

- **Q3 U.S. Financial Services base earnings of US$56 million and net earnings of US$84 million** – U.S. Financial Services (primarily Empower Retirement) base earnings for the third quarter of 2020 were US$56 million, or US$61 million excluding the net loss of US$5 million from the Personal Capital business, up from US$50 million in the third quarter of 2019. The increase was primarily due to strong investment experience and net business growth. Net earnings for the third quarter of 2020 were US$84 million, up from US$49 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings and higher contributions from the impact of updated economic assumptions on insurance contract liabilities.
- **Q3 Putnam net earnings of US$10 million** – Putnam net earnings for the third quarter of 2020 were US$10 million compared to US$9 million in the third quarter of 2019. The increase in net earnings was primarily due to higher net investment income on seed capital investments driven by in-period market recoveries, partially offset by higher sales and compensation related expenses. For Putnam, there were no differences between net and base earnings.
- **Q3 Putnam net asset inflows of US$2.1 billion** – Putnam net asset inflows in the third quarter of 2020 were US$2.1 billion compared to net asset outflows of US$1.5 billion for the same quarter last year, driven by mutual fund net asset inflows of US$0.7 billion and institutional net asset inflows of US$1.4 billion. Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2020, approximately 82% and 90% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively.

EUROPE

- **Q3 Europe segment base earnings of $182 million and net earnings of $316 million** – Base earnings for the third quarter of 2020 were $182 million, up 13% compared to $161 million in the third quarter of 2019. The increase was primarily due to favourable mortality and morbidity experience partially offset by lower impact of new business. Net earnings for the third quarter of 2020 were $316 million, up from $282 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings as well as the net gain on the sale of IPSI and favourable market-related impacts driven by higher property valuations. These items were partially offset by lower contributions from insurance contract liability basis changes.

CAPITAL AND RISK SOLUTIONS

- **Q3 Capital and Risk Solutions segment base earnings of $156 million and net earnings of $167 million** – Base earnings for the third quarter of 2020 were $156 million, up 81% compared to $86 million in the third quarter of 2019. The increase was primarily due to growth in the underlying business, gains on new business and favourable claims experience in the longevity business, partially offset by less favourable claims in the life business. Net earnings for the third quarter of 2020 were $167 million, up from $75 million in the third quarter of 2019, primarily due to the same reasons discussed for base earnings as well as the market-related impact on a legacy block of business.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.4380 per share on the common shares of Lifeco payable December 31, 2020 to shareholders of record at the close of business December 3, 2020.

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	December 3, 2020	December 31, 2020	$0.36875
Series G	December 3, 2020	December 31, 2020	$0.3250
Series H	December 3, 2020	December 31, 2020	$0.30313
Series I	December 3, 2020	December 31, 2020	$0.28125
Series L	December 3, 2020	December 31, 2020	$0.353125
Series M	December 3, 2020	December 31, 2020	$0.3625
Series N	December 3, 2020	December 31, 2020	$0.1360
Series O	December 3, 2020	December 31, 2020	$0.0913068
Series P	December 3, 2020	December 31, 2020	$0.3375
Series Q	December 3, 2020	December 31, 2020	$0.321875
Series R	December 3, 2020	December 31, 2020	$0.3000
Series S	December 3, 2020	December 31, 2020	$0.328125
Series T	December 3, 2020	December 31, 2020	$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

November 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2020
DATED: NOVEMBER 4, 2020

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three and nine months ended September 30, 2020 and includes a comparison to the corresponding periods in 2019, to the three months ended June 30, 2020, and to the Company's financial condition as at December 31, 2019. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe and Capital and Risk Solutions. Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions.

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 periods ended September 30, 2020. Also refer to the 2019 Annual MD&A and audited consolidated financial statements in the Company's 2019 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 "will", "may", "expects", "anticipates", "intends", "plans", "believes", "estimates", "objective", "target", "potential" and other similar expressions or negative versions thereof. These statements include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, expected capital management activities and use of capital, expected dividend levels, expected cost reductions and savings, the impact of regulatory developments on the Company's business strategy and growth objectives, the expected impact of the current pandemic health event resulting from the novel coronavirus ("COVID-19") and related economic and market impacts on the Company's business operations, financial results and financial condition, the cost (including deferred consideration), expected benefits of the acquisition of Personal Capital Corporation (Personal Capital), the U.S. retirement industry, the completion and expected impacts of the sale of GLC Asset Management Group Ltd., the timing of and establishment by Canada Life of a fund management company and in respect of the acquisition of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), the timing (for completion and integration) of the acquisition, the cost and expected benefits and performance of the acquired business, amounts and timing of funding for the acquisition, and future expenses and revenues from the acquisition, including expected cost synergies (including "run rate" cost synergies) and revenue synergies. 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, mutual fund and retirement solutions 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. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, achievement or waiver of conditions to closing of the acquisition of the retirement services business of MassMutual, assumptions around sales, fee rates, asset breakdowns, lapses, plan contributions, redemptions and market returns, the ability to integrate the acquisitions of Personal Capital and the retirement services of MassMutual, leverage Empower Retirement's, Personal Capital's and MassMutual's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer adoption levels), the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy and plan lapse rates, participant net contribution, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets (including continued access to equity and debt markets), industry sector and individual debt issuers' financial conditions (including developments and volatility arising from the COVID-19 pandemic, particularly in certain industries that may comprise part of the Company's investment portfolio), uncertainty regarding the outcome of the upcoming presidential election in the United States, the United Kingdom's exit ("Brexit") from the European Union, 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. Important factors 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, unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements, levels of administrative and operational efficiencies, changes in trade organizations, and the severity, magnitude and impact of the COVID-19 pandemic (including the effects of the COVID-19 pandemic, and the effects of the governments' and other businesses' responses to the COVID-19 pandemic, on the economy and the Company's financial results, financial condition and operations). 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 2019 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and in the Company's annual information form dated February 12, 2020 under "Risk Factors", 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, "base earnings (loss)", "base earnings (loss) (US$)", "base earnings per common share", "return on equity", "base return on equity", "core net earnings (loss)", "constant currency basis", "impact of currency movement", "premiums and deposits", "pre-tax operating margin", "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 "Non-IFRS Financial Measures" section in this MD&A for the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS as well as additional details on each measure.

CONSOLIDATED OPERATING RESULTS

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

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Earnings					
Base earnings[1][2]	**$ 679**	$ 706	$ 677	**$ 1,928**	$ 1,873
Net earnings - common shareholders	**826**	863	730	**2,031**	1,846
Per common share					
Basic:					
Base earnings[1][2]	**0.732**	0.761	0.729	**2.078**	1.968
Net earnings	**0.891**	0.930	0.786	**2.190**	1.940
Diluted net earnings	**0.891**	0.930	0.785	**2.189**	1.939
Dividends paid	**0.438**	0.438	0.413	**1.314**	1.239
Book value	**22.57**	21.98	21.02		
Base return on equity[1][2][3]	**13.5 %**	13.7 %	12.1 %		
Return on equity[1][3]	**12.4 %**	12.1 %	12.4 %		
Total premiums and deposits[1]	**$ 40,827**	$ 43,076	$ 36,417	**$ 130,268**	$ 111,542
Fee and other income	**1,486**	1,406	1,496	**4,333**	5,566
Net policyholder benefits, dividends and experience refunds	**9,155**	9,659	8,468	**28,243**	26,412
Total assets per financial statements	**$ 473,737**	$ 457,996	$ 446,626		
Proprietary mutual funds and institutional net assets[1]	**341,436**	315,326	308,425		
Total assets under management[1]	**815,173**	773,322	755,051		
Other assets under administration[1]	**845,862**	889,929	841,700		
Total assets under administration[1]	**$1,661,035**	$1,663,251	$1,596,751		
Total equity	**$ 26,648**	$ 26,109	$ 25,157		
The Canada Life Assurance Company consolidated LICAT Ratio[4]	**131 %**	132 %	139 %		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

(2) Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure. Base earnings (loss) are defined as net earnings excluding the impact of actuarial assumption changes and other management actions, direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, and items that management believes are not indicative of the Company's underlying business results. These items would include restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, legislative tax changes and other tax impairments, and net gains, losses or costs related to the disposition or acquisition of a business.

(3) Refer to the "Return on Equity" section of this document for additional details.

(4) The Life Insurance Capital Adequacy Test (LICAT) Ratio is based on the consolidated results of The Canada Life Assurance Company (Canada Life), Lifeco's major Canadian operating subsidiary. Refer to the "Capital Management and Adequacy" section of this document for additional details.

COVID-19 PANDEMIC IMPACTS

Beginning in January 2020, the outbreak of a virus known as COVID-19 and ensuing global pandemic have resulted in travel and border restrictions, self-imposed quarantine periods and physical distancing, supply chain disruptions, reduced consumer demand and significant market uncertainty. This has caused material disruption to businesses globally, resulting in an economic slowdown. In the first quarter of 2020, global financial markets experienced material and rapid declines and significant volatility; however, following March 31, 2020, the markets have experienced recoveries. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the government and central bank interventions. While, due to the evolving and highly uncertain nature of this event, it is currently not possible to estimate its impact precisely, the COVID-19 pandemic could adversely impact the Company's business, financial condition, results of operations, liquidity or prospects in a number of ways. The Company is monitoring the situation closely, including carrying out stress and scenario testing, and has implemented processes for the continuation of operations and to support the well-being of customers, employees and broader communities. The risks associated with the COVID-19 pandemic (financial, operational and other risks) are being managed within the Company's existing risk management framework. Service continuity plans are in operation across the Company, with a significant majority of employees continuing to work remotely to provide service to customers and maintain operations and technology functions. In addition, the Company has provided support to communities through financial donations across the geographic regions in which the Company operates.

Impact on Financial Results

<u>Net Earnings</u>

The Company's third quarter 2020 financial results were positively impacted by market recoveries as markets continued to rebound from the significant declines in the first quarter of 2020 at the onset of the COVID-19 pandemic, although Canadian and European equity markets remain below September 30, 2019 levels. While equity and fixed income markets have improved since March 31, 2020, interest rates remain low and COVID-19 challenges have been observed through investment credit rating downgrades and real estate values, although these were modest in the third quarter of 2020. Investment related and premium deferrals were limited, partially as a result of continued government support in many jurisdictions. While the Company experienced lower sales in certain areas of its business, customer retention remained high. These items are discussed in more detail throughout this MD&A including in the "Net Earnings" and "Invested Assets" sections of this document.

<u>Liquidity and Capital Position</u>

The Company's capital position remained strong at September 30, 2020, with a LICAT ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 131% which is well above the Company's internal target range and the supervisory target. Refer to the "Capital Management and Adequacy" section of this document for additional details on the LICAT Ratio.

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $12.1 billion including $1.5 billion held at the Lifeco holding company level. During 2020, the Company and its subsidiaries have issued $1.1 billion of debentures and $2.6 billion (US$2 billion) of senior notes to maintain liquidity, support continued strategic investment, including the acquisition of Personal Capital and the retirement services business of MassMutual, and fund the repayment of $500 million of debentures that matured on August 13, 2020.

Other Impacts
Assets under administration of $1.7 trillion at September 30, 2020 were comparable to June 30, 2020 and increased compared to December 31, 2019.

Many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. In the third quarter of 2020, credit spreads continued a trend of narrowing that began in the second quarter and rating agency downgrades continued across industries, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced some impact from the downgrades in period. Depending on the length of the shutdowns and recovery of the economy there could be a larger impact from downgrades in future periods.

Measurement Uncertainty
The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing market conditions related to global credit, equities, investment properties and foreign exchange. These estimates and judgments are more challenging in a period of uncertainty as is currently being experienced.

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 independent third party credit ratings where available as an input to its internal credit rating process. Investment properties, which are primarily held in the U.K. and Canada, rely upon independent third party appraisals for their valuation which impact the estimation of actuarial liabilities. Independent appraisals for the portfolio occur over the year with management adjustments for material changes in the interim periods. Credit rating changes for fixed income investments and market values for investment properties may lag developments in the current environment. Subsequent credit rating adjustments and market value adjustments on investment properties will impact actuarial liabilities.

During the third quarter of 2020, the Company maintained its temporary suspension of contributions, redemptions and transfers from its real estate segregated funds in Canada and Europe as the economic conditions caused by the COVID-19 situation continue to lead to valuation uncertainty in the real estate industry. Management determined the need to temporarily suspend withdrawals and transfers-out from the funds in order to protect the long term interests of unitholders in the first quarter of 2020.

Valuation certainty is selectively returning to certain sectors and geographies of the real estate market. Subsequent to the third quarter of 2020, on October 8, 2020, the temporary suspension was lifted from the Company's U.K. real estate fund as the material valuation uncertainty clauses that had been in effect across that fund's main asset classes were lifted by the independent third party appraisers. Deferral of redemptions and transfers in the largest Irish property fund is under review following the removal of valuation uncertainty clauses on the majority of sectors in the Irish property market, while the deferral remains in place for the smaller fund focused on individual clients. Property funds in Canada remain in suspension as material uncertainty is still present in those markets.

In addition, the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax asset carrying values reflect management's judgement based on current expectations but could be impacted in the future depending on current market developments. Given the uncertainty surrounding the future environment, the actual financial results could differ from the estimates made in preparation of the Company's condensed consolidated interim unaudited financial statements.

Government and Regulatory Responses
While conditions have become more stable, governments and central banks in the jurisdictions in which the Company's subsidiaries operate have extended many of the measures they introduced earlier this year to deal with the economic impacts of the COVID-19 pandemic, including emergency spending, interest rate cuts, wage subsidies and other supports for individuals and businesses. The Office of the Superintendent of Financial Institutions (OSFI), which regulates the Company's Canadian insurance subsidiaries, has begun phasing out capital relief for loan and insurance premium payment deferrals. This capital relief has not been material to the Company.

The overall level of regulatory engagement with the Company's regulated subsidiaries has moderated somewhat to reflect the more stable conditions. However, regulators continue to monitor the impact of the pandemic to ensure that regulated companies maintain sufficient capital and liquidity. Regulators in Canada, the U.K. and Ireland, where some of the Company's regulated subsidiaries operate, have maintained the guidance they provided earlier this year on the payment of dividends and other shareholder distributions during the crisis.

On March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks and not to increase dividend payments. The Company does not currently intend to increase dividends or engage in share repurchases.

In the U.K., the Prudential Regulatory Authority (PRA) wrote to all insurance companies in March and April 2020 to remind them to manage their financial resources prudently to ensure they are able to meet their commitments to policyholders and maintain safety and soundness and to satisfy themselves that any dividends are prudent, consistent with their risk appetite and informed by a range of scenarios including very severe ones. In July 2020 and September 2020, the Company's subsidiaries that are supervised by the PRA paid dividends in accordance with the PRA guidance.

In Ireland, the position of the Central Bank of Ireland (CBI) is that, as the impact of COVID-19 remains uncertain, insurance firms should, at this time, postpone any payment of dividend distributions or similar transactions until they can forecast their costs and future revenues with a greater degree of certainty. The CBI has indicated that it will continue to review this position in conjunction with ongoing guidance from the European Insurance and Occupational Pension Authority and the European Systemic Risk Board.

The declaration and payment of dividends by the Company in future periods remains in the discretion of its directors and will depend among other things on the Company's financial position, which will in turn depend on the duration of the COVID-19 pandemic and the severity and duration of the financial impacts. Although there can be no assurance, to the extent that the pandemic abates and the actions taken by governments lead to a sustained global financial recovery within a reasonable time, the Company expects that its ability to pay dividends at current levels will not be adversely impacted.

Outlook
Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

During the third quarter of 2020, equity markets continued to recover from first quarter of 2020 levels resulting in an increase in earnings; however, sales activity was lower. While the third quarter of 2020 benefited from market recoveries, general economic slowdown as a result of the outbreak could continue to impact total Company sales, net cash flows and net earnings. If this economic uncertainty is sustained, or leads to adverse impacts on claims or sales, it will continue to adversely impact the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has governance structures and processes in place which support regular monitoring of the Company's capital and liquidity positions based on current market information. The Company's financial outlook for the remainder of the year will depend on the duration and intensity of COVID-19 pandemic impacts. Earnings are expected to be lower in future periods if lower markets and interest rates and sales activity persist, premium income reduces and if higher disability incidence occurs. Future market developments could also impact the fair value of portfolio investments, the valuation of goodwill and other intangible assets and the recoverability of deferred tax assets which reflect management's judgement based on current expectations.

There is continued focus on supporting customers and employees through digital platforms to manage the challenges created by physical distancing. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in which the Company operates. Given the increase in confirmed cases, the Company is following a cautious approach for employees to return to the workplace, in line with local government guidance. The Company will monitor and adapt to restrictions as they are announced.

The Company expects to see a continued impact on sales opportunities for certain products given client and prospect concerns about the breadth and severity of the pandemic and its longer-term effect on businesses. Sales teams and financial advisors have been adapting to the new remote environment and are adjusting processes going forward. If lower sales persist it could adversely impact asset, premiums and fee income levels. While sales were lower in the third quarter of 2020, the Company is starting to see improvements following the end of the quarter. The Reinsurance business unit, in the Capital and Risk Solutions segment, continues to have a strong pipeline for new business and has currently not experienced any significant impacts from the COVID-19 pandemic.

The Company's asset liability management strategy is designed to mitigate interest rate risk; however while the Company has limited sensitivity to fluctuations in interest rates, a prolonged period of low interest rates may adversely impact the profitability of certain products the Company provides, and repricing actions have been, and will continue to be, undertaken as necessary. For a further description of the Company's sensitivity to interest rate and equity market fluctuations, including expanded sensitivity disclosures as a result of current market conditions, refer to note 6 "Financial Instruments Risk Management" in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

The impact of the pandemic on mortality is also uncertain at this time. Changes to mortality and longevity rates impact the Company’s results. The Company manages risks of changes to mortality and longevity rates by issuing a diversified range of insurance and annuity products along with using reinsurance and capital market solutions.

The shutdown of non-essential health service providers, such as dentists, during the latter part of the first quarter and majority of the second quarter of 2020, as well as physical distancing resulted in lower claims for group customers in the second quarter of 2020. As these businesses started to re-open in most regions towards the end of the second quarter of 2020, claims increased in the third quarter of 2020. Physical distancing and self-isolation requirements, as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic, may cause adverse impacts on disability and other claims experience in future periods.

The Company’s businesses are well-diversified. This diversity, combined with business strength, resilience and experience, puts the Company in a strong position to manage the current environment and leverage opportunities for the future. Lifeco's strategies are equally resilient and flexible, positioning the Company to manage through the recovery and continue to identify and pursue opportunities, including organic growth and acquisition activities, while supporting customers and employees in a new environment.

NET EARNINGS

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

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company’s other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

Effective the first quarter of 2020, the Company introduced an enhanced non-IFRS earnings measure to reflect management's view of the underlying business performance of the Company. The measure - base earnings (loss) - is being adopted to enhance comparability of results between reporting periods and in anticipation of the implementation of accounting changes related to IFRS 17, *Insurance Contracts,* on January 1, 2023. Refer to the "Non-IFRS Financial Measures" section in this MD&A for additional details.

Base earnings[1] and Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Base earnings (loss)[1]					
Canada	**$ 270**	$ 315	$ 355	**$ 858**	$ 904
United States	**83**	83	79	**183**	261
Europe	**182**	179	161	**493**	479
Capital and Risk Solutions	**156**	137	86	**412**	244
Lifeco Corporate	**(12)**	(8)	(4)	**(18)**	(15)
Lifeco base earnings[1]	**$ 679**	$ 706	$ 677	**$ 1,928**	$ 1,873
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**$ 66**	$ 122	$ 81	**$ 136**	$ 248
Market-related impacts on liabilities[2]	**18**	35	(28)	**(96)**	(76)
Net gain on sale of Irish Progressive Services International Limited[2]	**94**	—	—	**94**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual[2][3]	**(31)**	—	—	**(31)**	—
Net charge on sale, via reinsurance, of a U.S. business[2]	**—**	—	—	**—**	(199)
Items excluded from Lifeco base earnings[2]	**$ 147**	$ 157	$ 53	**$ 103**	$ (27)
Net earnings (loss) - common shareholders					
Canada	**$ 266**	$ 353	$ 300	**$ 770**	$ 863
United States	**89**	78	77	**172**	60
Europe	**316**	253	282	**660**	669
Capital and Risk Solutions	**167**	187	75	**447**	269
Lifeco Corporate	**(12)**	(8)	(4)	**(18)**	(15)
Lifeco net earnings - common shareholders	**$ 826**	$ 863	$ 730	**$ 2,031**	$ 1,846

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(3) The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

The information in the table above is a summary of results of the Company's base earnings and net earnings. Additional commentary is included in the "Segmented Operating Results" section.

Base earnings

Base earnings for the third quarter of 2020 of $679 million ($0.732 per common share) increased by $2 million from $677 million ($0.729 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment and favourable morbidity, mortality and longevity experience in the Europe segment. The increase was mostly offset by lower contributions from new business and investment experience in the Canada segment.

For the nine months ended September 30, 2020, Lifeco's base earnings were $1,928 million ($2.078 per common share) compared to $1,873 million ($1.968 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment. The increase was partially offset by lower base earnings in the Canada and U.S. segments. Base earnings for the nine months ended September 30, 2019 included $63 million related to the Reinsured Insurance & Annuities business, which reflects substantially all of the individual life insurance and annuity business sold, through indemnity reinsurance, to Protective Life Insurance Company (Protective Life) effective June 1, 2019.

Net earnings

Lifeco's net earnings for the three month period ended September 30, 2020 of $826 million ($0.891 per common share) increased by $96 million or 13% compared to $730 million ($0.786 per common share) a year ago. The increase was primarily due to favourable market-related impacts on liabilities and a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI), partly offset by transaction costs incurred to date of $31 million related to the acquisitions of Personal Capital and the retirement services business of MassMutual.

For the nine months ended September 30, 2020, Lifeco's net earnings were $2,031 million ($2.190 per common share) compared to $1,846 million ($1.940 per common share) a year ago. The increase was primarily due to business growth in the Capital and Risk Solutions segment and the net gain on the sale of IPSI discussed for the in-quarter results. The increase was partially offset by the transaction costs related to the acquisitions of Personal Capital and the retirement services business of MassMutual discussed for the in-quarter results and lower contributions from insurance contract liability basis changes and market-related impacts on liabilities due to significant market declines and volatility in the first quarter of 2020 driven by the COVID-19 pandemic. In addition, Lifeco's net earnings for the nine months ended September 30, 2019 included a net charge of $199 million (US$148 million) relating to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business to Protective Life.

Actuarial Assumption Changes and Other Management Actions

For the three months ended September 30, 2020, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $129 million compared to a positive net earnings impact of $81 million for the same quarter last year and a positive impact of $122 million for the previous quarter.

Management actions in the third quarter of 2020 included the positive net earnings impact of $94 million due to the net gain on sale of IPSI and the negative net earnings impact of $31 million due to the transaction costs related to the acquisitions of Personal Capital and MassMutual. Excluding these items, assumption changes and other management actions in the third quarter of 2020 resulted in a net earnings impact of $66 million. In the United States, net earnings were positively impacted by $38 million, primarily due to updated economic assumptions. In Europe, net earnings were positively impacted by $22 million, primarily due to updated policyholder behaviour assumptions. In Canada, net earnings were positively impacted by $4 million. In Capital and Risk Solutions, net earnings were positively impacted by $2 million primarily due to updated annuitant mortality and modeling refinements, partially offset by updated life mortality and policyholder behaviour assumptions.

For the nine months ended September 30, 2020, actuarial assumption changes and management actions resulted in a positive net earnings impact of $199 million compared to $212 million for the same period in 2019. Excluding the positive net earnings impact of $94 million due to the net gain on sale of IPSI and the negative net earnings impact of $31 million due to the transaction costs related to the acquisitions of Personal Capital and MassMutual, assumption changes and other management actions for the nine months ended September 30, 2020 positively impacted net earnings by $136 million. The positive impact of $212 million for the same period last year includes a negative impact of $36 million relating to the reinsurance transaction with Protective Life, which is included in the net charge on sale, via reinsurance, of a U.S. business of $199 million.

Market-Related Impacts
In the regions where the Company operates, average equity market levels for the three months ended September 30, 2020 were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019; however, markets ended the quarter higher for the U.S. and Canada, and lower in the U.K. and broader Europe compared to June 30, 2020. For the nine months ended September 30, 2020, average equity market levels were higher in the U.S. and lower in Canada, the U.K. and broader Europe compared to the same period in 2019.

Comparing the third quarter of 2020 to the third quarter of 2019, average equity market levels were up by 12% in the U.S. (as measured by S&P 500), down 1% in Canada (measured by S&P TSX), down 18% in the U.K. (measured by FTSE 100) and down 5% in broader Europe (measured by EURO STOXX 50). The major equity indices finished the third quarter of 2020 up by 4% in Canada, up by 8% in the U.S., down by 5% in the U.K. and down by 1% in broader Europe compared to June 30, 2020.

In countries where the Company operates, government treasury rates for the most part remained consistent, while credit spreads narrowed during the quarter.

Market-related impacts on liabilities positively impacted net earnings by $18 million in the third quarter of 2020 (negative impact of $28 million in the third quarter of 2019), primarily reflecting the impact of equity market recoveries in-period which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contract liabilities which are supported by equities and real estate. Included in the total positive impact of $18 million in the third quarter of 2020 was a positive impact of $13 million related to legacy block segregated fund guarantee business.

For the nine months ended September 30, 2020, market-related impacts on liabilities negatively impacted net earnings by $96 million (negative impact of $76 million year-to-date in 2019). While equity markets rebounded in the second and third quarter of 2020, the year-to-date negative impact reflects the significant decline and volatility in equity markets and interest rates in the first quarter of 2020 which impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness and was only partially recovered in-period. Included in the total negative impact of $96 million year-to-date in 2020 was a negative impact of $10 million related to legacy block segregated fund guarantee business.

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 changing interest rates is mostly mitigated in the current period, including the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss which was mostly offset by a corresponding change in the insurance contract liabilities.

For a further description of the Company's sensitivity to equity market and interest rate fluctuations, including expanded sensitivity disclosure as a result of current market conditions, refer to "Financial Instruments Risk Management", note 6 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

Foreign Currency
The average currency translation rate for the third quarter of 2020 increased for the U.S. dollar, the euro and the British pound compared to the third quarter of 2019. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2020 was an increase of $27 million (increase of $33 million year-to-date) compared to translation rates a year ago.

From June 30, 2020 to September 30, 2020, the market rates at the end of the reporting period used to translate U.S. dollar to the Canadian dollar decreased, while the euro and British pound increased. The movements in end-of-period exchange rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $89 million in-quarter ($297 million net unrealized gains year-to-date) recorded in other comprehensive income.

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These non-IFRS measures have been calculated using the average or period-end rates, as appropriate, in effect at the date of the comparative period. These non-IFRS measures provide useful information as they facilitate the comparability of results between periods. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

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

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the third quarter of 2020, the Company had an effective income tax rate of 2.1%, which was down from 5.5% in the third quarter of 2019. The decrease in the effective income tax rate for the third quarter of 2020 was primarily due to changes in certain tax estimates as well as the non-taxable gain on the disposal of the shares of IPSI. The effective income tax rate for the shareholder account for the third quarter of 2020 was 4.8% compared to 6.9% in the third quarter of 2019.

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

In the third quarter of 2020, the Company had an effective income tax rate of 2.1%, compared to 9.1% in the second quarter of 2020. The decrease in the effective income tax rate for the third quarter of 2020 was primarily due to higher tax exempt investment income and the non-taxable gain on the disposal of the shares of IPSI, partially offset by changes in certain tax estimates. The effective income tax rate for the shareholder account for the third quarter of 2020 was 4.8% compared to 9.0% for the second quarter of 2020.

Refer to note 15 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020 for further details.

The Company recognizes deferred income tax assets based on the probability that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. As at September 30, 2020, the Company has recognized a deferred income tax asset of $1,186 million on tax loss carryforwards. While $296 million pertains to losses with no expiry, $31 million pertains to losses expiring in 2024, $300 million to losses expiring between 2026 and 2030, $408 million to losses expiring between 2031 and 2035 and $151 million to losses expiring between 2036 and 2040. Included in the deferred income tax asset balance was $710 million (US$534 million) from one of the Company’s subsidiaries with a history of losses, $320 million (US$241 million) of which relates to certain restricted losses with an expiry between 2029 and 2034.

Given the economic uncertainty resulting from the COVID-19 pandemic, the Company carried out a review of the recoverability of the deferred income tax asset and concluded that no change in the valuation was required at this time. The Company will continue to monitor market conditions to determine if any valuation adjustments may be required in the future.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits(1)	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 6,085**	$ 5,602	$ 7,053	**$ 18,575**	$ 20,117
United States(2)	**24,138**	24,348	17,670	**72,897**	50,995
Europe	**6,114**	8,151	7,590	**24,725**	27,426
Capital and Risk Solutions	**4,490**	4,975	4,104	**14,071**	13,004
Total premiums and deposits(1)	**$ 40,827**	$ 43,076	$ 36,417	**$ 130,268**	$ 111,542
Sales(1)(3)	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 2,520**	$ 2,390	$ 3,520	**$ 8,542**	$ 9,640
United States(4)	**27,987**	28,227	31,245	**109,445**	131,306
Europe	**5,313**	7,141	7,098	**22,122**	25,410
Total sales(1)	**$ 35,820**	$ 37,758	$ 41,863	**$ 140,109**	$ 166,356

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the nine months ended September 30, 2019, premiums and deposits exclude the initial ceded premium of $13,889 million related to the business transferred to Protective Life under an indemnity reinsurance agreement effective June 1, 2019.
(3) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.
(4) For the nine months ended September 30, 2019, sales for the United States reflect $0.4 billion related to the Reinsured Insurance & Annuity business unit.

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			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Investment income earned (net of investment properties expenses)	**$ 1,420**	$ 1,546	$ 1,470	**$ 4,284**	$ 4,577
Net allowances for credit losses on loans and receivables	**(1)**	—	—	**(10)**	(48)
Net realized gains	**106**	92	28	**246**	293
Regular investment income	**1,525**	1,638	1,498	**4,520**	4,822
Investment expenses	**(32)**	(42)	(46)	**(117)**	(123)
Regular net investment income	**1,493**	1,596	1,452	**4,403**	4,699
Changes in fair value through profit or loss	**785**	6,318	2,102	**3,715**	8,712
Net investment income	**$ 2,278**	$ 7,914	$ 3,554	**$ 8,118**	$ 13,411

Net investment income in the third quarter of 2020, which includes changes in fair value through profit or loss, decreased by $1,276 million compared to the same quarter last year. The changes in fair value in the third quarter of 2020 were an increase of $785 million compared to $2,102 million for the third quarter of 2019, primarily due to a smaller decline in U.K. bond yields in the current quarter, compared to the same quarter last year.

Regular net investment income in the third quarter of 2020 of $1,493 million, which excludes changes in fair value through profit or loss, increased by $41 million compared to the same quarter last year. The increase was primarily due to the gain on sale of IPSI, included in net realized gains, partially offset by lower interest on bond investments. Net realized gains include gains on available-for-sale securities of $11 million for the third quarter of 2020 compared to $25 million for the same quarter last year.

For the nine months ended September 30, 2020, net investment income decreased by $5,293 million compared to the same period last year. The changes in fair value for the nine month period in 2020 were an increase of $3,715 million compared to $8,712 million during the same period in 2019. The decrease in the changes in fair value were primarily due to a smaller decline in U.K. bond yields and U.S. corporate bond yields in 2020 and a decrease in Canadian equity markets in 2020, compared to an increase in Canadian equity markets in 2019.

Regular net investment income for the nine months ended September 30, 2020 of $4,403 million decreased by $296 million compared to the same period last year. The decrease was primarily due to lower interest on bond and mortgage investments, primarily relating to U.S. segment assets transferred under the indemnity reinsurance agreement with Protective Life in the second quarter of 2019. Net realized gains include gains on available-for-sale securities of $128 million for the nine months ended September 30, 2020 compared to $52 million for the same period last year.

Net investment income in the third quarter of 2020 decreased by $5,636 million compared to the previous quarter, primarily due to an increase in fair values of $785 million in the third quarter of 2020 compared to an increase of $6,318 million in the previous quarter. The changes in fair value were primarily due to a smaller decline in corporate bond yields in the third quarter of 2020, compared to the second quarter of 2020, and a smaller increase in Canadian equity markets in the third quarter of 2020, compared to the second quarter of 2020.

Credit Markets

In the third quarter of 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $6 million ($3 million net positive impact in the third quarter of 2019). Net charges on impaired investments reflect net allowances for credit losses included in net investment income and the associated release of actuarial provisions for future credit losses, as applicable.

Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $22 million ($3 million net negative impact in the third quarter of 2019), primarily due to downgrades of various corporate bond and commercial mortgage holdings.

For the nine months ended September 30, 2020, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $10 million ($19 million net negative impact year-to-date in 2019). Charges for the nine months ended September 30, 2019 were primarily driven by impairment charges on mortgage loans as a result of a U.K. retail tenant entering a prepackaged administration, which was followed by a Company Voluntary Arrangement (CVA). Changes in credit ratings in the Company's fixed income portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $66 million year-to-date ($12 million net positive impact year-to-date in 2019), primarily due to the same reasons discussed for the in-quarter results.

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 administrative services only (ASO) contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada					
Segregated funds, mutual funds and other	**$ 397**	$ 374	$ 396	**$ 1,161**	$ 1,157
ASO contracts	**48**	36	51	**134**	152
	445	410	447	**1,295**	1,309
United States					
Segregated funds, mutual funds and other	**696**	654	665	**2,015**	2,008
Life insurance and annuity reinsurance ceding commission[(1)]	**—**	—	—	**—**	1,080
	696	654	665	**2,015**	3,088
Europe					
Segregated funds, mutual funds and other	**342**	340	382	**1,015**	1,162
Capital and Risk Solutions					
Reinsurance and other	**3**	2	2	**8**	7
Total fee and other income	**$ 1,486**	$ 1,406	$ 1,496	**$ 4,333**	$ 5,566

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

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

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Canada	**$ 2,224**	$ 2,264	$ 2,328	**$ 6,720**	$ 7,170
United States	**1,197**	1,236	933	**3,956**	3,225
Europe	**1,015**	1,075	906	**2,945**	2,731
Capital and Risk Solutions	**4,719**	5,084	4,301	**14,622**	13,286
Total	**$ 9,155**	$ 9,659	$ 8,468	**$ 28,243**	$ 26,412

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

For the three months ended September 30, 2020, net policyholder benefits, dividends and experience refunds were $9.2 billion, an increase of $0.7 billion from the same quarter last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements as well as volume changes relating to existing business in the Capital and Risk Solutions segment, and higher surrender and ceded policyholder benefits in the U.S. segment.

For the nine months ended September 30, 2020, net policyholder benefits, dividends and experience refunds were $28.2 billion, an increase of $1.8 billion from the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the three months ended September 30, 2020, net policyholder benefits, dividends and experience refunds decreased by $0.5 billion compared to the previous quarter, primarily due to lower net policyholder benefits. The decrease in benefit payments was primarily due to lower surrender and policyholder benefits in the Capital and Risk Solutions segment.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	September 30, 2020				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 86,224**	**$ 40,594**	**$ 49,444**	**$ 6,114**	**$ 182,376**
Goodwill and intangible assets	**5,578**	**2,965**	**3,006**	**—**	**11,549**
Other assets	**4,040**	**20,457**	**9,671**	**8,701**	**42,869**
Investments on account of segregated fund policyholders	**85,885**	**33,088**	**117,970**	**—**	**236,943**
Total assets	**181,727**	**97,104**	**180,091**	**14,815**	**473,737**
Proprietary mutual funds and institutional net assets[1]	**6,979**	**276,401**	**58,056**	**—**	**341,436**
Total assets under management[1]	**188,706**	**373,505**	**238,147**	**14,815**	**815,173**
Other assets under administration[1]	**17,749**	**817,693**	**10,420**	**—**	**845,862**
Total assets under administration[1]	**$ 206,455**	**$ 1,191,198**	**$ 248,567**	**$ 14,815**	**$ 1,661,035**

	December 31, 2019				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 81,179	$ 32,768	$ 48,845	$ 5,995	$ 168,787
Goodwill and intangible assets	5,560	1,990	2,834	—	10,384
Other assets	3,953	19,421	8,465	9,135	40,974
Investments on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
Total assets	176,304	85,612	174,121	15,130	451,167
Proprietary mutual funds and institutional net assets[1]	6,986	257,301	56,261	—	320,548
Total assets under management[1]	183,290	342,913	230,382	15,130	771,715
Other assets under administration[1]	17,118	792,110	48,738	—	857,966
Total assets under administration[1]	$ 200,408	$ 1,135,023	$ 279,120	$ 15,130	$ 1,629,681

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Total assets under administration at September 30, 2020 increased by $31 billion to $1.7 trillion compared to December 31, 2019, primarily due to the impact of currency movement and the impact of market movement, mostly offset by the sale of IPSI in the Europe segment. IPSI's assets as of December 31, 2019 were approximately $44 billion (June 30, 2020 were approximately $45 billion) and were primarily included in other assets under administration. The acquisition of Personal Capital during the third quarter of 2020 added $18 billion (US$14 billion) of assets to the United States segment's proprietary mutual funds and institutional net assets at September 30, 2020. The impact of the sale of IPSI on the Europe segment's other assets under administration was partially offset by the acquisitions of Conexim Advisors Limited and Acumen & Trust DAC during the first quarter of 2020 and APT Workplace Pensions Limited and APT Wealth Management Limited during the second quarter of 2020.

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 $127.1 billion or 70% of invested assets at September 30, 2020 compared to $115.0 billion or 68% at December 31, 2019. The increase in the bond portfolio was primarily related to net purchases and an increase in fair value due to a decline in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 79% rated A or higher. Bond credit ratings reflect bond rating agency activity up to September 30, 2020. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality	September 30, 2020		December 31, 2019	
AAA	**$ 25,072**	**20 %**	$ 22,083	19 %
AA	**34,082**	**27**	33,272	29
A	**41,083**	**32**	37,233	32
BBB	**26,091**	**20**	21,922	19
BB or lower	**762**	**1**	518	1
Total	**$ 127,090**	**100 %**	$ 115,028	100 %

At September 30, 2020, non-investment grade bonds were $0.8 billion or 0.6% of the bond portfolio compared to $0.5 billion or 0.5% of the bond portfolio at December 31, 2019. The increase in non-investment grade bonds was primarily due to corporate bond downgrades.

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 and held in both the Canada and Europe segments. Equity release mortgages are loans provided to people 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

Mortgage loans by type	September 30, 2020				December 31, 2019	
	Insured	**Non-insured**	**Total**		Total	
Single family residential	**$ 537**	**$ 1,552**	**$ 2,089**	**8 %**	$ 2,069	9 %
Multi-family residential	**3,354**	**3,475**	**6,829**	**27**	7,004	29
Equity release	**—**	**1,805**	**1,805**	**7**	1,314	5
Commercial	**241**	**14,405**	**14,646**	**58**	13,881	57
Total	**$ 4,132**	**$ 21,237**	**$ 25,369**	**100 %**	$ 24,268	100 %

The total mortgage portfolio was $25.4 billion or 14% of invested assets at September 30, 2020, compared to $24.3 billion or 14% of invested assets at December 31, 2019. The increase in the mortgage portfolio was primarily related to net commercial mortgage and equity release mortgage originations. Total insured loans were $4.1 billion or 16% of the mortgage portfolio.

The current market environment has led to a small number of mortgage deferral requests during the quarter. Management is closely monitoring and evaluating these requests which are currently not material but may impact the Company’s performance going forward.

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. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At September 30, 2020, the total actuarial provision for future credit losses in insurance contract liabilities was $2,781 million compared to $2,575 million at December 31, 2019, an increase of $206 million. The increase was primarily due to normal business activity and rating changes.

The aggregate of impairment provisions of $54 million ($51 million at December 31, 2019) and actuarial provision for future credit losses in insurance contract liabilities of $2,781 million ($2,575 million at December 31, 2019) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2020 (1.8% at December 31, 2019).

Energy Sector Related Exposures

Holdings of Energy Sector related Bonds, Mortgages and Investment Properties

	September 30, 2020					December 31, 2019
	Canada	**U.S.**	**Europe**	**Capital and Risk Solutions**	**Total**	Total
Bonds[1][2][3]	**$ 2,390**	**$ 1,666**	**$ 762**	**$ 500**	**$ 5,318**	$ 4,407
Mortgages[4]	**1,836**	**297**	**37**	**—**	**2,170**	2,389
Investment properties	**446**	**—**	**—**	**—**	**446**	456
Total	**$ 4,672**	**$ 1,963**	**$ 799**	**$ 500**	**$ 7,934**	$ 7,252

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 9(a)(ii) in the Company's 2019 Annual audited consolidated financial statements.
(2) Amortized cost of these bonds is $4,949 million at September 30, 2020 and $4,133 million at December 31, 2019.
(3) Includes certain funds held by ceding insurers with a carrying value of $224 million and an amortized cost of $209 million at September 30, 2020.
(4) Includes $560 million of insured mortgages at September 30, 2020 and $615 million at December 31, 2019.

At September 30, 2020, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were $7.9 billion ($7.3 billion at December 31, 2019). The increase of $0.6 billion from December 31, 2019 was primarily due to net bond purchases. Holdings include direct exposure of bond holdings of $5.3 billion ($4.4 billion at December 31, 2019), or 2.8% of invested assets including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of $2.6 billion ($2.9 billion at December 31, 2019), or 1.4% of invested assets including funds held by ceding insurers.

At September 30, 2020, the Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with approximately 98% rated investment grade (100% at December 31, 2019). 59% of the portfolio was invested in Midstream and Refining entities and 41% in Integrated, Independent, Oil Field Services and Government Agency entities.

In addition, the Company's indirect exposure of energy sector related commercial mortgages and investment properties were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (36%), Industrial/Other (28%), Retail (20%) and Office (16%). 87% of the total portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was 68% at September 30, 2020 (66% at December 31, 2019).

In March 2020, Moody's Investors Service and S&P Global Ratings revised their forecasts for crude oil downward for the remainder of 2020, due to decreased demand resulting from the COVID-19 pandemic. In June 2020, Moody's Investors Service further reduced its short and medium-term forecasts for crude oil downward due to potential longer lasting impacts to global demand for oil. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Increases to provisions for future credit losses as a result of ratings downgrades and impairment charges specific to energy sector holdings were modest in the third quarter of 2020.

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	September 30, 2020							December 31, 2019
	Multi-family residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Equity release**	**Other**	**Total**	Total
Mortgages	**$ 711**	**$ 1,563**	**$ 1,387**	**$ 839**	**$ 1,805**	**$ 555**	**$ 6,860**	$ 6,223
Investment properties	**—**	**797**	**632**	**775**	**—**	**333**	**2,537**	2,726
Total	**$ 711**	**$ 2,360**	**$ 2,019**	**$ 1,614**	**$ 1,805**	**$ 888**	**$ 9,397**	$ 8,949

At September 30, 2020, the Company's holdings of property related investments in the U.K. were $9.4 billion, or 5.2% of invested assets, compared to $8.9 billion at December 31, 2019. The increase from December 31, 2019 was primarily due to originations of commercial and equity release mortgages. These holdings remain well diversified across property type - Industrial/Other (27%), Retail (25%), Office (21%), Equity Release (19%) and Multi-family (8%). Of the Retail sector holdings, 51% relate to warehouse/distribution and other retail, 29% relate to shopping centres and department stores and 20% relate to grocery retail sub-categories.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third quarter of 2020, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company’s derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company’s ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At September 30, 2020, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $262 million ($156 million at December 31, 2019) and pledged on derivative liabilities was $951 million ($634 million at December 31, 2019). Collateral received on derivative assets increased, primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. Collateral pledged on derivative liabilities increased, primarily driven by the impact of the U.S. dollar strengthening against the Canadian dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the nine month period ended September 30, 2020, the outstanding notional amount of derivative contracts increased by $4.1 billion to $25.7 billion, primarily due to an increase in forward settling mortgage backed security transactions (“to-be-announced-securities”) and regular hedging activities. During the second quarter of 2020, the Company entered into total return swaps, with a notional amount of $119 million, to hedge the expected payouts under its employee performance share unit plan, which are driven by Lifeco's share price. The hedge has been designated as a cash flow hedge.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $787 million at September 30, 2020 from $451 million at December 31, 2019. The increase was primarily driven by the impact of the U.S. dollar strengthening against the British pound on cross-currency swaps that pay British pounds and receive U.S. dollars. There were no changes to derivative counterparty ratings during the third quarter of 2020 and all had investment grade ratings as of September 30, 2020. Refer to "Financial Instruments Risk Management", note 9 in the Company's 2019 Annual audited consolidated financial statements for details of the Company's derivative counterparties' ratings.

LIABILITIES

Total liabilities

	September 30 2020	December 31 2019
Insurance and investment contract liabilities	**$ 188,426**	$ 176,177
Other general fund liabilities	**21,720**	18,425
Investment and insurance contracts on account of segregated fund policyholders	**236,943**	231,022
Total	**$ 447,089**	$ 425,624

Total liabilities increased by $21.5 billion to $447.1 billion at September 30, 2020 from December 31, 2019.

Insurance and investment contract liabilities increased by $12.2 billion, primarily due to the impact of new business, fair value adjustments and the weakening of the Canadian dollar. Investment and insurance contracts on account of segregated fund policyholders increased by $5.9 billion, primarily due to the positive impact of currency movement of $5.5 billion and net deposits of $1.7 billion, partially offset by the impact of net market value losses and investment income of $1.5 billion. Other general fund liabilities increased by $3.3 billion, primarily due to the net issuance of debentures of $3.2 billion and an increase in derivative financial instruments, partially offset by a decrease in accounts payable.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of the 2019 Annual MD&A for further details.

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

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. At September 30, 2020, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,306 million ($3,332 million at December 31, 2019).

Segregated fund and variable annuity guarantee exposure

		September 30, 2020			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 31,954	$ 4	$ 18	$ 95	$ 95
United States	10,641	6	—	4	10
Europe	10,241	12	—	1,047	1,047
Capital and Risk Solutions[2]	841	432	—	—	432
Total	**$ 53,677**	**$ 454**	**$ 18**	**$ 1,146**	**$ 1,584**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2020.
(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at September 30, 2020 increased by $599 million to $1,584 million compared to December 31, 2019. The increase was primarily due to the year-to-date drop in non-U.S. equity markets and higher value of annuitization benefit guarantee driven by lower year-to-date interest rates in the U.S. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on September 30, 2020 and does not include the impact of the Company's hedging program for GMWB products. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $8 million in-quarter ($4 million for the third quarter of 2019) and $20 million year-to-date ($15 million year-to-date for 2019) with the majority arising in the Capital and Risk Solutions segment related to a legacy block of business.

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

DEBENTURES AND OTHER DEBT INSTRUMENTS
At September 30, 2020, debentures and other debt instruments increased by $3,115 million to $9,108 million compared to December 31, 2019.

On May 14, 2020, the Company issued $600 million aggregate principal amount 2.379% debentures at par, maturing on May 14, 2030.

On July 8, 2020, the Company issued $250 million aggregate principal amount 2.981% debentures at par, maturing on July 8, 2050.

On July 13, 2020, the Company announced the reopening of the offering of 2.981% debentures due July 8, 2050 and on July 15, 2020 issued an additional $250 million aggregate principal amount. Upon issuance of the July 15, 2020 debentures, $500 million aggregate principal amount of 2050 debentures were issued and outstanding.

On August 12, 2020, Great-West Lifeco U.S. Finance 2020, LP, a subsidiary of the Company, issued $663 million (US$500 million) aggregate principal amount of 0.904% senior notes due August 12, 2025.

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

On September 17, 2020, Empower Finance 2020, LP, a subsidiary of the Company, issued $526 million (US$400 million) aggregate principal amount of 1.357% senior notes due September 17, 2027, $526 million (US$400 million) aggregate principal amount of 1.776% senior notes due March 17, 2031 and $921 million (US$700 million) aggregate principal amount of 3.075% senior notes due September 17, 2051.

Refer to note 10 in the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020 for further details of the Company's debentures and other debt instruments.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2020 was $8,361 million, which comprises $5,647 million of common shares and $2,714 million of preferred shares. Preferred shares included $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 January 22, 2020 for one year to purchase and cancel up to 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the nine months ended September 30, 2020, the Company did not purchase any common shares under the current NCIB (2019 - nil). As a result of the COVID-19 pandemic impacts on markets, on March 13, 2020, OSFI instructed Canadian banks and insurers to suspend share buybacks until further notice.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2020, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $12.1 billion ($8.9 billion at December 31, 2019) and other liquid assets and marketable securities of $92.1 billion ($86.6 billion at December 31, 2019). Included in the cash, cash equivalents and short-term bonds at September 30, 2020 was $1.5 billion ($0.7 billion at December 31, 2019) held at the Lifeco holding company level which includes cash at Great-West Lifeco U.S. LLC, the Company's U.S. holding company. Cash and cash equivalents and short-term bonds held increased as a result of debenture issuances totaling $1.1 billion and $2.6 billion (US$2 billion) of senior notes to maintain liquidity, partially offset by the acquisition of Personal Capital and the repayment of $500 million of debentures that matured on August 13, 2020. Liquid investments of US$1.5 billion are being held in anticipation of the closing of the MassMutual acquisition. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

As a holding company, the Company's ability to pay dividends and, in part, its ability to deploy capital 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. Refer to "COVID-19 Pandemic Impact, Government and Regulatory Responses" section for additional discussion of the impact of the current environment.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Cash flows relating to the following activities:				
Operations	**$ 4,326**	$ 1,271	**$ 7,714**	$ 4,819
Financing	**2,056**	(401)	**1,629**	(3,200)
Investment	**(6,848)**	(825)	**(8,666)**	(1,763)
	(466)	45	**677**	(144)
Effects of changes in exchange rates on cash and cash equivalents	**(31)**	(27)	**67**	(171)
Increase (decrease) in cash and cash equivalents in the period	**(497)**	18	**744**	(315)
Cash and cash equivalents, beginning of period	**5,869**	3,835	**4,628**	4,168
Cash and cash equivalents, end of period	**$ 5,372**	$ 3,853	**$ 5,372**	$ 3,853

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

In the third quarter of 2020, cash and cash equivalents decreased by $497 million from June 30, 2020. Cash flows provided by operations during the third quarter of 2020 were $4,326 million, an increase of $3,055 million compared to the third quarter of 2019, primarily due to higher deposits transferred from assets under administration to general fund assets in the U.S. segment. Cash flows provided by financing of $2,056 million were primarily provided by a net issuance of debentures and senior notes of $2,616 million, partially offset by the payments of dividends to common and preferred shareholders of $439 million and a decrease in line of credit of subsidiary of $122 million. For the three months ended September 30, 2020, cash flows were used by the Company to acquire an additional $6,848 million of investment assets and for the acquisition of Personal Capital.

For the nine months ended September 30, 2020, cash and cash equivalents increased by $744 million from December 31, 2019. Cash flows provided by operations were $7,714 million, an increase of $2,895 million compared to the same period in 2019. Included in the cash flows provided by operations for the nine months ended September 30, 2019 was $1.0 billion of cash received during the second quarter of 2019 as a result of the indemnity reinsurance agreement with Protective Life. Cash flows provided by financing of $1,629 million were primarily provided by a net issuance of debentures and senior notes of $3,213 million, partially offset by the payment of dividends to common and preferred shareholders of $1,319 million and a decrease in line of credit of subsidiary of $278 million. In the first quarter of 2020, the Company increased the quarterly dividend to common shareholders from $0.413 per common share to $0.438 per common share. For the nine months ended September 30, 2020, cash flows were used by the Company to acquire an additional $8,666 million of investment assets and for the acquisition of Personal Capital.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2019.

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 risks 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, OSFI has established a regulatory 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 required capital. The required capital is calibrated so that a life insurer can both withstand severe stress events and support the continuity of existing business. The LICAT guideline uses a risk-based approach for measuring specific life insurer risks and for aggregating the results to calculate the amount of a life insurer’s capital requirements.

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 subsidiary is 110% to 120% (on a consolidated basis).

Canada Life’s consolidated LICAT Ratio at September 30, 2020 was 131% (The Great-West Life Assurance Company consolidated LICAT Ratio of 135% at December 31, 2019). The LICAT Ratio does not take into account any impact from $1.5 billion of liquidity at the Lifeco holding company level at September 30, 2020 ($0.7 billion at December 31, 2019). The decrease in the LICAT Ratio from December 31, 2019 is primarily due to the growth in capital requirements from both new business written in the year and market movements.

The following provides a summary of the LICAT information and ratios for Canada Life:

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

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

LICAT Sensitivities

Caution Related to Sensitivities

This section includes estimates of sensitivities for certain risks. 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;
- 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.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on the Canada Life consolidated LICAT Ratio will be as indicated.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at September 30, 2020. These sensitivity estimates assume instantaneous shocks, followed by a return to historical average growth levels for broader equity markets. The sensitivity estimates relate to publicly traded common stocks and do not cover other non-fixed income assets. These estimates are illustrative as actual equity exposures may vary due to active management of the public stock portfolios.

Immediate change in publicly traded common stock values	September 30, 2020			
	20% increase	**10% increase**	**10% decrease**	**20% decrease**
Potential increase (decrease) on LICAT Ratio	1 point	0 points	0 points	(3 points)

Interest Rates

Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. Canada Life's consolidated LICAT Ratio will generally increase in an environment of declining interest rates and vice-versa. Lower interest rates will increase the value of the Company’s surplus assets and other regulatory capital resources. These sensitivity estimates are illustrative. Actual movement in credit spreads or government treasury rates may produce different movements in Canada Life's consolidated LICAT Ratio. These sensitivities do not include a change in the ultimate interest rates outlined in Actuarial Standards.

Immediate parallel shift in yield curve	September 30, 2020	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

Impact of a LICAT interest rate risk scenario shift is not included in the sensitivity estimates.

LICAT Interest Rate Scenario Shift

The LICAT interest rate requirements are based on the results of the most adverse of four scenarios. The determination of the most adverse scenario is dependent on government treasury rates and credit spreads, as well as the position of the Company's assets and liabilities. A change in the level and term structure of interest rates used can cause a shift in the interest rate scenario applied in the LICAT calculation. This results in a discontinuity where capital requirements can change materially. During the first quarter of 2020, OSFI introduced a smoothing calculation to address potential volatility in the interest rate requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk requirements over the trailing six quarters, thereby reducing unwarranted volatility. OSFI has communicated that the smoothing calculation will be in place until at least the end of 2023.

During the third quarter of 2020, the Company experienced a shift to a different most adverse interest rate scenario in North America. The Company previously communicated that a shift to a different adverse scenario was estimated to decrease the Company's consolidated LICAT Ratio by approximately 5.5 points. This impact is spread over a six quarter period resulting in approximately a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 4.5 points being reflected over the next 5 quarters, if the Company remains on the current scenario.

COVID-19 OSFI Regulatory Measures

OSFI is providing capital relief for insurance companies due to the COVID-19 economic environment. During the third quarter of 2020, OSFI updated their relief measures announced earlier in the year to phase out the special capital treatment for payment deferrals. The capital relief provided by this temporary measure is not material to the Company.

OSFI Regulatory Capital Initiatives

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

The International Accounting Standards Board (IASB) has issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts* with an effective date of January 1, 2023. IFRS 17 includes new requirements for the recognition, measurement, presentation and disclosure 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. Refer to the "Accounting Policies - International Financial Reporting Standards" section for further details.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[1]	**Sept. 30 2020**	June 30 2020	Sept. 30 2019
Canada	**16.5 %**	17.7 %	16.5 %
U.S. Financial Services	**10.1 %**	9.1 %	12.0 %
U.S. Asset Management (Putnam)	**(0.3)%**	(0.3)%	(0.7)%
Europe	**13.0 %**	12.5 %	10.9 %
Capital and Risk Solutions	**38.5 %**	38.8 %	27.8 %
Total Lifeco Base Earnings Basis[1]	**13.5 %**	13.7 %	12.1 %

Return on Equity[1]	**Sept. 30 2020**	June 30 2020	Sept. 30 2019
Canada	**14.0 %**	14.4 %	16.3 %
U.S. Financial Services	**10.5 %**	9.3 %	4.5 %
U.S. Asset Management (Putnam)	**(11.7)%**	(11.3)%	(0.7)%
Europe	**15.9 %**	15.2 %	15.0 %
Capital and Risk Solutions	**38.2 %**	36.7 %	29.5 %
Total Lifeco Net Earnings Basis	**12.4 %**	12.1 %	12.4 %

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

The Company reported base return on equity of 13.5% at September 30, 2020, compared to 13.7% at June 30, 2020 and 12.1% at September 30, 2019. The Company reported return on equity of 12.4% at September 30, 2020, compared to 12.1% at June 30, 2020 and 12.4% at September 30, 2019.

RATINGS

Lifeco maintains ratings from five independent ratings companies. Credit ratings are intended to provide investors with an independent measure of the credit quality of the securities of a corporation and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation. In the third quarter of 2020, 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. Each of Lifeco's operating companies benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's group credit ratings in third quarter of 2020.

Rating agency	Measurement	Lifeco	Canada Life	Irish Life	GWL&A
A.M. Best Company	Financial Strength		A+		A+
DBRS Morningstar	Issuer Rating	A (high)	AA		
	Financial Strength		AA		NR
	Senior Debt	A (high)			
	Subordinated Debt		AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt		A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt		AA-		

As part of its announcement on September 8, 2020 that its subsidiary, GWL&A, through its Empower Retirement business, had reached agreement to acquire the retirement services business of MassMutual, Lifeco announced that the transaction was expected to be funded by US$1.5 billion of new long-term debt and US$0.5 billion of short-term financing, as well as existing cash. In addition, Lifeco noted that the short-term financing allows for leverage ratio reduction once the business to be acquired generates meaningful earnings and cash flow.

Following the announcement, and having regard to the financing plan and its impact on leverage, all five rating agencies affirmed the ratings as set out above. Four of the five agencies also affirmed the ratings outlook as stable while Fitch Ratings revised its outlook to negative from stable.

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 Canada Life and its operating subsidiary, Irish Life; GWL&A and Putnam; together with Lifeco's Corporate results.

Effective January 1, 2020, as a result of strategic operational changes, the Company has divided the previously reported Europe segment into two separate reporting segments - Europe and Capital and Risk Solutions. The Company's other reportable segments - Canada, United States and Lifeco Corporate - are unchanged. Comparative figures have been reclassified to reflect the new composition of the reportable segments.

CANADA

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

Selected consolidated financial information - Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 6,085**	$ 5,602	$ 7,053	**$ 18,575**	$ 20,117
Sales[1]	**2,520**	2,390	3,520	**8,542**	9,640
Fee and other income	**445**	410	447	**1,295**	1,309
Base earnings[1]	**$ 270**	$ 315	$ 355	**$ 858**	$ 904
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**4**	43	(55)	**(47)**	(39)
Market-related impacts on liabilities[2]	**(8)**	(5)	—	**(41)**	(2)
Net earnings	**$ 266**	$ 353	$ 300	**$ 770**	$ 863
Total assets	**$ 181,727**	$ 178,345	$ 174,149		
Proprietary mutual funds and institutional net assets[1]	**6,979**	6,785	6,853		
Total assets under management[1]	**188,706**	185,130	181,002		
Other assets under administration[1]	**17,749**	17,263	17,210		
Total assets under administration[1]	**$ 206,455**	$ 202,393	$ 198,212		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  The results of the Canada segment in the third quarter of 2020 reflect the continued positive impact of market recoveries but also the impact of the economic slowdown caused by the COVID-19 pandemic on new business growth and lower contributions from investment experience. The impact of lower sales due to the economic slowdown was mostly offset by lower redemptions or lower business attrition. Many new product launches and digital capabilities are helping to build sales momentum. Experience was generally neutral with limited impact on mortality and lower claims experience and morbidity improvement offsetting pressures on expense recoveries. Insurance premium deferrals for customers were limited in the third quarter of 2020.

  As health and dental claim volumes increase, ASO expense recoveries are expected to improve. Physical distancing and self-isolation requirements as well as the restrictions on business and social activities and the adverse economic environment resulting from the pandemic may cause unfavourable disability experience in future periods. Pricing of disability coverage will be adjusted over time as experience emerges. Paramedical services started to return early in the third quarter of 2020; however, larger case insurance sales are expected to be affected for a period of time due to the absence of these services through the second quarter of 2020.

  The Canada segment remains focused on supporting customers, communities and employees by providing Canadians with protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe. The Company has been supporting customers through digital solutions such as SimpleProtect, which provides online insurance policy application and approval, Consult+, which provides group customers virtual health care access, and recently launched a new digital context based messaging feature into the GroupNet for Plan Members mobile application, letting members choose to receive personalized notifications and offers directly to their device. This service has been used to connect members with some of the supports and measures that were introduced as a result of COVID-19. Financial assistance is being provided to plan sponsors and members to help maintain and extend coverage for employees, and to the communities through donations.

The Canadian business is maintaining a cautious approach to employees returning to the office, in line with the Company's principles and local government guidelines. Towards the end of the third quarter of 2020, confirmed COVID-19 cases began to rise in the jurisdictions in Canada in which the Company operates. The Company estimates that maximum occupancy will not exceed the current level of 15% to 20% by the end of the first quarter of 2021 with health and safety protocols recommended by public health authorities in place.

Canada Life continued its temporary suspension of contributions, redemptions and transfers for its real estate segregated funds, as the economic conditions caused by the COVID-19 situation continue to lead to valuation uncertainty in the real estate industry. The suspension will remain in place until market conditions have stabilized enough to determine valuations with greater certainty and the Company is comfortable with the funds' liquidity position. The Company, through its general account, has established a process to facilitate hardship and certain other withdrawals, including minimum registered retirement income fund payments.

- On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. GLC is a wholly-owned subsidiary of Canada Life whose principal activity is the provision of investment management services to Canada Life. The Company will receive net cash consideration of $145 million on the transaction and expects to recognize a gain. The transaction is expected to be completed in the fourth quarter of 2020, subject to customary closing conditions and regulatory approvals. The carrying value and earnings of the business are immaterial to the Company. Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

  Canada Life is also in the process of establishing its own fund management company, Canada Life Investment Management Ltd. (CLIML), and subject to first obtaining all necessary registrations and regulatory approvals, is expected to commence operations in the fourth quarter of 2020. Subject to meeting regulatory and fund securityholder requirements, CLIML will assume fund management responsibilities for the Canada Life Mutual Funds, offered by Quadrus Investment Services Ltd., a subsidiary of Canada Life, and other Canada Life branded investment funds in 2021. CLIML will enter into a long-term administration agreement with Mackenzie and Canada Life, and CLIML and Canada Life will enter into a long-term distribution agreement with Mackenzie to provide them with access to Mackenzie's investment management services at preferred rates.

- On August 20, 2020, Canada Life and Mackenzie launched the newly rebranded Canada Life mutual fund shelf, Canada Life Mutual Funds. The shelf features 18 new mutual funds, which were available for sale starting September 9, 2020, and rebrands the existing Quadrus Group of Funds shelf, creating a curated selection of competitive investment strategies across a range of managers, asset classes and styles. Canada Life Mutual Funds are managed by Mackenzie and will be exclusively available through Quadrus Investment Services Ltd.

- During the third quarter of 2020, the Company completed the roll-out of the new Advisor Workspace to all Freedom 55 Financial and WISE advisors, approximately 75% of whom have registered to use the platform as of September 30, 2020. Advisor Workspace allows advisors to view their clients' complete book of business with Canada Life as well as to complete some simple non-financial transactions. Advisor Workspace will become the platform for all advisor information and activity with Canada Life as it continues to evolve.

- Subsequent to the third quarter of 2020, on October 29, 2020, the Company entered into a strategic relationship with Mackenzie and Northleaf Capital Partners Ltd. (Northleaf) to expand and enhance the private markets product capabilities across distribution channels. Mackenzie and Lifeco jointly acquired a non-controlling interest in Northleaf through an acquisition vehicle 80% owned by Mackenzie and 20% owned by Lifeco, providing a significant presence in the large and rapidly growing private markets investments industry, with an obligation and right to purchase the remaining equity and voting interests in the firm commencing in approximately five years and extending into future periods. Lifeco has also committed, as part of the transaction, to make a minimum investment of its balance sheet over the next 18 to 24 months in Northleaf's product offerings.

- In August 2020, Group Customer became the first Group provider in Canada to launch an employer sponsored Registered Education Savings Program (RESP). This digital RESP simplifies the enrollment process and forms, offers lower fees and an easy to use portal.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 2,427**	$ 2,232	$ 2,490	**$ 7,331**	$ 7,509
Sales[1]	**1,928**	1,777	2,020	**6,607**	6,600
Fee and other income	**251**	233	252	**730**	737
Base earnings[1]	**$ 123**	$ 159	$ 165	**$ 420**	$ 437
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**4**	41	(80)	**(53)**	(91)
Market-related impacts on liabilities[2]	**(8)**	(5)	—	**(41)**	(2)
Net earnings	**$ 119**	$ 195	$ 85	**$ 326**	$ 344

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 decreased by $0.1 billion to $2.4 billion compared to the same quarter last year, primarily due to lower segregated fund deposits.

For the nine months ended September 30, 2020, premiums and deposits decreased by $0.2 billion to $7.3 billion compared to the same period last year, primarily due to lower segregated fund deposits, partially offset by higher participating life insurance premiums.

Premiums and deposits for the third quarter of 2020 increased by $0.2 billion compared to the previous quarter, primarily due to higher premium and deposits across all wealth management products.

Sales
Sales for the third quarter of 2020 decreased by $0.1 billion to $1.9 billion compared to the same quarter last year, primarily due to a decrease in segregated fund sales.

For the nine months ended September 30, 2020, sales of $6.6 billion were comparable to the same period last year as higher third party mutual fund sales were mostly offset by a decrease in segregated fund sales.

Sales for the third quarter of 2020 increased by $0.2 billion compared to the previous quarter, primarily due to higher segregated fund sales.

For the individual wealth investment fund business, net cash outflows for the third quarter of 2020 were $125 million compared to $291 million for the same quarter last year and $75 million for the previous quarter. Net cash outflows for the nine months ended September 30, 2020 were $365 million compared to $1,087 million for the same period last year.

Fee and other income
Fee and other income for the third quarter of 2020 decreased by $1 million to $251 million compared to the same quarter last year, primarily due to lower margins.

For the nine months ended September 30, 2020, fee and other income decreased by $7 million to $730 million compared to the same period last year. The decrease was primarily due to lower average assets under administration and lower margins, partially offset by higher distributor fees.

Fee and other income for the third quarter of 2020 increased by $18 million compared to the previous quarter, primarily due to higher average assets under administration and higher distributor fees.

Base earnings
In the third quarter of 2020, base earnings decreased by $42 million to $123 million compared to the same quarter last year. The decrease was primarily due to lower contributions from investment experience and less favourable impact of new business and mortality experience. The decrease was partially offset by improved policyholder behaviour experience.

For the nine months ended September 30, 2020, base earnings decreased by $17 million to $420 million compared to the same period last year. The decrease was primarily due to lower net fee income and less favourable impact of new business and morbidity experience. The decrease was partially offset by favourable mortality experience and improved policyholder behaviour experience.

Base earnings for the third quarter of 2020 decreased by $36 million compared to the previous quarter, primarily due to lower contributions from investment experience and less favourable mortality experience, partially offset by higher net fee income and favourable morbidity experience.

Net earnings
Net earnings for the third quarter of 2020 increased by $34 million to $119 million compared to the same quarter last year. The increase was primarily due to unfavourable contributions from insurance contract liability basis changes in 2019, partially offset by the same reasons discussed for base earnings for the same period. Insurance contract liability basis changes in the third quarter of 2019 include the unfavourable impact of updates to policyholder behaviour assumptions and updates to the ultimate reinvestment rate, driven by the actuarial standards updates, partially offset by favourable impact of updates to morbidity assumptions.

For the nine months ended September 30, 2020, net earnings decreased by $18 million to $326 million compared to the same period last year. The decrease was primarily due to the same reasons discussed for base earnings for the same period and other market-related impacts, partially offset by lower unfavourable contributions from insurance contract liability basis changes. Other market-related impacts were primarily driven by the impact of the equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings for the third quarter of 2020 decreased by $76 million compared to the previous quarter. The decrease was primarily due to the same reasons discussed for base earnings for the same period as well as lower contributions from insurance contract liability basis changes. Insurance contract liability basis changes for the second quarter of 2020 primarily related to updated economic assumptions for products with long-tail cash flows, as a result of the recovery in equity markets in the quarter, partially offset by a decline in real estate returns.

For the third quarter of 2020, net earnings attributable to the participating account were $23 million compared to $47 million for the same quarter last year. The decrease was primarily due to unfavourable contributions from insurance contract liability basis changes, partially offset by higher contributions from investment experience and less unfavourable impact of new business.

For the nine months ended September 30, 2020, net earnings attributable to the participating account were $67 million compared to net earnings of $43 million for the same period last year. This increase was primarily due to the favourable impact of new business and higher contributions from investment experience, partially offset by unfavourable contributions from insurance contract liability basis changes.

For the third quarter of 2020, net earnings attributable to the participating account decreased by $10 million compared to the previous quarter, primarily due to the unfavourable impact of new business and unfavourable contributions from insurance contract liability basis changes, partially offset by favourable contributions from investment experience.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 3,658**	$ 3,370	$ 4,563	**$ 11,244**	$ 12,608
Sales[1]	**592**	613	1,500	**1,935**	3,040
Fee and other income	**179**	163	179	**521**	524
Base earnings[1]	**$ 134**	$ 195	$ 181	**$ 472**	$ 466
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**—**	2	25	**6**	52
Net earnings	**$ 134**	$ 197	$ 206	**$ 478**	$ 518

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 of $3.7 billion decreased by $0.9 billion compared to the same quarter last year, primarily due to lower segregated fund deposits and lower premiums from single premium group annuities (SPGAs).

For the nine months ended September 30, 2020, premiums and deposits decreased by $1.4 billion to $11.2 billion compared to the same period last year, primarily due to lower administrative services only (ASO) deposits for group insurance, lower segregated fund deposits and lower premiums from SPGAs. Lower ASO deposits were primarily related to the impact of the COVID-19 pandemic resulting in lower claims of approximately $0.3 billion.

Premiums and deposits for the third quarter of 2020 of $3.7 billion increased by $0.3 billion compared to the previous quarter, primarily due to higher ASO deposits for group insurance.

Sales
Sales for the third quarter of 2020 of $0.6 billion decreased by $0.9 billion compared to the same quarter last year, primarily due to large case sales. There has been low market activity as a result of the COVID-19 pandemic, resulting in lower sales.

For the nine months ended September 30, 2020, sales decreased by $1.1 billion to $1.9 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales for the third quarter of 2020 of $0.6 billion were comparable to the previous quarter.

For the group wealth segregated fund business, net cash outflows for the third quarter of 2020 were $117 million, compared to net cash inflows of $242 million for the same quarter last year and net cash inflows of $359 million for the previous quarter. For the nine months ended September 30, 2020, net cash inflows were $144 million compared to $407 million for the same period last year.

Fee and other income
Fee and other income for the third quarter of 2020 of $179 million was comparable to the same quarter last year.

Fee and other income for the nine months ended September 30, 2020 decreased by $3 million to $521 million compared to the same period last year, primarily due to lower ASO fee income. The decrease was partially offset by higher fee income for group wealth primarily due to higher average assets under management.

Fee and other income for the third quarter of 2020 of $179 million increased by $16 million compared to the previous quarter, primarily due to higher ASO fee income.

Base earnings
In the third quarter of 2020, base earnings decreased by $47 million to $134 million compared to the same quarter last year, primarily due to lower contributions from investment experience.

For the nine months ended September 30, 2020, base earnings increased by $6 million to $472 million compared to the same period last year, primarily due to higher tax benefits, partially offset by lower contributions from investment experience.

Base earnings for the third quarter of 2020 decreased by $61 million compared to the previous quarter, primarily due to lower tax benefits.

Net earnings
Net earnings in the third quarter of 2020 of $134 million decreased by $72 million compared to the same quarter last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2020, net earnings decreased by $40 million to $478 million compared to the same period last year, primarily due to lower contributions from investment experience and lower contributions from insurance contract liability basis changes, partially offset by higher tax benefits.

Net earnings in the third quarter of 2020 of $134 million decreased by $63 million compared to the previous quarter, primarily due to lower tax benefits.

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

For the third quarter of 2020, Canada Corporate had net earnings of $13 million compared to $9 million for the same quarter last year. The increase in net earnings was primarily due to lower operating expenses.

The net loss for the nine months ended September 30, 2020 was $34 million compared to net earnings of $1 million for the same period last year, primarily due to changes in certain income tax estimates and lower net investment income.

In the third quarter of 2020, net earnings were $13 million compared to a net loss of $39 million in the previous quarter. The increase in net earnings was primarily due to changes in certain income tax estimates.

UNITED STATES

The United States operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam and the results of the insurance businesses in the United States branch of Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, Financial Services also includes a retained block of life insurance, predominately participating policies, which are now administered by Protective Life, as well as a closed retrocession block of life insurance. In addition, the Financial Services business unit includes the results of Personal Capital Corporation (Personal Capital), a hybrid wealth manager that provides financial tools and advice to individuals, following the completion of its acquisition in the third quarter of 2020.

Following the close of the reinsurance transaction with Protective Life in the second quarter of 2019, the Reinsured Insurance & Annuity Business, which was previously reflected in Financial Services, is reported as a separate business unit. The Reinsured Insurance & Annuity business unit reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. These products include life insurance, annuity and executive benefits, which are no longer offered by the U.S. segment.

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

TRANSLATION OF FOREIGN CURRENCY

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

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - United States

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1][4]	**$ 24,138**	$ 24,348	$ 17,670	**$ 72,897**	$ 50,995
Sales[1][4]	**27,987**	28,227	31,245	**109,445**	131,306
Fee and other income[4]	**696**	654	665	**2,015**	3,088
Base earnings[1][4]	**$ 83**	$ 83	$ 79	**$ 183**	$ 261
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**38**	—	(2)	**38**	(2)
Market-related impact on liabilities[2]	**(1)**	(5)	—	**(18)**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual[2][3]	**(31)**	—	—	**(31)**	—
Net charge on sale, via reinsurance, of a U.S. business[2]	**—**	—	—	**—**	(199)
Net earnings (loss) - common shareholders[4]	**$ 89**	$ 78	$ 77	**$ 172**	$ 60
Total assets	**$ 97,104**	$ 91,785	$ 87,090		
Proprietary mutual funds and institutional net assets[1]	**276,401**	251,190	250,183		
Total assets under management[1]	**373,505**	342,975	337,273		
Other assets under administration[1]	**817,693**	817,404	778,450		
Total assets under administration[1]	**$ 1,191,198**	$ 1,160,379	$ 1,115,723		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

(3) The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

(4) Included in the United States segment are the results of the Reinsured Insurance & Annuities business unit, which reflects substantially all of the individual life insurance and annuity business which was sold, through indemnity reinsurance, to Protective Life effective June 1, 2019. Following the sale there were no additional sales, fee and other income and net earnings related to this business unit and premiums and deposits primarily relate to deposits received on separate accounts, with the economics ceded to Protective Life, resulting in no net earnings impact. Premiums and deposits for the three and nine months ended September 30, 2020 were $107 million and $402 million respectively ($242 million and $239 million for the three months ended June 30, 2020 and September 30, 2019 respectively). The following table includes the results for the Reinsured Insurance & Annuity business unit for the nine months ended September 30, 2019:

	For the nine months ended
	Sept. 30 2019
Premiums and deposits	$ 1,046
Sales	408
Fee and other income	1,157
Base earnings	63
Net earnings (loss) - common shareholders	(136)
Base earnings (US$)	47
Net earnings (loss) - common shareholders (US$)	(101)

Base earnings and Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Base earnings (loss)[1]					
Financial Services	**$ 75**	$ 73	$ 65	**$ 204**	$ 180
Asset Management	**13**	12	13	**(17)**	15
U.S. Corporate	**(5)**	(2)	1	**(4)**	3
Reinsured Insurance & Annuity Business	**—**	—	—	**—**	63
Base earnings (loss)[1]	**$ 83**	$ 83	$ 79	**$ 183**	$ 261
Items excluded from base earnings (loss)[2]					
Actuarial assumption changes and other management actions[2]	**$ 38**	$ —	$ (2)	**$ 38**	$ (2)
Market-related impact on liabilities[2]	**(1)**	(5)	—	**(18)**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual[2][3]	**(31)**	—	—	**(31)**	—
Net charge on sale, via reinsurance, of a U.S. business[2]	**—**	—	—	**—**	(199)
Net earnings (loss) - common shareholders	**$ 89**	$ 78	$ 77	**$ 172**	$ 60
Base earnings (loss) (US$)[1]					
Financial Services (US$)	**$ 56**	$ 53	$ 50	**$ 151**	$ 136
Asset Management (US$)	**10**	9	9	**(12)**	11
U.S. Corporate (US$)	**(3)**	(1)	1	**(2)**	2
Reinsured Insurance & Annuity Business (US$)	**—**	—	—	**—**	47
Base earnings (loss) (US$)[1]	**$ 63**	$ 61	$ 60	**$ 137**	$ 196
Items excluded from base earnings (loss) (US$)[2]					
Actuarial assumption changes and other management actions (US$)[2]	**$ 29**	$ —	$ (1)	**$ 29**	$ (1)
Market-related impact on liabilities (US$)[2]	**(1)**	(4)	—	**(14)**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual(US$)[2][3]	**(24)**	—	—	**(24)**	—
Net charge on sale, via reinsurance, of a U.S. business (US$)[2]	**—**	—	—	**—**	(148)
Net earnings (loss) (US$) - common shareholders	**$ 67**	$ 57	$ 59	**$ 128**	$ 47

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(3) The transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual are included in the U.S. Corporate business unit.

DEVELOPMENTS

- **COVID-19 Pandemic Impacts**
  The Coronavirus Aid, Relief and Economic Security Act (the CARES Act) was enacted on March 27, 2020. Under the CARES Act, the U.S. Federal government authorized broad based economic relief and support for individuals and businesses, including changes to distribution and loan rules from employer retirement plans and Individual Retirement Accounts (IRAs) which are similar to the relief offered in prior disaster relief laws. The Company implemented the distribution and loan changes. The Internal Revenue Service (IRS) and the U.S. Department of Labor (DOL) subsequently issued an interpretive guidance on the CARES Act and the Company updated its CARES Act distribution and loan processes and procedures accordingly. The CARES Act distributions are allowed through December 31, 2020 and loans were allowed through September 22, 2020. The CARES Act has not prevented the Company from executing on its overall business strategy and growth objectives.
- The U.S. presidential election is taking place on November 3, 2020. While the impact of election results on financial markets and economic conditions is uncertain, it could have an impact on the Company's results.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**
  During the third quarter of 2020, Empower Retirement operations and technology functions maintained full execution as the market disruption created by the COVID-19 pandemic subsided. The Company maintained a nearly full work-at-home status across the entire enterprise throughout the quarter, including associates in North America and India. Call volumes and web traffic returned to normal levels. For the most part, retirement investors have not engaged in reactive selling with a significant majority of Empower Retirement plan participants making no change to their investments. The Company continued to see increased levels of interest in advisory and financial wellness offerings.

  Empower Retirement and others in the retirement industry lobbied for, and received, relief from federal government regulators to help individuals who needed to access their retirement savings in the event of financial hardships. Following the law's passage, Empower Retirement implemented new processes and waived fees on all new retirement plan loans and hardship withdrawals to support these needs. Empower Retirement did not charge origination fees on any new plans and suspended charges for all hardship withdrawals. These changes covered all tax-qualified workplace retirement plans administered by Empower Retirement that permit such distributions, and include new provisions allowed for under the CARES Act. Beginning in the third quarter of 2020, Empower Retirement reinstated fees on certain new retirement plan loans and hardship withdrawals.
- On August 17, 2020, Empower Retirement completed the acquisition of Personal Capital, a hybrid wealth manager that combines a leading-edge digital experience with personalized advice delivered by human advisors. Under the terms of the agreement, Empower Retirement acquired 100% of the equity of Personal Capital for US$825 million on closing and deferred consideration of up to US$175 million subject to achievement of target growth objectives. The upfront consideration was funded with cash on hand and US$500 million in debt financing. Financial Services' third quarter 2020 results include the results of Personal Capital from the August 17, 2020 acquisition date.
- Empower Retirement expects to incur one-time integration expenses of US$57 million pre-tax, with the integration of Personal Capital expected to be completed in the first quarter of 2022. In addition, transaction expenses of US$20 million post-tax were incurred to date in the third quarter of 2020 which are reflected in the U.S. Corporate business unit.

  Refer to the "Transactions with Related Parties" section of this document for additional information regarding the proposed sale.

- On September 8, 2020, Empower Retirement announced that it has reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), strengthening Empower Retirement's position as the second largest player in the U.S. retirement market. Based on the terms of the agreement, and subject to regulatory approvals, Empower Retirement will acquire the retirement services business of MassMutual for a total value of approximately US$3.35 billion. The value includes a reinsurance ceding commission of US$2.35 billion and US$1.0 billion of required capital to support the business. The Company intends to fund the transaction with existing cash, short-term debt and US$1.5 billion of long-term debt issued on September 17, 2020. The transaction is expected to close in the fourth quarter of 2020 or first quarter of 2021, subject to regulatory and customary closing conditions.

  This transaction increases the synergy potential of Empower Retirement's acquisition of Personal Capital across a larger combined business. In addition, Empower Retirement and MassMutual intend to enter into a strategic partnership through which digital insurance products offered by Haven Life Insurance Agency, LLC and MassMutual's voluntary insurance and lifetime income products will be made available to customers of Empower Retirement and Personal Capital.

  Empower Retirement anticipates realizing cost synergies through the migration of the MassMutual's retirement services business onto Empower Retirement's recordkeeping platform. Run rate cost synergies are expected to be US$160 million pre-tax at the end of integration in 2022. Revenue synergies in 2022 are expected to be US$30 million pre-tax and continue to grow beyond 2022.

  Empower Retirement expects to incur one-time integration expenses of US$125 million pre-tax and transaction expenses of US$55 million pre-tax, US$4 million post-tax of which were incurred in the third quarter of 2020. The integration is expected to be completed within 18 months following closing.

- On September 28, 2020, Empower Retirement announced a definitive agreement to acquire the retirement business of Fifth Third Bank, which is expected to close in the fourth quarter of 2020. The transaction is not expected to have a material impact on Empower Retirement's financial results.

- Empower Retirement participant accounts were 9.4 million at September 30, 2020, which is comparable with December 31, 2019. Participants declined from 9.7 million at June 30, 2020 primarily due to the loss of one large client.

- Empower Retirement assets under administration were US$683 billion at September 30, 2020, up from US$673 billion at December 31, 2019, primarily due to higher equity market levels. In addition, Personal Capital assets under management were US$14 billion at September 30, 2020.

- In July 2020, Empower Retirement was named the 2020 Retirement Leader of the Year in the annual Mutual Fund Industry Awards, organized by Pageant Media. Retirement Leader of the Year is awarded to a firm that has made a key impact on growing retirement assets through unique retirement solutions, marketing campaigns and significant contributions to the retirement industry at large.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[(1)(2)]	**$ 5,665**	$ 3,101	$ 3,071	**$ 13,474**	$ 8,633
Sales[(1)(3)]	**9,621**	7,222	16,885	**50,424**	89,582
Fee and other income	**395**	370	369	**1,139**	1,052
Base earnings[(1)]	**$ 75**	$ 73	$ 65	**$ 204**	$ 180
Items excluded from base earnings[(4)]					
Actuarial assumption changes and other management actions[(1)(4)]	**38**	—	(2)	**38**	(2)
Market-related impact on liabilities[(4)]	**(1)**	(5)	—	**(18)**	—
Net earnings - common shareholders[(5)]	**$ 112**	$ 68	$ 63	**$ 224**	$ 178
Premiums and deposits (US$)[(1)(2)]	**$ 4,260**	$ 2,231	$ 2,327	**$ 10,005**	$ 6,491
Sales (US$)[(1)(3)]	**7,234**	5,196	12,792	**37,490**	67,385
Fee and other income (US$)	**297**	266	280	**842**	791
Base earnings (US$)[(1)]	**$ 56**	$ 53	$ 50	**$ 151**	$ 136
Items excluded from base earnings (US$)[(4)]					
Actuarial assumption changes and other management actions (US$)[(1)(4)]	**29**	—	(1)	**29**	(1)
Market-related impact on liabilities (US$)[(4)]	**(1)**	(4)	—	**(14)**	—
Net earnings - common shareholders (US$)[(5)]	**$ 84**	$ 49	$ 49	**$ 166**	$ 135

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the three and nine months ended September 30, 2020, premiums and deposits included US$31 million and US$102 million, respectively, relating to the retained policies (US$34 million and US$112 million for the three and nine months ended September 30, 2019 and US$38 million for the three months ended June 30, 2020).
(3) For the three and nine months ended September 30, 2020, sales included US$0.2 billion and US$1.1 billion, respectively, relating to Putnam managed funds sold on the Empower Retirement platform (US$0.3 billion and US$0.8 billion for the three and nine months ended September 30, 2019 and US$0.6 billion for the three months ended June 30, 2020).
(4) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(5) For the three and nine months ended September 30, 2020, net earnings included US$3 million and US$12 million, respectively, relating to the retained policies (US$6 million and US$25 million for the three and nine months ended September 30, 2019 and US$6 million for the three months ended June 30, 2020).

Premiums and deposits

Premiums and deposits for the third quarter of 2020 of US$4.3 billion increased by US$1.9 billion compared to the same quarter last year and US$2.0 billion compared to the previous quarter, primarily due to higher deposits transferred in from assets under administration.

For the nine months ended September 30, 2020, premiums and deposits increased by US$3.5 billion to US$10.0 billion compared to the same period last year, primarily due to higher premiums and deposits transferred in from assets under administration and higher deposits from existing Empower Retirement participants.

Sales

Sales in the third quarter of 2020 of US$7.2 billion decreased by US$5.6 billion compared to the same quarter last year, primarily due to a decrease in Empower Retirement large and mid-sized plan sales, partly offset by Personal Capital related sales of US$0.5 billion. Large plan sales can be highly variable from period to period and tend to be lower margin; however, these sales contribute to lowering overall unit costs.

For the nine months ended September 30, 2020, sales decreased by US$29.9 billion to US$37.5 billion compared to the same period last year. Included in sales for the nine months ended September 30, 2019 was one large sale relating to a new client with approximately 200,000 participants. Excluding the impact of this sale, Empower Retirement's large plan sales increased.

Sales in the third quarter of 2020 increased by US$2.0 billion compared to the previous quarter, primarily due to an increase in Empower Retirement mid and small sized plan sales and Personal Capital related sales, partially offset by lower large plan sales.

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

Fee and other income for the third quarter of 2020 of US$297 million increased by US$17 million compared to the same quarter last year. The increase was primarily due to Personal Capital related fee income of US$13 million, higher average equity markets and growth in average participants, partially offset by waived fee income on retirement plan loans.

For the nine months ended September 30, 2020, fee and other income increased by US$51 million to US$842 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 increased by US$31 million compared to the previous quarter, primarily due to Personal Capital related fee income and higher average equity market levels.

Base earnings
Base earnings for the third quarter of 2020 increased by US$6 million to US$56 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment experience and net business growth, partially offset by Personal Capital related net loss of US$5 million.

For the nine months ended September 30, 2020, base earnings increased by US$15 million to US$151 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by US$3 million compared to the previous quarter, primarily due to favorable equity market impacts on fee income.

Net earnings
Net earnings for the third quarter of 2020 increased by US$35 million to US$84 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as a result of updated economic assumptions.

For the nine months ended September 30, 2020, net earnings increased by US$31 million to US$166 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as discussed for the in-quarter results. The increase was partially offset by market volatility creating hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits.

Net earnings for the third quarter of 2020 increased by US$35 million compared to the previous quarter. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes as discussed for the in-quarter results.

ASSET MANAGEMENT

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**
  At Putnam and across the broader asset management industry during the first quarter of 2020, client channels experienced reduced gross sales and elevated redemptions given concerns about the breadth and severity of the pandemic and its longer-term effect on an array of economic factors, including corporate earnings. On the investment management front, Putnam's work on risk profiles and portfolio construction has led to solid relative performance across asset classes. Over the ensuing six months since the first quarter, redemptions slowed and turned back into positive net flows, which positioned the Company well for the market recovery that occurred during the second and third quarters of 2020. Activity levels remain high on the distribution side, with a focus on value-add service and communications with clients.
- Putnam's average assets under management (AUM) for the three months ended September 30, 2020 were US$176.7 billion, an increase of US$2.5 billion compared to the same quarter last year and an increase of US$16.5 billion compared to the previous quarter. For the three months ended September 30, 2020, sales increased by US$2.9 billion compared to the same quarter last year, driven by a US$2.7 billion increase in institutional sales.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2020, approximately 82% and 90% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Sales[(1)]	**$ 18,366**	$ 21,005	$ 14,360	**$ 59,021**	$ 41,316
Fee income					
Investment management fees	**$ 206**	$ 193	$ 205	**$ 598**	$ 607
Performance fees	**2**	(2)	(3)	**(2)**	(12)
Service fees	**37**	38	37	**112**	112
Underwriting & distribution fees	**56**	55	57	**168**	172
Fee income	**$ 301**	$ 284	$ 296	**$ 876**	$ 879
Core net earnings (loss)[(1)]	**$ 25**	$ 26	$ 22	**$ 19**	$ 50
Less: Financing and other expenses[(1)]	**(12)**	(14)	(9)	**(36)**	(35)
Net earnings (loss)[(2)]	**$ 13**	$ 12	$ 13	**$ (17)**	$ 15
Sales (US$)[(1)]	**$ 13,809**	$ 15,111	$ 10,879	**$ 43,584**	$ 31,077
Fee income (US$)					
Investment management fees (US$)	**$ 155**	$ 138	$ 155	**$ 442**	$ 456
Performance fees (US$)	**1**	(1)	(2)	**(2)**	(8)
Service fees (US$)	**28**	27	28	**83**	84
Underwriting & distribution fees (US$)	**42**	39	43	**124**	129
Fee income (US$)	**$ 226**	$ 203	$ 224	**$ 647**	$ 661
Core net earnings (loss) (US$)[(1)]	**$ 19**	$ 19	$ 17	**$ 14**	$ 38
Less: Financing and other expenses (US$)[(1)]	**(9)**	(10)	(8)	**(26)**	(27)
Net earnings (loss) (US$)[(2)]	**$ 10**	$ 9	$ 9	**$ (12)**	$ 11
Pre-tax operating margin[(1)]	**11.9 %**	11.7 %	9.5 %	**3.8 %**	8.4 %
Average assets under management (US$)[(1)]	**$ 176,726**	$ 160,198	$ 174,268	**$ 169,798**	$ 171,503

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

Sales

Sales in the third quarter of 2020 increased by US$2.9 billion to US$13.8 billion compared to the same quarter last year, mainly due to an increase in institutional sales of US$2.7 billion.

For the nine months ended September 30, 2020, sales increased by US$12.5 billion to US$43.6 billion compared to the same period last year, due to an increase in institutional sales of US$9.1 billion and an increase in mutual fund sales of US$3.4 billion.

Sales in the third quarter of 2020 decreased by US$1.3 billion compared to the previous quarter, mainly due to a US$1.2 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 third quarter of 2020 increased by US$2 million to US$226 million compared to the same quarter last year. The increase was primarily due to improved mutual fund performance fees, partially offset by lower underwriting and distribution fees.

For the nine months ended September 30, 2020, fee income of US$647 million decreased by US$14 million compared to the same period last year. The decrease was primarily due to lower investment management fees, driven by lower average AUM and net asset outflows, and lower underwriting and distribution fees, partially offset by improved mutual fund performance fees.

Fee income for the third quarter of 2020 increased by US$23 million compared to the previous quarter. The increase was primarily due to higher investment management fees, driven by higher average AUM.

Core net earnings and Net earnings
Core net earnings for the third quarter of 2020 increased by US$2 million to US$19 million compared to the same quarter last year, primarily due to higher net investment income on seed capital driven by in-period market recoveries, partially offset by higher sales and compensation related expenses. In the third quarter of 2020, net earnings, including financing and other expenses, were US$10 million compared to US$9 million for the same quarter last year. Financing and other expenses for the third quarter of 2020 increased by US$1 million to US$9 million compared to the same quarter last year.

For the nine months ended September 30, 2020, core net earnings were US$14 million compared to core net earnings of US$38 million for the same period last year. Core net earnings decreased by US$24 million primarily due to lower net investment income on seed capital, driven by the decline in markets during the first quarter of 2020. The net loss, including financing and other expenses, for the nine months ended September 30, 2020 was US$12 million compared to net earnings of US$11 million for the same period last year. Financing and other expenses for the nine months ended September 30, 2020 decreased by US$1 million to US$26 million compared to the same period last year.

Core net earnings for the third quarter of 2020 of US$19 million were comparable to the previous quarter. Net earnings, including financing and other expenses, for the third quarter of 2020 were US$10 million compared to net earnings of US$9 million for the previous quarter. Financing and other expenses for the third quarter of 2020 decreased by US$1 million compared to the previous quarter.

ASSETS UNDER MANAGEMENT[(1)]

Assets under management (US$)[(1)]	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Beginning assets	**$ 168,526**	$ 148,912	$ 174,661	**$ 181,724**	$ 160,200
Sales - Mutual funds	**6,897**	7,012	6,703	**23,120**	19,676
Redemptions - Mutual funds	**(6,210)**	(6,036)	(5,642)	**(26,337)**	(18,715)
Net asset flows - Mutual funds	**687**	976	1,061	**(3,217)**	961
Sales - Institutional	**6,912**	8,099	4,176	**20,464**	11,401
Redemptions - Institutional	**(5,542)**	(5,695)	(6,784)	**(22,944)**	(16,494)
Net asset flows - Institutional	**1,370**	2,404	(2,608)	**(2,480)**	(5,093)
Net asset flows - Total	**2,057**	3,380	(1,547)	**(5,697)**	(4,132)
Impact of market/performance	**8,435**	16,234	1,077	**2,991**	18,123
Ending assets	**$ 179,018**	$ 168,526	$ 174,191	**$ 179,018**	$ 174,191
Average assets under management					
Mutual funds	**86,808**	79,341	83,937	**84,170**	81,827
Institutional assets	**89,918**	80,857	90,331	**85,628**	89,676
Total average assets under management	**$ 176,726**	$ 160,198	$ 174,268	**$ 169,798**	$ 171,503

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Average AUM for the three months ended September 30, 2020 were US$176.7 billion, an increase of US$2.5 billion compared to the same quarter last year, primarily due to net asset inflows and positive market impact. Net asset inflows for the third quarter of 2020 were US$2.1 billion compared to net asset outflows of US$1.5 billion in the same quarter last year. In-quarter mutual fund net asset inflows were US$0.7 billion and institutional net asset inflows were US$1.4 billion.

Average AUM for the nine months ended September 30, 2020 were US$169.8 billion, a decrease of US$1.7 billion compared to the same period last year, primarily due to the cumulative net asset outflows. Net asset outflows for the nine months ended September 30, 2020 were US$5.7 billion compared to US$4.1 billion in the same period last year. Year-to-date mutual fund net asset outflows were US$3.2 billion and institutional net asset outflows were US$2.5 billion. Within the institutional category, Putnam’s valuation oriented quantitative manager has been experiencing outflows for several quarters. While their performance in this category has been comparable to peers, this style of investing has been in outflows across the industry. During these same time periods, Putnam’s active institutional mandates have experienced positive flows.

Average AUM for the three months ended September 30, 2020 increased by US$16.5 billion compared to the previous quarter, primarily due to positive market impact.

UNITED STATES CORPORATE

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

In the third quarter of 2020, the net loss was US$27 million compared to net earnings of US$1 million for the same quarter last year. The net loss increased by US$28 million primarily due to the transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual and lower net investment income, partially offset by lower operating expenses.

For the nine months ended September 30, 2020, net loss of US$26 million increased by US$28 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

In the third quarter of 2020, the net loss was US$27 million compared to a net loss of US$1 million for the previous quarter. The net loss increased by US$26 million primarily due to the transaction costs incurred to date related to the acquisitions of Personal Capital and the retirement services business of MassMutual and lower net investment income, partially offset by lower operating expenses.

EUROPE

The Europe segment comprises three distinct business units: United Kingdom, Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results.

The core products offered in the U.K. are bulk and individual payout annuities, equity release mortgages, investments (including life bonds, retirement drawdown and pension), individual protection and group insurance. These products are distributed through independent financial advisors and employee benefit consultants.

The core products offered by Irish Life in Ireland are savings and investments, individual and group life insurance, health insurance and pension products. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Health offers individual and corporate health plans, distributed through independent brokers and direct channels. Irish Life Investment Managers (ILIM) is one of the Company's fund management operations in Ireland with approximately €83 billion of assets under management. In addition to managing assets on behalf of companies in the Lifeco group, ILIM also manages assets for a wide range of institutional and retail clients, occupational defined benefit and defined contribution pension schemes, large multinational corporations, charities and domestic companies.

The German business unit offers pension, lifetime GMWB and individual protection products that are distributed through independent brokers and multi-tied agents.

TRANSLATION OF FOREIGN CURRENCY

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

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits(1)	**$ 6,114**	$ 8,151	$ 7,590	**$ 24,725**	$ 27,426
Sales(1)	**5,313**	7,141	7,098	**22,122**	25,410
Fee and other income	**342**	340	382	**1,015**	1,162
Base earnings(1)	**$ 182**	$ 179	$ 161	**$ 493**	$ 479
Items excluded from base earnings(2)					
Actuarial assumption changes and other management actions(2)	**22**	50	149	**110**	264
Market-related impact on liabilities(2)	**18**	24	(28)	**(37)**	(74)
Net gain on sale of IPSI(2)	**94**	—	—	**94**	—
Net earnings	**$ 316**	$ 253	$ 282	**$ 660**	$ 669
Total assets	**$ 180,091**	$ 172,705	$ 170,143		
Proprietary mutual funds and institutional net assets(1)	**58,056**	57,351	51,389		
Total assets under management(1)	**238,147**	230,056	221,532		
Other assets under administration(1)	**10,420**	55,262	46,040		
Total assets under administration(1)(3)	**$ 248,567**	$ 285,318	$ 267,572		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(3) At September 30, 2020, total assets under administration excludes $7.3 billion of assets managed for other business units within the Lifeco group of companies ($7.5 billion at June 30, 2020 and $8.2 billion at September 30, 2019).

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**

  The European businesses in the U.K., Ireland and Germany remain focused on supporting customers, communities and employees by providing pensions, protection and wealth management solutions for their financial, physical and mental well-being during this unprecedented time. Products, services and support are being delivered digitally to promote physical distancing and help keep customers, advisors and employees safe.

  Subsequent to the third quarter of 2020, on October 8, 2020, Canada Life U.K. reopened its real estate fund following a period of valuation uncertainty in the real estate industry caused by COVID-19. The suspension period was introduced in March following advice from the independent valuers that it was not possible to provide accurate and reliable valuations. On October 20, 2020, Irish Life removed deferral periods from its small U.K. and European property funds. The deferral period for redemptions and transfers for Irish Life's property and pension funds is currently under review following the removal of third party appraisal uncertainty clauses on the majority of sectors in the Irish property market. The deferral period remains in place for the smaller fund focused on individual clients. Processes remain in place to facilitate hardship, death claims and certain other withdrawals as required for these funds.

- On January 31, 2020, the U.K. left the European Union (EU) and entered a transition arrangement that will last until the end of 2020. The Company's U.K. and other European businesses have taken the necessary steps to handle the immediate impacts of Brexit and will continue to monitor any further steps that may become necessary as the U.K. and the EU negotiate their future relationship.

- On August 4, 2020, Irish Life completed the previously announced sale of Irish Progressive Services International Limited (IPSI), a wholly-owned subsidiary, whose principal activity is the provision of outsourced administration services for life assurance companies, to a member of the FNZ group of companies. The net gain resulting from the transaction was $94 million post-tax.

- As of September 30, 2020, £15 million of pre-tax annualized expense reductions have been achieved relating to the Canada Life U.K. restructuring program, compared to £14 million as of December 31, 2019. The Company remains committed to achieving targeted annual expense reductions of £20 million pre-tax; however, due to the COVID-19 pandemic and other factors, this target is now expected to be achieved in 2021. The expense reductions are expected to come from various sources, including systems and process improvements and a reduction in headcount.

BUSINESS UNITS – EUROPE

UNITED KINGDOM

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 677**	$ 1,125	$ 1,127	**$ 2,830**	$ 4,187
Sales[1]	**672**	1,059	1,238	**2,833**	4,202
Fee and other income	**42**	44	54	**125**	162
Base earnings[1]	**$ 78**	$ 88	$ 105	**$ 238**	$ 270
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**(27)**	39	81	**34**	159
Market-related impact on liabilities[2]	**16**	(18)	(19)	**(5)**	(69)
Net earnings	**$ 67**	$ 109	$ 167	**$ 267**	$ 360

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 decreased by $0.5 billion to $0.7 billion compared to the same quarter last year, primarily due to lower bulk and individual annuity and wealth management sales.

For the nine months ended September 30, 2020, premiums and deposits decreased by $1.4 billion to $2.8 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2020 decreased by $0.4 billion compared to the previous quarter, primarily due to lower bulk annuity sales.

Sales
Sales for the third quarter of 2020 decreased by $0.6 billion to $0.7 billion compared to the same period last year, primarily due to lower bulk and individual annuity and wealth management sales.

For the nine months ended September 30, 2020, sales decreased by $1.4 billion to $2.8 billion compared to the same period last year. The decrease was primarily due to the same reasons discussed for the in-quarter results.

Sales for the third quarter of 2020 decreased by $0.4 billion compared to the previous quarter, primarily due to lower bulk annuity sales.

Fee and other income
Fee and other income for the third quarter of 2020 decreased by $12 million to $42 million compared to the same quarter last year, primarily due to lower management fees as a result of the unit-linked policies sold to Scottish Friendly in the fourth quarter of 2019.

For the nine months ended September 30, 2020, fee and other income decreased by $37 million to $125 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 decreased by $2 million compared to the previous quarter, primarily due to lower management fees.

Base earnings
Base earnings for the third quarter of 2020 decreased by $27 million to $78 million compared to the same quarter last year. The decrease was primarily due to lower impact of new business, unfavourable group mortality, the impact of changes to certain tax estimates and lower contributions from investment experience, partially offset by favourable group morbidity and longevity experience.

Base earnings for the nine months ended September 30, 2020 decreased by $32 million to $238 million compared to the same period last year. The decrease was primarily due to lower impact of new business, adverse group mortality experience, the impact of changes to certain tax estimates and lower contributions from investment experience. These items were partially offset by favourable group morbidity and longevity experience.

Base earnings for the third quarter of 2020 decreased by $10 million compared to the previous quarter. The decrease was primarily due to less favourable group morbidity and longevity experience partially offset by favourable group mortality experience.

Net earnings
Net earnings for the third quarter of 2020 decreased by $100 million to $67 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts, partially offset by the impact of higher property valuations.

Net earnings for the nine months ended September 30, 2020 decreased by $93 million to $267 million compared to the same period last year, primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts partially offset by the favourable impact of changes to certain tax estimates driven by a decline in equity markets and the impact of higher property valuations.

Net earnings for the third quarter of 2020 decreased by $42 million compared to the previous quarter. The decrease was primarily due to lower contributions from insurance contract liability basis changes as well as the base earnings impacts, partially offset by the impact of higher property valuations.

IRELAND

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[(1)(2)]	**$ 5,136**	$ 6,729	$ 6,158	**$ 21,007**	$ 22,409
Sales[(1)(2)]	**4,561**	6,001	5,784	**19,042**	20,985
Fee and other income	**189**	185	238	**563**	698
Base earnings[(1)]	**$ 70**	$ 53	$ 29	**$ 150**	$ 114
Items excluded from base earnings[(3)]					
Actuarial assumption changes and other management actions[(3)]	**31**	11	66	**58**	87
Market-related impact on liabilities[(3)]	**1**	37	(12)	**(21)**	(10)
Net gain on IPSI sale[(3)]	**94**	—	—	**94**	—
Net earnings (loss)	**$ 196**	$ 101	$ 83	**$ 281**	$ 191

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) For the three and nine months ended September 30, 2020, premiums and deposits and sales exclude $0.1 billion and $0.6 billion, respectively, of assets managed for other business units within the Lifeco group of companies ($0.2 billion and $0.8 billion for the three and nine months ended September 30, 2019 and $0.1 billion three months ended June 30, 2020).
(3) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 decreased by $1.0 billion to $5.1 billion compared to the same quarter last year, primarily due to lower fund management sales, partially offset by higher pension sales and the impact of currency movement.

For the nine months ended September 30, 2020, premiums and deposits decreased by $1.4 billion to $21.0 billion compared to the same period last year. The decrease is primarily due to the arrangement with NN Investment Partners that was entered into in the first quarter of 2019, partially offset by higher pension sales and the impact of currency movement.

Premiums and deposits for the third quarter of 2020 decreased by $1.6 billion compared to the previous quarter, primarily due to lower fund management sales, partially offset by higher pension sales and the impact of currency movement.

Sales
Sales for the third quarter of 2020 of $4.6 billion decreased by $1.2 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

For the nine months ended September 30, 2020, sales decreased by $1.9 billion to $19.0 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Sales for the third quarter of 2020 decreased by $1.4 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the same period.

For the fund management businesses, net cash outflows in the third quarter of 2020 were $1.4 billion compared to net cash inflows of $1.6 billion for the same period last year and net cash outflows of $0.3 billion for the previous quarter. Net cash inflows for the nine months ended September 30, 2020 were $0.4 billion compared to $8.8 billion for the same period last year.

Fee and other income
Fee and other income for the third quarter of 2020 of $189 million decreased by $49 million compared to the same quarter last year, primarily due to a new reinsurance treaty.

For the nine months ended September 30, 2020, fee and other income decreased by $135 million to $563 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 increased by $4 million compared to the previous quarter, primarily due to impact of currency movement.

Base earnings
Base earnings for the third quarter of 2020 of $70 million increased by $41 million compared to the same quarter last year, primarily due to favourable mortality and morbidity experience, partially offset by lower impact of new business and higher expenses.

Base earnings for the nine months ended September 30, 2020 increased by $36 million to $150 million compared to the same period last year. The increase was primarily due the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by $17 million compared to the previous quarter. The increase was primarily due to favourable mortality and morbidity experience, partially offset by lower contributions from investment experience.

Net earnings
Net earnings for the third quarter of 2020 increased by $113 million to $196 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of $94 million on the sale of IPSI, favourable market impacts related to unhedged market movements and premium deficiency reserves. The increase was partially offset by less favourable contributions from insurance contract liability basis changes.

Net earnings for the nine months ended September 30, 2020 increased by $90 million to $281 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of $94 million on the sale of IPSI. The increase was partially offset by less favourable contributions from insurance contract liability basis changes and unfavourable market-related impacts related to unhedged market movements in the first quarter of 2020. Market impacts were primarily driven by the impact of the equity market declines and volatility and lower interest rates in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

Net earnings for the third quarter of 2020 increased by $95 million compared to the previous quarter. The increase in net earnings was primarily due to the same reasons discussed for base earnings for the same period as well as the net gain of $94 million on the sale of IPSI and higher contributions from insurance contract liability basis changes. The increase was partially offset by unfavourable market-related impacts driven by inflation and equity market recoveries related to investment guarantee and premium deficiency reserves.

GERMANY

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 301**	$ 297	$ 305	**$ 888**	$ 830
Sales[1]	**80**	81	76	**247**	223
Fee and other income	**111**	111	90	**327**	302
Base earnings[1]	**$ 37**	$ 41	$ 31	**$ 114**	$ 102
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**18**	—	2	**18**	18
Market-related impact on liabilities[2]	**1**	5	3	**(11)**	5
Net earnings	**$ 56**	$ 46	$ 36	**$ 121**	$ 125

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

Premiums and deposits
Premiums and deposits for the third quarter of 2020 of $301 million decreased by $4 million compared to the same period last year, primarily due lower pension sales, partially offset by the impact of currency movement.

For the nine months ended September 30, 2020, premiums and deposits increased by $58 million to $888 million compared to the same period last year, primarily due to higher pension sales and the impact of currency movement.

Premiums and deposits for the third quarter of 2020 increased by $4 million compared to the previous quarter, primarily due to the impact of currency movement.

Sales
Sales for the third quarter of 2020 increased by $4 million to $80 million compared to the same period last year, primarily due to the impact of currency movement.

For the nine months ended September 30, 2020, sales increased by $24 million to $247 million compared to the same period last year, primarily due to higher pension sales.

Sales for the third quarter of 2020 were comparable to the previous quarter.

Fee and other income
Fee and other income for the third quarter of 2020 of $111 million increased by $21 million compared to the same quarter last year, primarily due to higher management fees on segregated fund assets and the impact of currency movement.

For the nine months ended September 30, 2020, fee and other income increased by $25 million to $327 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2020 was comparable to the previous quarter.

Base earnings
Base earnings for the third quarter of 2020 of $37 million increased by $6 million compared to the same quarter last year, primarily due to the impact of changes to certain tax estimates.

Base earnings for the nine months ended September 30, 2020 increased by $12 million to $114 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 decreased by $4 million compared to the previous quarter, primarily due to the impact of changes to certain tax estimates.

Net earnings
Net earnings for the third quarter of 2020 increased by $20 million to $56 million compared to the same quarter last year. The increase was primarily driven by favourable contributions from insurance contract liability basis changes and the base earnings impacts.

For the nine months ended September 30, 2020, net earnings decreased by $4 million to $121 million compared to the same period last year. The decrease was primarily due to unfavourable equity market impacts related to variable annuity guarantees and related hedge ineffectiveness, partially offset by the same reasons discussed for base earnings for the same period.

Net earnings for the third quarter of 2020 increased by $10 million compared to the previous quarter. The increase was primarily due to favourable contributions from insurance contract liability basis changes, partially offset by less favourable equity market impacts related to variable annuity guarantees and the same reasons discussed for base earnings for the same period.

EUROPE CORPORATE
The Europe Corporate account consists of items not associated directly with or allocated to the Europe business units and the impact of certain non-continuing items.

In the third quarter of 2020, Europe Corporate had a net loss of $3 million compared to $4 million in the same quarter last year, primarily due to lower expenses.

For the nine months ended September 30, 2020, Europe Corporate had a net loss of $9 million compared to $7 million for the same period last year, primarily due to higher expenses.

The net loss for the three months ended September 30, 2020 of $3 million was comparable to the previous quarter.

CAPITAL AND RISK SOLUTIONS
The Capital and Risk Solutions segment of Lifeco includes the operating results of the Reinsurance business unit which operates primarily in the U.S., Barbados, Bermuda and Ireland, together with an allocation of a portion of Lifeco's corporate results. Capital and Risk Solutions Corporate consists of items not associated directly with or allocated to the Reinsurance business unit as well as the results for the legacy international businesses.

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

Impact of currency movement is a non-IFRS financial measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Selected consolidated financial information - Capital and Risk Solutions

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[(1)]	**$ 4,490**	$ 4,975	$ 4,104	**$ 14,071**	$ 13,004
Fee and other income	**3**	2	2	**8**	7
Base earnings[(1)]	**$ 156**	$ 137	$ 86	**$ 412**	$ 244
Items excluded from base earnings[(2)]					
Actuarial assumption changes and other management actions[(2)]	**2**	29	(11)	**35**	25
Market-related impact on liabilities[(2)]	**9**	21	—	**—**	—
Net earnings	**$ 167**	$ 187	$ 75	**$ 447**	$ 269
Total assets	**$ 14,815**	$ 15,161	$ 15,244		
Proprietary mutual funds and institutional net assets[(1)]	**—**	—	—		
Total assets under management[(1)]	**14,815**	15,161	15,244		
Other assets under administration[(1)]	**—**	—	—		
Total assets under administration[(1)]	**$ 14,815**	$ 15,161	$ 15,244		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

DEVELOPMENTS AND OUTLOOK

- **COVID-19 Pandemic Impacts**
  The Capital and Risk Solutions segment continues to have a strong new business pipeline and has not seen a material impact as a result of the COVID-19 pandemic year-to-date in 2020. Capital and Risk Solutions will continue to focus on meeting market demand for life reinsurance involving capital solutions in the U.S. and Europe.

  In Europe, low interest rates and the associated financial impact on reserve and capital positions under Solvency II is a key market dynamic. Capital and Risk Solutions continues to help European clients and other affiliated companies meet these capital challenges through innovative reinsurance solutions. Demand for longevity reinsurance remains very strong and will continue to be a focus for 2020.

- The Company offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry losses arising from catastrophe events in the third quarter of 2020 do not reach the level where any claims would be anticipated. As any precautionary claim notifications are unlikely to be received for some period of time, the Company will continue to monitor events and will update any estimates as required.

- In the third quarter of 2020, Capital and Risk Solutions established a subsidiary in Bermuda. The subsidiary, Canada Life International Reinsurance Corporation Limited, has been approved as a Certified Reinsurer by the Michigan Department of Insurance and Financial Services and is a U.S. tax payer.

BUSINESS UNITS – CAPITAL AND RISK SOLUTIONS

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Premiums and deposits[1]	**$ 4,484**	$ 4,970	$ 4,098	**$ 14,055**	$ 12,988
Fee and other income	**3**	2	2	**8**	7
Base earnings[1]	**$ 157**	$ 138	$ 85	**$ 415**	$ 243
Items excluded from base earnings[2]					
Actuarial assumption changes and other management actions[2]	**2**	29	(10)	**35**	26
Market-related impact on liabilities[2]	**9**	21	—	**—**	—
Net earnings	**$ 168**	$ 188	$ 75	**$ 450**	$ 269

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Items excluded from base earnings, a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional information.

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

Premiums and deposits for the third quarter of 2020 of $4.5 billion increased by $0.4 billion compared to the same quarter last year, primarily due to new reinsurance agreements.

For the nine months ended September 30, 2020, premiums and deposits increased by $1.1 billion to $14.1 billion compared to the same period last year, primarily due to new reinsurance agreements, partially offset by the impact of restructured reinsurance agreements and lower volumes relating to existing business.

Premiums and deposits for the third quarter of 2020 decreased by $0.5 billion compared to the previous quarter, primarily due to lower volumes relating to existing business and the impact of restructured reinsurance agreements.

Fee and other income
Fee and other income for the third quarter of 2020 of $3 million was comparable to the same quarter last year and to the previous quarter.

For the nine months ended September 30, 2020, fee and other income of $8 million was comparable to the same period last year.

Base earnings
Base earnings for the third quarter of 2020 increased by $72 million to $157 million compared to the same quarter last year. The increase was primarily due to favourable impacts from new business, favourable claims experience in the longevity business and higher business volumes, partially offset by less favourable claims experience in the life business.

For the nine months ended September 30, 2020, base earnings increased by $172 million to $415 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Base earnings for the third quarter of 2020 increased by $19 million compared to the previous quarter. The increase was primarily due to favourable impacts from new business and favourable claims experience in the life business, partially offset by less favourable claims experience in the longevity business.

Net earnings

Net earnings for the third quarter of 2020 increased by $93 million to $168 million compared to the same quarter last year. The increase was primarily due to the same reasons discussed for base earnings, a decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting positive market-related experience during the third quarter of 2020 as well as higher contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2020, net earnings increased by $181 million to $450 million compared to the same period last year. The increase was primarily due to the same reasons discussed for base earnings and higher contributions from insurance contract liability basis changes.

Net earnings for the third quarter of 2020 decreased by $20 million compared to the previous quarter. The decrease was primarily due to lower market-related impacts due to a smaller decrease in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting market recoveries in the third quarter of 2020. In addition, the decrease was driven by lower contributions from insurance contract liability basis changes offset by the base earnings impacts.

CAPITAL AND RISK SOLUTIONS CORPORATE

For the three months ended September 30, 2020, Capital and Risk Solutions Corporate had a net loss of $1 million compared to net earnings of nil for the same quarter last year, primarily due to higher expenses.

For the nine months ended September 30, 2020, Capital and Risk Solutions Corporate had a net loss of $3 million compared to net earnings of nil for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

The net loss for the three months ended September 30, 2020 of $1 million was comparable to the previous quarter.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2020, Lifeco Corporate had a net loss of $12 million compared to a net loss of $4 million for the same quarter last year, primarily due to lower net investment income and higher operating expenses.

For the nine months ended September 30, 2020, Lifeco Corporate had a net loss of $18 million compared to a net loss of $15 million for the same period last year, primarily due to higher operating expenses partly offset by higher investment income.

The net loss for the three months ended September 30, 2020 of $12 million increased from a net loss of $8 million in the previous quarter, primarily due to lower net investment income and higher 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 establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company’s operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the third quarter of 2020, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2019 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 2020, 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.

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

In June 2020, the IASB issued amendments to IFRS 17, *Insurance Contracts* (IFRS 17). The amended standard confirmed the effective date for the standard of January 1, 2023. In addition, the IASB confirmed the extension to January 1, 2023 of the exemption for insurers to apply the financial instruments standard, IFRS 9, *Financial Instruments* (IFRS 9), keeping the alignment of the effective dates for IFRS 9 and IFRS 17.

IFRS 17 will affect how the Company accounts for its insurance contracts and how it reports financial performance in the Consolidated Statement of Earnings, in particular the timing of earnings recognition for insurance contracts. As a result of the new valuation methodologies required under IFRS 17, the Company expects its insurance contract liabilities to increase upon adoption. The adoption of IFRS 17 will also have a significant impact on how insurance contract results are presented and disclosed in the consolidated financial statements and on regulatory and tax regimes that are dependent upon IFRS accounting values. The Company is also actively monitoring potential impacts on regulatory capital and associated ratios and disclosures. The Company continues to assess all these impacts through its global implementation plan.

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. The amendments specify which costs should be included when assessing whether a contract will be loss-making. These amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB issued *Annual Improvements 2018-2020 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Two amendments were included in this issue that are applicable for the Company relating to IFRS 9, *Financial Instruments* and IFRS 16, *Leases*. The amendments are effective January 1, 2022. The Company is evaluating the impact for the adoption of these amendments.

In May 2020, the IASB published amendments to IFRS 16, *Leases* amending the standard to provide lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company does not anticipate a significant impact on its consolidated financial statements as a result of this amendment.

In August 2020, the IASB published *Interest Rate Benchmark Reform – Phase 2* (with amendments relevant to the Company under IAS 39, IFRS 7, IFRS 4 and IFRS 16). The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

For a further description of the impact of the accounting policy change, refer to note 2 of the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2020.

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, 2019 Annual MD&A.

OTHER INFORMATION

NON-IFRS FINANCIAL MEASURES

The Company uses several non-IFRS measures to measure overall performance of the Company and to assess each of its business units. A financial measure is considered a non-IFRS measure for Canadian securities law purposes if it is presented other than in accordance with generally accepted accounting principles used for the Company's consolidated financial statements. The consolidated financial statements of the Company have been prepared in compliance with IFRS as issued by the IASB. Non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar financial measures presented by other issuers.

Base earnings and base earnings per common share

Base earnings (loss) and financial measures based on base earnings (loss), including base earnings per common share and base return on equity, are non-IFRS financial measures. Base earnings reflect management's view of the underlying business performance of the Company and provides an alternate measure to understand the underlying business performance compared to IFRS net earnings. Base earnings (loss) exclude:

- The impact of actuarial assumption changes and other management actions;
- The net earnings impact related to the direct equity and interest rate market impacts on insurance and investment contract liabilities, net of hedging, and related deferred tax liabilities, which includes:
  - the impact of hedge ineffectiveness related to segregated fund guarantee liabilities that are hedged and the performance of the related hedge assets;
  - the impact on segregated fund guarantee liabilities not hedged;
  - the impact on general fund equity and investment properties supporting insurance contract liabilities;
  - other market impacts on insurance and investment contract liabilities and deferred tax liabilities, including those arising from the difference between actual and expected market movements; and
- Certain items that management believes are not indicative of the Company's underlying business results including restructuring costs, material legal settlements, material impairment charges related to goodwill and intangible assets, impact of substantially enacted income tax rate changes and other tax impairments and net gains, losses or costs related to the disposition or acquisition of a business.

Base earnings

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Base earnings	**$ 679**	$ 706	$ 677	**$ 1,928**	$ 1,873
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	**66**	122	81	**136**	248
Market-related impact on liabilities	**18**	35	(28)	**(96)**	(76)
Net gain on IPSI sale	**94**	—	—	**94**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(31)**	—	—	**(31)**	—
Net charge on sale, via reinsurance, of a U.S. business	**—**	—	—	**—**	(199)
Net earnings - common shareholders	**$ 826**	$ 863	$ 730	**$ 2,031**	$ 1,846
Base earnings per common share - basic	**$ 0.732**	$ 0.761	$ 0.729	**$ 2.078**	$ 1.968
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	**0.071**	0.131	0.087	**0.147**	0.261
Market-related impact on liabilities	**0.020**	0.038	(0.030)	**(0.103)**	(0.080)
Net gain on sale of IPSI	**0.101**	—	—	**0.101**	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(0.033)**	—	—	**(0.033)**	—
Net charge on sale, via reinsurance, of a U.S. business	**—**	—	—	**—**	(0.209)
Net earnings per common share - basic	**$ 0.891**	$ 0.930	$ 0.786	**$ 2.190**	$ 1.940

Return on equity (ROE)

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian, European and Capital and Risk Solutions segments (essentially Canada 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 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. IFRS does not prescribe the calculation of ROE and therefore a comparable measure under IFRS is not available. To determine ROE and base ROE, respectively, net earnings (loss) and base net earnings (loss) for the trailing four quarters are divided by the average common shareholders' equity over the trailing four quarters. This measure provides an indicator of business unit profitability.

Premiums and deposits
Total premiums and deposits 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. Total premiums and deposits exclude the initial ceded premium related to the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business. This measure provides an indicator of top-line growth.

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 9,976**	$ 10,390	$ 9,324	**$ 31,272**	$ 15,032
Policyholder deposits (segregated funds):					
Individual products	**3,502**	3,098	4,146	**10,826**	11,501
Group products	**1,538**	1,597	1,999	**5,203**	5,825
Premiums and deposits reported in the financial statements	**$ 15,016**	$ 15,085	$ 15,469	**$ 47,301**	$ 32,358
Self-funded premium equivalents (ASO contracts) and other	**3,104**	520	813	**4,436**	2,454
Proprietary mutual funds and institutional deposits	**22,707**	27,471	20,135	**78,531**	62,841
Add back: U.S. Individual Life Insurance & Annuity Business - initial reinsurance ceded premiums	**—**	—	—	**—**	13,889
Total premiums and deposits	**$ 40,827**	$ 43,076	$ 36,417	**$ 130,268**	$ 111,542

Assets under management (AUM) and assets under administration (AUA)
Assets under management and assets under administration are non-IFRS measures that provide an indicator of the size and volume of the Company's overall business.

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. 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.

Other assets under administration includes assets where the Company only provides administration services for which the Company earns fees and other income. These assets are beneficially owned by the clients and the Company does not direct the investing activities. Services provided relating to assets under administration include 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 volumes, size and trends.

Total assets under administration includes total assets per financial statements, proprietary mutual funds and institutional net assets and other assets under administration.

Assets under administration			
	Sept. 30 2020	June 30 2020	Sept. 30 2019
Total assets per financial statements	**$ 473,737**	$ 457,996	$ 446,626
Proprietary mutual funds and institutional net assets	**341,436**	315,326	308,425
Total assets under management	**815,173**	773,322	755,051
Other assets under administration	**845,862**	889,929	841,700
Total assets under administration	**$ 1,661,035**	$ 1,663,251	$ 1,596,751

Sales

Sales is a non-IFRS measure for which there is no comparable measure in IFRS and is an indicator of new business growth. Sales are measured according to product type:

- For risk-based insurance and annuity products, sales 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.

Impact of currency movement

Items impacting the Company's Consolidated Statements of Earnings, such as income and benefits and expenses and net earnings, are translated into Canadian dollars at an average rate for the period. For items impacting the Company's Consolidated Balance Sheets, such as assets and liabilities, period end rates are used for currency translation purposes.

Throughout this document a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis" and "impact of currency movement". These measures highlight the impact of changes in currency translation rates on Canadian dollar equivalent IFRS results and have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. These measures provide useful information as it facilitates the comparability of results between periods.

Pre-tax operating margin

For the Company's Asset Management business unit in the U.S. segment, this ratio provides measure of the profitability of the business unit. It is based on the business unit's pre-tax core net earnings (loss) divided by the sum of fee income and net investment income. There is no directly comparable IFRS measure.

Core net earnings (loss)

For its Asset Management business unit in the U.S segment, the Company discloses core net earnings (loss), which is a measure of the 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.

Core net earnings[1]

	For the three months ended			For the nine months ended	
	Sept. 30 2020	June 30 2020	Sept. 30 2019	**Sept. 30 2020**	Sept. 30 2019
Core net earnings (loss)	**$ 25**	$ 26	$ 22	**$ 19**	$ 50
Less: Financing and other expenses	**(12)**	(14)	(9)	**(36)**	(35)
Net earnings (loss)	**$ 13**	$ 12	$ 13	**$ (17)**	$ 15
Core net earnings (loss) (US$)	**$ 19**	$ 19	$ 17	**$ 14**	$ 38
Less: Financing and other expenses (US$)	**(9)**	(10)	(8)	**(26)**	(27)
Net earnings (loss) (US$)	**$ 10**	$ 9	$ 9	**$ (12)**	$ 11

(1) For the Asset Management business unit, there were no differences between net earnings (loss) and base earnings (loss) in the periods presented.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the nine month period ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

On August 4, 2020, the Company announced the proposed sale of GLC Asset Management Group Ltd. (GLC) to Mackenzie Financial Corporation (Mackenzie), an affiliate of the Company. This is a related party transaction and board of directors of each of the Company and its subsidiary, Canada Life, established a committee of directors independent of management and Mackenzie to assess, review and consider the proposed terms of the transaction and to make recommendations regarding the transaction to its board of directors. The proposed transaction is subject to customary closing conditions including receipt of required regulatory approvals and is expected to be completed in the fourth quarter of 2020.

On August 17, 2020, Empower Retirement, Lifeco's U.S. retirement services business, acquired Personal Capital. Prior to completion of the Personal Capital acquisition, IGM Financial Inc., an affiliated company controlled by Power Corporation, held a 24.8% interest in Personal Capital (approximately 21.7% after giving effect to dilution). The transaction resulted from an auction process conducted by Personal Capital and shareholders other than IGM.

No other related party transactions have changed materially from December 31, 2019.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in Canadian $ millions, except per share amounts)	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue[1]	**$ 13,740**	$ 19,710	$ 10,273	$ 10,689	$ 14,374	$ 2,746	$ 16,889	$ 11,699
Common shareholders								
Base earnings[2]								
Total	**$ 679**	$ 706	$ 543	$ 831	$ 677	$ 627	$ 569	$ 630
Basic - per share	**0.732**	0.761	0.585	0.895	0.729	0.668	0.576	0.638
Diluted - per share	**0.732**	0.761	0.585	0.894	0.728	0.667	0.576	0.638
Net earnings								
Total	**$ 826**	$ 863	$ 342	$ 513	$ 730	$ 459	$ 657	$ 710
Basic - per share	**0.891**	0.930	0.369	0.552	0.786	0.489	0.665	0.719
Diluted - per share	**0.891**	0.930	0.369	0.552	0.785	0.489	0.665	0.719

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

(2) Base earnings attributable to common shareholders and base earnings per common share are non-IFRS measures of earnings performance. The following items were excluded from base earnings in each quarter:

Items excluded from base earnings	2020			2019				2018
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Actuarial assumption changes and other management actions	**$ 66**	$ 122	$ (52)	$ (78)	$ 81	$ 38	$ 129	$ 83
Market-related impact on liabilities	**18**	35	(149)	(13)	(28)	(7)	(41)	(3)
Net gain on sale of IPSI	**94**	—	—	—	—	—	—	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(31)**	—	—	—	—	—	—	—
Net charge on the sale, via indemnity reinsurance, of the U.S. individual life insurance and annuity business	**—**	—	—	—	—	(199)	—	—
Restructuring costs	**—**	—	—	(36)	—	—	—	—
Revaluation of a deferred tax asset	**—**	—	—	(199)	—	—	—	—
Net gain on Scottish Friendly transaction	**—**	—	—	8	—	—	—	—
Total	**$ 147**	$ 157	$ (201)	$ (318)	$ 53	$ (168)	$ 88	$ 80

Lifeco's consolidated net earnings attributable to common shareholders were $826 million for the third quarter of 2020 compared to $730 million reported a year ago. On a per share basis, this represents $0.891 per common share ($0.891 diluted) for the third quarter of 2020 compared to $0.786 per common share ($0.785 diluted) a year ago.

Total revenue for the third quarter of 2020 was $13,740 million and comprises premium income of $9,976 million, regular net investment income of $1,493 million, a positive change in fair value through profit or loss on investment assets of $785 million and fee and other income of $1,486 million.

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency **Period ended**	**Sept. 30 2020**	June 30 2020	Mar. 31 2020	Dec. 31 2019	Sept. 30 2019	June 30 2019	Mar. 31 2019
United States dollar							
Balance sheet	**$ 1.33**	$ 1.36	$ 1.40	$ 1.30	$ 1.32	$ 1.31	$ 1.34
Income and expenses	**$ 1.33**	$ 1.39	$ 1.34	$ 1.32	$ 1.32	$ 1.34	$ 1.33
British pound							
Balance sheet	**$ 1.72**	$ 1.68	$ 1.74	$ 1.72	$ 1.63	$ 1.66	$ 1.74
Income and expenses	**$ 1.72**	$ 1.72	$ 1.72	$ 1.70	$ 1.63	$ 1.72	$ 1.73
Euro							
Balance sheet	**$ 1.56**	$ 1.52	$ 1.55	$ 1.46	$ 1.44	$ 1.49	$ 1.50
Income and expenses	**$ 1.56**	$ 1.53	$ 1.48	$ 1.46	$ 1.47	$ 1.50	$ 1.51

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			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	**September 30 2020**	September 30 2019
Income					
Premium income					
Gross premiums written	**$ 11,190**	$ 11,494	$ 10,660	**$ 34,849**	$ 32,511
Ceded premiums	**(1,214)**	(1,104)	(1,336)	**(3,577)**	(17,479)
Total net premiums	**9,976**	10,390	9,324	**31,272**	15,032
Net investment income (note 5)					
Regular net investment income	**1,493**	1,596	1,452	**4,403**	4,699
Changes in fair value through profit or loss	**785**	6,318	2,102	**3,715**	8,712
Total net investment income	**2,278**	7,914	3,554	**8,118**	13,411
Fee and other income	**1,486**	1,406	1,496	**4,333**	5,566
	13,740	19,710	14,374	**43,723**	34,009
Benefits and expenses					
Policyholder benefits					
Gross	**9,542**	9,777	8,878	**29,354**	27,256
Ceded	**(646)**	(618)	(762)	**(2,241)**	(2,051)
Total net policyholder benefits	**8,896**	9,159	8,116	**27,113**	25,205
Changes in insurance and investment contract liabilities					
Gross	**1,879**	8,575	3,399	**7,820**	12,558
Ceded	**(366)**	(1,675)	(427)	**(1,131)**	(13,648)
Total net changes in insurance and investment contract liabilities	**1,513**	6,900	2,972	**6,689**	(1,090)
Policyholder dividends and experience refunds	**259**	500	352	**1,130**	1,207
Total paid or credited to policyholders	**10,668**	16,559	11,440	**34,932**	25,322
Commissions	**549**	565	571	**1,739**	1,779
Operating and administrative expenses	**1,365**	1,294	1,258	**3,994**	3,933
Premium taxes	**119**	121	123	**356**	378
Financing charges	**71**	69	70	**205**	214
Amortization of finite life intangible assets	**58**	61	57	**175**	164
Earnings before income taxes	**910**	1,041	855	**2,322**	2,219
Income taxes (note 15)	**19**	95	47	**101**	230
Net earnings before non-controlling interests	**891**	946	808	**2,221**	1,989
Attributable to non-controlling interests	**32**	49	45	**90**	43
Net earnings	**859**	897	763	**2,131**	1,946
Preferred share dividends (note 12)	**33**	34	33	**100**	100
Net earnings - common shareholders	**$ 826**	$ 863	$ 730	**$ 2,031**	$ 1,846
Earnings per common share (note 12)					
Basic	**$ 0.891**	$ 0.930	$ 0.786	**$ 2.190**	$ 1.940
Diluted	**$ 0.891**	$ 0.930	$ 0.785	**$ 2.189**	$ 1.939

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2020	June 30 2020	September 30 2019	**September 30 2020**	September 30 2019
Net earnings	**$ 859**	$ 897	$ 763	**$ 2,131**	$ 1,946
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**123**	(523)	(183)	**383**	(863)
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**(40)**	30	50	**(100)**	120
Income tax (expense) benefit	**6**	(4)	(7)	**14**	(16)
Unrealized gains (losses) on available-for-sale assets	**13**	228	71	**263**	323
Income tax (expense) benefit	**(2)**	(40)	(8)	**(46)**	(53)
Realized (gains) losses on available-for-sale assets	**(11)**	(78)	(17)	**(127)**	(45)
Income tax expense (benefit)	**2**	9	1	**14**	4
Unrealized gains (losses) on cash flow hedges	**17**	(3)	2	**19**	4
Income tax (expense) benefit	**(1)**	1	(1)	**(1)**	(1)
Realized (gains) losses on cash flow hedges	**(9)**	1	—	**(8)**	—
Non-controlling interests	**10**	(6)	4	**(73)**	(74)
Income tax (expense) benefit	**1**	6	(1)	**25**	15
Total items that may be reclassified	**109**	(379)	(89)	**363**	(586)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	**(26)**	(629)	(125)	**(328)**	(423)
Income tax (expense) benefit	**2**	159	25	**77**	92
Revaluation surplus on transfer to investment properties (note 7)	**11**	—	—	**11**	—
Income tax (expense) benefit	**(1)**	—	—	**(1)**	—
Non-controlling interests	**(1)**	64	1	**25**	28
Income tax (expense) benefit	**—**	(15)	—	**(6)**	(7)
Total items that will not be reclassified	**(15)**	(421)	(99)	**(222)**	(310)
Total other comprehensive income (loss)	**94**	(800)	(188)	**141**	(896)
Comprehensive income	**$ 953**	$ 97	$ 575	**$ 2,272**	$ 1,050

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

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

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2020 were approved by the Board of Directors on November 4, 2020.

2. Basis of Presentation and Summary of Accounting Policies

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

The financial statements of the Company at September 30, 2020 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated annual audited financial statements for the year ended December 31, 2019 except as described below.

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

<u>Changes in Accounting Policies</u>

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

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

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

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

Use of Significant Judgments, Estimates and Assumptions
In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2019 consolidated annual audited financial statements and notes thereto.

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

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third party credit rating. Given rapid market changes, third party credit rating changes may lag developments in the current environment.

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

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

3. Business Acquisitions, Disposals and Other Transactions

(a) Acquisition of Personal Capital Corporation

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

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

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

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

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

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

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

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

On January 24, 2019, GWL&A announced that it had entered into an agreement with Protective Life Insurance Company (Protective Life) to sell, via indemnity reinsurance, substantially all of its individual life insurance and annuity business in its United States segment. The transaction was completed on June 1, 2019.

The liabilities transferred and ceding commission received at the closing of this transaction are subject to future adjustments. In October 2019, Protective Life provided the Company with its listing of proposed adjustments with respect to the liabilities transferred. In December 2019, the Company formally objected to these proposed adjustments. The Master Transaction Agreement requires the parties to attempt to resolve these differences in an informal manner and that process is ongoing. Based on the information presently known, it is difficult to predict the outcome of this matter with certainty, but this matter is not expected to materially impact the consolidated financial position of the Company. This matter is expected to be resolved in the fourth quarter of 2020.

(c) Sale of Irish Progressive Services International Limited

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

(d) Sale of GLC Asset Management

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

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

(e) Acquisition of MassMutual Retirement Services Business

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

(f) Northleaf Capital Partners Ltd.

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

Subsequent event

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

4. Restructuring Expenses

Putnam Restructuring

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

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

United Kingdom Business Transformation

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

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

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

5. Portfolio Investments

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

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

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

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

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

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

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

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

(c) Net investment income comprises the following:

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

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

5. Portfolio Investments (cont'd)

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

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

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

5. Portfolio Investments (cont'd)

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

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

6. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2019 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2019 consolidated annual audited financial statements.

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

(a) Credit Risk

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

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2019.

(b) Liquidity Risk

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

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

(c) Market Risk

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

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

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

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

(i) Currency Risk

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

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

(ii) Interest Rate Risk

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

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

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk.

The total provision for interest rate risk considers the Canadian Institute of Actuaries prescribed scenarios:

- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2020 and December 31, 2019, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios. The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually.

An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions.

If sustained however, the parallel shift could impact the Company's range of scenarios covered. The following table provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions.

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

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

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees on lifetime Guaranteed Minimum Withdrawal Benefits have been mitigated through a hedging program using equity futures, currency forwards, and interest rate derivatives.

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

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

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

6. Financial Instruments Risk Management (cont'd)

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

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

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

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

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

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

7. Fair Value Measurement

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

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

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

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

7. Fair Value Measurement (cont'd)

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

	September 30, 2020			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 5,372	$ —	$ —	$ 5,372
Financial assets at fair value through profit or loss				
Bonds	—	95,014	72	95,086
Mortgage loans	—	—	1,805	1,805
Stocks	7,921	57	1,200	9,178
Total financial assets at fair value through profit or loss	7,921	95,071	3,077	106,069
Available-for-sale financial assets				
Bonds	—	13,960	—	13,960
Stocks	9	—	8	17
Total available-for-sale financial assets	9	13,960	8	13,977
Investment properties	—	—	5,853	5,853
Funds held by ceding insurers	77	6,203	—	6,280
Derivatives [1]	3	784	—	787
Reinsurance assets	—	141	—	141
Other assets:				
Trading account assets	316	585	—	901
Other [2]	4	92	—	96
Total assets measured at fair value	**$ 13,702**	**$ 116,836**	**$ 8,938**	**$ 139,476**
Liabilities measured at fair value				
Derivatives [3]	$ 1	$ 1,668	$ —	$ 1,669
Investment contract liabilities	—	4,047	—	4,047
Other liabilities	4	92	—	96
Total liabilities measured at fair value	**$ 5**	**$ 5,807**	**$ —**	**$ 5,812**

[1] Excludes collateral received from counterparties of $258.
[2] Includes collateral received under securities lending agreements.
[3] Excludes collateral pledged to counterparties of $831.

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

7. Fair Value Measurement (cont'd)

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

(1) Excludes collateral received from counterparties of $155.
(2) Includes collateral received under securities lending arrangements.
(3) Excludes collateral pledged to counterparties of $580.

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

7. Fair Value Measurement (cont'd)

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

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

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

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

(3) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

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

7. Fair Value Measurement (cont'd)

	December 31, 2019								
	Fair value through profit or loss bonds	Fair value through profit or loss mortgage loans	Fair value through profit or loss stocks[3]	Available-for-sale stocks	Investment properties	Assets held for sale	Total Level 3 assets	Liabilities held for sale	Total Level 3 liabilities
Balance, beginning of year	$ 67	$ 813	$ 404	$ 2	$ 5,218	$ 29	$ 6,533	$ 26	$ 26
Change in accounting policy	—	—	—	—	29	—	29	—	—
Revised balance, beginning of year	67	813	404	2	5,247	29	6,562	26	26
Total gains (losses)									
Included in net earnings	4	109	40	—	37	(2)	188	—	—
Included in other comprehensive income[1]	(4)	(5)	—	—	(36)	(1)	(46)	—	—
Purchases	—	—	299	2	644	—	945	—	—
Issues	—	469	—	—	—	—	469	—	—
Sales	—	—	(65)	—	(5)	(26)	(96)	—	—
Settlements	—	(72)	—	—	—	—	(72)	—	—
Other	—	—	—	—	—	—	—	(26)	(26)
Transfers into Level 3[2]	—	—	—	—	—	—	—	—	—
Transfers out of Level 3[2]	—	—	—	—	—	—	—	—	—
Balance, end of year	$ 67	$ 1,314	$ 678	$ 4	$ 5,887	$ —	$ 7,950	$ —	$ —
Total gains (losses) for the year included in net investment income	$ 4	$ 109	$ 40	$ —	$ 37	$ (2)	$ 188	$ —	$ —
Change in unrealized gains for the year included in earnings for assets held at December 31, 2019	$ 4	$ 105	$ 38	$ —	$ 37	$ —	$ 184	$ —	$ —

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

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies or the placement of redemption restrictions on investments in mutual and segregated funds. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

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

7. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.8% - 11.9%	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 4.0% - 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 2.0%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 3.3% - 4.3%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	September 30, 2020		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 184,379**	**$ 22,194**	**$ 162,185**
Investment contract liabilities	**4,047**	**141**	**3,906**
Total	**$ 188,426**	**$ 22,335**	**$ 166,091**

	December 31, 2019		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 174,521	$ 20,580	$ 153,941
Investment contract liabilities	1,656	127	1,529
Total	$ 176,177	$ 20,707	$ 155,470

9. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	September 30 2020	December 31 2019
Cash and cash equivalents	**$ 15,167**	$ 12,501
Bonds	**49,646**	44,973
Mortgage loans	**2,631**	2,670
Stocks and units in unit trusts	**104,056**	104,330
Mutual funds	**55,494**	55,779
Investment properties [1]	**12,657**	12,986
	239,651	233,239
Accrued income	**394**	373
Other liabilities	**(4,109)**	(3,737)
Non-controlling mutual funds interest	**1,007**	1,147
Total	**$ 236,943**	$ 231,022

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

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

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

9. Segregated Funds (cont'd)

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

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

[1] Excludes other liabilities, net of other assets, of $2,921.

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

[1] Excludes other liabilities, net of other assets, of $3,000.

During the first nine months of 2020, certain foreign stock holdings valued at $2,484 have been transferred from Level 1 to Level 2 ($153 were transferred from Level 1 to Level 2 at December 31, 2019) primarily based on the Company's change in use of inputs in addition to quoted prices in active markets for certain foreign stock holdings. Level 2 assets include those assets where fair value is not available from normal market pricing sources, where inputs are utilized in addition to quoted prices in active markets and where the Company does not have access to the underlying asset details within an investment fund.

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

	September 30, 2020	December 31, 2019		
	Total[1]	Investments on account of segregated fund policyholders	Investments on account of segregated fund policyholders held for sale	Total
Balance, beginning of year	**$ 13,988**	$ 13,235	$ 9	$ 13,244
Change in accounting policy	**—**	136	—	136
Revised balance, beginning of year	**13,988**	13,371	9	13,380
Total gains (losses) included in segregated fund investment income	**71**	141	(1)	140
Purchases	**120**	760	—	760
Sales	**(451)**	(284)	(8)	(292)
Transfers into Level 3	**35**	—	—	—
Transfers out of Level 3	**—**	—	—	—
Balance, end of period	**$ 13,763**	$ 13,988	$ —	$ 13,988

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

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

10. Debentures and Other Debt Instruments

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

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

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

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

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

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

11. Share Capital

Common Shares

	For the nine months ended September 30			
	2020		2019	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**927,281,186**	**$ 5,633**	987,739,408	$ 7,283
Purchased and cancelled under Substantial Issuer Bid	**—**	**—**	(59,700,974)	(2,000)
Excess of redemption proceeds over stated capital per Substantial Issuer Bid	**—**	**—**	—	1,628
Share issuance - Qualifying Holdco Alternative per Substantial Issuer Bid	**—**	**—**	595,747,641	2,306
Cancellation of Shares - Qualifying Holdco Alternative per Substantial Issuer Bid	**—**	**—**	(595,747,641)	(3,610)
Exercised and issued under stock option plan	**445,520**	**14**	846,966	26
Balance, end of period	**927,726,706**	**$ 5,647**	928,885,400	$ 5,633

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

On January 17, 2020, the Company announced a normal course issuer bid commencing January 22, 2020 and terminating January 21, 2021 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the nine months ended September 30, 2020, the Company did not purchase any common shares under the current normal course issuer bid (nil during the nine months ended September 30, 2019 under the previous normal course issuer bid).

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

On March 4, 2019, the Company announced a substantial issuer bid (the Offer) pursuant to which the Company offered to purchase for cancellation up to $2,000 of its common shares from shareholders for cash. The Offer commenced on March 8, 2019 and expired on April 12, 2019. On April 17, 2019, the Company purchased and subsequently cancelled 59,700,974 common shares under the Offer at a price of $33.50 per share for an aggregate purchase price of $2,000. The excess paid over the average carrying value under the Offer was $1,628 and was recognized as a reduction to accumulated surplus. Transaction costs of $3 were incurred in connection with the Offer and charged to accumulated surplus.

Related Party Transaction

As part of the substantial issuer bid, Power Financial Corporation (Power Financial) and IGM participated in the Offer. IGM tendered its Lifeco shares proportionately. Power Financial tendered a portion of its Lifeco common shares on a proportionate basis and all remaining Lifeco common shares on a non-proportionate basis and this did not impact Power Financial's voting control of the Company. Power Financial and IGM effected their tender offers through a Qualifying Holdco Alternative, which the Company also offered to other shareholders, to assist them in achieving certain Canadian tax objectives. Under the Qualifying Holdco Alternative, the Corporation issued and subsequently cancelled 595,747,641 shares which resulted in a net decrease in share capital of $1,304 with a corresponding increase in accumulated surplus.

12. Earnings per Common Share

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Earnings				
Net earnings	**$ 859**	$ 763	**$ 2,131**	$ 1,946
Preferred share dividends	**(33)**	(33)	**(100)**	(100)
Net earnings - common shareholders	**$ 826**	$ 730	**$ 2,031**	$ 1,846
Number of common shares				
Average number of common shares outstanding	**927,696,986**	928,855,248	**927,639,358**	951,777,203
Add: Potential exercise of outstanding stock options	**67,163**	343,713	**94,541**	458,637
Average number of common shares outstanding - diluted basis	**927,764,149**	929,198,961	**927,733,899**	952,235,840
Basic earnings per common share	**$ 0.891**	$ 0.786	**$ 2.190**	$ 1.940
Diluted earnings per common share	**$ 0.891**	$ 0.785	**$ 2.189**	$ 1.939
Dividends per common share	**$ 0.4380**	$ 0.4130	**$ 1.3140**	$ 1.2390

13. Capital Management

(a) Policies and Objectives

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

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

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

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

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

(b) Regulatory Capital

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

The Life Insurance Capital Adequacy Test (LICAT) Ratio compares the regulatory capital resources of a company to its required capital, defined by OSFI, as the aggregate of all defined capital requirements. The total capital resources are provided by the sum of Available Capital, Surplus Allowance and Eligible Deposits. The following provides a summary of the LICAT information and ratios for Canada Life:

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

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

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

14. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	**2020**	2019
Pension plans				
Service costs	**$ 56**	$ 50	**$ 172**	$ 154
Net interest costs	**5**	7	**19**	21
Curtailment[1]	**(9)**	(1)	**(10)**	(2)
	52	56	**181**	173
Other post-employment benefits				
Service costs	**1**	1	**2**	2
Net interest costs	**3**	3	**9**	10
	4	4	**11**	12
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**56**	60	**192**	185
Pension plans - re-measurements				
Actuarial loss	**168**	258	**417**	1,078
Return on assets greater than assumed	**(118)**	(148)	**(98)**	(672)
Administrative expenses less than assumed	**—**	(1)	**(2)**	(3)
Change in the asset ceiling	**(26)**	13	**(10)**	(16)
Pension plans re-measurement loss	**24**	122	**307**	387
Other post-employment benefits - re-measurements				
Actuarial loss	**2**	3	**21**	36
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	**26**	125	**328**	423
Total pension plans and other post-employment benefits expense including re-measurements	**$ 82**	$ 185	**$ 520**	$ 608

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

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

	September 30		June 30		December 31	
	2020	2019	2020	2019	2019	2018
Weighted average discount rate	**2.3 %**	2.4 %	2.4 %	2.6 %	2.6 %	3.4 %

15. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

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

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

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

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

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

16. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2020

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

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

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

For the three months ended September 30, 2019

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

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

[2] Includes commissions, operating and administrative expenses, and premium taxes.

For the nine months ended September 30, 2020

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

[1] Effective January 1, 2020, the Company divided its Europe operating segment into two operating segments: Europe, and Capital and Risk Solutions (note 2).
[2] Includes commissions, operating and administrative expenses, and premium taxes.

16. Segmented Information (cont'd)

For the nine months ended September 30, 2019

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

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

[2] Includes commissions, operating and administrative expenses, and premium taxes.

(b) Consolidated Total Assets and Liabilities

	September 30, 2020				
	Canada	United States	Europe(1)	Capital and Risk Solutions(1)	Total
Assets					
Invested assets	$ 86,224	$ 40,594	$ 49,444	$ 6,114	$ 182,376
Goodwill and intangible assets	5,578	2,965	3,006	—	11,549
Other assets	4,040	20,457	9,671	8,701	42,869
Investments on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	$ 181,727	$ 97,104	$ 180,091	$ 14,815	$ 473,737

	September 30, 2020				
	Canada	United States	Europe(1)	Capital and Risk Solutions(1)	Total
Liabilities					
Insurance and investment contract liabilities	$ 79,483	$ 50,604	$ 46,822	$ 11,517	$ 188,426
Other liabilities	8,753	7,595	4,471	901	21,720
Investment and insurance contracts on account of segregated fund policyholders	85,885	33,088	117,970	—	236,943
Total	$ 174,121	$ 91,287	$ 169,263	$ 12,418	$ 447,089

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

	December 31, 2019				
	Canada	United States	Europe[1]	Capital and Risk Solutions[1]	Total
Assets					
Invested assets	$ 81,179	$ 32,768	$ 48,845	$ 5,995	$ 168,787
Goodwill and intangible assets	5,560	1,990	2,834	—	10,384
Other assets	3,953	19,421	8,465	9,135	40,974
Investments on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
Total	$ 176,304	$ 85,612	$ 174,121	$ 15,130	$ 451,167

	December 31, 2019				
	Canada	United States	Europe[1]	Capital and Risk Solutions[1]	Total
Liabilities					
Insurance and investment contract liabilities	$ 74,939	$ 43,689	$ 45,662	$ 11,887	$ 176,177
Other liabilities	8,448	5,035	3,653	1,289	18,425
Investment and insurance contracts on account of segregated fund policyholders	85,612	31,433	113,977	—	231,022
Total	$ 168,999	$ 80,157	$ 163,292	$ 13,176	$ 425,624

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

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