GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2021

E1138(3/21)-5/21

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 March 31, 2021 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2021 were approved by the Board of Directors at a meeting held today.

Great-West Lifeco Inc. (Lifeco or the Company) today announced its first quarter 2021 results.

Net earnings attributable to common shareholders (net earnings) were $707 million, or $0.76 per common share (EPS), for the first quarter of 2021 compared to $342 million, or $0.37 per common share, for the same quarter last year. Base earnings for the first quarter of 2021 of $739 million, or $0.80 per common share, compared to $543 million or $0.59 per common share a year ago.

Common Shareholders	Q1 2021	Q1 2020
Base earnings[(1)]		
Canada	$298	$273
United States	104	17
Europe	201	132
Capital and Risk Solutions	145	119
Lifeco Corporate	(9)	2
Total base earnings[(1)]	**$739**	**$543**
Items excluded from base earnings[(2)]	**(32)**	**(201)**
Net earnings	**$707**	**$342**
Base EPS[(1)]	**$0.80**	**$0.59**
Net EPS	**$0.76**	**$0.37**
Base return on equity[(1)(3)]	**13.6%**	**13.5%**
Return on equity[(1)(3)]	**15.7%**	**10.3%**

(1) Represents a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of the Company's first quarter of 2021 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, restructuring and integration costs related to the acquisitions of Personal Capital Corporation and the retirement services business of MassMutual. Refer to the "Non-IFRS Financial Measures" section of the Company's first quarter of 2021 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 first quarter of 2021 of $0.80, increased by 36% from $0.59 a year ago primarily due to MassMutual business related base earnings of $48 million (US$38 million), business growth in the Capital and Risk Solutions segment as well as the impact of higher equity market levels in most jurisdictions. The Company acquired the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) on December 31, 2020.

Reported net EPS for the first quarter of 2021 was $0.76, up from $0.37 in 2020. The increase was primarily due to an increase in base earnings as well as the impact of more favourable market conditions. Net earnings in the first quarter of 2020 reflected the impacts of significant market declines and volatility driven by the onset of the COVID-19 pandemic during that period.

GREAT-WEST LIFECO INC.

Highlights – In Quarter

Key strategic transactions advanced in quarter

- Annualized run rate cost synergies of US$40 million pre-tax have been achieved as of March 31, 2021 related to the Company's acquisition of MassMutual's retirement services business. The Company remains on track to achieve annualized run rate cost synergies of US$160 million pre-tax at the end of integration in 2022.

Consolidated assets under administration of $2.1 trillion

- Assets under administration were $2.1 trillion at March 31, 2021, an increase of 5% from December 31, 2020 primarily due to the impact of equity market movement and new business growth, partially offset by the impact of currency movement.

Capital strength and financial flexibility maintained

- The Company’s capital position remained strong at March 31, 2021, with a LICAT Ratio for Canada Life, Lifeco's major Canadian operating subsidiary, of 123% which is above the Company’s internal target range and the supervisory target.

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 first quarter of 2021 interim Management’s Discussion and Analysis (MD&A).

CANADA

- **Q1 Canada segment base earnings of $298 million and net earnings of $287 million** – Base earnings for the first quarter of 2021 were $298 million compared to $273 million in the first quarter of 2020, an increase of 9%. The increase was primarily due to favourable morbidity experience in Group Customer and favourable impact of new business in Individual Customer, partially offset by lower contributions from investment experience. Net earnings for the first quarter of 2021 were $287 million, up from $151 million in the first quarter of 2020, primarily due to the significant market declines and volatility experienced during the first quarter of 2020 at the onset of the COVID-19 pandemic.
- **Continuing to deliver market-leading solutions to Canadians** – On April 5, 2021, Canada Life launched My Term, a new customizable life insurance product that allows our customers in Canada to choose the coverage option that works best for them. The Company also began providing HumanisRx’s MedCheckUp program to customers who are receiving disability benefits and have complex or unique medication needs. Canada Life is the first national insurer in Canada to offer medication reviews for disability.

UNITED STATES

- **Q1 U.S. Financial Services base earnings of US$84 million and net earnings of US$74 million** – U.S. Financial Services (primarily Empower Retirement) base earnings for the first quarter of 2021 were US$84 million, up from US$42 million in the first quarter of 2020. The increase was primarily due to MassMutual related base earnings of US$38 million, net business growth, driven by higher average equity markets and an increase in participants, and higher contributions from investment experience. These items were partially offset by a Personal Capital related base loss of US$11 million. Net earnings for the first quarter of 2021 were US$74 million, up from US$33 million in the first quarter of 2020, primarily due to the same reasons discussed for base earnings.

- **Empower Retirement increases market share to 12% by participants and 11% by assets** – Empower Retirement led the defined contribution plan recordkeeper industry in growth by both participants and assets in 2020. The Company solidified its position as the second largest defined contribution recordkeeper in the U.S., improving its market share to 12% by participants and 11% by assets. Empower Retirement assets under administration and participants were buoyed by the completion of a large plan sale in the first quarter of 2021 with approximately 316,000 participants and US$49 billion in assets under administration.
- **Q1 Putnam net loss of US$3 million** – Putnam's net loss for the first quarter of 2021 was US$3 million, an improvement of US$28 million compared to the first quarter of 2020. The improvement in Putnam's results was primarily due to lower unrealized losses on seed capital and higher fee revenue, partially offset by higher compensation related expenses. For Putnam, there were no differences between net and base earnings.
- **Putnam average assets under management up 12%** – Putnam's average assets under management for the first quarter of 2021 were US$193.9 billion, an increase of US$21.5 billion compared to the same quarter last year, primarily due to strong equity markets and cumulative net inflows over the period. Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2021, approximately 79% and 92% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 66% and 68% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 24 funds currently rated 4-5 stars by Morningstar.

EUROPE

- **Q1 Europe segment base earnings of $201 million and net earnings of $195 million** – Base earnings for the first quarter of 2021 were $201 million compared to $132 million in the first quarter of 2020. The increase was primarily due to favourable morbidity and longevity experience, partially offset by unfavourable mortality experience. Net earnings for the first quarter of 2021 were $195 million, up from $91 million in the first quarter of 2020, primarily due to the same reasons discussed for base earnings and improved market-related impacts in Ireland and Germany mainly due to unhedged market movements experienced in the first quarter of 2020.
- **Leading position in the U.K. Group Protection market** – The recent Group Protection industry survey 'Group Watch 2021' from Swiss Re confirmed Canada Life U.K. as the leading provider by in-force premium, policies and lives insured. The survey highlights Canada Life's growth in the U.K. in 2020, during the pandemic, which was supported by the extension of digital services for customers. On March 1, 2021, access to Canada Life U.K.'s 'WeCare' was extended to cover Group Income Protection customers as well as for smaller employers via the CLASS portal. 'WeCare' provides an extensive range of virtual services to support the improvement of the physical, mental and financial well-being of employees.

CAPITAL AND RISK SOLUTIONS

- **Q1 Capital and Risk Solutions segment base and net earnings of $145 million** – Base earnings for the first quarter of 2021 were $145 million, compared to $119 million in the first quarter of 2020. The increase was primarily due to growth in the underlying business and favourable claims experience in the longevity business, partially offset by less favourable claims experience in the life business. Net earnings for the first quarter of 2021 of $145 million, increased from $93 million in the first quarter of 2020, primarily due to the same reasons discussed for base earnings as well as improved market-related impact on a legacy block of business.
- **€4.7 billion longevity reinsurance agreement announced** – On March 18, 2021, the Company announced it had entered into a longevity reinsurance agreement with an insurance company in the Netherlands. The

agreement covers approximately €4.7 billion of pension liabilities and approximately 104,500 in-payment and deferred policies.

- **Expanding into new markets** – In the first quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. The agreement covers a block of in-force whole life policies.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.4380 per share on the common shares of Lifeco payable June 30, 2021 to shareholders of record at the close of business June 2, 2021.

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	June 2, 2021	June 30, 2021	$0.36875
Series G	June 2, 2021	June 30, 2021	$0.3250
Series H	June 2, 2021	June 30, 2021	$0.30313
Series I	June 2, 2021	June 30, 2021	$0.28125
Series L	June 2, 2021	June 30, 2021	$0.353125
Series M	June 2, 2021	June 30, 2021	$0.3625
Series N	June 2, 2021	June 30, 2021	$0.109313
Series P	June 2, 2021	June 30, 2021	$0.3375
Series Q	June 2, 2021	June 30, 2021	$0.321875
Series R	June 2, 2021	June 30, 2021	$0.3000
Series S	June 2, 2021	June 30, 2021	$0.328125
Series T	June 2, 2021	June 30, 2021	$0.321875

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

P. A. Mahon
President and Chief Executive Officer

May 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2021
DATED: MAY 5, 2021

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, financial performance and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2021 and includes a comparison to the corresponding periods in 2020, to the three months ended December 31, 2020, and to the Company's financial condition as at December 31, 2020. 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.

TABLE OF CONTENTS

Basis of Presentation and Summary of Accounting Principles
1 Cautionary Note Regarding Forward-Looking Information
2 Cautionary Note Regarding Non-IFRS Financial Measures

Consolidated Operating Results
3 Financial Highlights
3 COVID-19 Pandemic Impacts
4 Base and Net Earnings
6 Income Taxes
7 Premiums and Deposits and Sales
8 Net Investment Income
9 Fee and Other Income
9 Net Policyholder Benefits, Dividends and Experience Refunds

Consolidated Financial Position
10 Assets
13 Liabilities
14 Lifeco Capital Structure

Liquidity and Capital Management
15 Liquidity
16 Cash Flows
16 Commitments/Contractual Obligations
16 Capital Management and Adequacy
19 Return on Equity
19 Ratings

Segmented Operating Results
20 Canada
23 United States
27 Europe
30 Capital and Risk Solutions

Risk Management and Control Practices
32 Risk Management and Control Practices

Accounting Policies
32 International Financial Reporting Standards

Other Information
32 Non-IFRS Financial Measures
36 Disclosure Controls and Procedures
36 Internal Control Over Financial Reporting
37 Transactions with Related Parties
37 Quarterly Financial Information
38 Translation of Foreign Currency
38 Additional Information

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The condensed consolidated interim unaudited financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2021. Also refer to the 2020 Annual MD&A and audited consolidated financial statements in the Company's 2020 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, anticipated global economic conditions and possible future actions by the Company, including statements made with respect to the expected cost (including deferred consideration), benefits, timing of integration activities and revenue and expense synergies of acquisitions and divestitures, including the recent acquisitions of Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), expected capital management activities and use of capital, estimates of risk sensitivities affecting capital adequacy ratios, expected dividend levels, expected cost reductions and savings, expected expenditures or investments (including but not limited to investment in technology infrastructure and digital capabilities), 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.

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. 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. Whether or not actual results differ from forward-looking information may depend on numerous factors, developments and assumptions, including, without limitation, the severity, magnitude and impact of the novel coronavirus (COVID-19) pandemic (including the effects of the COVID-19 pandemic and the effects of governments' and other businesses' responses to the COVID-19 pandemic on the economy and the Company's financial results, financial condition and operations), the duration of COVID-19 impacts and the availability and adoption of vaccines, 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 business of MassMutual, the ability to leverage Empower Retirement's, Personal Capital's and MassMutual's retirement services businesses and achieve anticipated synergies, customer behaviour (including customer response to new products), 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), business competition, 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 other general economic, political and market factors in North America and internationally.

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 2020 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 10, 2021 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", "sales", "net cash flows and net asset flows", "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		
	March 31 2021	Dec. 31 2020	March 31 2020
Earnings			
Base earnings[1]	**$ 739**	$ 741	$ 543
Net earnings - common shareholders	**707**	912	342
Per common share			
Basic:			
Base earnings[1]	**0.796**	0.799	0.585
Net earnings	**0.762**	0.983	0.369
Diluted net earnings	**0.761**	0.983	0.369
Dividends paid	**0.438**	0.438	0.438
Book value	**23.36**	22.97	22.34
Base return on equity[1]	**13.6 %**	12.8 %	13.5 %
Return on equity[1]	**15.7 %**	14.1 %	10.3 %
Total premiums and deposits[1][2]	**$ 46,272**	$ 40,831	$ 46,477
Fee and other income	**1,751**	1,569	1,441
Net policyholder benefits, dividends and experience refunds	**13,143**	9,916	9,429
Total assets per financial statements	**$ 592,759**	$ 600,490	$ 436,903
Proprietary mutual funds and institutional net assets[1]	**350,882**	350,943	288,309
Total assets under management[1]	**943,641**	951,433	725,212
Other assets under administration[1]	**1,134,222**	1,024,414	798,847
Total assets under administration[1]	**$2,077,863**	$1,975,847	$1,524,059
Total equity	**$ 27,385**	$ 27,015	$ 26,441
The Canada Life Assurance Company consolidated LICAT Ratio[3]	**123 %**	129 %	133 %

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Comparative figures have been reclassified to reflect presentation adjustments.
(3) 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

The COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While several vaccines for COVID-19 have been approved, the availability and uncertainty around the effectiveness of vaccines and the emergence of COVID-19 variants that could be more contagious have created further economic uncertainty. Governments in some regions in which the Company operates have instituted tighter lockdown restrictions that have caused further economic uncertainty. However, governments and central banks continue to provide significant monetary and fiscal interventions designed to stabilize economic conditions.

The Company's financial outlook for the remainder of 2021 will depend in part on the duration and intensity of the COVID-19 pandemic impacts and the availability and adoption of vaccines. The impact of the pandemic on mortality, longevity, disability and other claims experience in future periods remains uncertain, however, net impacts have not been material. The Company continues to manage 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 Company's well-diversified businesses, 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 Canada Life and its operating subsidiaries, GWL&A and Putnam, together with Lifeco's corporate operating results.

Base earnings[1] and Net earnings - common shareholders

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)[1]			
Canada	**$ 298**	$ 348	$ 273
United States	**104**	90	17
Europe	**201**	195	132
Capital and Risk Solutions	**145**	124	119
Lifeco Corporate	**(9)**	(16)	2
Lifeco base earnings[1]	**$ 739**	$ 741	$ 543
Items excluded from base earnings[1]			
Actuarial assumption changes and other management actions[1]	**$ 5**	$ (23)	$ (52)
Market-related impacts on liabilities[1]	**(24)**	(31)	(149)
Net gain/charge on business dispositions[1]	**—**	143	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual[1][2]	**(1)**	(47)	—
Revaluation of a deferred tax asset[1]	**—**	196	—
Restructuring and integration costs[1]	**(12)**	(67)	—
Items excluded from Lifeco base earnings[1]	**$ (32)**	$ 171	$ (201)
Net earnings (loss) - common shareholders			
Canada	**$ 287**	$ 300	$ 151
United States	**89**	208	5
Europe	**195**	253	91
Capital and Risk Solutions	**145**	167	93
Lifeco Corporate	**(9)**	(16)	2
Lifeco net earnings - common shareholders	**$ 707**	$ 912	$ 342

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) The transaction costs incurred to date relate to the acquisitions of Personal Capital and the retirement services business of MassMutual and 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 first quarter of 2021 of $739 million ($0.796 per common share) increased by $196 million from $543 million ($0.585 per common share) a year ago. The increase was primarily due to MassMutual business related base earnings of $48 million (US$38 million), business growth in the Capital and Risk Solutions segment as well as the impact of higher equity market levels in most jurisdictions. The Company also had favourable morbidity experience in the Europe and Canada segments as well as annuitant experience in Europe. The Company acquired the retirement services business of MassMutual on December 31, 2020.

Net earnings
Lifeco's net earnings for the three month period ended March 31, 2021 of $707 million ($0.762 per common share) increased by $365 million compared to $342 million ($0.369 per common share) a year ago. The increase was primarily due to an increase in base earnings as well as the impact of more favourable market conditions which resulted in favourable contributions from actuarial assumption changes and other management actions and lower unfavourable market-related impacts on liabilities. Net earnings in the first quarter of 2020 reflected the impacts of significant market declines and volatility driven by the onset of the COVID-19 pandemic.

Lifeco's net earnings for the three month period ended March 31, 2021 of $707 million ($0.762 per common share) decreased by $205 million or 22% compared to $912 million (0.983 per common share) in the previous quarter. The decrease in net earnings was primarily due to the fourth quarter of 2020 including the positive impact of the revaluation of a deferred tax asset of $196 million in the U.S. segment and a net gain of $143 million related to the sale of GLC Asset Management Group Ltd. (GLC). These items were partially offset by lower restructuring and transaction costs and higher contributions from actuarial assumption changes.

Actuarial Assumption Changes and Other Management Actions
For the three months ended March 31, 2021, actuarial assumption changes and other management actions excluding transaction costs related to the acquisition of MassMutual's retirement services business, resulted in a positive net earnings impact of $5 million. This compares to a negative impact of $52 million for the same quarter last year.

In Europe, net earnings were positively impacted by $18 million, primarily due to updated economic assumptions. In Canada, net earnings were negatively impacted by $13 million, primarily due to valuation model refinements.

Market-Related Impacts
In the regions where the Company operates, average equity market levels for the three months ended March 31, 2021 were higher in the U.S., Canada and broader Europe and lower in the U.K. compared to the same period in 2020. Markets ended the quarter at higher levels compared to December 31, 2020.

Comparing the first quarter of 2021 to the first quarter of 2020, average equity market levels were up by 26% in the U.S. (as measured by S&P 500), up 13% in Canada (as measured by S&P TSX), up 8% in broader Europe (as measured by EURO STOXX 50) and down 3% in the U.K. (as measured by FTSE 100). The major equity indices finished the first quarter of 2021 up by 7% in Canada, 6% in the U.S., 4% in the U.K. and 10% in broader Europe compared to December 31, 2020.

In countries where the Company operates, interest rates increased while credit spreads remained consistent during the quarter.

Market-related impacts on liabilities negatively impacted net earnings by $24 million in the first quarter of 2021 (negative impact of $149 million in the first quarter of 2020). The negative impact of $24 million in the first quarter of 2021 primarily reflects updated cash flow projections for real estate which support insurance contract liabilities. In the first quarter of 2020, negative market-related impacts were $149 million reflecting the unfavourable impacts of a decline in equity markets and interest rates in-period, driven by the COVID-19 pandemic, 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.

In addition, base earnings were negatively impacted by $5 million during the first quarter of 2021 (negative $24 million in the first quarter of 2020) primarily due to a net decline in the market value of seed capital investments held in the U.S. Asset Management business unit.

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 March 31, 2021.

Foreign Currency

The average currency translation rate for the first quarter of 2021 decreased for the U.S. dollar and increased for the euro and the British pound compared to the first quarter of 2020. The overall impact of currency movement on the Company's net earnings for the three months ended March 31, 2021 was nil compared to translation rates a year ago.

From December 31, 2020 to March 31, 2021, the market rates at the end of the reporting period used to translate U.S. dollar, euro and British pound assets and liabilities to the Canadian dollar decreased. The movements in end-of-period exchange rates resulted in post-tax unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of $278 million in-quarter 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 26.50% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

Effective income tax rate

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings - Common shareholders[(1)]	**9.8 %**	13.3 %	13.8 %
Net earnings - Common shareholders	**9.5 %**	(20.4)%	(0.6)%
Base earnings - Total Lifeco[(1)]	**7.4 %**	11.0 %	12.0 %
Net earnings - Total Lifeco	**6.9 %**	(24.4)%	(3.5)%

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

In the first quarter of 2021, the Company had an effective income tax rate on base earnings of 7.4%, which was down from 12.0% in the first quarter of 2020 primarily due to changes in certain tax estimates.

In the first quarter of 2021, the Company had an overall effective income tax rate on net earnings of 6.9%, up from negative 3.5% in the first quarter of 2020, primarily due to a favourable tax item in the first quarter of 2020 in the U.K., driven by market movements, which contributed a 9.4 point decrease but had a negligible impact in the first quarter of 2021.

Refer to note 14 in the Company's condensed consolidated interim unaudited financial statements for the period ended March 31, 2021 for further details.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits[(1)]	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada[(2)]	**$ 7,675**	$ 7,017	$ 7,000
United States	**22,697**	20,582	24,411
Europe	**8,434**	7,896	10,460
Capital and Risk Solutions[(3)]	**7,466**	5,336	4,606
Total premiums and deposits[(1)(2)]	**$ 46,272**	$ 40,831	$ 46,477

Sales[(1)(3)]	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada	**$ 4,733**	$ 3,729	$ 3,632
United States	**98,939**	27,439	53,231
Europe	**7,226**	6,874	9,668
Total sales[(1)(3)]	**$ 110,898**	$ 38,042	$ 66,531

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) Comparative figures have been reclassified to reflect presentation adjustments.
(3) Sales is not a relevant measure for the Capital and Risk Solutions segment due to the nature of operations.

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, as applicable, in the "Segmented Operating Results" section.

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Investment income earned (net of investment properties expenses)	**$ 1,573**	$ 1,380	$ 1,318
Net allowances for credit losses on loans and receivables	**(6)**	(6)	(9)
Net realized gains	**30**	220	48
Regular investment income	**1,597**	1,594	1,357
Investment expenses	**(41)**	(34)	(43)
Regular net investment income	**1,556**	1,560	1,314
Changes in fair value through profit or loss	**(5,551)**	1,984	(3,388)
Net investment income	**$ (3,995)**	$ 3,544	$ (2,074)

Net investment income in the first quarter of 2021, which includes changes in fair value through profit or loss, decreased by $1,921 million compared to the same quarter last year. The changes in fair value in the first quarter of 2021 were a decrease of $5,551 million compared to $3,388 million for the first quarter of 2020. In the first quarter of 2021, the net decrease to fair values was primarily due to an increase in corporate and government bond yields across all geographies. In the first quarter of 2020, the net decrease to fair values was primarily due to an increase in corporate bond yields across all geographies and a decline in Canadian equity markets.

Regular net investment income in the first quarter of 2021 of $1,556 million, which excludes changes in fair value through profit or loss, increased by $242 million compared to the same quarter last year. The increase was primarily due to income earned on bonds and mortgages acquired through the MassMutual transaction in the fourth quarter of 2020. Net realized gains include gains on available-for-sale securities of $10 million for the first quarter of 2021 compared to $39 million for the same quarter last year.

Credit Markets

As a result of the COVID-19 pandemic, many areas of the credit markets exhibited extreme volatility in March of 2020 with spreads widening in investment grade and high yield markets. However, since March 2020, credit spreads narrowed significantly. Some downgrades have been seen across industries from the rating agencies, particularly to issuers in sectors most affected by economic shutdowns or perceived deterioration in future business models. The Company experienced a lower impact from downgrades during the first quarter of 2021 compared to the first quarter of 2020. Depending on the length of the shutdowns and recovery of the economy there could be a larger impact from downgrades in future periods.

In the first quarter of 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $1 million ($2 million net negative impact in the first quarter of 2020). 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 $8 million ($19 million net negative impact in the first quarter of 2020), primarily due to downgrades of various corporate bond holdings.

FEE AND OTHER INCOME

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as 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		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada			
Segregated funds, mutual funds and other	**$ 416**	$ 407	$ 390
ASO contracts	**53**	54	50
	469	461	440
United States			
Segregated funds, mutual funds and other	**927**	754	665
Europe			
Segregated funds, mutual funds and other	**353**	351	333
Capital and Risk Solutions			
Reinsurance and other	**2**	3	3
Total fee and other income	**$ 1,751**	$ 1,569	$ 1,441

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

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Canada	**$ 2,633**	$ 2,556	$ 2,232
United States	**3,376**	1,072	1,523
Europe	**936**	1,003	855
Capital and Risk Solutions	**6,198**	5,285	4,819
Total	**$ 13,143**	$ 9,916	$ 9,429

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

For the three months ended March 31, 2021, net policyholder benefits, dividends and experience refunds were $13.1 billion, an increase of $3.7 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 and volume changes relating to existing business in the Capital and Risk Solutions segment as well as higher surrender benefits in the Canada and U.S. segments. The higher surrender benefits in the U.S. segment were primarily driven by the MassMutual retirement services business, which was acquired, via indemnity reinsurance, on December 31, 2020.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	March 31, 2021				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 85,912**	**$ 52,498**	**$ 48,384**	**$ 7,222**	**$ 194,016**
Goodwill and intangible assets	**5,634**	**5,676**	**2,995**	**—**	**14,305**
Other assets	**3,676**	**29,092**	**9,707**	**8,387**	**50,862**
Investments on account of segregated fund policyholders	**92,462**	**116,710**	**124,404**	**—**	**333,576**
Total assets	**187,684**	**203,976**	**185,490**	**15,609**	**592,759**
Proprietary mutual funds and institutional net assets[1]	**6,437**	**284,847**	**59,598**	**—**	**350,882**
Total assets under management[1]	**194,121**	**488,823**	**245,088**	**15,609**	**943,641**
Other assets under administration[1]	**19,412**	**1,104,495**	**10,315**	**—**	**1,134,222**
Total assets under administration[1]	**$ 213,533**	**$ 1,593,318**	**$ 255,403**	**$ 15,609**	**$ 2,077,863**

	December 31, 2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 87,732	$ 54,522	$ 50,793	$ 5,951	$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	—	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total assets	187,698	208,580	189,351	14,861	600,490
Proprietary mutual funds and institutional net assets[1]	7,311	284,251	59,381	—	350,943
Total assets under management[1]	195,009	492,831	248,732	14,861	951,433
Other assets under administration[1]	18,554	994,989	10,871	—	1,024,414
Total assets under administration[1]	$ 213,563	$ 1,487,820	$ 259,603	$ 14,861	$ 1,975,847

(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 March 31, 2021 increased by $102 billion to $2.1 trillion compared to December 31, 2020, primarily due to the impact of equity market movement and new business growth, partially offset by the impact of currency movement.

Total assets at March 31, 2021 reflect management’s current best estimate of the purchase price allocation related to the MassMutual transaction, including estimates for goodwill and intangible assets. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2021.

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 $134.1 billion or 69% of invested assets at March 31, 2021 compared to $137.6 billion or 69% at December 31, 2020. The decrease in the bond portfolio was primarily due to a decline in fair values resulting from an increase in bond yields across all geographies. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 74% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to March 31, 2021. Management continues to closely monitor bond rating agency activity and general market conditions as the pandemic continues.

Bond portfolio quality	March 31, 2021		December 31, 2020	
AAA	**$ 19,503**	**15 %**	$ 21,820	16 %
AA	**33,981**	**25**	35,530	26
A	**45,861**	**34**	45,673	33
BBB	**33,529**	**25**	33,382	24
BB or lower	**1,181**	**1**	1,187	1
Total	**$ 134,055**	**100 %**	$ 137,592	100 %

At March 31, 2021, non-investment grade bonds were $1.2 billion or 0.9% of the bond portfolio, which is comparable to December 31, 2020.

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	March 31, 2021 Insured	Non-insured	Total		December 31, 2020 Total	
Single family residential	**$ 513**	**$ 1,522**	**$ 2,035**	**7 %**	$ 2,063	7 %
Multi-family residential	**3,211**	**4,104**	**7,315**	**27**	7,353	27
Equity release	**—**	**2,034**	**2,034**	**7**	2,020	7
Commercial	**232**	**15,999**	**16,231**	**59**	16,367	59
Total	**$ 3,956**	**$ 23,659**	**$ 27,615**	**100 %**	$ 27,803	100 %

The total mortgage portfolio was $27.6 billion or 14% of invested assets at March 31, 2021, compared to $27.8 billion or 14% of invested assets at December 31, 2020. Total insured loans were $4.0 billion or 14% 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 expected to have a material impact on the Company’s performance.

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 March 31, 2021, the total actuarial provision for future credit losses in insurance contract liabilities was $3,138 million compared to $3,368 million at December 31, 2020, a decrease of $230 million. The decrease was primarily due to interest rate movements, assumption updates and the impact of currency movement.

The aggregate of impairment provisions of $61 million ($62 million at December 31, 2020) and actuarial provision for future credit losses in insurance contract liabilities of $3,138 million ($3,368 million at December 31, 2020) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2021 (1.9% at December 31, 2020).

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2021, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $172 million ($211 million at December 31, 2020) and pledged on derivative liabilities was $667 million ($560 million at December 31, 2020). Collateral received on derivatives assets decreased and collateral pledged on derivatives liabilities increased, primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates.

During the three month period ended March 31, 2021, the outstanding notional amount of derivative contracts decreased by $2.1 billion to $28.0 billion, primarily due to a decrease in forward settling mortgage backed security transactions ("to-be-announced-securities").

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $669 million at March 31, 2021 from $829 million at December 31, 2020. The decrease is primarily driven by the impact of increases to market interest rates on interest rate swaps that receive fixed and pay floating rates. There were no changes to derivative counterparty ratings during the first quarter of 2021 and all had investment grade ratings as of March 31, 2021.

LIABILITIES

Total liabilities

	March 31 2021	December 31 2020
Insurance and investment contract liabilities	**$ 210,834**	$ 218,047
Other general fund liabilities	**20,964**	21,396
Investment and insurance contracts on account of segregated fund policyholders	**333,576**	334,032
Total	**$ 565,374**	$ 573,475

Total liabilities decreased by $8.1 billion to $565.4 billion at March 31, 2021 from December 31, 2020.

Insurance and investment contract liabilities decreased by $7.2 billion, primarily due to fair value adjustments, normal business movements and the impact of currency movement. These items were partially offset by the impact of new business. Investment and insurance contracts on account of segregated fund policyholders decreased by $0.5 billion, primarily due to the negative impact of currency movement of $5.8 billion and net withdrawals of $3.0 billion, partially offset by the impact of net market value gains and investment income of $8.2 billion. Other general fund liabilities decreased by $0.4 billion, primarily due to a decrease of $0.2 billion in debentures and other debt instruments as well as a decrease of $0.1 billion 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 2020 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 tied to the market values of the investment funds.

Guaranteed minimum withdrawal benefit (GMWB) products offered by the Company in the U.S. and Germany, and previously offered in Canada and Ireland, provide income guarantees and in addition, may provide death and maturity guarantees. The Company has a hedging program in place to manage a portion of the market and interest rate risk associated with options embedded in its GMWB products. At March 31, 2021, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,293 million ($3,375 million at December 31, 2020).

Segregated fund and variable annuity guarantee exposure

		March 31, 2021			
		Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total[1]**
Canada	$ 33,890	$ 1	$ 12	$ 34	$ 34
United States	20,405	1	—	20	21
Europe	10,736	4	—	770	770
Capital and Risk Solutions[2]	878	232	—	—	232
Total	**$ 65,909**	**$ 238**	**$ 12**	**$ 824**	**$ 1,057**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2021.

(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at March 31, 2021 of $1,057 million decreased by $260 million compared to December 31, 2020, primarily due to an increase in market values. The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on March 31, 2021 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 $3 million in-quarter ($8 million for the first quarter of 2020) 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 March 31, 2021, debentures and other debt instruments decreased by $228 million to $9,465 million compared to December 31, 2020 primarily due to the impact of currency movement.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2021 was $8,383 million, which comprises $5,669 million of common shares and $2,714 million of preferred shares. Preferred shares included $2,464 million of non-cumulative First Preferred Shares and $250 million of 5-year rate reset First Preferred Shares.

The Company renewed its normal course issuer bid (NCIB) effective January 27, 2021 for one year to purchase and cancel up to but no more than 20,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes. During the three months ended March 31, 2021, the Company did not purchase any common shares under the current NCIB (nil for the three months ended March 31, 2020). The Company does not currently intend to engage in share repurchases that reduce its outstanding shares while the Office of the Superintendent of Financial Institutions (OSFI) maintains its expectation that the institutions it regulates suspend share buybacks due to ongoing impacts of the COVID-19 pandemic.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At March 31, 2021, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.6 billion ($11.2 billion at December 31, 2020) and other liquid assets and marketable securities of $98.2 billion ($100.2 billion at December 31, 2020). Included in the cash, cash equivalents and short-term bonds at March 31, 2021 was $1.0 billion ($0.9 billion at December 31, 2020) 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, cash equivalents and short-term bonds decreased at March 31, 2021 compared to December 31, 2020 as a result of the reinvestment of cash acquired through the acquisition of the retirement services business of MassMutual at the end of 2020. 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. Regulators in Canada and the U.K., where some of the Company's regulated subsidiaries operate, have maintained the guidance they provided in 2020 on the payment of dividends and other shareholder distributions during the ongoing pandemic. In Ireland, the Central Bank of Ireland (CBI) updated its previous guidance to cap dividends by significant insurance firms during the first three quarters of 2021. Irish Life Assurance plc is a significant insurance firm for this purpose but the Company's other regulated operating Irish subsidiaries are not.

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2021	2020
Cash flows relating to the following activities:		
Operations	**$ 1,793**	$ 1,930
Financing	**(529)**	(467)
Investment	**(3,531)**	(711)
	(2,267)	752
Effects of changes in exchange rates on cash and cash equivalents	**(63)**	255
Increase (decrease) in cash and cash equivalents in the period	**(2,330)**	1,007
Cash and cash equivalents, beginning of period	**7,946**	4,628
Cash and cash equivalents, end of period	**$ 5,616**	$ 5,635

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

In the first quarter of 2021, cash and cash equivalents decreased by $2,330 million from December 31, 2020. Cash flows provided by operations during the first quarter of 2021 were $1,793 million, a decrease of $137 million compared to the first quarter of 2020. Cash flows used by financing of $529 million were primarily used for the payments of dividends to common and preferred shareholders of $439 million and a decrease in the line of credit of a subsidiary of $108 million. For the three months ended March 31, 2021, cash flows were used by the Company to acquire an additional $3,531 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2020.

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 operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, 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 March 31, 2021 was 123% (129% at December 31, 2020). The LICAT Ratio does not take into account any impact from $1.0 billion of liquidity at the Lifeco holding company level at March 31, 2021 ($0.9 billion at December 31, 2020). The six point decrease in the LICAT Ratio from December 31, 2020 is primarily due to the rising risk free interest rates in the quarter. The continued phasing in of the impact of the LICAT interest rate scenario shift in North America during 2020 contributed a one point decrease to the ratio this quarter. The growth in capital requirements from new business and investment activities was partly offset by in-period net earnings.

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

LICAT Ratio	**March 31 2021**	Dec. 31 2020
Tier 1 Capital	**$ 11,750**	$ 11,593
Tier 2 Capital	**4,174**	4,568
Total Available Capital	**15,924**	16,161
Surplus Allowance & Eligible Deposits	**13,378**	14,226
Total Capital Resources	**$ 29,302**	$ 30,387
Required Capital	**$ 23,909**	$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%)[1]	**123 %**	129 %

(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 March 31, 2021. 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	March 31, 2021			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	1 point	1 point	0 points	0 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	March 31, 2021	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

LICAT sensitivities are rounded to the nearest point. 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. OSFI prescribes 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.

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 less than a 1 point decrease in the current quarter ratio with the remaining decrease of approximately 3 points being reflected over the next 3 quarters, if the Company remains on the current scenario.

OSFI Regulatory Capital Initiatives

OSFI issued an Advisory effective for January 1, 2021, which confirmed the interest rate risk smoothing calculation on participating insurance, and provided clarification of available capital for certain participating insurance blocks. The available capital clarification impacted the March 31, 2021 LICAT Ratio by less than 1 point. The Advisory will remain in effect until January 1, 2023, when it will be subsequently incorporated into the LICAT guideline.

The Company will continue to work with OSFI, the Canadian Institute of Actuaries, and other industry participants, as the LICAT guideline further evolves to allow for 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 of the Company's 2020 Annual MD&A for further details.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[1]	March 31 2021	Dec. 31 2020	March 31 2020
Canada	**18.7 %**	18.5 %	17.2 %
U.S. Financial Services	**6.7 %**	8.6 %	9.9 %
U.S. Asset Management (Putnam)	**2.7 %**	0.7 %	(0.5)%
Europe	**12.9 %**	11.8 %	12.1 %
Capital and Risk Solutions	**39.4 %**	38.8 %	36.9 %
Total Lifeco Base Earnings Basis[1]	**13.6 %**	12.8 %	13.5 %

Return on Equity[1]	March 31 2021	Dec. 31 2020	March 31 2020
Canada	**18.3 %**	16.4 %	13.2 %
U.S. Financial Services	**4.7 %**	5.6 %	3.4 %
U.S. Asset Management (Putnam)	**13.3 %**	11.6 %	(12.0)%
Europe	**17.3 %**	15.7 %	14.2 %
Capital and Risk Solutions	**46.7 %**	44.4 %	31.0 %
Total Lifeco Net Earnings Basis	**15.7 %**	14.1 %	10.3 %

(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 13.6% at March 31, 2021, compared to 12.8% at December 31, 2020 and 13.5% at March 31, 2020. The Company reported return on equity of 15.7% at March 31, 2021, compared to 14.1% at December 31, 2020 and 10.3% at March 31, 2020.

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.

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 first quarter of 2021, 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 strong capitalization. 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 first quarter of 2021.

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-		

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 subsidiaries; GWL&A (Financial Services) and Putnam (Asset Management); together with Lifeco's corporate results.

TRANSLATION OF FOREIGN CURRENCY

For the United States, Europe and Capital and Risk Solutions segments, 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.

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, disability, critical illness, health and dental protection, creditor insurance as well as retirement savings and income and annuity products and other specialty products to group clients in Canada.

DEVELOPMENTS

- Subsequent to the first quarter of 2021, on April 19, 2021, Canada Life fully lifted the suspension on redemptions and transfers out of its Canadian real estate investment funds which had been temporarily suspended on March 20, 2020, as economic conditions caused by the COVID-19 situation resulted in valuation uncertainty in the real estate industry. This follows the partial lifting of the suspension, on January 11, 2021, of contributions and transfers into the Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.
- During the first quarter of 2021, the Company launched new products and services to improve customer experience and help customers meet their financial and wellness objectives:
    - Canada Life announced that My Term, a new customizable product that allows the Company's customers to choose the coverage option that works best for them, would be launching in April 2021. With term length options between five and 50 years, a yearly renewable term structure and conversion options, Canada Life My Term is among the most adaptable in the industry.
    - Canada Life began providing HumanisRx's MedCheckUp program to Canada Life customers who are receiving disability benefits and have complex or unique medication needs. Canada Life is the first national insurer to offer medication reviews for disability.
- On April 26, 2021, the Company introduced an advisor platform named Advisor Solutions. In doing so, Canada Life is evolving the way the Company partners with advisors who do business with the Company directly. Through this platform, Canada Life will offer support based on the needs and characteristics of advisors' individual practices.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)[1]			
Individual Customer	**$ 138**	$ 132	$ 138
Group Customer	**154**	205	143
Canada Corporate	**6**	11	(8)
Base earnings (loss)[1]	**$ 298**	$ 348	$ 273
Items excluded from base earnings[1]			
Actuarial assumption changes and other management actions[1]	**$ (13)**	$ (147)	$ (94)
Market-related impacts on liabilities[1]	**2**	(10)	(28)
Net gain/charge on business dispositions[1][2]	**—**	143	—
Restructuring costs[1][2]	**—**	(34)	—
Net earnings (loss) - common shareholders	**$ 287**	$ 300	$ 151
Premiums and deposits[1][3]			
Individual Customer	**$ 2,977**	$ 3,049	$ 2,784
Group Customer	**4,698**	3,968	4,216
Premiums and deposits[1][3]	**$ 7,675**	$ 7,017	$ 7,000
Sales[1]			
Individual Insurance	**$ 109**	$ 116	$ 118
Individual Wealth	**3,243**	2,818	2,784
Group Insurance	**276**	111	119
Group Wealth	**1,105**	684	611
Sales[1]	**$ 4,733**	$ 3,729	$ 3,632
Wealth management net cash flows[1]			
Individual Customer	**$ 323**	$ 75	$ 95
Group Customer	**(304)**	(76)	(98)
Wealth management net cash flows[1]	**$ 19**	$ (1)	$ (3)
Fee and other income			
Individual Customer	**$ 266**	$ 251	$ 246
Group Customer	**188**	195	179
Canada Corporate	**15**	15	15
Fee and other income	**$ 469**	$ 461	$ 440
Total assets	**$ 187,684**	$ 187,698	$ 167,271
Proprietary mutual funds and institutional net assets[1]	**6,437**	7,311	6,184
Total assets under management[1]	**194,121**	195,009	173,455
Other assets under administration[1]	**19,412**	18,554	16,379
Total assets under administration[1]	**$ 213,533**	$ 213,563	$ 189,834

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) The net gain on the sale of GLC and restructuring costs are included in the Canada Corporate business unit.
(3) Comparative figures have been reclassified to reflect presentation adjustments.

Base and net earnings
In the first quarter of 2021, the Canada segment's net earnings of $287 million increased by $136 million compared to the same quarter last year. Base earnings of $298 million increased by $25 million compared to the same quarter last year, primarily due to favourable morbidity experience in Group Customer and favourable impact of new business in Individual Customer, partially offset by lower contributions from investment experience in Individual Customer.

Items excluded from base earnings were negative $11 million compared to negative $122 million for the same quarter last year. Actuarial assumption changes and management actions were negative $13 million compared to $94 million for the same quarter last year, which reflected the impacts of significant equity market declines in the first quarter of 2020. Positive market-related impacts were $2 million in the first quarter of 2021 compared to negative market-related impacts of $28 million in the same quarter last year. Negative market-related impacts in the first quarter of 2020 resulted from in-quarter equity market declines and volatility on segregated fund guarantees and their related hedging ineffectiveness.

For the first quarter of 2021, net earnings attributable to the participating account were $26 million compared to $11 million for the same quarter last year, primarily due to more favourable impact of new business.

Sales
Sales for the first quarter of 2021 of $4.7 billion increased by $1.1 billion compared to the same quarter last year, primarily due to higher large case group wealth and insurance sales as well as higher individual wealth mutual fund sales.

In the first quarter of 2021, wealth management net cash inflows were $19 million compared to net cash outflows of $3 million for the same quarter last year. Net cash inflows for the first quarter of 2021 were primarily due to positive Individual Customer and Group Customer plan member flows, partially offset by the loss of an institutional mandate.

Fee and other income
Fee and other income for the first quarter of 2021 of $469 million increased by $29 million compared to the same quarter last year. The increase was primarily due to higher fee income in Individual Customer and Group Customer as a result of higher average assets under administration driven by higher average equity market levels as markets declined significantly in the first quarter of 2020 due to the onset of the COVID-19 pandemic.

UNITED STATES
The United States segment operating results for Lifeco include the results of GWL&A (which operates primarily as 'Empower Retirement'), Putnam Investments (Putnam) and the results of the insurance businesses in the U.S. 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. This includes the retirement services business of MassMutual, acquired on December 31, 2020. The Financial Services business unit also includes the results of 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. In addition, 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 are also included in the Financial Services business unit.

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

DEVELOPMENTS

Financial Services Developments

- As a result of the acquisition of Personal Capital in the third quarter of 2020, Empower Retirement expects to incur total integration expenses of US$57 million pre-tax, of which US$7 million pre-tax (US$5 million post-tax) have been incurred as of March 31, 2021 (US$4 million pre-tax and US$3 million post-tax were recognized in the first quarter of 2021) related to the integration of Personal Capital. The integration remains on track to be completed in the first quarter of 2022.
- As of March 31, 2021, US$40 million of pre-tax run rate cost synergies have been achieved related to the Company's acquisition of MassMutual's retirement services business on December 31, 2020. The Company remains on track to achieve run rate cost synergies of US$160 million pre-tax at the end of integration in 2022. The Company also remains on track to achieve revenue synergies of US$30 million in 2022 and continue to grow beyond 2022.

  Empower Retirement expects to incur integration and restructuring expenses of US$125 million pre-tax related to the MassMutual transaction, of which US$37 million pre-tax (US$29 million post-tax) have been incurred as of March 31, 2021 (US$8 million pre-tax and US$6 million post-tax were recognized in the first quarter of 2021). Empower Retirement incurred transaction expenses of US$1 million pre-tax (US$1 million post-tax) in the first quarter of 2021 related to the MassMutual transaction, which are included in the U.S. Corporate business unit. The integration is expected to be completed in the second half of 2022.
- Empower Retirement led the defined contribution plan recordkeeper industry in growth by both participants and assets, based on a survey published by Pensions & Investments in April 2021. The Company solidified its position as the second largest defined contribution recordkeeper in the country, improving its market share to 12% by participants and 11% by assets.
- Empower Retirement assets under administration were US$1.1 trillion at March 31, 2021, up from US$958 billion at December 31, 2020. Empower Retirement participant accounts have grown to 12.6 million at March 31, 2021, up from 11.9 million at December 31, 2020. The increases in assets under administration and participants since December 31, 2020 were primarily driven by the completion of a large plan sale with approximately 316,000 participants and US$49 billion in assets under administration.
- In the first quarter of 2021, the Company completed its acquisition of the retirement services business of Truist Bank, a former private-label recordkeeping client. This acquisition brings approximately 300 retirement plans consisting of more than 73,000 plan participants.

Asset Management Developments

- Putnam’s average assets under management (AUM) for the three months ended March 31, 2021 were US$193.9 billion, an increase of US$21.5 billion compared to the same quarter last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2021, approximately 79% and 92% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 66% and 68% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 24 funds currently rated 4-5 stars by Morningstar.
- In the first quarter of 2021, Putnam International Value Fund received a 2021 Refinitiv Lipper Fund Award for Best International Large-Cap Value Fund in the five-year and ten-year performance categories, recognizing the fund’s superior risk-adjusted long-term investment results compared to its peers.
- On February 18, 2021, Putnam announced that it will be launching active exchange-traded funds (ETFs), with the first of the products expected to be available in the second quarter of 2021. The investment strategies for the four initial ETF products will be similar to existing mutual funds with well-established track records, both in the environmental, social, and corporate governance (ESG) and large-cap equity areas, and will include: Putnam Sustainable Leaders ETF, Putnam Sustainable Future ETF, Putnam Focused Large Cap Growth ETF and Putnam Focused Large Cap Value ETF.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss) (US$)[1]			
Financial Services (US$)	**$ 84**	$ 49	$ 42
Asset Management (Putnam) Core (US$)[1]	**5**	37	(24)
Asset Management (Putnam) Non-core (US$)[1]	**(8)**	(11)	(7)
Total Asset Management (Putnam) (US$)	**(3)**	26	(31)
U.S. Corporate (US$)	**—**	(7)	2
Base earnings (loss) (US$)[1]	**$ 81**	$ 68	$ 13
Items excluded from base earnings (loss) (US$)[1]			
Actuarial assumption changes and other management actions (US$)[1]	**$ —**	$ 2	$ —
Market-related impact on liabilities (US$)[1]	**(1)**	(1)	(9)
Transaction costs related to the acquisitions of Personal Capital and MassMutual (US$)[1][2]	**(1)**	(36)	—
Revaluation of a deferred tax asset (US$)[1]	**—**	151	—
Restructuring and integration costs (US$)[1]	**(9)**	(25)	—
Net earnings (loss) - common shareholders (US$)	**$ 70**	$ 159	$ 4
Net earnings (loss) - common shareholders (C$)	**$ 89**	$ 208	$ 5
Sales (US$)[1]			
Financial Services (US$)	**$ 65,231**	$ 8,151	$ 25,060
Asset Management (Putnam) (US$)	**12,674**	12,957	14,664
Sales (US$)[1]	**$ 77,905**	$ 21,108	$ 39,724
Sales (C$)[1]	**$ 98,939**	$ 27,439	$ 53,231
Fee and other Income (US$)			
Financial Services (US$)	**$ 493**	$ 329	$ 279
Asset Management (Putnam) (US$)			
Investment management fees (US$)	**163**	157	149
Performance fees (US$)	**1**	25	(2)
Service fees (US$)	**29**	28	28
Underwriting & distribution fees (US$)	**44**	42	43
Total Asset Management (Putnam) Fees (US$)	**$ 237**	$ 252	$ 218
Fee and other income (US$)	**$ 730**	$ 581	$ 497
Fee and other income (C$)	**$ 927**	$ 754	$ 665
Total assets (US$)	**$ 161,886**	$ 164,236	$ 63,141
Proprietary mutual funds and institutional net assets (US$)[1]	**226,069**	223,820	162,899
Total assets under management (US$)[1]	**387,955**	388,056	226,040
Other assets under administration (US$)[1]	**876,583**	783,456	523,128
Total assets under administration (US$)[1]	**$ 1,264,538**	$ 1,171,512	$ 749,168
Total assets under administration (C$)[1]	**$ 1,593,318**	$ 1,487,820	$ 1,048,835

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

Base and net earnings
In the first quarter of 2021, the U.S. segment's net earnings of US$70 million increased by US$66 million compared to the same quarter last year. Base earnings of US$81 million increased by US$68 million compared to the same quarter last year, primarily due to an increase of US$42 million in Financial Services and an improvement of US$28 million at Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US$38 million, net business growth driven by higher average equity markets and an increase in participants, and higher contributions from investment experience. These items were partially offset by a Personal Capital related net base loss of US$11 million. The improvement in Putnam's results was primarily due to lower unrealized losses on seed capital and higher fee revenue, partially offset by higher compensation related expenses. Putnam performance fees, which are seasonally higher in the fourth quarter, were comparable to the prior year, reflecting continued strong investment performance.

Items excluded from base earnings for the first quarter of 2021 were negative US$11 million compared to negative US$9 million for the same quarter last year. The first quarter of 2021 included restructuring and integration costs related to the MassMutual and Personal Capital acquisitions of US$9 million. Market-related impact on liabilities for the first quarter of 2021 were negative US$1 million compared to negative US$9 million for the same quarter last year, primarily driven by lower hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits caused by market volatility.

Sales
Sales in the first quarter of 2021 of US$77.9 billion increased by US$38.2 billion compared to the same quarter last year. The increase was primarily due to an increase in Empower Retirement large plan sales and Personal Capital related sales, partially offset by lower Putnam mutual funds sales. Empower Retirement large plan sales for the first quarter of 2021 included one new client with approximately 316,000 participants. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

Fee and other income
Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping services, investment advisory services, investment management fees, performance fees, transfer agency and other service fees, as well as underwriting and distribution fees. Performance fee income for the Asset Management business varies based on seasonality.

Fee and other income for the first quarter of 2021 of US$730 million increased by US$233 million compared to the same quarter last year. The increase was primarily due to MassMutual related fee income of US$147 million and Personal Capital related fee income of US$31 million. In addition, Empower Retirement fee income and Putnam investment management fees increased compared to the same period last year driven by higher average equity markets.

ASSETS UNDER MANAGEMENT - PUTNAM (US$)[1]

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Beginning assets	**$ 191,554**	$ 179,018	$ 181,724
Sales - Mutual funds[1]	**6,869**	6,389	9,211
Redemptions - Mutual funds	**(7,114)**	(7,155)	(14,091)
Net asset flows - Mutual funds[1]	**(245)**	(766)	(4,880)
Sales - Institutional[1]	**5,805**	6,568	5,453
Redemptions - Institutional	**(7,536)**	(6,791)	(11,707)
Net asset flows - Institutional[1]	**(1,731)**	(223)	(6,254)
Net asset flows - Total[1]	**(1,976)**	(989)	(11,134)
Impact of market/performance	**3,892**	13,525	(21,678)
Ending assets	**$ 193,470**	$ 191,554	$ 148,912
Average assets under management[1]			
Mutual funds	**94,342**	90,164	86,356
Institutional assets	**99,595**	95,261	86,047
Total average assets under management[1]	**$ 193,937**	$ 185,425	$ 172,403

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

Putnam's average AUM for the three months ended March 31, 2021 were US$193.9 billion, an increase of US$21.5 billion compared to the same quarter last year, primarily due to strong equity markets and cumulative net inflows over the period. Net asset outflows for the first quarter of 2021 were US$2.0 billion compared to net asset outflows of US$11.1 billion in the same quarter last year. Mutual fund outflows in the first quarter of 2021 continue to be driven by the Ultra Short Duration Income Fund as yields are down, driving investors to seek higher yielding options. Putnam's fundamental institutional business had increased outflows from maturing investment grade credit trades, but the pipeline remains strong. Overall, Putnam had net inflows from equity products during the first quarter of 2021.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the United Kingdom (U.K.), Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results, and offers protection and wealth management products, including payout annuity products. The U.K. and German business units operate under the Canada Life brand and the Ireland business unit operates under the Irish Life brand.

The core products offered in the U.K. business unit 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 in the U.K. and Isle of Man.

The core products offered by Irish Life Group Limited (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. 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 focuses on Company and Individual pension, and individual protection products that are distributed through independent brokers and multi-tied agents.

DEVELOPMENTS

- On April 16, 2021, subsequent to the first quarter of 2021, Irish Life removed the deferral period for redemptions and transfers from Irish Life's pensions Irish property fund, following the removal of third party appraisal uncertainty clauses in the Irish property market. Redemptions and transfers had been temporarily suspended in March 2020 due to valuation uncertainty in the real estate industry caused by the COVID-19 pandemic. The deferral period remains in place for Irish Life’s smaller Irish property fund focused on individual clients. Processes remain in place to facilitate hardship, death claims and certain other withdrawals as required for this fund.
- The recent Group Protection industry survey 'Group Watch 2021' from Swiss Re confirmed Canada Life U.K. as the leading provider by in-force premium, policies and lives insured. The survey highlights Canada Life’s growth in the U.K. in 2020, during the pandemic supported by the extension of digital services for customers. On March 1, 2021, access to Canada Life U.K.’s 'WeCare' was extended to cover Group Income Protection customers as well as for smaller employers via the CLASS portal. 'WeCare' provides an extensive range of virtual services to support the improvement of the physical, mental and financial well-being of employees.
- In the first quarter of 2021, Canada Life U.K.'s Retirement Account product received a 5 (out of 5) star rating from Defaqto, an independent service that evaluates the features and benefits of financial products for consumers.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)[1]			
United Kingdom	**$ 120**	$ 96	$ 72
Ireland	**43**	62	27
Germany	**40**	41	36
Europe Corporate	**(2)**	(4)	(3)
Base earnings (loss)[1]	**$ 201**	$ 195	$ 132
Items excluded from base earnings[1]			
Actuarial assumption changes and other management actions[1]	**$ 18**	$ 78	$ 38
Market-related impact on liabilities[1]	**(24)**	(20)	(79)
Net earnings - common shareholders	**$ 195**	$ 253	$ 91
Sales[1]			
Insurance	**$ 597**	$ 1,078	$ 517
Wealth management	**6,629**	5,796	9,151
Sales[1]	**$ 7,226**	$ 6,874	$ 9,668
Wealth and investment only net cash flows[1]			
United Kingdom	**$ 25**	$ (108)	$ 281
Ireland	**503**	(1,282)	2,441
Germany	**214**	232	189
Wealth and investment only net cash flows[1]	**$ 742**	$ (1,158)	$ 2,911
Fee and other income			
United Kingdom	**$ 46**	$ 43	$ 39
Ireland	**191**	189	189
Germany	**116**	119	105
Fee and other income	**$ 353**	$ 351	$ 333
Total assets	**$ 185,490**	$ 189,351	$ 165,903
Proprietary mutual funds and institutional net assets[1]	**59,598**	59,381	54,067
Total assets under management[1]	**245,088**	248,732	219,970
Other assets under administration[1][2]	**10,315**	10,871	50,089
Total assets under administration[1][2]	**$ 255,403**	$ 259,603	$ 270,059

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) At March 31, 2021, total assets under administration excludes $7.3 billion of assets managed for other business units within the Lifeco group of companies ($7.4 billion at December 31, 2020 and $7.1 billion at March 31, 2020).

Base and net earnings

In the first quarter of 2021, the Europe segment's net earnings of $195 million increased by $104 million compared to the same quarter last year. Base earnings of $201 million increased by $69 million compared to the same quarter last year, primarily due to annuitant experience in the U.K. and favourable morbidity experience in the U.K. and Ireland. The increase was partially offset by unfavourable mortality experience in the U.K. and Ireland.

Items excluded from base earnings were negative $6 million compared to negative $41 million for the same period last year, primarily due to less unfavourable market-related impacts on liabilities, partially offset by lower contributions from actuarial assumption changes. In the first quarter of 2021, negative market-related impact on liabilities were $24 million, primarily due to updated cash flow projections for real estate which support insurance contract liabilities. In the first quarter of 2020, negative market-related impacts on liabilities of $79 million were primarily due to movements in the valuation of U.K. real estate assets as well as unhedged market movements in Ireland and Germany, partially offset by the impact of changes to certain tax estimates driven by equity markets in the U.K.

Sales
Sales for the first quarter of 2021 decreased by $2.4 billion to $7.2 billion compared to the same period last year, primarily due to lower fund management sales and lower pension sales in Ireland, partially offset by the impact of currency movement.

In the first quarter of 2021, wealth and investment only net cash inflows were $742 million compared to $2,911 million for the same quarter last year. The decrease was primarily due to lower fund management sales in Ireland during the first quarter of 2021.

Fee and other income
Fee and other income for the first quarter of 2021 increased by $20 million to $353 million compared to the same quarter last year, primarily due to higher management fees on segregated fund assets across all business units and the impact of currency movement. These items were partially offset by lower fee income from Irish Progressive Services International Limited which was sold in the third quarter of 2020.

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.

DEVELOPMENTS

- The Company offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry losses arising from catastrophe events in Texas and other southern U.S. states in the first quarter of 2021 are still developing. As a retrocessionaire, any precautionary claim notifications are unlikely to be received for some period of time and, as a result, no provision was recorded in the first quarter of 2021. The Company will continue to monitor events and update any estimates as required, however, material losses are not expected.
- On March 18, 2021, the Company announced it had entered into a longevity reinsurance agreement with an insurance company in the Netherlands. The agreement covers approximately €4.7 billion of pension liabilities and approximately 104,500 in-payment and deferred policies. In exchange for ongoing premium payments, Canada Life will pay the actual benefit obligations incurred by the insurance company.
- In the first quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. The agreement covers a block of in-force whole life policies. In exchange for a single up-front premium payment, Canada Life will pay the actual benefit obligations incurred by the insurance company.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings (loss)[1]			
Reinsurance	**$ 146**	$ 124	$ 120
Capital and Risk Solutions Corporate	**(1)**	—	(1)
Base earnings[1]	**$ 145**	$ 124	$ 119
Items excluded from base earnings[1]			
Actuarial assumption changes and other management actions[1]	**$ —**	$ 43	$ 4
Market-related impact on liabilities[1]	**—**	—	(30)
Net earnings - common shareholder	**$ 145**	$ 167	$ 93
Premiums and deposits[1]			
Reinsurance	**$ 7,462**	$ 5,330	$ 4,601
Capital and Risk Solutions Corporate	**4**	6	5
Premiums and deposits[1]	**$ 7,466**	$ 5,336	$ 4,606
Total assets[2]	**$ 15,609**	$ 14,861	$ 15,331

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) The Capital and Risk Solutions segment does not have assets under management or other assets under administration.

Base and net earnings
In the first quarter of 2021, the Capital and Risk Solutions segment's net earnings of $145 million increased by $52 million compared to the same quarter last year. Base earnings of $145 million increased by $26 million compared to the same quarter last year, primarily due to higher business volumes and favourable claims experience in the longevity business, partially offset by less favourable claims experience in the life business. Items excluded from base earnings were nil compared to negative $26 million for the same quarter last year. The first quarter of 2020 included negative market-related impact on liabilities driven by an increase in actuarial liabilities on a legacy block of business with investment performance guarantees reflecting negative market-related experience during the quarter, partially offset by positive contributions from insurance contract liability basis changes.

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

Premiums and deposits for the first quarter of 2021 of $7.5 billion increased by $2.9 billion compared to the same quarter last year, primarily due to new reinsurance agreements and higher volumes relating to existing business. The reinsurance agreement entered into in Japan contributed $1.4 billion to the increase.

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 first quarter of 2021, there were no significant changes to the Company's risk management and control practices, including the risks (financial, operational, regulatory and other risks) related to the COVID-19 pandemic. Refer to the Company's 2020 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were IFRS changes in 2021 which did not have a significant impact on the Company. As well, due to the evolving nature of IFRS, there are changes to 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 *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases,* effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company’s consolidated financial statements.

In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements*. The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

In February 2021, the IASB published *Definition of Accounting Estimates*, amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.

For a further description of accounting policies, including future accounting standard changes, refer to note 2 of the Company's annual consolidated financial statements for the period ended December 31, 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, 2020 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, integration costs related to business acquisitions, 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		
	March 31 2021	Dec. 31 2020	March 31 2020
Base earnings	**$ 739**	$ 741	$ 543
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and other management actions	**5**	(23)	(52)
Market-related impact on liabilities	**(24)**	(31)	(149)
Net/gain charge on business dispositions[(1)]	**—**	143	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(1)**	(47)	—
Revaluation of a deferred tax asset	**—**	196	—
Restructuring and integration costs	**(12)**	(67)	—
Net earnings - common shareholders	**$ 707**	$ 912	$ 342
Base earnings per common share - basic	**$ 0.796**	$ 0.799	$ 0.585
Items excluded from Lifeco base earnings:			
Actuarial assumption changes and other management actions	**0.006**	(0.025)	(0.056)
Market-related impact on liabilities	**(0.026)**	(0.033)	(0.160)
Net gain/charge on business dispositions[(1)]	**—**	0.154	—
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(0.001)**	(0.051)	—
Revaluation of a deferred tax asset	**—**	0.211	—
Restructuring and integration costs	**(0.013)**	(0.072)	—
Net earnings per common share - basic	**$ 0.762**	$ 0.983	$ 0.369

(1) For the three months ended December 31, 2020, net gain/charge on business dispositions includes a net gain of $143 million on the sale of GLC Asset Management Group Ltd. included in the Canada Corporate business unit.

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 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. This measure provides an indicator of top-line growth.

Premiums and deposits[(1)]

	For the three months ended		
	March 31 2021	Dec. 31 2020	March 31 2020
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 14,361**	$ 11,747	$ 10,906
Policyholder deposits (segregated funds):			
Individual products	**4,152**	3,962	4,338
Group products	**3,801**	1,679	2,068
Premiums and deposits reported in the financial statements	**$ 22,314**	$ 17,388	$ 17,312
Self-funded premium equivalents (ASO contracts) and other	**1,703**	1,687	812
Proprietary mutual funds and institutional deposits	**22,255**	21,756	28,353
Total premiums and deposits	**$ 46,272**	$ 40,831	$ 46,477

(1) Comparative figures have been reclassified to reflect presentation adjustments.

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

	March 31 2021	Dec. 31 2020	March 31 2020
Total assets per financial statements	**$ 592,759**	$ 600,490	$ 436,903
Proprietary mutual funds and institutional net assets	**350,882**	350,943	288,309
Total assets under management	**943,641**	951,433	725,212
Other assets under administration	**1,134,222**	1,024,414	798,847
Total assets under administration	**$ 2,077,863**	$ 1,975,847	$ 1,524,059

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.

Net cash flows and net asset flows

Net cash flows and net asset flows are non-IFRS measures presented by the Company for which there is no comparable measure in IFRS and is an indicator of the Company's ability to attract and retain business. Net cash flows and net asset flows are measured by the following:

- Canada wealth management net cash flows include cash inflows and outflows related to segregated fund assets and proprietary and third party mutual funds.
- Europe wealth and investment only net cash flows include cash inflows and outflows related to segregated fund assets, proprietary mutual funds and institutional net assets as well as other assets under administration.
- Putnam net asset flows include the mutual fund and institutional sales and redemptions.

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 and non-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 facilitate the comparability of results between periods.

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		
	March 31 2021	Dec. 31 2020	March 31 2020
Core net earnings (loss)	**$ 7**	$ 49	$ (32)
Less: non-core net earnings (loss)	**(10)**	(14)	(10)
Net earnings (loss)	**$ (3)**	$ 35	$ (42)
Core net earnings (loss) (US$)	**$ 5**	$ 37	$ (24)
Less: non-core net earnings (loss) (US$)	**(8)**	(11)	(7)
Net earnings (loss) (US$)	**$ (3)**	$ 26	$ (31)

(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 three month period ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitation on Disclosure Controls and Procedures & Internal Control Over Financial Reporting
As permitted by securities legislation, for the period ended March 31, 2021, the Company’s management has limited the scope of its design of the Company’s disclosure controls and procedures and the Company’s internal control over financial reporting to exclude controls, policies and procedures of the MassMutual retirement services business, which the Company acquired on December 31, 2020.

During the first quarter of 2021, the acquired MassMutual business had revenue of $1,675 million pre-tax and net earnings of $40 million post-tax (base earnings of $48 million post-tax excluding integration costs of $8 million post-tax). At December 31, 2020, the estimated total assets, goodwill and intangibles acquired were $115,169 million. Total estimated liabilities were $112,232 million with the final valuation of the assets acquired and liabilities assumed expected to occur during 2021.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2020.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information
(in Canadian $ millions, except per share amounts)

	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[1]	**$ 12,117**	$ 16,860	$ 13,740	$ 19,710	$ 10,273	$ 10,689	$ 14,374	$ 2,746
Common shareholders								
Base earnings[2]								
Total	**$ 739**	$ 741	$ 679	$ 706	$ 543	$ 831	$ 677	$ 627
Basic - per share	**0.796**	0.799	0.732	0.761	0.585	0.895	0.729	0.668
Diluted - per share	**0.796**	0.799	0.732	0.761	0.585	0.894	0.728	0.667
Net earnings								
Total	**$ 707**	$ 912	$ 826	$ 863	$ 342	$ 513	$ 730	$ 459
Basic - per share	**0.762**	0.983	0.891	0.930	0.369	0.552	0.786	0.489
Diluted - per share	**0.761**	0.983	0.891	0.930	0.369	0.552	0.785	0.489

(1) Total revenue in the second quarter of 2019 includes the initial ceded premium of $13,889 million related to the sale, via indemnity reinsurance, of the U.S. 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	2021	2020				2019		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Actuarial assumption changes and other management actions	**$ 5**	$ (23)	$ 66	$ 122	$ (52)	$ (78)	$ 81	$ 38
Market-related impact on liabilities	**(24)**	(31)	18	35	(149)	(13)	(28)	(7)
Net gain/charge on business dispositions	**—**	143	94	—	—	8	—	(199)
Transaction costs related to the acquisitions of Personal Capital and MassMutual	**(1)**	(47)	(31)	—	—	—	—	—
Revaluation of a deferred tax asset	**—**	196	—	—	—	(199)	—	—
Restructuring and integration costs	**(12)**	(67)	—	—	—	(36)	—	—
Total	**$ (32)**	$ 171	$ 147	$ 157	$ (201)	$ (318)	$ 53	$ (168)

Lifeco's consolidated net earnings attributable to common shareholders were $707 million for the first quarter of 2021 compared to $342 million reported a year ago. On a per share basis, this represents $0.762 per common share ($0.761 diluted) for the first quarter of 2021 compared to $0.369 per common share ($0.369 diluted) a year ago.

Total revenue for the first quarter of 2021 was $12,117 million and comprises premium income of $14,361 million, regular net investment income of $1,556 million, a negative change in fair value through profit or loss on investment assets of $5,551 million and fee and other income of $1,751 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**	**Mar. 31 2021**	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020
United States dollar					
Balance sheet	**$ 1.26**	$ 1.27	$ 1.33	$ 1.36	$ 1.40
Income and expenses	**$ 1.27**	$ 1.30	$ 1.33	$ 1.39	$ 1.34
British pound					
Balance sheet	**$ 1.73**	$ 1.74	$ 1.72	$ 1.68	$ 1.74
Income and expenses	**$ 1.75**	$ 1.72	$ 1.72	$ 1.72	$ 1.72
Euro					
Balance sheet	**$ 1.47**	$ 1.55	$ 1.56	$ 1.52	$ 1.55
Income and expenses	**$ 1.53**	$ 1.55	$ 1.56	$ 1.53	$ 1.48

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

GREAT-WEST
LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended	
	March 31 2021	March 31 2020
Income		
Premium income		
Gross premiums written	**$ 15,600**	$ 12,165
Ceded premiums	**(1,239)**	(1,259)
Total net premiums	**14,361**	10,906
Net investment income (note 5)		
Regular net investment income	**1,556**	1,314
Changes in fair value through profit or loss	**(5,551)**	(3,388)
Total net investment income (loss)	**(3,995)**	(2,074)
Fee and other income	**1,751**	1,441
	12,117	10,273
Benefits and expenses		
Policyholder benefits		
Gross	**13,841**	10,035
Ceded	**(1,039)**	(977)
Total net policyholder benefits	**12,802**	9,058
Changes in insurance and investment contract liabilities		
Gross	**(5,746)**	(2,634)
Ceded	**1,398**	910
Total net changes in insurance and investment contract liabilities	**(4,348)**	(1,724)
Policyholder dividends and experience refunds	**341**	371
Total paid or credited to policyholders	**8,795**	7,705
Commissions	**661**	625
Operating and administrative expenses	**1,533**	1,335
Premium taxes	**123**	116
Financing charges	**79**	65
Amortization of finite life intangible assets	**79**	56
Restructuring and integration expenses (note 4)	**16**	—
Earnings before income taxes	**831**	371
Income taxes (note 14)	**57**	(13)
Net earnings before non-controlling interests	**774**	384
Attributable to non-controlling interests	**34**	9
Net earnings	**740**	375
Preferred share dividends (note 11)	**33**	33
Net earnings - common shareholders	**$ 707**	$ 342
Earnings per common share (note 11)		
Basic	**$ 0.762**	$ 0.369
Diluted	**$ 0.761**	$ 0.369

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended	
	March 31 2021	March 31 2020
Net earnings	**$ 740**	$ 375
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	**(346)**	783
Income tax (expense) benefit	**(1)**	—
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**80**	(90)
Income tax (expense) benefit	**(11)**	12
Unrealized gains (losses) on available-for-sale assets	**(202)**	22
Income tax (expense) benefit	**41**	(4)
Realized (gains) losses on available-for-sale assets	**(10)**	(38)
Income tax expense (benefit)	**2**	3
Unrealized gains (losses) on cash flow hedges	**19**	5
Income tax (expense) benefit	**(5)**	(1)
Realized (gains) losses on cash flow hedges	**(11)**	—
Income tax expense (benefit)	**3**	—
Non-controlling interests	**101**	(77)
Income tax (expense) benefit	**(24)**	18
Total items that may be reclassified	**(364)**	633
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans (note 13)	**631**	327
Income tax (expense) benefit	**(158)**	(84)
Non-controlling interests	**(55)**	(38)
Income tax (expense) benefit	**15**	9
Total items that will not be reclassified	**433**	214
Total other comprehensive income (loss)	**69**	847
Comprehensive income	**$ 809**	$ 1,222

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2021	December 31 2020
Assets		
Cash and cash equivalents	$ **5,616**	$ 7,946
Bonds (note 5)	**134,055**	137,592
Mortgage loans (note 5)	**27,615**	27,803
Stocks (note 5)	**11,823**	11,000
Investment properties (note 5)	**6,490**	6,270
Loans to policyholders	**8,417**	8,387
	194,016	198,998
Funds held by ceding insurers	**17,619**	18,383
Reinsurance assets (note 8)	**20,252**	22,121
Goodwill	**8,784**	10,106
Intangible assets	**5,521**	4,285
Derivative financial instruments	**669**	829
Owner occupied properties	**735**	741
Fixed assets	**419**	426
Other assets	**3,940**	3,347
Premiums in course of collection, accounts and interest receivable	**6,132**	6,102
Current income taxes	**171**	145
Deferred tax assets	**925**	975
Investments on account of segregated fund policyholders (note 9)	**333,576**	334,032
Total assets	$ **592,759**	$ 600,490
Liabilities		
Insurance contract liabilities (note 8)	$ **202,010**	$ 208,902
Investment contract liabilities (note 8)	**8,824**	9,145
Debentures and other debt instruments	**9,465**	9,693
Funds held under reinsurance contracts	**1,552**	1,648
Derivative financial instruments	**1,236**	1,221
Accounts payable	**2,571**	2,698
Other liabilities	**5,093**	5,147
Current income taxes	**345**	343
Deferred tax liabilities	**702**	646
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**333,576**	334,032
Total liabilities	**565,374**	573,475
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,868**	2,871
Non-controlling interests in subsidiaries	**112**	116
Shareholders' equity		
Share capital		
Preferred shares	**2,714**	2,714
Common shares (note 10)	**5,669**	5,651
Accumulated surplus	**15,290**	14,990
Accumulated other comprehensive income	**556**	487
Contributed surplus	**176**	186
Total equity	**27,385**	27,015
Total liabilities and equity	$ **592,759**	$ 600,490

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2021					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 8,365**	**$ 186**	**$ 14,990**	**$ 487**	**$ 2,987**	**$ 27,015**
Net earnings	**—**	**—**	**740**	**—**	**34**	**774**
Other comprehensive income (loss)	**—**	**—**	**—**	**69**	**(37)**	**32**
	8,365	**186**	**15,730**	**556**	**2,984**	**27,821**
Dividends to shareholders						
Preferred shareholders (note 11)	**—**	**—**	**(33)**	**—**	**—**	**(33)**
Common shareholders	**—**	**—**	**(406)**	**—**	**—**	**(406)**
Shares exercised and issued under share-based payment plans (note 10)	**18**	**(32)**	**—**	**—**	**28**	**14**
Share-based payment plans expense	**—**	**20**	**—**	**—**	**—**	**20**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(15)**	**(15)**
Shares cancelled under Putnam share-based plans	**—**	**2**	**—**	**—**	**(18)**	**(16)**
Dilution loss on non-controlling interests	**—**	**—**	**(1)**	**—**	**1**	**—**
Balance, end of period	**$ 8,383**	**$ 176**	**$ 15,290**	**$ 556**	**$ 2,980**	**$ 27,385**

	March 31, 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	—	—	375	—	9	384
Other comprehensive income	—	—	—	847	88	935
	8,347	175	14,035	1,342	2,963	26,862
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(33)	—	—	(33)
Common shareholders	—	—	(407)	—	—	(407)
Shares exercised and issued under share-based payment plans (note 10)	13	(49)	—	—	49	13
Share-based payment plans expense	—	21	—	—	—	21
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	2	—	—	(2)	—
Dilution loss on non-controlling interests	—	—	(4)	—	4	—
Balance, end of period	$ 8,360	$ 149	$ 13,591	$ 1,342	$ 2,999	$ 26,441

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2021	2020
Operations		
Earnings before income taxes	**$ 831**	$ 371
Income taxes paid, net of refunds received	**(92)**	(114)
Adjustments:		
Change in insurance and investment contract liabilities	**(5,752)**	(2,663)
Change in funds held by ceding insurers	**388**	163
Change in funds held under reinsurance contracts	**(88)**	(55)
Change in reinsurance assets	**1,530**	1,066
Changes in fair value through profit or loss	**5,551**	3,388
Other	**(575)**	(226)
	1,793	1,930
Financing Activities		
Issue of common shares (note 10)	**18**	13
Decrease in credit line of subsidiary	**(108)**	(39)
Increase (decrease) in debentures and other debt instruments	**—**	(1)
Dividends paid on common shares	**(406)**	(407)
Dividends paid on preferred shares	**(33)**	(33)
	(529)	(467)
Investment Activities		
Bond sales and maturities	**6,544**	4,923
Mortgage loan repayments	**866**	537
Stock sales	**1,317**	960
Investment property sales	**9**	1
Change in loans to policyholders	**(73)**	(151)
Business acquisitions, net of cash and cash equivalents acquired	**—**	(29)
Investment in bonds	**(9,636)**	(4,028)
Investment in mortgage loans	**(909)**	(1,011)
Investment in stocks	**(1,469)**	(1,900)
Investment in investment properties	**(180)**	(13)
	(3,531)	(711)
Effect of changes in exchange rates on cash and cash equivalents	**(63)**	255
Increase (decrease) in cash and cash equivalents	**(2,330)**	1,007
Cash and cash equivalents, beginning of period	**7,946**	4,628
Cash and cash equivalents, end of period	**$ 5,616**	$ 5,635
Supplementary cash flow information		
Interest income received	**$ 1,192**	$ 1,123
Interest paid	**65**	45
Dividend income received	**72**	74

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 months ended March 31, 2021 were approved by the Board of Directors on May 5, 2021.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2021 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, 2020 except as described below.

<u>Changes in Accounting Policies</u>

The Company adopted the *Interest Rate Benchmark Reform – Phase 2* amendments to IFRS for IAS 39, *Financial Instruments: Recognition and Measurement*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 4, *Insurance Contracts* and IFRS 16, *Leases,* effective January 1, 2021. The adoption of these amendments did not have a significant impact on the Company’s consolidated 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, 2020:

Standard	Summary of Future Changes
IAS 1 – *Presentation of Financial Statements*	In February 2021, the IASB published *Disclosure of Accounting Policies*, amendments to IAS 1, *Presentation of Financial Statements.* The amendments clarify how an entity determines whether accounting policy information is material. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. The Company is evaluating the impact for the adoption of these amendments.
IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*	In February 2021, the IASB published *Definition of Accounting Estimates,* amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments clarify the difference between an accounting policy and an accounting estimate. These amendments are effective for annual reporting periods beginning on or after January 1, 2023, 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, 2020 consolidated annual audited financial statements and notes thereto.

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

The COVID-19 pandemic has continued to result in uncertainty in global financial markets and the economic environment in which the Company operates. The duration and impact of the COVID-19 pandemic continues to be unknown at this time, as is the efficacy of the associated fiscal and monetary interventions by governments and central banks.

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, as well as prevailing health and mortality experience.

The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. In addition to its own credit assessments, 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, the valuation of insurance contract liabilities (note 8) 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 Acquisition

Acquisition of MassMutual Retirement Services Business

On December 31, 2020, GWL&A completed the purchase, via indemnity reinsurance, of the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual) and assumed the economics and risks associated with the reinsured business. The acquisition strengthens the Company's position as a leader in the U.S. retirement market. The Company anticipates realizing cost synergies through the migration of MassMutual's retirement services business onto the Company's recordkeeping platform.

The Company paid a ceding commission of $2,937 (U.S. $2,312) net of working capital adjustments to MassMutual, and funded the transaction with existing cash, short-term debt and $1,973 (U.S. $1,500) in long-term debt issued on September 17, 2020. The assets acquired, liabilities assumed and ceding commission paid at the closing of this transaction are subject to future adjustments.

The initial amounts assigned to the assets acquired, goodwill, intangible assets and liabilities assumed on December 31, 2020, and updated and reported as at March 31, 2021 are as follows:

Assets acquired and goodwill		
Cash and cash equivalents	$	**2,594**
Bonds		**12,006**
Mortgage Loans		**2,326**
Funds held by ceding insurers		**9,928**
Goodwill		**1,557**
Intangible assets		**1,270**
Other assets		**231**
Premiums in the course of collection, accounts and interest receivable		**172**
Deferred tax assets		**300**
Investments on account of segregated fund policyholders		**84,785**
Total assets acquired and goodwill	**$**	**115,169**
Liabilities assumed		
Insurance contract liabilities	$	**22,316**
Investment contract liabilities		**4,984**
Accounts payable		**31**
Other liabilities		**116**
Investment and insurance contracts on account of segregated fund policyholders		**84,785**
Total liabilities assumed	**$**	**112,232**

As at March 31, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at March 31, 2021 reflect management's current best estimate of the purchase price allocation. The Company has identified and allocated provisional amounts for intangible assets within the purchase price allocation, net of $19 of amortization. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the second half of 2021.

As a result, the excess of the purchase price over the fair value of net assets acquired, representing goodwill of $1,557 (U.S. $1,226) as of March 31, 2021, will be adjusted in future periods.

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of the MassMutual retirement services business. These synergies represent meaningful expense and revenue opportunities which are expected to be accretive to earnings.

4. Restructuring and Integration Expenses

(a) Canada Restructuring

At March 31, 2021, the Company has a restructuring provision of $76 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	March 31 2021	December 31 2020
Balance, beginning of year	**$ 86**	$ —
Restructuring expenses	**—**	92
Amounts used	**(10)**	(6)
Balance, end of period	**$ 76**	$ 86

The Company expects to pay out substantially all of these amounts by December 31, 2022.

(b) GWL&A Restructuring

The Company recorded integration expenses of $16 in the Consolidated Statement of Earnings during the three months ended March 31, 2021. At March 31, 2021, the Company has a restructuring provision of $11 remaining in other liabilities. The change in the restructuring provision for the GWL&A restructuring is set out below:

	March 31 2021	December 31 2020
Balance, beginning of year	**$ 37**	$ —
Restructuring expenses	**—**	37
Amounts used	**(25)**	—
Changes in foreign exchange rates	**(1)**	—
Balance, end of period	**$ 11**	$ 37

The Company expects to pay out a significant portion of these amounts during the year. The Company expects to incur further restructuring and integration expenses associated with the acquisition of MassMutual (note 3) during the year.

5. Portfolio Investments

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

	March 31, 2021		December 31, 2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 97,492**	**$ 97,492**	$ 100,839	$ 100,839
Classified fair value through profit or loss [1]	**1,793**	**1,793**	2,053	2,053
Available-for-sale	**11,419**	**11,419**	11,352	11,352
Loans and receivables	**23,351**	**25,245**	23,348	26,545
	134,055	**135,949**	137,592	140,789
Mortgage loans				
Residential				
Designated fair value through profit or loss [1]	**2,034**	**2,034**	2,020	2,020
Loans and receivables	**9,350**	**9,703**	9,416	10,024
	11,384	**11,737**	11,436	12,044
Commercial	**16,231**	**16,876**	16,367	17,589
	27,615	**28,613**	27,803	29,633
Stocks				
Designated fair value through profit or loss [1]	**11,154**	**11,154**	10,335	10,335
Available-for-sale	**28**	**28**	20	20
Available-for-sale, at cost [2]	**162**	**162**	163	163
Equity method	**479**	**474**	482	445
	11,823	**11,818**	11,000	10,963
Investment properties	**6,490**	**6,490**	6,270	6,270
Total	**$ 179,983**	**$ 182,870**	$ 182,665	$ 187,655

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

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

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

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

		March 31 2021		December 31 2020
Impaired amounts by classification				
Fair value through profit or loss	**$**	**19**	$	20
Available-for-sale		**18**		17
Loans and receivables		**35**		23
Total	**$**	**72**	$	60

The carrying amount of impaired investments includes $33 bonds, $35 mortgage loans and $4 stocks at March 31, 2021 ($35 bonds, $23 mortgage loans and $2 stocks at December 31, 2020). The above carrying values for loans and receivables are net of allowances of $56 at March 31, 2021 and $57 at December 31, 2020.

(c) Net investment income comprises the following:

For the three months ended March 31, 2021		**Bonds**		**Mortgage loans**		**Stocks**		**Investment properties**		**Other**		**Total**
Regular net investment income:												
Investment income earned	**$**	**1,022**	**$**	**228**	**$**	**77**	**$**	**103**	**$**	**178**	**$**	**1,608**
Net realized gains												
Available-for-sale		**10**		**—**		**—**		**—**		**—**		**10**
Other classifications		**5**		**11**		**—**		**—**		**4**		**20**
Net allowances for credit losses on loans and receivables		**—**		**(6)**		**—**		**—**		**—**		**(6)**
Other income (expenses)		**—**		**—**		**—**		**(35)**		**(41)**		**(76)**
		1,037		**233**		**77**		**68**		**141**		**1,556**
Changes in fair value through profit or loss assets:												
Classified fair value through profit or loss		**(48)**		**—**		**—**		**—**		**—**		**(48)**
Designated fair value through profit or loss		**(5,643)**		**(134)**		**622**		**—**		**(417)**		**(5,572)**
Recorded at fair value through profit or loss		**—**		**—**		**—**		**69**		**—**		**69**
		(5,691)		**(134)**		**622**		**69**		**(417)**		**(5,551)**
Total	**$**	**(4,654)**	**$**	**99**	**$**	**699**	**$**	**137**	**$**	**(276)**	**$**	**(3,995)**

5. Portfolio Investments (cont'd)

For the three months ended March 31, 2020	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 904	$ 219	$ 79	$ 105	$ 42	$ 1,349
Net realized gains						
Available-for-sale	38	—	1	—	—	39
Other classifications	2	7	—	—	—	9
Net allowances for credit losses on loans and receivables	—	(9)	—	—	—	(9)
Other income (expenses)	—	—	—	(31)	(43)	(74)
	944	217	80	74	(1)	1,314
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	14	—	—	—	—	14
Designated fair value through profit or loss	(1,568)	(99)	(1,813)	—	188	(3,292)
Recorded at fair value through profit or loss	—	—	—	(110)	—	(110)
	(1,554)	(99)	(1,813)	(110)	188	(3,388)
Total	$ (610)	$ 118	$ (1,733)	$ (36)	$ 187	$ (2,074)

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. 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 2020 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, 2020 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 loss resulting from an obligor's potential inability or unwillingness to fully meet its contractual obligations.

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single obligor, a group of related obligors or groups of obligors that have similar credit risk characteristics and operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due. No significant changes have occurred from the year ended December 31, 2020.

(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.

- 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 immediate 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 immediate change in net earnings.

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.

(ii) Interest Rate Risk

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

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

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

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

- At March 31, 2021 and December 31, 2020, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

- At March 31, 2021 and December 31, 2020, 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 impact to the value of liabilities net of changes in the value of assets supporting liabilities 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. For some products, interest rate risk is modelled stochastically in determining the insurance contract liabilities, and for those products, the sensitivities reflect the estimated impact of an immediate 1% increase and 1% decrease in interest rates on the liability.

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

	March 31, 2021		December 31, 2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (304)**	**$ 786**	$ (289)	$ 1,185
Increase (decrease) in net earnings	**$ 235**	**$ (598)**	$ 224	$ (920)

As at March 31, 2021, the accounting for the acquisition of MassMutual is not finalized pending completion of a comprehensive valuation of the net assets acquired (note 3). As such, the impact of the acquired business included in the sensitivities above reflects management's current best estimate of the sensitivities.

(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 there is a greater impact on net earnings from larger falls in equity values, relative to the change in equity values. Falls in equity values beyond those shown in the table below would have a greater impact on net earnings, relative to the change in equity values.

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 changes in the value of assets supporting liabilities and hedge assets.

	March 31, 2021				December 31, 2020			
	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	**$ (34)**	**$ (18)**	**$ 32**	**$ 173**	$ (34)	$ (18)	$ 62	$ 264
Increase (decrease) in net earnings	**$ 28**	**$ 15**	**$ (28)**	**$ (141)**	$ 28	$ 15	$ (51)	$ (208)

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. The expected impacts take into account the expected changes in the value of assets supporting liabilities.

	March 31, 2021				December 31, 2020			
	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	**$ (46)**	**$ (13)**	**$ 60**	**$ 159**	$ (41)	$ (8)	$ 88	$ 138
Increase (decrease) in net earnings	**$ 39**	**$ 11**	**$ (48)**	**$ (123)**	$ 34	$ 6	$ (69)	$ (108)

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:

	March 31, 2021		December 31, 2020	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (667)**	**$ 844**	$ (691)	$ 861
Increase (decrease) in net earnings	**$ 531**	**$ (662)**	$ 556	$ (682)

The Company sponsors a number of deferred compensation arrangements for employees where payments to participants are deferred and linked to the performance of the common shares of Lifeco. The Company hedges its exposure to the equity risk associated with its Performance Share Unit Plan through the use of total return swaps.

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:

	March 31, 2021			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 5,616	$ —	$ —	$ 5,616
Financial assets at fair value through profit or loss				
Bonds	—	99,209	76	99,285
Mortgage loans	—	—	2,034	2,034
Stocks	9,432	141	1,581	11,154
Total financial assets at fair value through profit or loss	9,432	99,350	3,691	112,473
Available-for-sale financial assets				
Bonds	—	11,419	—	11,419
Stocks	4	1	23	28
Total available-for-sale financial assets	4	11,420	23	11,447
Investment properties	—	—	6,490	6,490
Funds held by ceding insurers	489	15,068	—	15,557
Derivatives [1]	—	669	—	669
Reinsurance assets	—	110	—	110
Other assets:				
Trading account assets	245	315	53	613
Other [2]	52	62	—	114
Total assets measured at fair value	$ 15,838	$ 126,994	$ 10,257	$ 153,089
Liabilities measured at fair value				
Derivatives [3]	$ 3	$ 1,233	$ —	$ 1,236
Investment contract liabilities	—	8,824	—	8,824
Other liabilities	52	62	—	114
Total liabilities measured at fair value	$ 55	$ 10,119	$ —	$ 10,174

[1] Excludes collateral received from counterparties of $172.
[2] Includes collateral received under securities lending agreements.
[3] Excludes collateral pledged to counterparties of $551.

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, 2020			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,946	$ —	$ —	$ 7,946
Financial assets at fair value through profit or loss				
Bonds	—	102,819	73	102,892
Mortgage loans	—	—	2,020	2,020
Stocks	8,773	188	1,374	10,335
Total financial assets at fair value through profit or loss	8,773	103,007	3,467	115,247
Available-for-sale financial assets				
Bonds	—	11,352	—	11,352
Stocks	3	1	16	20
Total available-for-sale financial assets	3	11,353	16	11,372
Investment properties	—	—	6,270	6,270
Funds held by ceding insurers	245	15,943	—	16,188
Derivatives [1]	1	828	—	829
Reinsurance assets	—	130	—	130
Other assets:				
Trading account assets	302	353	58	713
Other [2]	79	188	—	267
Total assets measured at fair value	$ 17,349	$ 131,802	$ 9,811	$ 158,962
Liabilities measured at fair value				
Derivatives [3]	$ 5	$ 1,216	$ —	$ 1,221
Investment contract liabilities	—	9,145	—	9,145
Other liabilities	79	188	—	267
Total liabilities measured at fair value	$ 84	$ 10,549	$ —	$ 10,633

(1) Excludes collateral received from counterparties of $210.
(2) Includes collateral received under securities lending arrangements.
(3) Excludes collateral pledged to counterparties of $442.

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 which the Company classifies as Level 3 in the fair value hierarchy:

	March 31, 2021						
	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**	**Trading account assets**	**Total Level 3 assets**
Balance, beginning of year	**$ 73**	**$ 2,020**	**$ 1,374**	**$ 16**	**$ 6,270**	**$ 58**	**$ 9,811**
Total gains (losses)							
Included in net earnings	**1**	**(135)**	**9**	**—**	**69**	**(5)**	**(61)**
Included in other comprehensive income [1]	**(4)**	**(7)**	**—**	**—**	**(20)**	**—**	**(31)**
Purchases	**6**	**—**	**210**	**7**	**180**	**—**	**403**
Issues	**—**	**192**	**—**	**—**	**—**	**—**	**192**
Sales	**—**	**—**	**(12)**	**—**	**(9)**	**—**	**(21)**
Settlements	**—**	**(36)**	**—**	**—**	**—**	**—**	**(36)**
Transfers into Level 3 [2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3 [2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Balance, end of period	**$ 76**	**$ 2,034**	**$ 1,581**	**$ 23**	**$ 6,490**	**$ 53**	**$ 10,257**
Total gains (losses) for the period included in net investment income	**$ 1**	**$ (135)**	**$ 9**	**$ —**	**$ 69**	**$ (5)**	**$ (61)**
Change in unrealized gains (losses) for the period included in earnings for assets held at March 31, 2021	**$ 1**	**$ (135)**	**$ 9**	**$ —**	**$ 69**	**$ (5)**	**$ (61)**

(1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the 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)

	December 31, 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	Trading account assets	Total Level 3 assets
Balance, beginning of year	$ 67	$ 1,314	$ 678	$ 4	$ 5,887	$ —	$ 7,950
Total gains (losses)							
Included in net earnings	2	156	16	—	(74)	—	100
Included in other comprehensive income [1]	4	15	—	1	21	—	41
Purchases	—	—	406	11	481	—	898
Issues	—	622	—	—	—	—	622
Sales	—	—	(83)	—	(73)	—	(156)
Settlements	—	(87)	—	—	—	—	(87)
Transferred from owner occupied properties [2]	—	—	—	—	28	—	28
Transfers into Level 3 [3]	—	—	357	—	—	58	415
Transfers out of Level 3 [3]	—	—	—	—	—	—	—
Balance, end of year	$ 73	$ 2,020	$ 1,374	$ 16	$ 6,270	$ 58	$ 9,811
Total gains (losses) for the year included in net investment income	$ 2	$ 156	$ 16	$ —	$ (74)	$ —	$ 100
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2020	$ 2	$ 145	$ 17	$ —	$ (73)	$ —	$ 91

(1) Amount of other comprehensive income for fair value through profit or loss bonds, mortgage loans and investment properties represents the unrealized gains (losses) on foreign exchange.

(2) As a result of the sale of Irish Progressive Services International Limited, 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.

On March 20, 2020, Canada Life temporarily suspended contributions to and transfers into, as well as redemptions and transfers out of, its Canadian real estate investment funds as the COVID-19 pandemic impacted the global property market and made it difficult to value the properties with the same degree of certainty as usual. As a result of these restrictions, the Company's investment in these funds with a fair value of $357 was transferred on March 20, 2020 from Level 1 to Level 3.

On January 11, 2021, Canada Life partially lifted the temporary suspension, allowing contributions and transfers into its Canadian real estate investment funds as confidence over the valuation of the underlying properties returned as a result of increased market activity.

Subsequent event

On April 19, 2021, Canada Life fully lifted the temporary suspension on redemptions and transfers out of its Canadian real estate investment funds. As a result of the lifting of these temporary suspensions, the Company's investment in these funds with a fair value of $457 was transferred on April 19, 2021 from Level 3 to Level 1.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 3.5% - 12.6% Range of 3.5% - 7.0% Weighted average of 2.9%	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. A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value. A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.
Mortgage loans - equity release mortgages (fair value through profit or loss)	The valuation approach for equity release mortgages is to use an internal valuation model to determine the projected asset cash flows, including the stochastically calculated cost of the no negative-equity guarantee for each individual loan, to aggregate these across all loans and to discount those cash flows back to the valuation date. The projection is done monthly until expected redemption of the loan either voluntarily or on the death/ entering into long term care of the loanholders.	Discount rate	Range of 3.6% - 4.9%	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.

8. Insurance and Investment Contract Liabilities

	March 31, 2021		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 202,010**	**$ 20,142**	**$ 181,868**
Investment contract liabilities	**8,824**	**110**	**8,714**
Total	**$ 210,834**	**$ 20,252**	**$ 190,582**

	December 31, 2020		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 208,902	$ 21,991	$ 186,911
Investment contract liabilities	9,145	130	9,015
Total	$ 218,047	$ 22,121	$ 195,926

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

	March 31 2021	December 31 2020
Cash and cash equivalents	**$ 13,356**	$ 15,558
Bonds	**62,471**	65,338
Mortgage loans	**2,590**	2,686
Stocks and units in unit trusts	**118,863**	112,675
Mutual funds	**128,212**	127,577
Investment properties	**12,271**	12,430
	337,763	336,264
Accrued income	**491**	463
Other liabilities	**(6,339)**	(4,185)
Non-controlling mutual funds interest	**1,661**	1,490
Total [1]	**$ 333,576**	$ 334,032

[1] At March 31, 2021, $83,720 of investments on account of segregated fund policyholders are reinsured by the Company on a modified coinsurance basis ($84,785 at December 31, 2020) (note 3). Included in this amount are $1,098 of cash and cash equivalents, $14,559 of bonds, $23 of stocks and units in unit trusts, $69,103 of mutual funds, $82 of accrued income and $(1,145) of other liabilities.

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

	For the three months ended March 31	
	2021	2020
Balance, beginning of year	**$ 334,032**	$ 231,022
Additions (deductions):		
Policyholder deposits	**7,953**	6,294
Net investment income	**411**	733
Net realized capital gains on investments	**4,184**	744
Net unrealized capital gains (losses) on investments	**3,619**	(26,785)
Unrealized gains (losses) due to changes in foreign exchange rates	**(5,763)**	7,003
Policyholder withdrawals	**(10,985)**	(6,553)
Change in Segregated Fund investment in General Fund	**(50)**	88
Change in General Fund investment in Segregated Fund	**(8)**	234
Net transfer from General Fund	**12**	4
Non-controlling mutual funds interest	**171**	(207)
Total	**(456)**	(18,445)
Balance, end of period	**$ 333,576**	$ 212,577

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

	March 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 233,062**	**$ 92,047**	**$ 13,327**	**$ 338,436**

(1) Excludes other liabilities, net of other assets, of $4,860.

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [(1)]	$ 224,831	$ 98,424	$ 13,556	$ 336,811

(1) Excludes other liabilities, net of other assets, of $2,779.

During the first three months of 2021, certain foreign stock holdings valued at $4,713 have been transferred from Level 2 to Level 1 ($3,190 were transferred from Level 1 to Level 2 at December 31, 2020) 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:

	March 31 2021	December 31 2020
Balance, beginning of year	**$ 13,556**	$ 13,988
Total gains (losses) included in segregated fund investment income	**(222)**	78
Purchases	**65**	167
Sales	**(73)**	(712)
Transfers into Level 3	**1**	35
Transfers out of Level 3	**—**	—
Balance, end of period	**$ 13,327**	$ 13,556

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. Share Capital

Common Shares

	For the three months ended March 31			
	2021		2020	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**927,853,106**	**$ 5,651**	927,281,186	$ 5,633
Exercised and issued under stock option plan	**576,540**	**18**	398,720	13
Balance, end of period	**928,429,646**	**$ 5,669**	927,679,906	$ 5,646

During the three months ended March 31, 2021, 576,540 common shares were exercised under the Company's stock plan with a carrying value of $18, including $2 from contributed surplus transferred upon exercise (398,720 with a carrying value of $13, including $2 from contributed surplus transferred upon exercise during the three months ended March 31, 2020).

On January 25, 2021, the Company announced the renewal of its normal course issuer bid (NCIB) commencing January 27, 2021 and terminating January 26, 2022 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices. The Company does not currently intend to engage in share repurchases that reduce its outstanding shares while the Office of the Superintendent of Financial Institutions (OSFI) maintains its expectation that the institutions it regulates suspend share buybacks due to ongoing impacts of the COVID-19 pandemic.

During the three months ended March 31, 2021, the Company did not purchase any common shares under the current normal course issuer bid (nil during the three months ended March 31, 2020 under the previous normal course issuer bid).

11. Earnings per Common Share

	For the three months ended March 31	
	2021	2020
Earnings		
Net earnings	**$ 740**	$ 375
Preferred share dividends	**(33)**	(33)
Net earnings - common shareholders	**$ 707**	$ 342
Number of common shares		
Average number of common shares outstanding	**928,134,473**	927,540,109
Add: Potential exercise of outstanding stock options	**421,066**	455,585
Average number of common shares outstanding - diluted basis	**928,555,539**	927,995,694
Basic earnings per common share	**$ 0.762**	$ 0.369
Diluted earnings per common share	**$ 0.761**	$ 0.369
Dividends per common share	**$ 0.4380**	$ 0.4380

12. 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:

	March 31 2021	December 31 2020
Tier 1 Capital	**$ 11,750**	$ 11,593
Tier 2 Capital	**4,174**	4,568
Total Available Capital	**15,924**	16,161
Surplus Allowance & Eligible Deposits	**13,378**	14,226
Total Capital Resources	**$ 29,302**	$ 30,387
Required Capital	**$ 23,909**	$ 23,607
Total LICAT Ratio (OSFI Supervisory Target = 100%) [(1)]	**123 %**	129 %

(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.

13. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended March 31	
	2021	2020
Pension plans		
Service costs	**$ 71**	$ 60
Net interest costs	**6**	6
Curtailment	**1**	(1)
	78	65
Other post-employment benefits		
Service costs	**1**	1
Net interest costs	**2**	3
	3	4
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**81**	69
Pension plans - re-measurements (gain) loss		
Actuarial gain	**(688)**	(960)
Return on assets less than assumed	**81**	600
Administrative expenses less than assumed	**—**	(1)
Change in the asset ceiling	**12**	69
Pension plans re-measurement gain	**(595)**	(292)
Other post-employment benefits - re-measurements		
Actuarial gain	**(36)**	(35)
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**(631)**	(327)
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ (550)**	$ (258)

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

	March 31		December 31	
	2021	2020	2020	2019
Weighted average discount rate	**2.8 %**	3.3 %	2.2 %	2.6 %

14. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2021	2020
Current income taxes	**$ 96**	$ 43
Deferred income taxes	**(39)**	(56)
Total income tax expense	**$ 57**	$ (13)

(b) Effective Income Tax Rate

The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.50% due to benefits related to non-taxable investment income and lower income tax in certain foreign jurisdictions.

The overall effective income tax rate for the three months ended March 31, 2021 was 6.9% compared to negative 3.5% for the three months ended March 31, 2020. The effective income tax rate for the three months ended March 31, 2021 is higher than the effective income tax rate for the three months ended March 31, 2020 primarily due to a favourable tax item in the first quarter of 2020 in the United Kingdom, driven by market movements, which contributed a 9.4 point decrease but had a negligible impact in the first quarter of 2021.

The effective income tax rate for the shareholder account for the three months ended March 31, 2021 was 9.5% compared to negative 0.6% for the three months ended March 31, 2020.

15. Segmented Information

(a) Consolidated Net Earnings

For the three months ended March 31, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 3,196	$ 2,755	$ 944	$ 7,466	$ —	$ 14,361
Net investment income						
Regular net investment income	713	483	299	65	(4)	1,556
Changes in fair value through profit or loss	(2,248)	(1,224)	(1,694)	(387)	2	(5,551)
Total net investment income (loss)	(1,535)	(741)	(1,395)	(322)	(2)	(3,995)
Fee and other income	469	927	353	2	—	1,751
	2,130	2,941	(98)	7,146	(2)	12,117
Benefits and expenses						
Paid or credited to policyholders	805	1,848	(790)	6,932	—	8,795
Other [(1)]	922	887	444	59	5	2,317
Financing charges	33	37	6	2	1	79
Amortization of finite life intangible assets	23	43	13	—	—	79
Restructuring and integration expenses	—	16	—	—	—	16
Earnings (loss) before income taxes	347	110	229	153	(8)	831
Income taxes	33	14	11	1	(2)	57
Net earnings (loss) before non-controlling interests	314	96	218	152	(6)	774
Non-controlling interests	26	7	1	—	—	34
Net earnings (loss)	288	89	217	152	(6)	740
Preferred share dividends	29	—	4	—	—	33
Net earnings (loss) before capital allocation	259	89	213	152	(6)	707
Impact of capital allocation	28	—	(18)	(7)	(3)	—
Net earnings (loss) - common shareholders	$ 287	$ 89	$ 195	$ 145	$ (9)	$ 707

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

For the three months ended March 31, 2020

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 3,247	$ 2,262	$ 791	$ 4,606	$ —	$ 10,906
Net investment income						
Regular net investment income	616	312	293	84	9	1,314
Changes in fair value through profit or loss	(2,206)	(310)	(664)	(208)	—	(3,388)
Total net investment income (loss)	(1,590)	2	(371)	(124)	9	(2,074)
Fee and other income	440	665	333	3	—	1,441
	2,097	2,929	753	4,485	9	10,273
Benefits and expenses						
Paid or credited to policyholders	952	2,206	224	4,323	—	7,705
Other [(1)]	915	674	430	53	4	2,076
Financing charges	32	24	6	3	—	65
Amortization of finite life intangible assets	23	21	12	—	—	56
Earnings before income taxes	175	4	81	106	5	371
Income taxes	17	(2)	(36)	7	1	(13)
Net earnings before non-controlling interests	158	6	117	99	4	384
Non-controlling interests	11	(2)	—	—	—	9
Net earnings	147	8	117	99	4	375
Preferred share dividends	28	—	5	—	—	33
Net earnings before capital allocation	119	8	112	99	4	342
Impact of capital allocation	32	(3)	(21)	(6)	(2)	—
Net earnings - common shareholders	$ 151	$ 5	$ 91	$ 93	$ 2	$ 342

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

The revenue by source currency for Capital and Risk Solutions:

	For the three months ended March 31	
	2021	2020
Revenue		
United States	**$ 5,012**	$ 4,002
United Kingdom	**157**	120
Other	**1,977**	363
Total revenue	**$ 7,146**	$ 4,485

(b) Consolidated Total Assets and Liabilities

	March 31, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 85,912	$ 52,498	$ 48,384	$ 7,222	$ 194,016
Goodwill and intangible assets	5,634	5,676	2,995	—	14,305
Other assets	3,676	29,092	9,707	8,387	50,862
Investments on account of segregated fund policyholders	92,462	116,710	124,404	—	333,576
Total	$ 187,684	$ 203,976	$ 185,490	$ 15,609	$ 592,759
Liabilities					
Insurance and investment contract liabilities	$ 79,463	$ 73,579	$ 45,705	$ 12,087	$ 210,834
Other liabilities	7,669	7,823	4,477	995	20,964
Investment and insurance contracts on account of segregated fund policyholders	92,462	116,710	124,404	—	333,576
Total	$ 179,594	$ 198,112	$ 174,586	$ 13,082	$ 565,374

	December 31, 2020				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 87,732	$ 54,522	$ 50,793	$ 5,951	$ 198,998
Goodwill and intangible assets	5,625	5,729	3,037	—	14,391
Other assets	3,661	30,347	10,151	8,910	53,069
Investments on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total	$ 187,698	$ 208,580	$ 189,351	$ 14,861	$ 600,490
Liabilities					
Insurance and investment contract liabilities	$ 81,556	$ 76,793	$ 48,243	$ 11,455	$ 218,047
Other liabilities	7,731	8,004	4,767	894	21,396
Investment and insurance contracts on account of segregated fund policyholders	90,680	117,982	125,370	—	334,032
Total	$ 179,967	$ 202,779	$ 178,380	$ 12,349	$ 573,475

The assets by source currency for Capital and Risk Solutions:

	March 31 2021	December 31 2020
Assets		
United States	**$ 6,499**	$ 6,667
United Kingdom	**7,098**	7,572
Other	**2,012**	622
Total assets	**$ 15,609**	$ 14,861

GREAT-WEST
LIFECO INC.

100 Osborne Street North
Winnipeg Manitoba Canada R3C 1V3
greatwestlifeco.com