GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2021

Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to September 30, 2021 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 2021 were approved by the Board of Directors at a meeting held today.

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

Net earnings attributable to common shareholders (net earnings) were $872 million, or $0.94 per common share (EPS), for the third quarter of 2021 compared to $826 million, or $0.89 per common share, for the same quarter last year. Base earnings for the third quarter of 2021 were $870 million, or $0.93 per common share, compared to $679 million or $0.73 per common share a year ago.

Common Shareholders	Q3 2021	Q3 2020
Base earnings (1)		
Canada	$312	$270
United States (U.S.)	221	83
Europe	232	182
Capital and Risk Solutions	107	156
Lifeco Corporate	(2)	(12)
Total base earnings (1)	**$870**	**$679**
Items excluded from base earnings (2)	**2**	**147**
Net earnings	**$872**	**$826**
Base EPS (1)	**$0.93**	**$0.73**
Net EPS	**$0.94**	**$0.89**
Base return on equity (1)(3)	**14.5%**	**13.5%**
Return on equity (1)(3)	**14.9%**	**12.4%**

(1) Represents a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of the Company's third quarter of 2021 interim MD&A for additional details.

(2) Items excluded from base earnings are actuarial assumption changes and other managementactions, market-related impacts on liabilities, transaction costs related to the acquisitions of Personal Capital, MassMutual and Prudential, a provision for payments relating to the Company's 2003 acquisition of The Canada Life Assurance Company, restructuring and integration costs as well as a net gain related to the sale of Irish Progressive Services International Limited in Q3 2020. Refer to the "Non-IFRS Financial Measures" section of the Company's third 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 third quarter of 2021 of $0.93, increased by 27% from $0.73 a year ago, primarily due to MassMutual business related base earnings of $68 million (US$54 million) and the impact of higher equity markets across all jurisdictions. The Company also had favourable investment experience and a pension settlement gain in Europe as well as favourable morbidity experience in Canada. These items were partially offset by estimated claims related to recent major weather events as well as unfavourable U.S. life claims experience primarily due to the direct and indirect impacts of the COVID-19 pandemic in the Capital and Risk Solutions segment.

Reported net EPS for the third quarter of 2021 was $0.94 up from $0.89 in 2020. The increase was primarily due to base earnings growth as well as favourable market-related impacts on liabilities. These items were partially offset by higher acquisition related costs and integration and restructuring costs in the U.S. and Lifeco Corporate. Net earnings for the three months ended September 30, 2020 included a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI).

Highlights

Key strategic transactions announced

The Company announced several key strategic business transactions in the U.S., Canada and Ireland to add scale and grow their respective businesses as well as recent capital transactions to support this growth.

- On July 21, 2021, a Lifeco subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), which operates primarily as 'Empower Retirement' (Empower) announced a definitive agreement to acquire Prudential Financial, Inc.'s (Prudential) full-service retirement business for a total value of US$3.55 billion. The acquisition will add significant scale and capabilities and further strengthens Empower's position as the second largest retirement plan service provider in the United States. The transaction is expected to deliver run-rate annual pre-tax expense synergies of US$180 million which are expected to be phased in over 24 months, and also increases the synergy potential of Empower's 2020 acquisition of hybrid wealth manager, Personal Capital, across a larger combined business. Subject to regulatory approvals, the transaction is expected to close in the first quarter of 2022.
- On September 1, 2021, a Lifeco subsidiary, The Canada Life Assurance Company (Canada Life) completed the previously announced acquisition of ClaimSecure Inc., an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.
- Subsequent to September 30, 2021, on November 1, 2021, a Lifeco subsidiary, Irish Life Group Limited (Irish Life) completed the previously announced acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for a total cash consideration of €230 million. The acquisition adds scale to Irish Life's retail division and enhances Irish Life's ability to provide customers with market-leading wealth and insurance solutions.
- Subsequent to September 30, 2021, on October 7, 2021, the Company announced it had agreed to enter into a long-term strategic relationship with Sagard Holdings (Sagard), a wholly-owned subsidiary of Power Corporation. The relationship includes the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. The strategic relationship with Sagard is intended to advance the Company's strategy to further broaden its access to alternative investment options. The sale of EverWest is expected to close in the fourth quarter of 2021, subject to regulatory and customary closing conditions.

Consolidated assets under administration of $2.2 trillion

- Assets under administration (AUA) were approximately $2.2 trillion at September 30, 2021, an increase of 11% from December 31, 2020, primarily due to the impact of equity market movement and new business growth with respect to segregated funds, proprietary mutual funds and institutional net assets and other AUA, partially offset by the impact of currency movement.

Capital strength and financial flexibility maintained

- The Company's capital position remained strong at September 30, 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.
- On August 16, 2021, the Company issued $1.5 billion aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness), maturing on December 31, 2081 (LRCN Series 1).
- Subsequent to September 30, 2021, on October 8, 2021, the Company issued 8,000,000 Series Y, 4.50% Non-Cumulative First Preferred Shares for gross proceeds of $200 million.
- The Company made payments of US$400 million on July 2, 2021 and US$100 million on September 29, 2021 on its committed line of credit related to the Company's acquisition of the retirement services business from MassMutual on December 31, 2020, reducing the balance drawn on this line of credit to nil.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's consolidated operating results are grouped into five reportable segments – Canada, United States, Europe, Capital and Risk Solutions and Lifeco Corporate – reflecting the management and corporate structure of the Company. For more information, refer to the Company's third quarter of 2021 interim Management's Discussion and Analysis (MD&A).

CANADA

- **Q3 Canada segment base earnings of $312 million and net earnings of $305 million** – Base earnings for the third quarter of 2021 were $312 million, up 16% compared to the third quarter of 2020, primarily due to favourable morbidity experience in Group Customer, favourable mortality and investment experience in Individual Customer and higher fee income. Net earnings for the third quarter of 2021 were $305 million, up from $266 million in the third quarter of 2020, primarily due to growth in base earnings and market related impacts on liabilities, partially offset by unfavourable actuarial assumption changes.

UNITED STATES

- **Q3 U.S. Financial Services base earnings of US$149 million and net earnings of US$138 million** – U.S. Financial Services (primarily Empower) base earnings for the third quarter of 2021 were US$149 million, up US$93 million or 166% from the third quarter of 2020. Base earnings growth included MassMutual base earnings of US$54 million and growth in the legacy Empower business from higher average equity markets and an increase in participants, as well as higher contributions from investment experience. These items were partially offset by a Personal Capital loss of US$4 million. Net earnings for the third quarter of 2021 were US$138 million, up from US$84 million in the third quarter of 2020, primarily due to growth in base earnings.
- **Run-rate cost synergies are on track** – Annualized run rate cost synergies of US$60 million pre-tax have been achieved as of September 30, 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.

- **Q3 Putnam net earnings of US$27 million** – Putnam's net earnings for the third quarter of 2021 were US$27 million, an improvement of US$17 million compared to the third quarter of 2020, primarily due to higher fee revenue and changes to certain tax estimates, partially offset by lower net investment income and higher compensation related and asset-based expenses. For Putnam, there were no differences between net and base earnings.

- **Putnam average assets under management up 14%** – Putnam's average assets under management for the third quarter of 2021 were US$200.6 billion, an increase of US$23.9 billion compared to the same quarter last year, primarily due to cumulative positive markets over the twelve-month period. Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2021, approximately 75% and 86% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 49% and 71% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 28 funds currently rated 4-5 stars by Morningstar Ratings.

EUROPE

- **Q3 Europe segment base earnings of $232 million and net earnings of $357 million** – Base earnings for the third quarter of 2021 were $232 million, up 27% compared to the third quarter of 2020, primarily due to favourable investment experience in the United Kingdom (U.K.), fee income growth across all business units and a $47 million pension settlement gain in Ireland. These items were partially offset by less favourable morbidity experience in the U.K. and mortality experience in Ireland. Net earnings for the third quarter of 2021 were $357 million, up $41 million from the third quarter of 2020, primarily due to base earnings growth, higher contributions from actuarial assumption changes and other management actions and higher market-related impacts, partially offset by a $94 million net gain from the sale of IPSI in the third quarter of 2020.
- Q3 Europe sales included a $1.3 billion bulk annuity deal in the U.K.

CAPITAL AND RISK SOLUTIONS

- **Q3 Capital and Risk Solutions segment base earnings of $107 million and net earnings of $102 million** Base earnings for the third quarter of 2021, were $107 million, down 31% compared to the third quarter of 2020. Base earnings for the third quarter of 2021 included a loss estimate of $61 million for net estimated claims, primarily due to the impact of recent major weather events. Excluding this item, base earnings increased compared to the same quarter last year, primarily due to favourable impacts from new business and higher business volumes. This was partially offset by unfavourable U.S. life claims experience totalling $71 million primarily due to the direct and indirect impacts of the COVID-19 pandemic. Net earnings for the third quarter of 2021 of $102 million decreased $65 million from the prior year, primarily due to lower base earnings.
- **Continued expansion in the global reinsurance market** – In the third quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. In exchange for a single upfront premium payment, Canada Life will pay the actual benefit obligations incurred by the insurance company.

LIFECO CORPORATE

- **Q3 Lifeco Corporate segment base loss of $2 million and net loss of $60 million** – Base loss of $2 million for the third quarter of 2021 decreased by $10 million compared to the same quarter last year, primarily due to changes in certain tax estimates and lower operating expenses. Net loss of $60 million for the third quarter of 2021 compared to net loss of $12 million for the same quarter last year was due to a provision for payments relating to the Company's 2003 acquisition of The Canada Life Assurance Company.

GREAT-WEST
LIFECO INC.

QUARTERLY DIVIDENDS

The Board of Directors approved a quarterly dividend of $0.4380 per share on the common shares of Lifeco payable December 31, 2021 to shareholders of record at the close of business December 3, 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	December 3, 2021	December 31, 2021	$0.36875
Series G	December 3, 2021	December 31, 2021	$0.3250
Series H	December 3, 2021	December 31, 2021	$0.30313
Series I	December 3, 2021	December 31, 2021	$0.28125
Series L	December 3, 2021	December 31, 2021	$0.353125
Series M	December 3, 2021	December 31, 2021	$0.3625
Series N	December 3, 2021	December 31, 2021	$0.109313
Series P	December 3, 2021	December 31, 2021	$0.3375
Series Q	December 3, 2021	December 31, 2021	$0.321875
Series R	December 3, 2021	December 31, 2021	$0.3000
Series S	December 3, 2021	December 31, 2021	$0.328125
Series T	December 3, 2021	December 31, 2021	$0.321875
Series Y(1)	December 3, 2021	December 31, 2021	$0.2589

(1) The Series Y First Preferred Shares were issued on October 8, 2021. The first dividend payment will be made on December 31, 2021 in the amount of $0.2589 per share. Thereafter, dividends will be payable quarterly on the last day of March, June, September and December in each year at a rate of $0.28125 per share.

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

P. A. Mahon
President and Chief Executive Officer

November 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2021
DATED: NOVEMBER 3, 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 and nine months ended September 30, 2021 and includes a comparison to the corresponding periods in 2020, to the three months ended June 30, 2021, 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.

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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 September 30, 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 but not limited to the proposed acquisition of the full-service retirement business of Prudential Financial Inc. (Prudential) and the acquisitions of Personal Capital Corporation (Personal Capital) and the retirement services business of Massachusetts Mutual Life Insurance Company (MassMutual), the timing and completion of the proposed acquisition of the retirement business of Prudential, 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 timing of completion of the sale of EverWest Advisors, LLC and the expected benefits of the Company's strategic relationship with Sagard Holdings, 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 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, the emergence of COVID-19 variants, 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 businesses of MassMutual and Prudential, the ability to leverage Empower Retirement's, Personal Capital's, MassMutual's and Prudential'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, changes in actuarial standards, 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 (EPS)", "return on equity (ROE)", "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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Earnings					
Base earnings[1]	**$ 870**	$ 826	$ 679	**$ 2,435**	$ 1,928
Net earnings - common shareholders	**872**	784	826	**2,363**	2,031
Per common share					
Basic:					
Base earnings[1]	**0.934**	0.889	0.732	**2.620**	2.078
Net earnings	**0.938**	0.844	0.891	**2.544**	2.190
Diluted net earnings	**0.936**	0.842	0.891	**2.540**	2.189
Dividends paid	**0.438**	0.438	0.438	**1.314**	1.314
Book value	**24.40**	23.70	22.57		
Base return on equity[1]	**14.5 %**	13.9 %	13.5 %		
Return on equity[1]	**14.9 %**	15.0 %	12.4 %		
Total premiums and deposits[1][2]	**$ 39,282**	$ 36,804	$ 40,903	**$ 121,149**	$ 130,514
Fee and other income	**1,858**	1,800	1,486	**5,409**	4,333
Net policyholder benefits, dividends and experience refunds	**10,915**	12,162	9,155	**35,011**	28,243
Total assets per financial statements	**$ 614,962**	$ 604,176	$ 473,737		
Proprietary mutual funds and institutional net assets[1]	**365,764**	358,297	341,436		
Total assets under management[1]	**980,726**	962,473	815,173		
Other assets under administration[1]	**1,213,074**	1,193,449	845,862		
Total assets under administration[1]	**$2,193,800**	$2,155,922	$1,661,035		
Total equity	**$ 30,232**	$ 27,956	$ 26,648		
The Canada Life Assurance Company consolidated LICAT Ratio[3]	**123 %**	126 %	131 %		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) 2020 comparative figures have been reclassified to reflect presentation adjustments in the Canada segment.
(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.

DEVELOPMENTS

Medium Term Financial Objectives

The Company introduced financial objectives during 2021 for the upcoming three to five year period. The Company aims to create value through disciplined capital deployment to achieve 8-10% base EPS growth per annum, 14-15% base return on equity and to deliver strong cash generation.

Base EPS and base return on equity are non-IFRS measures. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.

Strategic Transactions
The Corporation announced strategic business transactions in the U.S., Canada and Ireland to add scale and grow and extend their businesses. The following developments are updates to the Company's June 30, 2021 Management's Discussion & Analysis.

United States
On July 21, 2021, a Lifeco subsidiary, Great-West Life & Annuity Insurance Company (GWL&A), which operates primarily as 'Empower Retirement', announced a definitive agreement to acquire Prudential Financial, Inc.'s (Prudential) full-service retirement business. The acquisition will add significant scale and capabilities and further solidifies Empower Retirement's position as the second largest retirement plan service provider in the United States and strengthens Empower Retirement's overall offering for participants and sponsors through additional expertise, an expanded product offering and new technology from Prudential. It also increases the synergy potential of Empower Retirement's 2020 acquisition of hybrid wealth manager, Personal Capital, across a larger combined business.

The total transaction value of US$3.55 billion includes purchase price consideration of US$1.12 billion, reinsurance ceding commission of US$0.33 billion and US$2.1 billion of required capital to support the business. The Company issued $1.5 billion of Limited Recourse Capital Notes on August 16, 2021 (see Capital Transactions below) and intends to fund the remaining purchase price with US$1.0 billion short-term debt and existing internal resources.

Canada
On September 1, 2021, a Lifeco subsidiary, The Canada Life Assurance Company (Canada Life) completed the previously announced acquisition of ClaimSecure Inc., an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada.

Europe
Subsequent to September 30, 2021, on November 1, 2021, a Lifeco subsidiary, Irish Life Group Limited (Irish Life), completed the previously announced acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for a total cash consideration of €230 million. The acquisition adds scale to Irish Life's retail division and enhances Irish Life's ability to provide customers with market-leading wealth and insurance solutions.

Lifeco
Subsequent to September 30, 2021, on October 7, 2021, the Company announced it had agreed to enter into a long-term strategic relationship with Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, which includes the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest is a wholly-owned subsidiary of Canada Life and its principal activity is real estate investment management services. The sale of EverWest is expected to close in the fourth quarter of 2021, subject to regulatory and customary closing conditions. Sagard is a related party. Therefore, the transaction was reviewed and approved by the Company's Conduct Review Committee and certain aspects involving Canada Life were reviewed and approved by its Conduct Review Committee. The carrying value and earnings of EverWest are immaterial to the Company.

As part of the strategic relationship with Sagard, the Company will make a capital commitment of up to approximately US$500 million into certain Sagard strategies. The Company has also committed to investing a further approximately US$2.0 billion in real estate investments to support EverWest's future growth within Sagard. The strategic relationship with Sagard is intended to advance the Company's strategy to further broaden its access to alternative investment options.

Capital Transactions
The Company made payments of US$400 million on July 2, 2021 and US$100 million on September 29, 2021 on its committed line of credit related to GWL&A’s acquisition of the retirement services business from MassMutual on December 31, 2020, reducing the balance drawn on this line of credit to nil.

On August 16, 2021, the Company issued $1.5 billion aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, until December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LRCN Series 1, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. The Company will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if GWL&A’s acquisition of Prudential’s full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement).

Subsequent to September 30, 2021, on October 8, 2021, the Company issued 8,000,000, 4.50% Non-Cumulative First Preferred Shares, Series Y at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

COVID-19 PANDEMIC IMPACTS
The COVID-19 pandemic continues to cause material disruption to businesses globally, resulting in continued economic pressures. While rising vaccination rates have led governments in different regions to ease restrictions put in place, many factors continue to extend economic uncertainty, including but not limited to: the availability, adoption and uncertainty around the effectiveness of vaccines; the emergence of COVID-19 variants; and the extent and timing of related government and central bank actions.

The Company's financial outlook for the remainder of 2021 and 2022 will depend in part on the duration and intensity of the COVID-19 pandemic impacts as discussed above. The impact of the pandemic on mortality, longevity, disability and other claims experience in future periods remains uncertain and may differ by region and business line. The Company is actively monitoring and, to date, net impacts have been modest. 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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings (loss)[(1)]					
Canada	**$ 312**	$ 293	$ 270	**$ 903**	$ 858
United States	**221**	190	83	**515**	183
Europe	**232**	184	182	**617**	493
Capital and Risk Solutions	**107**	150	156	**402**	412
Lifeco Corporate	**(2)**	9	(12)	**(2)**	(18)
Lifeco base earnings[(1)]	**$ 870**	$ 826	$ 679	**$ 2,435**	$ 1,928
Items excluded from base earnings[(1)]					
Actuarial assumption changes and other management actions[(1)]	**$ 69**	$ 37	$ 66	**$ 111**	$ 136
Market-related impacts on liabilities[(1)]	**47**	(19)	18	**4**	(96)
Transaction costs related to acquisitions[(1)(2)]	**(90)**	(24)	(31)	**(115)**	(31)
Restructuring and integration costs[(1)]	**(24)**	(15)	—	**(51)**	—
Net gain/charge on business dispositions[(1)]	**—**	—	94	**—**	94
Tax legislative changes impact on liabilities[(1)]	**—**	(21)	—	**(21)**	—
Items excluded from Lifeco base earnings[(1)]	**$ 2**	$ (42)	$ 147	**$ (72)**	$ 103
Net earnings (loss) - common shareholders					
Canada	**$ 305**	$ 288	$ 266	**$ 880**	$ 770
United States	**168**	150	89	**407**	172
Europe	**357**	185	316	**737**	660
Capital and Risk Solutions	**102**	152	167	**399**	447
Lifeco Corporate	**(60)**	9	(12)	**(60)**	(18)
Lifeco net earnings - common shareholders	**$ 872**	$ 784	$ 826	**$ 2,363**	$ 2,031

(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 the full-service retirement business of Prudential, Personal Capital and the retirement services business of MassMutual and are included in the U.S. Corporate business unit. In addition, the third quarter of 2021 included a provision for payments relating to the Company's 2003 acquisition of The Canada Life Assurance Company.

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 of this document.

Base earnings

Base earnings for the third quarter of 2021 of $870 million ($0.934 per common share) increased by $191 million from $679 million ($0.732 per common share) a year ago. The increase was primarily due to MassMutual business related base earnings of $68 million (US$54 million), the impact of higher equity markets across all jurisdictions and business growth in the Capital and Risk Solutions segment. The Company acquired the retirement services business of MassMutual on December 31, 2020. The Company also had favourable investment experience and a pension settlement gain in the Europe segment as well as favourable morbidity experience in the Canada segment. These items were partially offset by a net loss estimate of $61 million after-tax primarily for estimated claims resulting from the impact of recent major weather events as well as unfavourable U.S. life claims experience totaling $71 million after-tax primarily due to the direct and indirect impacts of the COVID-19 pandemic in the Capital and Risk Solutions segment.

For the nine months ended September 30, 2021, Lifeco's base earnings were $2,435 million ($2.620 per common share) compared to $1,928 million ($2.078 per common share) a year ago. The increase was primarily due to MassMutual business related base earnings of $179 million (US$144 million) as well as the reasons discussed for the in-quarter results.

Net earnings

Lifeco's net earnings for the three month period ended September 30, 2021 of $872 million ($0.938 per common share) increased by $46 million compared to $826 million ($0.891 per common share) a year ago. The increase was primarily due to an increase in base earnings as well as favourable market-related impacts on liabilities. These items were partially offset by higher acquisition related costs in the U.S. and Lifeco Corporate, as well as higher integration and restructuring costs in the U.S. Net earnings for the three months ended September 30, 2020 included a net gain of $94 million related to the sale of Irish Progressive Services International Limited (IPSI).

For the nine months ended September 30, 2021, Lifeco's net earnings were $2,363 million ($2.544 per common share) compared to $2,031 million ($2.190 per common share) a year ago. The increase was primarily due to the same reasons discussed for the in-quarter results as well as negative tax-related impacts in the United Kingdom (U.K.). Net earnings for the nine months ended September 30, 2020 included the net gain related to the sale of IPSI discussed for the in-quarter results.

Lifeco's net earnings for the three month period ended September 30, 2021 of $872 million ($0.938 per common share) increased by $88 million or 11% compared to $784 million ($0.844 per common share) in the previous quarter. The increase in net earnings was primarily due to business growth in the U.S. segment, a pension settlement gain in the Europe segment, more favourable actuarial assumption changes and favourable market-related impacts on liabilities. These items were partially offset by higher acquisition costs in the U.S. and Lifeco Corporate and a loss estimate of $61 million after-tax for estimated claims resulting from the impact of recent major weather events in the Capital and Risk Solutions segment.

Actuarial Assumption Changes and Other Management Actions

For the three months ended September 30, 2021, actuarial assumption changes and other management actions, resulted in a positive net earnings impact of $69 million. This compares to a positive impact of $66 million for the same quarter last year, and a positive impact of $37 million for the previous quarter.

In June 2021, the Canadian Actuarial Standards Board published revised standards for the valuation of insurance contract liabilities, with an effective date of October 15, 2021. The revised standards include decreases to ultimate reinvestment rates, revised calibration criteria for stochastic risk-free interest rates and an increase to the maximum net credit spread on reinvestment over the long term. The Company adopted these standard changes in the third quarter of 2021, which resulted in a negative net earnings impact of $33 million.

In Europe, net earnings were positively impacted by $81 million, primarily due to updated economic and asset related assumptions as well as updated annuitant mortality assumptions. In Canada, net earnings were negatively impacted by $11 million, primarily due to updated policyholder behaviour assumptions, the impact of updates to the actuarial standards and updated individual morbidity assumptions, partially offset by other updates to economic assumptions. In Capital and Risk Solutions, net earnings were negatively impacted by $5 million, primarily due to updated life and annuitant mortality assumptions. In the United States, net earnings were positively impacted by $4 million, due to updated economic assumptions primarily driven by the actuarial standards updates.

For the nine months ended September 30, 2021, actuarial assumption changes and other management actions resulted in a positive net earnings impact of $111 million, compared to $136 million for the same period in 2020.

Market-Related Impacts
In the regions where the Company operates, average equity market levels for the three months ended September 30, 2021 were up 33% in the U.S. (as measured by S&P 500), 26% in Canada (as measured by S&P TSX), 26% in broader Europe (as measured by EURO STOXX 50) and 17% in the U.K. (as measured by FTSE 100) compared to the same period in 2020. The major equity indices finished the third quarter of 2021 up by 1% in the U.K. and remained consistent in Canada, the U.S. and broader Europe compared to June 30, 2021. For the nine months ended September 30, 2021, average equity market levels were higher in the U.S., Canada, the U.K. and broader Europe compared to the same period in 2020.

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

Market-related impacts on liabilities positively impacted net earnings by $47 million in the third quarter of 2021 (positive impact of $18 million in the third quarter of 2020) primarily reflecting updated cash flow projections for real estate which support insurance contract liabilities in Europe. In the third quarter of 2020, the positive market-related impacts reflected the impact of equity market recoveries in-period, following the COVID-19 pandemic related shocks in the first quarter of 2020. This impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness, as well as the valuation of insurance contact liabilities which are supported by equities and real estate.

For the nine months ended September 30, 2021, market-related impacts on liabilities positively impacted net earnings by $4 million (negative impact of $96 million year-to-date in 2020) primarily due to the same reasons discussed for the in-quarter results. While equity markets rebounded in the second and third quarters of 2020, the 2020 year-to-date negative impact reflects the significant decline and volatility in equity markets and interest rates in the first quarter of 2020, driven by the onset of the COVID-19 pandemic. This impacted the value of segregated fund and variable annuity guarantees, including related hedging ineffectiveness and was only partially recovered in-period in 2020.

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 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2021.

Foreign Currency
The average currency translation rate for the third quarter of 2021 decreased for the U.S. dollar and the euro and increased for the British pound compared to the third quarter of 2020. The overall impact of currency movement on the Company's net earnings for the three months ended September 30, 2021 was a decrease of $19 million (decrease of $50 million year-to-date) compared to translation rates a year ago.

From June 30, 2021 to September 30, 2021, the market rates at the end of the reporting period used to translate U.S. dollar assets and liabilities to the Canadian dollar increased, while the euro and British pound were comparable. The movements in end-of-period exchange rates impact the translation of foreign operations, including related hedge activities, resulting in post-tax unrealized foreign exchange gains of $199 million in-quarter ($301 million net unrealized loss year-to-date) recorded in other comprehensive income.

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 26.5% 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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings - Common shareholders[1]	**9.6 %**	9.2 %	5.7 %	**9.5 %**	8.9 %
Net earnings - Common shareholders	**8.4 %**	12.1 %	4.8 %	**9.9 %**	5.7 %
Base earnings - Total Lifeco[1]	**10.9 %**	7.3 %	3.8 %	**8.6 %**	7.8 %
Net earnings - Total Lifeco	**9.8 %**	9.5 %	2.1 %	**8.9 %**	4.3 %

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

In the third quarter of 2021, the Company had an effective income tax rate on base earnings of 10.9%, which was up from 3.8% in the third quarter of 2020. The increase was primarily due to changes in certain tax estimates as well as jurisdictional mix of earnings.

In the third quarter of 2021, the Company had an overall effective income tax rate on net earnings of 9.8%, up from 2.1% in the third quarter of 2020, primarily due to changes in certain tax estimates and a non-taxable gain on the disposal of the shares of IPSI during the third quarter of 2020.

The Company had an effective income tax rate on base earnings of 8.6% for the nine months ended September 30, 2021, which was comparable to 7.8% for the same period last year.

The Company had an overall effective income tax rate on net earnings of 8.9% for the nine months ended September 30, 2021, compared to 4.3% for the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter overall effective income tax rate results.

Refer to note 14 to the Company's condensed consolidated interim unaudited financial statements for the period ended September 30, 2021 for further details.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits[1]

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Canada[2]	**$ 6,945**	$ 6,819	$ 6,161	**$ 21,439**	$ 18,821
United States	**16,269**	17,207	24,138	**54,964**	72,897
Europe	**7,505**	6,496	6,114	**22,435**	24,725
Capital and Risk Solutions[3]	**8,563**	6,282	4,490	**22,311**	14,071
Total premiums and deposits[1][2]	**$ 39,282**	$ 36,804	$ 40,903	**$ 121,149**	$ 130,514

Sales[1][3]

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Canada	**$ 3,466**	$ 3,345	$ 2,520	**$ 11,544**	$ 8,542
United States	**29,173**	36,368	27,987	**164,480**	109,445
Europe	**6,968**	5,926	5,313	**20,120**	22,122
Total sales[1][3]	**$ 39,607**	$ 45,639	$ 35,820	**$ 196,144**	$ 140,109

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) 2020 comparative figures have been reclassified to reflect presentation adjustments in the Canada segment.
(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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Investment income earned (net of investment properties expenses)	**$ 1,610**	$ 1,651	$ 1,420	**$ 4,834**	$ 4,284
Net allowances for credit losses on loans and receivables	**4**	(26)	(1)	**(28)**	(10)
Net realized gains	**32**	35	106	**97**	246
Regular investment income	**1,646**	1,660	1,525	**4,903**	4,520
Investment expenses	**(57)**	(49)	(32)	**(147)**	(117)
Regular net investment income	**1,589**	1,611	1,493	**4,756**	4,403
Changes in fair value through profit or loss	**(936)**	2,793	785	**(3,694)**	3,715
Net investment income	**$ 653**	$ 4,404	$ 2,278	**$ 1,062**	$ 8,118

Net investment income in the third quarter of 2021 decreased by $1,625 million compared to the same quarter last year. In the third quarter of 2021, the net decrease to fair values through profit and loss was primarily due to an increase in bond yields across all geographies. In the third quarter of 2020, the net increase to fair values was primarily due to a decline in corporate bond yields across all geographies and an increase in Canadian equity markets.

Regular net investment income in the third quarter of 2021 of $1,589 million, increased by $96 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 on December 31, 2020, partially offset by lower net realized gains. Net realized gains include gains on available-for-sale securities of $8 million for the third quarter of 2021 compared to $11 million for the same quarter last year.

For the nine months ended September 30, 2021, net investment income decreased by $7,056 million compared to the same period last year. The changes in fair value through profit and loss for the nine months ended September 30, 2021 were primarily due to an increase in bond yields across all geographies, partially offset by an increase in Canadian equity markets. This is compared to a decline in bond yields across all geographies, partially offset by a decrease in Canadian equity markets during the same period last year.

Regular net investment income for the nine months ended September 30, 2021 of $4,756 million, increased by $353 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results. Net realized gains include gains on available-for-sale securities of $19 million for the nine months ended September 30, 2021 compared to $128 million for the same period 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 small negative impact from rating changes during the third quarter of 2021 compared to a larger negative impact from downgrades in the third quarter of 2020. There could be a negative impact from downgrades in future periods if economies that are currently open are shut down or restricted due to a resurgence of COVID-19 cases, causing economic uncertainty.

In the third quarter of 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $1 million ($6 million net negative impact in the third 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. Separately, related to non-impaired invested assets, 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 $5 million ($22 million net negative impact in the third quarter of 2020), primarily due to downgrades of various corporate bond holdings.

For the nine months ended September 30, 2021, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $12 million ($10 million net negative impact year-to-date in 2020), primarily due to a commercial mortgage impairment. Separately, related to non-impaired invested assets, 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 $9 million year-to-date ($66 million net negative impact year-to-date in 2020), primarily due to net 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 contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Canada					
Segregated funds, mutual funds and other	**$ 457**	$ 440	$ 397	**$ 1,313**	$ 1,161
Administrative services only (ASO) contracts	**52**	52	48	**157**	134
	509	492	445	**1,470**	1,295
United States					
Segregated funds, mutual funds and other	**995**	960	696	**2,882**	2,015
Europe					
Segregated funds, mutual funds and other	**352**	346	342	**1,051**	1,015
Capital and Risk Solutions					
Reinsurance and other	**2**	2	3	**6**	8
Total fee and other income	**$ 1,858**	$ 1,800	$ 1,486	**$ 5,409**	$ 4,333

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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Canada	**$ 2,486**	$ 2,530	$ 2,224	**$ 7,649**	$ 6,720
United States	**1,344**	2,145	1,197	**5,656**	3,956
Europe	**947**	1,026	1,015	**2,909**	2,945
Capital and Risk Solutions	**6,138**	6,461	4,719	**18,797**	14,622
Total	**$ 10,915**	$ 12,162	$ 9,155	**$ 35,011**	$ 28,243

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

For the three months ended September 30, 2021, net policyholder benefits, dividends and experience refunds were $10.9 billion, an increase of $1.8 billion from the same quarter last year, driven by higher net policyholder benefits. The increase in benefit payments was primarily due to new reinsurance agreements as well as volume changes relating to existing business in the Capital and Risk Solutions segment, higher group insurance claims in the Canada segment and higher surrender benefits in the U.S segment. The higher surrender benefits in the U.S segment were primarily driven by the acquisition of the MassMutual retirement services business.

For the nine months ended September 30, 2021, net policyholder benefits, dividends and experience refunds were $35.0 billion, an increase of $6.8 billion from the same period last year, primarily due to the same reasons discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration[1]

	September 30, 2021				
	Canada	**United States**	**Europe**	**Capital and Risk Solutions**	**Total**
Assets					
Invested assets	**$ 89,617**	**$ 55,725**	**$ 48,567**	**$ 9,875**	**$ 203,784**
Goodwill and intangible assets	**5,744**	**5,683**	**3,025**	**—**	**14,452**
Other assets	**4,114**	**30,149**	**9,002**	**7,840**	**51,105**
Investments on account of segregated fund policyholders	**97,769**	**116,568**	**131,284**	**—**	**345,621**
Total assets	**197,244**	**208,125**	**191,878**	**17,715**	**614,962**
Proprietary mutual funds and institutional net assets[1]	**5,534**	**298,535**	**61,695**	**—**	**365,764**
Total assets under management[1]	**202,778**	**506,660**	**253,573**	**17,715**	**980,726**
Other assets under administration[1]	**21,162**	**1,179,882**	**12,030**	**—**	**1,213,074**
Total assets under administration[1]	**$ 223,940**	**$ 1,686,542**	**$ 265,603**	**$ 17,715**	**$ 2,193,800**
	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 (AUA) at September 30, 2021 increased by $218 billion to $2.2 trillion compared to December 31, 2020, primarily due to the impact of equity market movement and new business growth primarily with respect to segregated funds, proprietary mutual funds and institutional net assets, partially offset by the impact of currency movement.

Total assets at September 30, 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 fourth quarter 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 $139.0 billion or 68% of invested assets at September 30, 2021 compared to $137.6 billion or 69% at December 31, 2020. The increase in the bond portfolio was primarily due to net purchases partially offset by 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 75% rated A or higher.

Bond credit ratings reflect bond rating agency activity up to September 30, 2021. Management continues to closely monitor bond rating agency activity and general market conditions as economies emerge from the pandemic.

Bond portfolio quality	**September 30, 2021**		December 31, 2020	
AAA	**$ 21,000**	**15 %**	$ 21,820	16 %
AA	**33,750**	**24**	35,530	26
A	**49,421**	**36**	45,673	33
BBB	**33,714**	**24**	33,382	24
BB or lower	**1,067**	**1**	1,187	1
Total	**$ 138,952**	**100 %**	$ 137,592	100 %

At September 30, 2021, non-investment grade bonds were $1.1 billion or 0.8% of the bond portfolio compared to $1.2 billion or 0.9% of the bond portfolio at 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

	September 30, 2021				December 31, 2020	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	$ 498	$ 1,520	$ 2,018	7 %	$ 2,063	7 %
Multi-family residential	3,001	4,409	7,410	25	7,353	27
Equity release	—	2,500	2,500	9	2,020	7
Commercial	223	16,828	17,051	59	16,367	59
Total	$ 3,722	$ 25,257	$ 28,979	100 %	$ 27,803	100 %

The total mortgage portfolio was $29.0 billion or 14% of invested assets at September 30, 2021, compared to $27.8 billion or 14% of invested assets at December 31, 2020. The increase in the mortgage portfolio was primarily related to net commercial mortgage and equity release mortgage originations. Total insured loans were $3.7 billion or 13% of the mortgage portfolio.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation. The provisions reflect the current credit ratings and potential future rating migration. No provision is held for government or government related debt rated A+ or higher where the issuer is monetarily sovereign.

At September 30, 2021, the aggregate of impairment provisions was $30 million compared to $62 million at December 31, 2020, a decrease of $32 million primarily due to the disposal of previously impaired commercial mortgages, partly offset by a commercial mortgage impairment. The total actuarial provision for future credit losses in insurance contract liabilities was $3,177 million at September 30, 2021 compared to $3,368 million at December 31, 2020, a decrease of $191 million primarily due to interest rates movements and normal business activity.

The aggregate of impairment provisions of $30 million ($62 million at December 31, 2020) and actuarial provision for future credit losses in insurance contract liabilities of $3,177 million ($3,368 million at December 31, 2020) represents 1.8% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2021 (1.9% at December 31, 2020).

DERIVATIVE FINANCIAL INSTRUMENTS

During the third 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 September 30, 2021, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $264 million ($211 million at December 31, 2020) and pledged on derivative liabilities was $631 million ($560 million at December 31, 2020). Collateral received on derivatives assets increased, primarily driven by the impact of the U.S. dollar strengthening against the British pound and euro on cross-currency swaps that pay British pounds and euros and receive U.S. dollars. 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 nine month period ended September 30, 2021, the outstanding notional amount of derivative contracts increased by $3.8 billion to $33.9 billion, primarily due to regular hedging activities and increases to net investment hedges. During the nine month period, the Company entered into net investment hedges, with notional amounts of €1 billion and £0.5 billion, to reduce the volatility of its Canadian dollar exposure to net investments in foreign operations in the Europe segment.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $776 million at September 30, 2021 from $829 million at December 31, 2020. The decrease was 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 third quarter of 2021 and all had investment grade ratings as of September 30, 2021.

LIABILITIES

Total liabilities

	September 30 2021	December 31 2020
Insurance and investment contract liabilities	**$ 217,392**	$ 218,047
Other general fund liabilities	**21,717**	21,396
Investment and insurance contracts on account of segregated fund policyholders	**345,621**	334,032
Total	**$ 584,730**	$ 573,475

Total liabilities increased by $11.3 billion to $584.7 billion at September 30, 2021 from December 31, 2020.

Insurance and investment contract liabilities decreased by $0.7 billion, primarily due to fair value adjustments, the impact of currency movement, assumption changes and normal business movements, partially offset by the impact of new business. Investment and insurance contracts on account of segregated fund policyholders increased by $11.6 billion, primarily due to the impact of net market value gains and investment income of $25.6 billion, partially offset by the negative impact of currency movement of $5.3 billion and net withdrawals of $10.3 billion. Other general fund liabilities increased by $0.3 billion, primarily due to an increase of $0.6 billion in other liabilities, $0.5 billion in accounts payable as well as $0.3 billion in deferred tax liabilities. The increase was partially offset by a decrease of $0.9 billion in debentures and other debt instruments.

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 September 30, 2021, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,268 million ($3,375 million at December 31, 2020).

Segregated fund and variable annuity guarantee exposure

		September 30, 2021			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[(1)]
Canada	$ 35,371	$ 1	$ 11	$ 36	$ 36
United States	20,917	9	—	21	30
Europe	11,286	4	—	793	793
Capital and Risk Solutions[(2)]	883	220	—	—	220
Total	**$ 68,457**	**$ 234**	**$ 11**	**$ 850**	**$ 1,079**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2021.
(2) Capital and Risk Solutions exposure is to markets in Canada and the U.S.

Investment deficiency at September 30, 2021 of $1,079 million decreased by $238 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 September 30, 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 $2 million in-quarter ($8 million for the third quarter of 2020) and $7 million year-to-date ($20 million year-to-date for 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 September 30, 2021, debentures and other debt instruments decreased by $920 million to $8,773 million compared to December 31, 2020.

The Company made payments of US$400 million on July 2, 2021 and US$100 million on September 29, 2021 on its committed line of credit related to GWL&A's acquisition of the retirement services business from MassMutual on December 31, 2020, reducing the balance drawn on this line of credit to nil.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2021 was $9,958 million, which comprises $5,744 million of common shares and $2,714 million of preferred shares, and $1,500 million Limited Recourse Capital Notes (LRCN Series 1) discussed below. Preferred shares included $2,464 million of non-cumulative First Preferred Shares and $250 million of 5-year rate reset First Preferred Shares.

On August 16, 2021, the Company issued $1,500 million aggregate principal amount 3.60% LRCN Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081. The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, until December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield as defined in the trust indenture governing the LCRN Series 1, plus 2.641%.

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 September 30, 2021, the Company did not purchase any common shares under the current NCIB (nil for the three months ended September 30, 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.

Subsequent to September 30, 2021, on October 8, 2021, the Company issued 8,000,000 Series Y, 4.50% Non-Cumulative First Preferred Shares at $25.00 per share for gross proceeds of $200 million. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining levels of liquid investments adequate to meet anticipated liquidity needs. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2021, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $11.4 billion ($11.2 billion at December 31, 2020) and other liquid assets and marketable securities of $100.4 billion ($100.2 billion at December 31, 2020). Included in the cash, cash equivalents and short-term bonds at September 30, 2021 was $0.6 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. 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. The Office of the Superintendent of Financial Institutions (OSFI) has maintained its guidance provided in 2020 at the outset of the COVID-19 pandemic that Canadian banks and insurers should suspend share buybacks and not increase dividend payments. In the U.K. and Ireland, where some of the Company's regulated subsidiaries operate, the regulatory authorities have maintained their guidance that insurance companies should exercise prudence in respect of dividend distributions, share buybacks and similar transactions, but at the end of the third quarter of 2021 the Irish regulator removed the temporary cap that it had also been applying to significant insurance companies such as Irish Life Assurance plc.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Cash flows relating to the following activities:				
Operations	**$ 5,689**	$ 4,326	**$ 8,544**	$ 7,714
Financing	**439**	2,056	**(567)**	1,629
Investment	**(6,036)**	(6,848)	**(9,011)**	(8,666)
	92	(466)	**(1,034)**	677
Effects of changes in exchange rates on cash and cash equivalents	**90**	(31)	**(22)**	67
Increase (decrease) in cash and cash equivalents in the period	**182**	(497)	**(1,056)**	744
Cash and cash equivalents, beginning of period	**6,708**	5,869	**7,946**	4,628
Cash and cash equivalents, end of period	**$ 6,890**	$ 5,372	**$ 6,890**	$ 5,372

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

In the third quarter of 2021, cash and cash equivalents increased by $182 million from June 30, 2021. Cash flows provided by operations during the third quarter of 2021 were $5,689 million, an increase of $1,363 million compared to the third quarter of 2020. Cash flows provided by financing of $439 million were primarily provided by the issuance of the LRCN Series 1 of $1,500 million, partially offset by a decrease in the line of credit of a subsidiary of $639 million and the payments of dividends to common and preferred shareholders of $440 million. For the three months ended September 30, 2021, cash flows were used by the Company to acquire an additional $6,036 million of investment assets.

For the nine months ended September 30, 2021, cash and cash equivalents decreased by $1,056 million from December 31, 2020. Cash flows provided by operations were $8,544 million, an increase of $830 million compared to the same period in 2020. Cash flows used in financing of $567 million were primarily used for the payment of dividends to common and preferred shareholders of $1,320 million and a decrease in the line of credit of a subsidiary of $827 million, partially offset by the issuance of the LRCN Series 1 discussed for the in-quarter results. For the nine months ended September 30, 2021, cash flows were used by the Company to acquire an additional $9,011 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 September 30, 2021 was 123% (129% at December 31, 2020). The LICAT Ratio does not take into account any impact from $0.6 billion of liquidity at the Lifeco holding company level at September 30, 2021 ($0.9 billion at December 31, 2020). The continued phasing in of the impact of the LICAT interest rate scenario shift in North America (described below) contributed a 1 point decrease to the ratio this quarter and a 3 point decrease year-to-date. The remainder of the year-to-date decrease in the LICAT Ratio was due to market movement and new business growth, partly offset by the favourable impact of net earnings.

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

LICAT Ratio	**Sept. 30 2021**	Dec. 31 2020
Tier 1 Capital	**$ 12,578**	$ 11,593
Tier 2 Capital	**4,224**	4,568
Total Available Capital	**16,802**	16,161
Surplus Allowance & Eligible Deposits	**13,409**	14,226
Total Capital Resources	**$ 30,211**	$ 30,387
Required Capital	**$ 24,520**	$ 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 Canada Life consolidated LICAT Ratio 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;
- 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. 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 estimated.

LICAT sensitivities are rounded to the nearest point.

Publicly Traded Common Stocks

The following table sets out the estimated immediate impact to Canada Life's consolidated LICAT Ratio of certain instantaneous changes in publicly traded common stock values as at September 30, 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	September 30, 2021			
	20% increase	10% increase	10% decrease	20% decrease
Potential increase (decrease) on LICAT Ratio	(1 point)	0 point	1 point	(1 point)

Interest Rates

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. Sensitivity to interest rates is dependent on many factors and may result in non-linear impacts to the LICAT Ratio. 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 or the impact of a LICAT interest rate risk scenario shift.

Immediate parallel shift in yield curve	September 30, 2021	
	50 bps increase	50 bps decrease
Potential increase (decrease) on LICAT Ratio	(2 points)	3 points

LICAT Interest Rate Scenario Shift

The LICAT interest rate risk capital 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 risk capital requirement for participating insurance products. The smoothing calculation averages the participating interest rate risk capital requirements over the trailing six quarters, thereby reducing unwarranted volatility.

The Company experienced a shift to a different adverse LICAT interest rate scenario in North America during the third quarter of 2020. Allowing for the smoothing approach, the shift in scenario reduced the current quarter's LICAT Ratio by 1 point. The cumulative impact is a decrease of approximately 5 points to the LICAT Ratio, with the remaining impact of a less than 1 point decrease being phased in through the next quarter, if the Company remains on the current scenario.

In the event of a shift back to the previous most adverse LICAT interest rate scenario, the Company estimates the LICAT Ratio would increase, for this item only, by approximately 1 point per quarter for the ensuing six quarters applying the smoothing calculation for participating insurance products.

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 Advisory will remain in effect until January 1, 2023, when it will be subsequently incorporated into the LICAT guideline.

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 from insurance contracts 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.

During the second quarter, OSFI launched a Quantitative Impact Study for IFRS 17 and IFRS 9, *Financial Instruments*. The Company is participating in this public consultation. 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.

RETURN ON EQUITY (ROE)[1]

Base Return on Equity[1]	**Sept. 30 2021**	June 30 2021	Sept. 30 2020
Canada	**17.3 %**	17.4 %	16.5 %
U.S. Financial Services	**11.6 %**	8.6 %	10.1 %
U.S. Asset Management (Putnam)	**4.7 %**	3.4 %	(0.3)%
Europe	**13.2 %**	13.0 %	13.0 %
Capital and Risk Solutions	**33.9 %**	38.9 %	38.5 %
Total Lifeco Base Earnings Basis[1]	**14.5 %**	13.9 %	13.5 %

Return on Equity[1]	**Sept. 30 2021**	June 30 2021	Sept. 30 2020
Canada	**16.3 %**	16.5 %	14.0 %
U.S. Financial Services	**7.7 %**	6.0 %	10.5 %
U.S. Asset Management (Putnam)	**15.6 %**	14.2 %	(11.7)%
Europe	**16.1 %**	16.2 %	15.9 %
Capital and Risk Solutions	**36.5 %**	42.7 %	38.2 %
Total Lifeco Net Earnings Basis	**14.9 %**	15.0 %	12.4 %

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

The Company 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 consistent with 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 a corporation and securities of a corporation, and are indicators of the likelihood of payment and the capacity of a corporation to meet its obligations in accordance with the terms of each obligation.

In the third quarter of 2021, the existing credit ratings for Lifeco and its major operating subsidiaries were unchanged. Lifeco also obtained three new subordinated debt ratings from DBRS Morningstar, Fitch Ratings, and S&P Global Ratings, for its LRCN Series 1 issued on August 16, 2021 (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 third 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	A (low)	AA (low)		
Fitch Ratings	Insurer Financial Strength		AA	AA	AA
	Senior Debt	A			
	Subordinated Debt	BBB+	A+		
Moody's Investors Service	Insurance Financial Strength		Aa3		Aa3
S&P Global Ratings	Insurer Financial Strength		AA		AA
	Senior Debt	A+			
	Subordinated Debt	A-	AA-		

As part of Lifeco's announcement on July 21, 2021, that its U.S. subsidiary, Empower Retirement, had reached a definitive agreement to acquire Prudential's full-service retirement business, Lifeco announced that the transaction was expected to be funded with approximately US$1.19 billion of LRCN Series 1, US$1.0 billion of short-term debt, and existing resources. In addition, Lifeco noted that the short-term financing would facilitate leverage ratio reduction as the business generates meaningful earnings and cash.

Following the July 21, 2021 announcement, and having regard to the financing plan and its impact on leverage in the near-term, all five rating agencies affirmed the ratings as set out above. Four of the five agencies affirmed the rating outlook as stable; Fitch's rating outlook remains negative.

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. The following sections analyze the performance of Lifeco's four major reportable segments: Canada, United States (U.S.), Europe, and Capital and Risk Solutions.

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

- On September 1, 2021, Canada Life completed the previously announced acquisition of ClaimSecure Inc., an industry-leading healthcare management firm that provides health and dental claim management services to private and public businesses in Canada. The acquisition increases the number of plan members served by Canada Life by 1.25 million individuals, with annual claims payments of more than $1.2 billion.
- On September 20, 2021, Canada Life Investment Management announced the launch of the new Canada Life Sustainable Portfolios, giving investors access to investments diversified across asset classes, regions and responsible investing strategies. The funds will seek to invest in companies that demonstrate strong environmental, social and governance (ESG) practices.
- On July 1, 2021, the home of the Winnipeg Jets and Manitoba Moose was officially renamed Canada Life Centre™. The 10-year sponsorship agreement with True North Sports + Entertainment gives Canada Life national brand and media exposure, as the arena typically hosts more than 140 events each year and is recognized as one of the premier sports and entertainment venues in North America.

SELECTED FINANCIAL INFORMATION - CANADA

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings (loss)[1]					
Individual Customer	**$ 140**	$ 162	$ 123	**$ 440**	$ 420
Group Customer	**168**	189	134	**511**	472
Canada Corporate	**4**	(58)	13	**(48)**	(34)
Base earnings (loss)[1]	**$ 312**	$ 293	$ 270	**$ 903**	$ 858
Items excluded from base earnings[1]					
Actuarial assumption changes and other management actions[1]	**$ (11)**	$ (6)	$ 4	**$ (30)**	$ (47)
Market-related impacts on liabilities[1]	**4**	1	(8)	**7**	(41)
Net earnings - common shareholders	**$ 305**	$ 288	$ 266	**$ 880**	$ 770
Premiums and deposits[1][2]					
Individual Customer	**$ 2,741**	$ 2,747	$ 2,503	**$ 8,465**	$ 7,577
Group Customer	**4,204**	4,072	3,658	**12,974**	11,244
Premiums and deposits[1][2]	**$ 6,945**	$ 6,819	$ 6,161	**$ 21,439**	$ 18,821
Sales[1]					
Individual Insurance	**$ 93**	$ 99	$ 76	**$ 301**	$ 292
Individual Wealth	**2,402**	2,549	1,852	**8,194**	6,315
Group Insurance	**101**	101	109	**478**	303
Group Wealth	**870**	596	483	**2,571**	1,632
Sales[1]	**$ 3,466**	$ 3,345	$ 2,520	**$ 11,544**	$ 8,542
Wealth management net cash flows[1]					
Individual Customer	**$ 447**	$ 222	$ 6	**$ 992**	$ 220
Group Customer	**(241)**	(198)	(117)	**(743)**	144
Wealth management net cash flows[1]	**$ 206**	$ 24	$ (111)	**$ 249**	$ 364
Fee and other income					
Individual Customer	**$ 296**	$ 284	$ 251	**$ 846**	$ 730
Group Customer	**197**	192	179	**577**	521
Canada Corporate	**16**	16	15	**47**	44
Fee and other income	**$ 509**	$ 492	$ 445	**$ 1,470**	$ 1,295
Total assets	**$ 197,244**	$ 194,528	$ 181,727		
Proprietary mutual funds and institutional net assets[1]	**5,534**	5,852	6,979		
Total assets under management[1]	**202,778**	200,380	188,706		
Other assets under administration[1]	**21,162**	20,336	17,749		
Total assets under administration[1]	**$ 223,940**	$ 220,716	$ 206,455		

[1] This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
[2] 2020 comparative figures have been reclassified to reflect presentation adjustments.

Base and net earnings

In the third quarter of 2021, Canada segment's net earnings of $305 million increased by $39 million compared to the same quarter last year. Base earnings of $312 million increased by $42 million compared to the same quarter last year, primarily due to favourable morbidity experience in Group Customer, favourable mortality and investment experience in Individual Customer and higher fee income.

Items excluded from base earnings were negative $7 million compared to negative $4 million for the same quarter last year. Actuarial assumption changes and management actions decreased to negative $11 million from positive $4 million for the same quarter last year, primarily due to updated policyholder behaviour assumptions, the impact of updates to the actuarial standards and updated individual morbidity assumptions, partially offset by other updates to economic assumptions. Market-related impacts were positive $4 million in the third quarter of 2021 compared to negative $8 million in the same quarter last year.

For the nine months ended September 30, 2021, net earnings increased by $110 million to $880 million compared to the same period last year. Base earnings of $903 million increased by $45 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results, partially offset by changes in certain tax estimates and lower surplus investment income on seed money.

For the nine months ended September 30, 2021, items excluded from base earnings were negative $23 million compared to negative $88 million for the same period last year. Actuarial assumption changes and management actions were negative $30 million compared to negative $47 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results. In addition, actuarial liability basis changes in the same period last year included updated economic assumptions for products with long-tail cash flows and updated morbidity assumptions. Market-related impacts were positive $7 million compared to negative $41 million for the same period last year, which was impacted by equity market declines and volatility in the first quarter of 2020 on segregated fund guarantees and their related hedging ineffectiveness.

For the third quarter of 2021, net earnings attributable to the participating account were $108 million compared to $23 million for the same quarter last year, primarily due to favourable actuarial assumption changes and management actions.

For the nine months ended September 30, 2021, net earnings attributable to the participating account were $329 million compared to net earnings of $67 million for the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Sales

Sales for the third quarter of 2021 of $3.5 billion increased by $0.9 billion compared to the same quarter last year, primarily due to higher individual and group segregated fund sales as well as higher individual third party mutual fund sales.

For the nine months ended September 30, 2021, sales increased by $3.0 billion to $11.5 billion compared to the same period last year, primarily due to large case group wealth and insurance sales in the first quarter of this year as well as higher individual segregated fund and mutual fund sales.

In the third quarter of 2021, wealth management net cash inflows were $206 million compared to outflows of $111 million for the same quarter last year. Net cash flows for the third quarter of 2021 increased compared to the same quarter last year due to higher deposits, partially offset by a large group termination. Net cash inflows for the nine months ended September 30, 2021 were $249 million compared to $364 million for the same period last year, primarily due to higher withdrawals from group terminations, partially offset by higher deposits.

Fee and other income

Fee and other income for the third quarter of 2021 of $509 million increased by $64 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.

For the nine months ended September 30, 2021, fee and other income increased by $175 million to $1,470 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

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 acquired from MassMutual 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

- On July 21, 2021, Empower Retirement announced a definitive agreement to acquire the retirement services business of Prudential Financial, Inc. (Prudential), further strengthening Empower Retirement's leadership position as the second largest retirement plan service provider in the United States. Empower Retirement will acquire the retirement services business of Prudential for a total value of approximately US$3.55 billion. The value includes purchase price consideration of US$1.12 billion, reinsurance ceding commission of US$0.33 billion and US$2.1 billion of required capital to support the business. The transaction is expected to close in the first quarter of 2022, subject to regulatory approval and other customary closing conditions.

  Empower Retirement anticipates realizing cost synergies through the migration of Prudential's retirement services business onto Empower's recordkeeping platform. Estimated run-rate cost synergies of US$180 million are expected to be phased in over 24 months. Revenue synergies of US$20 million are expected on a run-rate basis by the end of 2023 and are expected to grow to US$50 million by 2025.

  Empower Retirement expects to incur one-time integration and restructuring expenses of US$170 million pre-tax and transaction costs of approximately US$55 million pre-tax, US$5 million post-tax of which were incurred in the third quarter of 2021. The integration is expected to be completed 24 months following closing.

(in US$ millions)	**For the three months ended**		**For the nine months ended**	**Total incurred to date**
	Sept. 30 2021	June 30 2021	**Sept. 30 2021**	**Sept. 30 2021**
Transaction costs (pre-tax)	**$ 6**	$ —	**$ 6**	**$ 6**
Transaction costs (post-tax)	**5**	—	**5**	**5**

- As of September 30, 2021, US$60 million of pre-tax run rate cost synergies have been achieved related to Empower Retirement's acquisition of MassMutual's retirement services business compared to US$48 million pre-tax as of June 30, 2021. Empower Retirement remains on track to achieve run rate cost synergies of US$160 million pre-tax at the end of integration in 2022 and to achieve run rate revenue synergies of US$30 million in 2022 and continue to grow beyond 2022.

  Empower Retirement expects to incur restructuring and integration expenses of US$125 million pre-tax related to the MassMutual transaction. The integration is expected to be completed in the second half of 2022.

(in US$ millions)	For the three months ended		For the nine months ended	Total incurred to date
	Sept. 30 2021	June 30 2021	**Sept. 30 2021**	**Sept. 30 2021**
Restructuring and integration (pre-tax)	**$ 19**	$ 8	**$ 35**	**$ 64**
Restructuring and integration (post-tax)	**14**	6	**26**	**49**
Transaction costs (pre-tax)	**—**	3	**4**	**55**
Transaction costs (post-tax)	**—**	3	**4**	**44**

- 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. The integration remains on track to be completed in the first quarter of 2022. Empower Retirement recognized pre-tax contingent consideration transaction expense of US$22 million in the third quarter of 2021 and US$39 million for the nine months ended September 30, 2021 for a total contingent consideration provision of US$59 million, based on a higher best estimate of net new assets above the amount assumed in the purchase price.

(in US$ millions)	For the three months ended		For the nine months ended	Total incurred to date
	Sept. 30 2021	June 30 2021	**Sept. 30 2021**	**Sept. 30 2021**
Restructuring and integration (pre-tax)	**$ 7**	$ 5	**$ 16**	**$ 19**
Restructuring and integration (post-tax)	**5**	3	**11**	**13**
Transaction costs (pre-tax)	**22**	17	**39**	**61**
Transaction costs (post-tax)	**20**	17	**37**	**57**

- Empower Retirement assets under administration (AUA) were US$1.1 trillion at September 30, 2021, up from US$958 billion at December 31, 2020. Empower Retirement participant accounts have grown to 12.8 million at September 30, 2021, up from 11.9 million at December 31, 2020. The increases in AUA and participants since December 31, 2020 were primarily driven by large plan sales, including one sale with approximately 316,000 participants and US$49 billion in AUA in the first quarter of 2021, and strong equity markets.
- For the twelve months ended September 30, 2021, Empower surpassed the threshold of $100 billion in AUA added through funded organic sales. These sales included 3,000 new retirement plans and more than 925,000 participants. Sales activity has been higher than any previous year across plan types and sizes including 401(k), 457(b), 403(b), corporate, government and not-for-profit.
- On September 29, 2021, "Financial Advisor IQ" released their 2021 Service Awards in which more than 900 financial advisors were surveyed to identify the firms they consider to be leaders in the investment management business. Empower received the Gold Medal for best overall recordkeeper, best reporting, best client service, best price and best participant tools.

Asset Management Developments

- Putnam's average assets under management (AUM) for the three months ended September 30, 2021 were US$200.6 billion, an increase of US$23.9 billion compared to the same quarter last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2021, approximately 75% and 86% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. In addition, 49% and 71% of Putnam's fund assets were in the Lipper top quartile on a three-year and five-year basis, respectively. Putnam has 28 funds currently rated 4-5 stars by Morningstar Ratings.

SELECTED FINANCIAL INFORMATION - UNITED STATES

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings (loss) (US$)(1)					
Financial Services	**$ 149**	$ 139	$ 56	**$ 372**	$ 151
Asset Management (Putnam) Core(1)	**24**	25	19	**54**	14
Asset Management (Putnam) Non-core(1)	**3**	(8)	(9)	**(13)**	(26)
Total Asset Management (Putnam)	**27**	17	10	**41**	(12)
U.S. Corporate	**(2)**	(1)	(3)	**(3)**	(2)
Base earnings (loss) (US$)(1)	**$ 174**	$ 155	$ 63	**$ 410**	$ 137
Items excluded from base earnings (loss) (US$)(1)					
Actuarial assumption changes and other management actions(1)	**$ 4**	$ —	$ 29	**$ 4**	$ 29
Market-related impact on liabilities(1)	**(1)**	—	(1)	**(2)**	(14)
Transaction costs related to acquisitions(1)(2)	**(25)**	(20)	(24)	**(46)**	(24)
Restructuring and integration costs(1)	**(20)**	(13)	—	**(42)**	—
Net earnings - common shareholders (US$)	**$ 132**	$ 122	$ 67	**$ 324**	$ 128
Net earnings - common shareholders (C$)	**$ 168**	$ 150	$ 89	**$ 407**	$ 172
Sales (US$)(1)					
Financial Services	**$ 14,363**	$ 19,448	$ 7,234	**$ 99,042**	$ 37,490
Asset Management (Putnam)	**8,790**	10,120	13,809	**31,584**	43,584
Sales (US$)(1)	**$ 23,153**	$ 29,568	$ 21,043	**$ 130,626**	$ 81,074
Sales (C$)(1)	**$ 29,173**	$ 36,368	$ 27,987	**$ 164,480**	$ 109,445
Fee and other Income (US$)					
Financial Services	**$ 539**	$ 537	$ 297	**$ 1,569**	$ 842
Asset Management (Putnam)					
Investment management fees	**175**	169	155	**507**	442
Performance fees	**1**	1	1	**3**	(2)
Service fees	**29**	29	28	**87**	83
Underwriting & distribution fees	**45**	45	42	**134**	124
Total Asset Management (Putnam) Fees	**$ 250**	$ 244	$ 226	**$ 731**	$ 647
Fee and other income (US$)	**$ 789**	$ 781	$ 523	**$ 2,300**	$ 1,489
Fee and other income (C$)	**$ 995**	$ 960	$ 696	**$ 2,882**	$ 2,015
Total assets (US$)	**$ 163,878**	$ 165,027	$ 73,011		
Proprietary mutual funds and institutional net assets(1)	**235,067**	234,508	207,820		
Total assets under management(1)	**398,945**	399,535	280,831		
Other assets under administration(1)	**929,041**	936,245	614,807		
Total assets under administration (US$)(1)	**$ 1,327,986**	$ 1,335,780	$ 895,638		
Total assets under administration (C$)(1)	**$ 1,686,542**	$ 1,656,368	$ 1,191,198		

(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 the full-service retirement business of Prudential, 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 third quarter of 2021, the U.S. segment's net earnings of US$132 million increased by US$65 million compared to the same quarter last year. Base earnings of US$174 million increased by US$111 million compared to the same quarter last year, primarily due to an increase of US$93 million in Financial Services and an increase of US$17 million in Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US$54 million, growth in the legacy Empower business attributable to higher average equity markets and an increase in participants as well as higher contributions from investment experience. These items were partially offset by a Personal Capital related base loss of US$4 million. The increase in Putnam's results was primarily due to higher fee revenue and changes to certain tax estimates, partially offset by lower net investment income and higher operating expenses.

Items excluded from base earnings for the third quarter of 2021 were negative US$42 million compared to positive US$4 million for the same quarter last year. The decrease was primarily related to higher restructuring and integration costs as well as lower contributions from insurance contract liability basis changes. Transaction costs related to acquisitions were US$25 million in the third quarter of 2021 and included US$20 million of additional contingent consideration expense related to the acquisition of Personal Capital based on a higher best estimate of net new assets above the amount assumed in the purchase price.

For the nine months ended September 30, 2021, net earnings increased by US$196 million to US$324 million compared to the same period last year. Base earnings of US$410 million increased by US$273 million compared to the same period last year, primarily due to an increase of US$221 million in Financial Services and an increase of US$53 million in Putnam. The increase in Financial Services was primarily due to MassMutual related base earnings of US$144 million and the same reasons discussed for the in-quarter results, partially offset by a Personal Capital related base loss of US$22 million. The increase in Putnam's results was primarily due to higher fee revenue and changes to certain tax estimates, partially offset by higher operating expenses.

For the nine months ended September 30, 2021, items excluded from base earnings decreased to negative US$86 million compared to negative US$9 million for the same period last year. The decrease was primarily related to the same reasons discussed for the in-quarter results as well as less unfavourable market-related impacts driven by lower hedge ineffectiveness losses related to guaranteed lifetime withdrawal benefits caused by market volatility in the prior year.

Sales
Sales in the third quarter of 2021 of US$23.2 billion increased by US$2.1 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 fund and institutional sales. Large plan sales can be highly variable from period to period and tend to be lower margin; however, contribute to covering fixed overhead costs.

For the nine months ended September 30, 2021, sales increased by US$49.6 billion to US$130.6 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results. Empower Retirement large plan sales for the first quarter of 2021 included one new client with approximately 316,000 participants.

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 third quarter of 2021 of US$789 million increased by US$266 million compared to the same quarter last year. The increase was primarily due to MassMutual related fee income of US$157 million and an increase in Personal Capital related fee income of US$26 million. In addition, Empower Retirement fee income and Putnam investment management, underwriting and distribution fees increased compared to the same period last year driven by higher average equity markets.

For the nine months ended September 30, 2021, fee and other income increased by US$811 million to US$2,300 million compared to the same period last year, primarily due to MassMutual related fee income of US$468 million and an increase in Personal Capital related fee income of US$92 million. In addition, Empower Retirement fee income and Putnam investment management, underwriting and distribution fees increased compared to the same period last year driven by the same reasons discussed for the in-quarter results as well as growth in participants at Empower Retirement.

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

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Beginning assets	**$ 198,571**	$ 193,470	$ 168,526	**$ 191,554**	$ 181,724
Sales - Mutual funds[1]	**4,743**	5,525	6,897	**17,137**	23,120
Redemptions - Mutual funds	**(5,687)**	(6,992)	(6,210)	**(19,793)**	(26,337)
Net asset flows - Mutual funds[1]	**(944)**	(1,467)	687	**(2,656)**	(3,217)
Sales - Institutional[1]	**4,047**	4,595	6,912	**14,447**	20,464
Redemptions - Institutional	**(4,699)**	(6,811)	(5,542)	**(19,046)**	(22,944)
Net asset flows - Institutional[1]	**(652)**	(2,216)	1,370	**(4,599)**	(2,480)
Net asset flows - Total[1]	**(1,596)**	(3,683)	2,057	**(7,255)**	(5,697)
Impact of market/performance	**(88)**	8,784	8,435	**12,588**	2,991
Ending assets	**$ 196,887**	$ 198,571	$ 179,018	**$ 196,887**	$ 179,018
Average assets under management[1]					
Mutual funds	**98,584**	97,139	86,808	**96,723**	84,170
Institutional assets	**102,021**	100,088	89,918	**100,587**	85,628
Total average assets under management[1]	**$ 200,605**	$ 197,227	$ 176,726	**$ 197,310**	$ 169,798

(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 September 30, 2021 were US$200.6 billion, an increase of US$23.9 billion compared to the same quarter last year, primarily due to strong equity markets. Net asset outflows for the third quarter of 2021 were US$1.6 billion compared to net asset inflows of US$2.1 billion in the same quarter last year.

Average AUM for the nine months ended September 30, 2021 were US$197.3 billion, an increase of US$27.5 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results. Net asset outflows for the nine months ended September 30, 2021 were US$7.3 billion, compared to US$5.7 billion in the same period last year.

EUROPE

The Europe segment is comprised of three distinct business units serving customers in the U.K., Ireland and Germany, together with an allocation of a portion of Lifeco's corporate results, offering 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.

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. Irish Life Health offers individual and corporate health plans. 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.

DEVELOPMENTS

- Subsequent to September 30, 2021, on November 1, 2021, Irish Life completed the previously announced acquisition of Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc. for a total cash consideration of €230 million. Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market.
- In the third quarter of 2021, Irish Life Investment Managers (ILIM) released a Taskforce for Climate-related Financial Disclosures (TCFD) Report. The report illustrates ILIM’s sustainable investment commitment, providing greater transparency to its stakeholders on key sustainability issues. ILIM is one of the first adopters of the TCFD framework within the Irish financial industry.

SELECTED FINANCIAL INFORMATION - EUROPE

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings (loss)[1]					
United Kingdom	**$ 83**	$ 53	$ 78	**$ 256**	$ 238
Ireland	**110**	68	70	**221**	150
Germany	**43**	72	37	**155**	114
Europe Corporate	**(4)**	(9)	(3)	**(15)**	(9)
Base earnings (loss)[1]	**$ 232**	$ 184	$ 182	**$ 617**	$ 493
Items excluded from base earnings[1]					
Actuarial assumption changes and other management actions[1]	**$ 81**	$ 41	$ 22	**$ 140**	$ 110
Market-related impact on liabilities[1]	**44**	(19)	18	**1**	(37)
Tax legislative changes impact on liabilities[1]	**—**	(21)	—	**(21)**	—
Net gain/charge on business dispositions[1]	**—**	—	94	**—**	94
Net earnings - common shareholders	**$ 357**	$ 185	$ 316	**$ 737**	$ 660
Sales[1]					
Insurance	**$ 1,930**	$ 766	$ 354	**$ 3,293**	$ 1,573
Wealth management	**5,038**	5,160	4,959	**16,827**	20,549
Sales[1]	**$ 6,968**	$ 5,926	$ 5,313	**$ 20,120**	$ 22,122
Wealth and investment only net cash flows[1]					
United Kingdom	**$ 109**	$ 172	$ (19)	**$ 306**	$ 286
Ireland	**1,133**	95	(927)	**1,731**	1,422
Germany	**226**	219	209	**659**	617
Wealth and investment only net cash flows[1]	**$ 1,468**	$ 486	$ (737)	**$ 2,696**	$ 2,325
Fee and other income					
United Kingdom	**$ 48**	$ 39	$ 42	**$ 133**	$ 125
Ireland	**189**	192	189	**572**	563
Germany	**115**	115	111	**346**	327
Fee and other income	**$ 352**	$ 346	$ 342	**$ 1,051**	$ 1,015
Total assets	**$ 191,878**	$ 189,839	$ 180,091		
Proprietary mutual funds and institutional net assets[1]	**61,695**	61,655	58,056		
Total assets under management[1]	**253,573**	251,494	238,147		
Other assets under administration[1][2]	**12,030**	12,169	10,420		
Total assets under administration[1][2]	**$ 265,603**	$ 263,663	$ 248,567		

(1) This metric is a non-IFRS measure. Refer to the "Non-IFRS Financial Measures" section of this document for additional details.
(2) At September 30, 2021, total assets under administration excludes $9.4 billion of assets managed for other business units within the Lifeco group of companies ($7.8 billion at June 30, 2021 and $7.3 billion at September 30, 2020).

Base and net earnings

In the third quarter of 2021, the Europe segment's net earnings of $357 million increased by $41 million compared to the same quarter last year. Base earnings of $232 million increased by $50 million compared to the same quarter last year, primarily due to favourable investment experience in the U.K., fee income growth across all business units and a $47 million pension settlement gain in Ireland. These items were partially offset by less favourable morbidity experience in the U.K. and mortality experience in Ireland.

Items excluded from base earnings for the third quarter of 2021 were positive $125 million compared to positive $134 million for the same quarter last year. The decrease was primarily related to a net gain of $94 million from the sale of Irish Progressive Services International (IPSI) in the third quarter of 2020, partially offset by higher contributions from actuarial assumption changes and more favourable market-related impacts on liabilities. For the three months ended September 30, 2021, market-related impacts on liabilities were positive $44 million, primarily due to updated cash flow projections for real estate assets which support insurance contract liabilities.

For the nine months ended September 30, 2021, net earnings increased by $77 million to $737 million compared to the same period last year. Base earnings of $617 million increased by $124 million compared to the same period last year. In the U.K., favourable investment and mortality experience were partially offset by unfavourable changes to certain tax estimates. In Ireland, favourable morbidity experience and a pension settlement gain positively contributed to base earnings, as did the favourable impact of changes to certain tax estimates in Germany, resulting from the resolution of an outstanding issue with a foreign tax authority.

For the nine months ended September 30, 2021, items excluded from base earnings decreased by $47 million to $120 million, primarily due to the same reasons discussed for the in-quarter results as well as the unfavourable impact of tax legislative changes on deferred tax liabilities in the second quarter of 2021 of $21 million, which were due to legislative increases to future U.K. corporation tax rates.

Sales

Sales for the third quarter of 2021 increased by $1.7 billion to $7.0 billion compared to the same quarter last year, primarily due to growth in annuity and equity release mortgage sales in the U.K. and higher wealth management sales across all business units. These items were partially offset by lower fund management sales in Ireland and the impact of currency movement.

For the nine months ended September 30, 2021, sales decreased by $2.0 billion to $20.1 billion compared to the same period last year, primarily due to lower fund management and wealth management sales in Ireland, and the impact of currency movement. These items were partially offset by higher annuity sales in the U.K. as well as wealth management sales in both U.K. and Germany.

In the third quarter of 2021, wealth and investment only net cash inflows were $1,468 million compared to outflows of $737 million for the same quarter last year. The increase was primarily due to higher wealth management sales across all business units. For the nine months ended September 30, 2021, net cash inflows were $2,696 million compared to $2,325 million for the same period last year, primarily due to higher wealth management sales in the U.K. and Germany, partially offset by lower fund management sales in Ireland.

Fee and other income

Fee and other income for the third quarter of 2021 increased by $10 million to $352 million compared to the same quarter last year. The increase was primarily due to higher management fees on segregated fund assets across all business units, partially offset by the impact of currency movement.

For the nine months ended September 30, 2021, fee and other income increased by $36 million to $1,051 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

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

- In the third quarter of 2021, the Company entered into a long-term reinsurance agreement with a life insurance company in Japan. In exchange for a single upfront premium payment, Canada Life will pay the actual benefit obligations incurred by the insurance company.
- The Company offers property catastrophe coverage to reinsurance companies and as a result the Company is exposed to claims arising from major weather events and other catastrophic events. The Company has been closely following a number of such events which have caused a high level of insured losses. Included in the Company's net earnings for the third quarter of 2021 are net losses of $61 million after-tax primarily relating to estimated claims net of reinstatement premiums on these coverages. The Company's loss estimate is based on currently available information and the exercise of judgment. The Company's loss estimate may change as additional information becomes available.

SELECTED FINANCIAL INFORMATION - CAPITAL AND RISK SOLUTIONS

	For the three months ended			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings (loss)[1]					
Reinsurance	**$ 108**	$ 151	$ 157	**$ 405**	$ 415
Capital and Risk Solutions Corporate	**(1)**	(1)	(1)	**(3)**	(3)
Base earnings (loss)[1]	**$ 107**	$ 150	$ 156	**$ 402**	$ 412
Items excluded from base earnings[1]					
Actuarial assumption changes and other management actions[1]	**$ (5)**	$ 2	$ 2	**$ (3)**	$ 35
Market-related impact on liabilities[1]	**—**	—	9	**—**	—
Net earnings - common shareholder	**$ 102**	$ 152	$ 167	**$ 399**	$ 447
Premiums and deposits[1]					
Reinsurance	**$ 8,558**	$ 6,278	$ 4,484	**$ 22,298**	$ 14,055
Capital and Risk Solutions Corporate	**5**	4	6	**13**	16
Premiums and deposits[1]	**$ 8,563**	$ 6,282	$ 4,490	**$ 22,311**	$ 14,071
Total assets[2]	**$ 17,715**	$ 15,175	$ 14,815		

(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 third quarter of 2021, the Capital and Risk Solutions segment's net earnings of $102 million decreased by $65 million compared to the same quarter last year. Base earnings of $107 million decreased by $49 million compared to the same quarter last year. Base earnings for the third quarter of 2021 included a loss estimate of $61 million after-tax for estimated claims resulting from the impact of recent major weather events. Excluding this estimated loss, base earnings increased compared to the same quarter last year, primarily due to favourable impacts from new business and higher business volumes, partially offset by unfavourable claims experience in the U.S. life business. The unfavourable U.S. life claims experience reflects excess claims received and a provision for anticipated excess future claims totaling $71 million after-tax primarily due to the direct and indirect impacts of the COVID-19 pandemic.

Items excluded from base earnings were negative $5 million compared to positive $11 million for the same quarter last year. The third quarter of 2020 included positive market-related impact on liabilities driven by higher contributions from insurance contract liability basis changes and a decrease in actuarial liabilities on a legacy block of business with investment performance guarantees.

For the nine months ended September 30, 2021, net earnings decreased by $48 million to $399 million compared to the same period last year. Base earnings of $402 million decreased by $10 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

For the nine months ended September 30, 2021, items excluded from base earnings decreased by $38 million to negative $3 million compared to the same period last year, primarily due to positive contributions from insurance contract liability basis changes in the prior year.

Premiums and deposits

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

Premiums and deposits for the third quarter of 2021 of $8.6 billion increased by $4.1 billion compared to the same quarter last year, primarily due to new reinsurance agreements. The reinsurance agreement entered into in Japan contributed $2.9 billion to the increase.

For the nine months ended September 30, 2021, premiums and deposits increased by $8.2 billion to $22.3 billion compared to the same period last year, primarily due to new reinsurance agreements and the restructuring of existing reinsurance agreements.

LIFECO CORPORATE OPERATING RESULTS

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

In the third quarter of 2021, Lifeco Corporate had a net loss of $60 million compared to net loss of $12 million for the same quarter last year. The base loss of $2 million decreased by $10 million compared to the same quarter last year, primarily due to changes in certain tax estimates and lower operating expenses.

Items excluded from base earnings for the third quarter of 2021 were negative $58 million compared to nil for the same quarter last year, primarily due to a provision for payments relating to the Company's 2003 acquisition of The Canada Life Assurance Company.

For the nine months ended September 30, 2021, Lifeco Corporate net loss was $60 million compared to $18 million for the same period last year. The base loss of $2 million decreased by $16 million compared to the same period last year, primarily due to changes in certain tax estimates, partially offset by lower net investment income as well as higher operating expenses driven by variable compensation related expenses.

For the nine months ended September 30, 2021, items excluded from base earnings were negative $58 million compared to nil for the same period last year, primarily due to the same reason discussed for the in-quarter results.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to risk and potential losses. The Company's Risk Function is responsible for establishing and maintaining the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the third quarter of 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.

In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. 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 to 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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Base earnings	**$ 870**	$ 826	$ 679	**$ 2,435**	$ 1,928
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	**69**	37	66	**111**	136
Market-related impact on liabilities	**47**	(19)	18	**4**	(96)
Transaction costs related to acquisitions	**(90)**	(24)	(31)	**(115)**	(31)
Restructuring and integration costs	**(24)**	(15)	—	**(51)**	—
Net/gain charge on business dispositions	**—**	—	94	**—**	94
Tax legislative changes impact on liabilities	**—**	(21)	—	**(21)**	—
Net earnings - common shareholders	**$ 872**	$ 784	$ 826	**$ 2,363**	$ 2,031
Base earnings per common share - basic	**$ 0.934**	$ 0.889	$ 0.732	**$ 2.620**	$ 2.078
Items excluded from Lifeco base earnings:					
Actuarial assumption changes and other management actions	**0.074**	0.039	0.071	**0.119**	0.147
Market-related impact on liabilities	**0.052**	(0.020)	0.020	**0.006**	(0.103)
Transaction costs related to acquisitions	**(0.097)**	(0.026)	(0.033)	**(0.124)**	(0.033)
Restructuring and integration costs	**(0.025)**	(0.016)	—	**(0.055)**	—
Net gain/charge on business dispositions	**—**	—	0.101	**—**	0.101
Tax legislative changes impact on liabilities	**—**	(0.022)	—	**(0.022)**	—
Net earnings per common share - basic	**$ 0.938**	$ 0.844	$ 0.891	**$ 2.544**	$ 2.190

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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 14,921**	$ 11,751	$ 9,976	**$ 39,824**	$ 31,272
Policyholder deposits (segregated funds):					
Individual products	**4,325**	3,956	3,578	**12,433**	11,072
Group products	**2,408**	2,678	1,538	**8,887**	5,203
Premiums and deposits reported in the financial statements	**$ 21,654**	$ 18,385	$ 15,092	**$ 61,144**	$ 47,547
Self-funded premium equivalents (ASO contracts) and other	**2,828**	2,021	3,104	**6,552**	4,436
Proprietary mutual funds and institutional deposits	**14,800**	16,398	22,707	**53,453**	78,531
Total premiums and deposits	**$ 39,282**	$ 36,804	$ 40,903	**$ 121,149**	$ 130,514

(1) 2020 comparative figures have been reclassified to reflect presentation adjustments in the Canada segment.

Assets under management (AUM) and assets under administration (AUA)

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

Assets under management include internally and externally managed funds where the Company has oversight of the investment policies. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients.

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

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

Assets under administration

	Sept. 30 2021	June 30 2021	Dec. 31 2020	Sept. 30 2020
Total assets per financial statements	**$ 614,962**	$ 604,176	$ 600,490	$ 473,737
Proprietary mutual funds and institutional net assets	**365,764**	358,297	350,943	341,436
Total assets under management	**980,726**	962,473	951,433	815,173
Other assets under administration	**1,213,074**	1,193,449	1,024,414	845,862
Total assets under administration	**$ 2,193,800**	$ 2,155,922	$ 1,975,847	$ 1,661,035

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 non-proprietary 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.
- Empower Retirement net cash flows include cash inflows and outflows related to segregated fund assets, general fund assets, proprietary and non-proprietary mutual funds as well as other assets under management.
- 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 prior 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			For the nine months ended	
	Sept. 30 2021	June 30 2021	Sept. 30 2020	**Sept. 30 2021**	Sept. 30 2020
Core net earnings (loss)	**$ 30**	$ 30	$ 25	**$ 67**	$ 19
Non-core net earnings (loss)	**4**	(9)	(12)	**(15)**	(36)
Net earnings (loss)	**$ 34**	$ 21	$ 13	**$ 52**	$ (17)
Core net earnings (loss) (US$)	**$ 24**	$ 25	$ 19	**$ 54**	$ 14
Non-core net earnings (loss) (US$)	**3**	(8)	(9)	**(13)**	(26)
Net earnings (loss) (US$)	**$ 27**	$ 17	$ 10	**$ 41**	$ (12)

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

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes during the nine month period ended September 30, 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 September 30, 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.

For the three months ended September 30, 2021, the acquired MassMutual business had revenue of $551 million pre-tax and net earnings of $54 million post-tax (base earnings of $68 million post-tax excluding integration costs of $11 million post-tax and actuarial assumption changes and other management actions of negative $3 million post-tax). For the nine months ended September 30, 2021, the acquired MassMutual business had revenue of $2,348 million pre-tax and net earnings of $150 million post-tax (base earnings of $179 million post-tax excluding integration costs of $26 million post-tax and actuarial assumption changes and other management actions of negative $3 million post-tax). At December 31, 2020, the estimated total assets acquired, goodwill and intangible assets reported as at September 30, 2021, were $115,450 million. Total estimated liabilities were $112,513 million with the final valuation of the assets acquired and liabilities assumed expected to occur during 2021.

TRANSACTIONS WITH RELATED PARTIES

Subsequent to September 30, 2021, on October 7, 2021, the Company announced it had agreed to enter into a long-term strategic relationship with Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, which includes the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest is a wholly-owned subsidiary of Canada Life and its principal activity is real estate investment management services. As part of the strategic relationship with Sagard, the Company will make a capital commitment of up to approximately US$500 million into certain Sagard strategies. The Company has also committed to investing a further approximately US$2.0 billion in real estate investments to support EverWest's future growth within Sagard. See the "Developments" section on page 3 of this document for details related to the announced strategic relationship with Sagard.

No other related party transactions have changed materially from December 31, 2020.

QUARTERLY FINANCIAL INFORMATION

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

	2021			2020				2019
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	**$ 17,432**	$ 17,955	$ 10,908	$ 16,860	$ 13,740	$ 19,710	$ 10,273	$ 10,689
Common shareholders								
Base earnings[1]								
Total	**$ 870**	$ 826	$ 739	$ 741	$ 679	$ 706	$ 543	$ 831
Basic - per share	**0.934**	0.889	0.796	0.799	0.732	0.761	0.585	0.895
Diluted - per share	**0.932**	0.888	0.796	0.799	0.732	0.761	0.585	0.894
Net earnings								
Total	**$ 872**	$ 784	$ 707	$ 912	$ 826	$ 863	$ 342	$ 513
Basic - per share	**0.938**	0.844	0.762	0.983	0.891	0.930	0.369	0.552
Diluted - per share	**0.936**	0.842	0.761	0.983	0.891	0.930	0.369	0.552

(1) 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Actuarial assumption changes and other management actions	**$ 69**	$ 37	$ 5	$ (23)	$ 66	$ 122	$ (52)	$ (78)
Market-related impact on liabilities	**47**	(19)	(24)	(31)	18	35	(149)	(13)
Transaction costs related to acquisitions	**(90)**	(24)	(1)	(47)	(31)	—	—	—
Restructuring and integration costs	**(24)**	(15)	(12)	(67)	—	—	—	(36)
Net gain/charge on business dispositions	**—**	—	—	143	94	—	—	8
Tax legislative changes impact on liabilities	**—**	(21)	—	—	—	—	—	—
Revaluation of a deferred tax asset	**—**	—	—	196	—	—	—	(199)
Total	**$ 2**	$ (42)	$ (32)	$ 171	$ 147	$ 157	$ (201)	$ (318)

Lifeco's consolidated net earnings attributable to common shareholders were $872 million for the third quarter of 2021 compared to $826 million reported a year ago. On a per share basis, this represents $0.938 per common share ($0.936 diluted) for the third quarter of 2021 compared to $0.891 per common share ($0.891 diluted) a year ago.

Total revenue for the third quarter of 2021 was $17,432 million and comprises premium income of $14,921 million, regular net investment income of $1,589 million, a negative change in fair value through profit or loss on investment assets of $936 million and fee and other income of $1,858 million.

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency **Period ended**	**Sept. 30 2021**	June 30 2021	Mar. 31 2021	Dec. 31 2020	Sept. 30 2020	June 30 2020	Mar. 31 2020
United States dollar							
Balance sheet	**$ 1.27**	$ 1.24	$ 1.26	$ 1.27	$ 1.33	$ 1.36	$ 1.40
Income and expenses	**$ 1.26**	$ 1.23	$ 1.27	$ 1.30	$ 1.33	$ 1.39	$ 1.34
British pound							
Balance sheet	**$ 1.71**	$ 1.71	$ 1.73	$ 1.74	$ 1.72	$ 1.68	$ 1.74
Income and expenses	**$ 1.74**	$ 1.72	$ 1.75	$ 1.72	$ 1.72	$ 1.72	$ 1.72
Euro							
Balance sheet	**$ 1.47**	$ 1.47	$ 1.47	$ 1.55	$ 1.56	$ 1.52	$ 1.55
Income and expenses	**$ 1.48**	$ 1.48	$ 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		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Income				
Premium income				
Gross premiums written	**$ 16,080**	$ 11,190	**$ 43,282**	$ 34,849
Ceded premiums	**(1,159)**	(1,214)	**(3,458)**	(3,577)
Total net premiums	**14,921**	9,976	**39,824**	31,272
Net investment income (note 5)				
Regular net investment income	**1,589**	1,493	**4,756**	4,403
Changes in fair value through profit or loss	**(936)**	785	**(3,694)**	3,715
Total net investment income	**653**	2,278	**1,062**	8,118
Fee and other income	**1,858**	1,486	**5,409**	4,333
	17,432	13,740	**46,295**	43,723
Benefits and expenses				
Policyholder benefits				
Gross	**11,351**	9,542	**36,548**	29,354
Ceded	**(829)**	(646)	**(2,687)**	(2,241)
Total net policyholder benefits	**10,522**	8,896	**33,861**	27,113
Changes in insurance and investment contract liabilities				
Gross	**2,704**	1,879	**(912)**	7,820
Ceded	**177**	(366)	**1,604**	(1,131)
Total net changes in insurance and investment contract liabilities	**2,881**	1,513	**692**	6,689
Policyholder dividends and experience refunds	**393**	259	**1,150**	1,130
Total paid or credited to policyholders	**13,796**	10,668	**35,703**	34,932
Commissions	**631**	549	**1,947**	1,739
Operating and administrative expenses	**1,557**	1,365	**4,649**	3,994
Premium taxes	**122**	119	**366**	356
Financing charges	**83**	71	**239**	205
Amortization of finite life intangible assets	**82**	58	**247**	175
Restructuring and integration expenses (note 4)	**32**	—	**69**	—
Earnings before income taxes	**1,129**	910	**3,075**	2,322
Income taxes (note 14)	**111**	19	**274**	101
Net earnings before non-controlling interests	**1,018**	891	**2,801**	2,221
Attributable to non-controlling interests	**113**	32	**339**	90
Net earnings	**905**	859	**2,462**	2,131
Preferred share dividends (note 11)	**33**	33	**99**	100
Net earnings - common shareholders	**$ 872**	$ 826	**$ 2,363**	$ 2,031
Earnings per common share (note 11)				
Basic	**$ 0.938**	$ 0.891	**$ 2.544**	$ 2.190
Diluted	**$ 0.936**	$ 0.891	**$ 2.540**	$ 2.189

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		For the nine months ended	
	September 30 2021	September 30 2020	**September 30 2021**	September 30 2020
Net earnings	**$ 905**	$ 859	**$ 2,462**	$ 2,131
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	**221**	123	**(311)**	383
Unrealized gains (losses) on hedges of the net investment in foreign operations	**(27)**	(40)	**17**	(100)
Income tax (expense) benefit	**5**	6	**(7)**	14
Unrealized gains (losses) on available-for-sale assets	**(40)**	13	**(90)**	263
Income tax (expense) benefit	**8**	(2)	**25**	(46)
Realized (gains) losses on available-for-sale assets	**(9)**	(11)	**(20)**	(127)
Income tax expense (benefit)	**—**	2	**3**	14
Unrealized gains (losses) on cash flow hedges	**17**	17	**61**	19
Income tax (expense) benefit	**(5)**	(1)	**(17)**	(1)
Realized (gains) losses on cash flow hedges	**(15)**	(9)	**(41)**	(8)
Income tax expense (benefit)	**4**	—	**11**	—
Non-controlling interests	**15**	10	**101**	(73)
Income tax (expense) benefit	**(4)**	1	**(25)**	25
Total items that may be reclassified	**170**	109	**(293)**	363
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)	**48**	(26)	**712**	(328)
Income tax (expense) benefit	**(25)**	2	**(190)**	77
Revaluation surplus on transfer to investment properties	**—**	11	**—**	11
Income tax (expense) benefit	**—**	(1)	**—**	(1)
Non-controlling interests	**(13)**	(1)	**(72)**	25
Income tax (expense) benefit	**4**	—	**19**	(6)
Total items that will not be reclassified	**14**	(15)	**469**	(222)
Total other comprehensive income	**184**	94	**176**	141
Comprehensive income	**$ 1,089**	$ 953	**$ 2,638**	$ 2,272

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2021	December 31 2020
Assets		
Cash and cash equivalents	**$ 6,890**	$ 7,946
Bonds (note 5)	**138,952**	137,592
Mortgage loans (note 5)	**28,979**	27,803
Stocks (note 5)	**13,361**	11,000
Investment properties (note 5)	**7,329**	6,270
Loans to policyholders	**8,273**	8,387
	203,784	198,998
Funds held by ceding insurers	**16,984**	18,383
Reinsurance assets (note 8)	**20,197**	22,121
Goodwill	**8,904**	10,106
Intangible assets	**5,548**	4,285
Derivative financial instruments	**776**	829
Owner occupied properties	**739**	741
Fixed assets	**425**	426
Other assets	**4,383**	3,347
Premiums in course of collection, accounts and interest receivable	**6,344**	6,102
Current income taxes	**343**	145
Deferred tax assets	**914**	975
Investments on account of segregated fund policyholders (note 9)	**345,621**	334,032
Total assets	**$ 614,962**	$ 600,490
Liabilities		
Insurance contract liabilities (note 8)	**$ 207,221**	$ 208,902
Investment contract liabilities (note 8)	**10,171**	9,145
Debentures and other debt instruments	**8,773**	9,693
Funds held under reinsurance contracts	**1,539**	1,648
Derivative financial instruments	**1,295**	1,221
Accounts payable	**3,181**	2,698
Other liabilities	**5,725**	5,147
Current income taxes	**218**	343
Deferred tax liabilities	**986**	646
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**345,621**	334,032
Total liabilities	**584,730**	573,475
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**3,182**	2,871
Non-controlling interests in subsidiaries	**133**	116
Shareholders' equity		
Share capital		
Limited recourse capital notes (note 3)	**1,500**	—
Preferred shares	**2,714**	2,714
Common shares (note 10)	**5,744**	5,651
Accumulated surplus	**16,118**	14,990
Accumulated other comprehensive income	**663**	487
Contributed surplus	**178**	186
Total equity	**30,232**	27,015
Total liabilities and equity	**$ 614,962**	$ 600,490

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 30, 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	**—**	**—**	**2,462**	**—**	**339**	**2,801**
Other comprehensive income (loss)	**—**	**—**	**—**	**176**	**(23)**	**153**
	8,365	**186**	**17,452**	**663**	**3,303**	**29,969**
Dividends to shareholders						
Preferred shareholders (note 11)	**—**	**—**	**(99)**	**—**	**—**	**(99)**
Common shareholders	**—**	**—**	**(1,221)**	**—**	**—**	**(1,221)**
Shares exercised and issued under share-based payment plans (note 10)	**93**	**(58)**	**—**	**—**	**47**	**82**
Share-based payment plans expense	**—**	**49**	**—**	**—**	**—**	**49**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(35)**	**(35)**
Shares cancelled under Putnam share-based plans	**—**	**1**	**—**	**—**	**(1)**	**—**
Issuance of limited recourse capital notes (note 3)	**1,500**	**—**	**—**	**—**	**—**	**1,500**
Limited recourse capital notes issue costs (note 3)	**—**	**—**	**(13)**	**—**	**—**	**(13)**
Dilution loss on non-controlling interests	**—**	**—**	**(1)**	**—**	**1**	**—**
Balance, end of period	**$ 9,958**	**$ 178**	**$ 16,118**	**$ 663**	**$ 3,315**	**$ 30,232**

	September 30, 2020					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 8,347	$ 175	$ 13,660	$ 495	$ 2,866	$ 25,543
Net earnings	—	—	2,131	—	90	2,221
Other comprehensive income	—	—	—	141	29	170
	8,347	175	15,791	636	2,985	27,934
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(100)	—	—	(100)
Common shareholders	—	—	(1,219)	—	—	(1,219)
Shares exercised and issued under share-based payment plans (note 10)	14	(50)	—	—	49	13
Share-based payment plans expense	—	43	—	—	—	43
Equity settlement of Putnam share-based plans	—	—	—	—	(15)	(15)
Shares cancelled under Putnam share-based plans	—	7	—	—	(15)	(8)
Dilution gain on non-controlling interests	—	—	13	—	(13)	—
Balance, end of period	$ 8,361	$ 175	$ 14,485	$ 636	$ 2,991	$ 26,648

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2021	2020
Operations		
Earnings before income taxes	**$ 3,075**	$ 2,322
Income taxes paid, net of refunds received	**(326)**	(251)
Adjustments:		
Change in insurance and investment contract liabilities	**(689)**	10,331
Change in funds held by ceding insurers	**1,058**	556
Change in funds held under reinsurance contracts	**(91)**	169
Change in reinsurance assets	**1,702**	(1,079)
Changes in fair value through profit or loss	**3,694**	(3,715)
Other	**121**	(619)
	8,544	7,714
Financing Activities		
Issue of common shares (note 10)	**93**	14
Issue of limited recourse capital notes (note 3)	**1,500**	—
Limited recourse capital notes issue costs (note 3)	**(13)**	—
Issue of debentures and senior notes	**—**	3,713
Repayment of debentures	**—**	(500)
Decrease in credit line of subsidiaries	**(827)**	(278)
Increase (decrease) in debentures and other debt instruments	**—**	(1)
Dividends paid on common shares	**(1,221)**	(1,219)
Dividends paid on preferred shares	**(99)**	(100)
	(567)	1,629
Investment Activities		
Bond sales and maturities	**20,437**	16,650
Mortgage loan repayments	**2,261**	1,519
Stock sales	**4,568**	3,257
Investment property sales	**33**	70
Change in loans to policyholders	**109**	(170)
Business acquisitions, net of cash and cash equivalents acquired	**(63)**	(1,060)
Sale of business, net of cash and cash equivalents in subsidiary	**—**	108
Investment in bonds	**(26,676)**	(23,093)
Investment in mortgage loans	**(3,612)**	(2,418)
Investment in stocks	**(5,366)**	(3,374)
Investment in investment properties	**(702)**	(155)
	(9,011)	(8,666)
Effect of changes in exchange rates on cash and cash equivalents	**(22)**	67
Increase (decrease) in cash and cash equivalents	**(1,056)**	744
Cash and cash equivalents, beginning of period	**7,946**	4,628
Cash and cash equivalents, end of period	**$ 6,890**	$ 5,372
Supplementary cash flow information		
Interest income received	**$ 3,679**	$ 3,405
Interest paid	**234**	191
Dividend income received	**255**	243

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

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and nine months ended September 30, 2021 were approved by the Board of Directors on November 3, 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 September 30, 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.
IAS 12 – *Income Taxes*	In May 2021, the IASB published *Deferred Tax Related to Assets and Liabilities from a Single Transaction*, amendments to IAS 12, *Income Taxes*. The amendments clarify that for transactions in which both deductible and taxable temporary differences arise on initial recognition that result in deferred tax assets and liabilities of the same amount, deferred tax assets and liabilities are to be recognized. 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.

<u>Use of Significant Judgments, Estimates and Assumptions</u>

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2020 consolidated annual audited financial statements and notes thereto.

<u>Impact of COVID-19 on Significant Judgments, Estimates and Assumptions</u>

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 Acquisitions, Other Transactions and Subsequent Events

(a) 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 reported as at September 30, 2021 are as follows:

Assets acquired and goodwill	
Cash and cash equivalents	**$ 2,626**
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	**421**
Deferred tax assets	**300**
Investments on account of segregated fund policyholders	**84,785**
Total assets acquired and goodwill	**$ 115,450**
Liabilities assumed	
Insurance contract liabilities	**$ 22,316**
Investment contract liabilities	**4,984**
Accounts payable	**31**
Other liabilities	**397**
Investment and insurance contracts on account of segregated fund policyholders	**84,785**
Total liabilities assumed	**$ 112,513**

As at September 30, 2021, the accounting for the acquisition is not finalized pending completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 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 $56 of amortization at September 30, 2021. Final valuation of the assets acquired and liabilities assumed and the completion of the purchase price allocation are expected to occur during the fourth quarter 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 at September 30, 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.

(b) Acquisition of Personal Capital Corporation

On August 17, 2020, GWL&A completed the acquisition of 100% of the equity of Personal Capital Corporation. Upon completion of the purchase price allocation in the fourth quarter of 2020, a contingent consideration earn-out provision of $26 (U.S. $20) was recognized, representing management's best estimate of growth in assets under management metrics defined in the Merger Agreement. The contingent consideration provision was increased by $49 (U.S. $39) in 2021 for a total contingent consideration provision of $75 (U.S. $59) at September 30, 2021. The increases in 2021 were due to growth in net new assets above the amount assumed at the date of acquisition.

The Merger Agreement allows for contingent consideration of up to $222 (U.S. $175) based on the achievement of growth in assets under management metrics, payable following measurements through December 31, 2021 and December 31, 2022. Changes in the fair value of the contingent consideration measured in accordance with the Merger Agreement subsequent to the completion of the purchase price allocation are recognized in operating and administrative expenses in the Consolidated Statements of Earnings.

(c) Acquisition of Prudential Retirement Services Business

On July 21, 2021, GWL&A announced that it had entered into an agreement to purchase, through a share purchase and a reinsurance transaction, the full-service retirement business of Prudential Financial, Inc. (Prudential). The acquisition further solidifies the Company's position as a leader in the U.S. retirement market. The Company will assume the economics and risks associated with the business, while Prudential will continue to retain the obligation to the contract holders of the reinsured portion. The Company will pay a total transaction value of approximately U.S. $3,550, and will fund the transaction with $1,500 (U.S. $1,193) of limited recourse capital notes and U.S. $1,000 of short-term debt, in addition to existing resources. The transaction is expected to close in the first quarter of 2022, subject to regulatory and customary closing conditions.

(d) Acquisition of Ark Life Assurance Company

On July 13, 2021, Irish Life Group Limited (Irish Life), an indirect wholly-owned subsidiary of the Company, announced that it had entered into an agreement to acquire Ark Life Assurance Company dac (Ark Life) from Phoenix Group Holdings plc for total cash consideration of €230. Ark Life is closed to new business and manages a range of pensions, savings and protection policies for its customers in the Irish market. The transaction closed on November 1, 2021.

(e) Acquisition of ClaimSecure Inc.

On September 1, 2021, Canada Life completed the acquisition of 100% of the equity of ClaimSecure Inc., a healthcare management firm that provides health and dental claim management services to private and public businesses in Canada. As at September 30, 2021, the purchase price allocation is incomplete, with the initial amount assigned to goodwill of $93 on the date of acquisition to be adjusted pending the completion of a comprehensive valuation of the intangible assets acquired.

(f) Debentures and Other Debt Instruments

The Company made payments of U.S. $400 on July 2, 2021 and U.S. $100 on September 29, 2021 on its committed line of credit related to GWL&A's acquisition of the retirement services business from MassMutual on December 31, 2020. As at September 30, 2021 the balance drawn on this line of credit is nil ($635 as at December 31, 2020).

(g) Limited Recourse Capital Notes

On August 16, 2021, the Company issued $1,500 aggregate principal amount 3.60% Limited Recourse Capital Notes Series 1 (Subordinated Indebtedness) at par, maturing on December 31, 2081 (LRCN Series 1). The LRCN Series 1 bear interest at a fixed rate of 3.60% per annum payable semi-annually, until December 31, 2026. On December 31, 2026 and every five years thereafter until December 31, 2076, the interest rate on the LRCN Series 1 will be reset at an interest rate equal to the five-year Government of Canada Yield, plus 2.641%. Commencing November 30, 2026, the Company will have the option to redeem the LRCN Series 1 every five years during the period from November 30 to December 31, in whole or in part at par, together in each case with accrued and unpaid interest. The Company will be required to redeem the LRCN Series 1 in whole at par, together with accrued and unpaid interest, if GWL&A's acquisition of Prudential's full-service retirement business is terminated prior to, or has not closed on or prior to, May 3, 2022 (or such later date as extended pursuant to the acquisition agreement). The LRCN Series 1 are presented within equity on the Consolidated Balance Sheets. Transaction costs incurred in connection with the LRCN Series 1 issue of $17 ($13 after-tax) were charged to accumulated surplus. Interest expense of $7 for the three months ended September 30, 2021 was recognized in financing charges in the Consolidated Statements of Earnings.

Non-payment of interest or principal when due on the LRCN Series 1 will result in a recourse event, with the noteholders' sole remedy being receipt of their proportionate share of Non-Cumulative 5-Year Rate Reset First Preferred Shares, Series U (Series U Preferred Shares) held in a newly formed consolidated trust (Limited Recourse Trust). All claims of the holders of LRCN Series 1 against the Company will be extinguished upon receipt of the corresponding trust assets. The Series U Preferred Shares are eliminated on the Company's Consolidated Balance Sheets while being held within the Limited Recourse Trust.

<u>Subsequent Events</u>

(h) Preferred Shares

On October 8, 2021, the Company issued 8,000,000 Series Y, 4.50% Non-Cumulative First Preferred Shares at $25.00 per share for gross proceeds of $200. The shares are redeemable at the option of the Company on or after December 31, 2026 for $25.00 per share plus a premium if redeemed prior to December 31, 2030, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

(i) Strategic Relationship with Sagard Holdings

On October 7, 2021, the Company announced it had agreed to enter into a long-term strategic relationship with Sagard Holdings Inc. (Sagard), a wholly-owned subsidiary of Power Corporation, which includes the sale of its United States-based subsidiaries, EverWest Real Estate Investors, LLC and EverWest Advisors, LLC (EverWest) to Sagard, in exchange for a minority shareholding in Sagard's subsidiary, Sagard Holdings Management Inc. EverWest is a wholly-owned subsidiary of Canada Life and its principal activity is real estate investment management. The sale of EverWest is expected to close in the fourth quarter of 2021, subject to regulatory and customary closing conditions. Sagard is a related party. Therefore, the transaction was reviewed and approved by the Company's Conduct Review Committee and certain aspects involving Canada Life were reviewed and approved by its Conduct Review Committee. The carrying value and earnings of EverWest are immaterial to the Company.

As part of the strategic relationship with Sagard, the Company will make a capital commitment of up to approximately U.S. $500 into certain Sagard strategies. The Company has also committed to investing a further approximately U.S. $2,000 in real estate investments to support EverWest's future growth within Sagard. The strategic relationship with Sagard is intended to advance the Company's strategy to further broaden its access to alternative investment options.

4. Restructuring and Integration Expenses

(a) Canada Restructuring

At September 30, 2021, the Company has a restructuring provision of $64 remaining in other liabilities. The change in the restructuring provision for the Canada restructuring is set out below:

	September 30 2021	December 31 2020
Balance, beginning of year	**$ 86**	$ —
Restructuring expenses	**—**	92
Amounts used	**(22)**	(6)
Balance, end of period	**$ 64**	$ 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 $22 and $53 and restructuring expense of $10 and $10 in the Consolidated Statements of Earnings during three and nine months ended September 30, 2021. The restructuring is primarily attributable to additional staff reductions and other exit costs related to the Company's acquisition of the MassMutual retirement services business (note 3). At September 30, 2021, the Company has a restructuring provision of $20 remaining in other liabilities. The change in the restructuring provision for the GWL&A restructuring is set out below:

	September 30 2021	December 31 2020
Balance, beginning of year	**$ 37**	$ —
Restructuring expenses	**10**	37
Amounts used	**(27)**	—
Changes in foreign exchange rates	**—**	—
Balance, end of period	**$ 20**	$ 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 MassMutual acquisition (note 3) during the year.

5. Portfolio Investments

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

	September 30, 2021		December 31, 2020	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss (1)	**$ 101,331**	**$ 101,331**	$ 100,839	$ 100,839
Classified fair value through profit or loss (1)	**1,857**	**1,857**	2,053	2,053
Available-for-sale	**12,188**	**12,188**	11,352	11,352
Loans and receivables	**23,576**	**25,663**	23,348	26,545
	138,952	**141,039**	137,592	140,789
Mortgage loans				
Residential				
Designated fair value through profit or loss (1)	**2,500**	**2,500**	2,020	2,020
Loans and receivables	**9,428**	**9,769**	9,416	10,024
	11,928	**12,269**	11,436	12,044
Commercial	**17,051**	**17,688**	16,367	17,589
	28,979	**29,957**	27,803	29,633
Stocks				
Designated fair value through profit or loss (1)	**12,528**	**12,528**	10,335	10,335
Available-for-sale (2)	**204**	**204**	20	20
Available-for-sale, at cost (2)(3)	**122**	**122**	163	163
Equity method	**507**	**560**	482	445
	13,361	**13,414**	11,000	10,963
Investment properties	**7,329**	**7,329**	6,270	6,270
Total	**$ 188,621**	**$ 191,739**	$ 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) During the three months ended June 30, 2021, reliable measure of fair value was identified for certain stocks previously classified as available-for-sale, at cost. These stocks had a carrying value of $40 and were remeasured at a fair value of $147 at June 30, 2021. The difference between the carrying value and fair value of $107 was recognized as an unrealized gain on available-for-sale assets in the Consolidated Statements of Comprehensive Income. These stocks are now classified as available-for-sale.

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

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:
Carrying amount of impaired investments

	September 30 2021	December 31 2020
Impaired amounts by classification		
Fair value through profit or loss	**$ 15**	$ 20
Available-for-sale	**8**	17
Loans and receivables	**77**	23
Total	**$ 100**	$ 60

The carrying amount of impaired investments includes $19 bonds, $77 mortgage loans and $4 stocks at September 30, 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 $25 at September 30, 2021 and $57 at December 31, 2020.

(c) Net investment income comprises the following:

For the three months ended September 30, 2021	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,059**	**$ 230**	**$ 101**	**$ 110**	**$ 148**	**$ 1,648**
Net realized gains						
Available-for-sale	**1**	**—**	**7**	**—**	**—**	**8**
Other classifications	**3**	**11**	**—**	**—**	**10**	**24**
Net allowances for credit losses on loans and receivables	**—**	**4**	**—**	**—**	**—**	**4**
Other income (expenses)	**—**	**—**	**—**	**(38)**	**(57)**	**(95)**
	1,063	**245**	**108**	**72**	**101**	**1,589**
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	**(9)**	**—**	**—**	**—**	**—**	**(9)**
Designated fair value through profit or loss	**(1,193)**	**25**	**66**	**—**	**(46)**	**(1,148)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**221**	**—**	**221**
	(1,202)	**25**	**66**	**221**	**(46)**	**(936)**
Total	**$ (139)**	**$ 270**	**$ 174**	**$ 293**	**$ 55**	**$ 653**

5. Portfolio Investments (cont'd)

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

For the nine months ended September 30, 2021	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 3,175**	**$ 685**	**$ 262**	**$ 314**	**$ 503**	**$ 4,939**
Net realized gains						
Available-for-sale	**12**	**—**	**7**	**—**	**—**	**19**
Other classifications	**9**	**42**	**6**	**—**	**21**	**78**
Net allowances for credit losses on loans and receivables	**—**	**(28)**	**—**	**—**	**—**	**(28)**
Other income (expenses)	**—**	**—**	**—**	**(105)**	**(147)**	**(252)**
	3,196	**699**	**275**	**209**	**377**	**4,756**
Changes in fair value through profit or loss assets:						
Classified fair value through profit or loss	**(55)**	**—**	**—**	**—**	**—**	**(55)**
Designated fair value through profit or loss	**(5,171)**	**(63)**	**1,426**	**—**	**(270)**	**(4,078)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**439**	**—**	**439**
	(5,226)	**(63)**	**1,426**	**439**	**(270)**	**(3,694)**
Total	**$ (2,030)**	**$ 636**	**$ 1,701**	**$ 648**	**$ 107**	**$ 1,062**

5. Portfolio Investments (cont'd)

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

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 because the Company's sensitivity to interest rate movements varies at different terms.

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.

The impact to the value of liabilities from an immediate parallel 1% increase or 1% decrease in the interest rates would be largely offset by changes in the value of assets supporting the liabilities.

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 parallel 1% increase or 1% decrease in the interest rates as well as a corresponding parallel shift in the ultimate reinvestment rates, as defined in the actuarial standards.

	September 30, 2021		December 31, 2020	
	1% increase	**1% decrease [1]**	1% increase	1% decrease [1]
Change in interest rates				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (406)**	**$ 824**	$ (289)	$ 1,185
Increase (decrease) in net earnings	**$ 328**	**$ (652)**	$ 224	$ (920)

[1] For the 1% decrease, initial risk-free yields are floored at zero, wherever risk-free yields are not currently negative.

As at September 30, 2021, the accounting for the acquisition of the MassMutual retirement services business 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.

	September 30, 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	**$ (39)**	**$ (21)**	**$ 30**	**$ 117**	$ (34)	$ (18)	$ 62	$ 264
Increase (decrease) in net earnings	**$ 32**	**$ 18**	**$ (26)**	**$ (99)**	$ 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.

	September 30, 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	**$ (16)**	**$ (1)**	**$ 33**	**$ 144**	$ (41)	$ (8)	$ 88	$ 138
Increase (decrease) in net earnings	**$ 12**	**$ —**	**$ (23)**	**$ (106)**	$ 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:

	September 30, 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	**$ (669)**	**$ 854**	$ (691)	$ 861
Increase (decrease) in net earnings	**$ 531**	**$ (668)**	$ 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:

	September 30, 2021			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 6,890	$ —	$ —	$ 6,890
Financial assets at fair value through profit or loss				
Bonds	—	103,102	86	103,188
Mortgage loans	—	—	2,500	2,500
Stocks	10,898	87	1,543	12,528
Total financial assets at fair value through profit or loss	10,898	103,189	4,129	118,216
Available-for-sale financial assets				
Bonds	—	12,188	—	12,188
Stocks	4	1	199	204
Total available-for-sale financial assets	4	12,189	199	12,392
Investment properties	—	—	7,329	7,329
Funds held by ceding insurers	426	14,774	—	15,200
Derivatives (1)	9	767	—	776
Reinsurance assets	—	114	—	114
Other assets:				
Trading account assets	347	830	128	1,305
Other (2)	64	38	—	102
Total assets measured at fair value	$ 18,638	$ 131,901	$ 11,785	$ 162,324
Liabilities measured at fair value				
Derivatives (3)	$ —	$ 1,295	$ —	$ 1,295
Investment contract liabilities	—	10,171	—	10,171
Other liabilities	64	38	—	102
Total liabilities measured at fair value	$ 64	$ 11,504	$ —	$ 11,568

(1) Excludes collateral received from counterparties of $264.
(2) Includes collateral received under securities lending agreements.
(3) Excludes collateral pledged to counterparties of $515.

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:

	September 30, 2021						
	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	$ 73	$ 2,020	$ 1,374	$ 16	$ 6,270	$ 58	$ 9,811
Total gains (losses)							
Included in net earnings	3	(68)	194	—	439	1	569
Included in other comprehensive income [1][2]	(3)	(21)	—	121	(49)	—	48
Purchases	13	—	513	22	702	209	1,459
Issues	—	694	—	—	—	—	694
Sales	—	—	(81)	—	(33)	(140)	(254)
Settlements	—	(125)	—	—	—	—	(125)
Transfers into Level 3 [2][3]	—	—	—	40	—	—	40
Transfers out of Level 3 [3]	—	—	(457)	—	—	—	(457)
Balance, end of period	$ 86	$ 2,500	$ 1,543	$ 199	$ 7,329	$ 128	$ 11,785
Total gains (losses) for the period included in net investment income	$ 3	$ (68)	$ 194	$ —	$ 439	$ 1	$ 569
Change in unrealized gains (losses) for the period included in earnings for assets held at September 30, 2021	$ 3	$ (61)	$ 193	$ —	$ 446	$ (7)	$ 574

(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) During the three months ended June 30, 2021, certain stocks previously classified as available-for-sale, at cost were remeasured at a fair value of $147, are now classified as available-for-sale, and have been transferred into Level 3 as reliable measure of fair value was identified during the period. The carrying value of $40 was transferred into Level 3 and the difference between the carrying value and fair value of $107 was recognized as an unrealized gain on available-for-sale assets with an income tax expense of $15 in the Consolidated Statements of Comprehensive Income.

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

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

7. Fair Value Measurement (cont'd)

	December 31, 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 (IPSI), a property with a fair value of $28 was reclassified from owner occupied properties to investment properties. The reclassification resulted in the recognition of revaluation surplus on the transfer to investment properties of $11 and income tax expense of $(1) in the Consolidated Statements of Comprehensive Income.

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

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

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 lifted the temporary suspension on contributions to and transfers into its Canadian real estate investment funds, and on April 19, 2021, the temporary suspension on redemptions and transfers out was fully lifted, as confidence over the valuation of the underlying properties returned as a result of increased market activity. 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.

7. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.4% - 12.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 3.5% - 7.0%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.6%	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 3.5% - 4.6%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.

8. Insurance and Investment Contract Liabilities

	September 30, 2021		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 207,221**	**$ 20,083**	**$ 187,138**
Investment contract liabilities	**10,171**	**114**	**10,057**
Total	**$ 217,392**	**$ 20,197**	**$ 197,195**

	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

	September 30 2021	December 31 2020
Cash and cash equivalents	$ 12,908	$ 15,558
Bonds	61,438	65,338
Mortgage loans	2,497	2,686
Stocks and units in unit trusts	125,759	112,675
Mutual funds	130,629	127,577
Investment properties	12,551	12,430
	345,782	336,264
Accrued income	430	463
Other liabilities	(3,684)	(4,185)
Non-controlling mutual funds interest	3,093	1,490
Total [(1)]	$ 345,621	$ 334,032

[(1)] At September 30, 2021, $83,500 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 $1,024 of cash and cash equivalents, $13,430 of bonds, $26 of stocks and units in unit trusts, $69,237 of mutual funds, $81 of accrued income and $(298) of other liabilities.

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

	For the nine months ended September 30	
	2021	2020
Balance, beginning of year	$ 334,032	$ 231,022
Additions (deductions):		
Policyholder deposits	21,320	16,029
Net investment income	4,331	1,320
Net realized capital gains on investments	11,593	4,203
Net unrealized capital gains (losses) on investments	9,673	(7,006)
Unrealized gains (losses) due to changes in foreign exchange rates	(5,276)	5,540
Policyholder withdrawals	(31,620)	(14,288)
Change in Segregated Fund investment in General Fund	(40)	27
Change in General Fund investment in Segregated Fund	(15)	235
Net transfer from General Fund	20	1
Non-controlling mutual funds interest	1,603	(140)
Total	11,589	5,921
Balance, end of period	$ 345,621	$ 236,943

9. Segregated Funds (cont'd)

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

	September 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 236,239**	**$ 98,830**	**$ 13,576**	**$ 348,645**

[1] Excludes other liabilities, net of other assets, of $3,024.

	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 nine months of 2021, certain foreign stock holdings valued at $504 have been transferred from Level 1 to Level 2 ($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:

	September 30 2021	December 31 2020
Balance, beginning of year	**$ 13,556**	$ 13,988
Total gains included in segregated fund investment income	**206**	78
Purchases	**276**	167
Sales	**(462)**	(712)
Transfers into Level 3	**1**	35
Transfers out of Level 3	**(1)**	—
Balance, end of period	**$ 13,576**	$ 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 nine months ended September 30			
	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	**2,631,880**	**93**	445,520	14
Balance, end of period	**930,484,986**	**$ 5,744**	927,726,706	$ 5,647

During the nine months ended September 30, 2021, 2,631,880 common shares were exercised under the Company's stock plan with a carrying value of $93, including $11 from contributed surplus transferred upon exercise (445,520 with a carrying value of $14, including $2 from contributed surplus transferred upon exercise during the nine months ended September 30, 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 nine months ended September 30, 2021, the Company did not purchase any common shares under the current normal course issuer bid (nil during the nine months ended September 30, 2020 under the previous normal course issuer bid).

11. Earnings per Common Share

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Earnings				
Net earnings	**$ 905**	$ 859	**$ 2,462**	$ 2,131
Preferred share dividends	**(33)**	(33)	**(99)**	(100)
Net earnings - common shareholders	**$ 872**	$ 826	**$ 2,363**	$ 2,031
Number of common shares				
Average number of common shares outstanding	**930,084,597**	927,696,986	**929,102,790**	927,639,358
Add: Potential exercise of outstanding stock options	**2,355,985**	67,163	**1,290,635**	94,541
Average number of common shares outstanding - diluted basis	**932,440,582**	927,764,149	**930,393,425**	927,733,899
Basic earnings per common share	**$ 0.938**	$ 0.891	**$ 2.544**	$ 2.190
Diluted earnings per common share	**$ 0.936**	$ 0.891	**$ 2.540**	$ 2.189
Dividends per common share	**$ 0.438**	$ 0.438	**$ 1.314**	$ 1.314

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:

	September 30 2021	December 31 2020
Tier 1 Capital	**$ 12,578**	$ 11,593
Tier 2 Capital	**4,224**	4,568
Total Available Capital	**16,802**	16,161
Surplus Allowance & Eligible Deposits	**13,409**	14,226
Total Capital Resources	**$ 30,211**	$ 30,387
Required Capital	**$ 24,520**	$ 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 September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Pension plans				
Service costs	**$ 78**	$ 56	**$ 216**	$ 172
Net interest costs	**6**	5	**17**	19
Curtailments	**(1)**	(9)	**(1)**	(10)
Settlements	**(57)**	—	**(57)**	—
	26	52	**175**	181
Other post-employment benefits				
Service costs	**1**	1	**3**	2
Net interest costs	**2**	3	**7**	9
	3	4	**10**	11
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**29**	56	**185**	192
Pension plans - re-measurements (gain) loss				
Actuarial (gain) loss	**14**	168	**(484)**	417
Return on assets (greater) less than assumed	**(57)**	(118)	**(205)**	(98)
Administrative expenses less than assumed	**—**	—	**—**	(2)
Change in the asset ceiling	**2**	(26)	**13**	(10)
Pension plans re-measurement (gain) loss	**(41)**	24	**(676)**	307
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	**(7)**	2	**(36)**	21
Pension plans and other post-employment benefits re-measurements - other comprehensive (income) loss	**(48)**	26	**(712)**	328
Total pension plans and other post-employment benefits (income) expense including re-measurements	**$ (19)**	$ 82	**$ (527)**	$ 520

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

	September 30		December 31	
	2021	2020	2020	2019
Weighted average discount rate	**2.8 %**	2.3 %	2.2 %	2.6 %

14. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2021	2020	**2021**	2020
Current income taxes	**$ 138**	$ 87	**$ 71**	$ 140
Deferred income taxes	**(27)**	(68)	**203**	(39)
Total income tax expense	**$ 111**	$ 19	**$ 274**	$ 101

(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 September 30, 2021 was 9.8% compared to 2.1% for the three months ended September 30, 2020. The effective income tax rate for the three months ended September 30, 2021 was higher than the effective income tax rate for the three months ended September 30, 2020 primarily due to changes in certain tax estimates as well as a non-taxable gain on the disposal of the shares of IPSI during the third quarter of 2020.

The overall effective income tax rate for the nine months ended September 30, 2021 was 8.9% compared to 4.3% for the nine months ended September 30, 2020. The effective income tax rate for the nine months ended September 30, 2021 was higher than the effective income tax rate for the nine months ended September 30, 2020 primarily due to the same reasons discussed for the in-quarter overall effective income tax rate results.

The effective income tax rate for the shareholder account for the three months ended September 30, 2021 was 8.4% compared to 4.8% for the three months ended September 30, 2020.

The effective income tax rate for the shareholder account for the nine months ended September 30, 2021 was 9.9% compared to 5.7% for the nine months ended September 30, 2020.

15. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 3,300	$ 1,116	$ 1,942	$ 8,563	$ —	$ 14,921
Net investment income						
Regular net investment income	701	497	329	64	(2)	1,589
Changes in fair value through profit or loss	(319)	(330)	(209)	(78)	—	(936)
Total net investment income (loss)	382	167	120	(14)	(2)	653
Fee and other income	509	995	352	2	—	1,858
	4,191	2,278	2,414	8,551	(2)	17,432
Benefits and expenses						
Paid or credited to policyholders	2,713	1,070	1,612	8,401	—	13,796
Other [(1)]	916	910	359	53	72	2,310
Financing charges	34	41	6	2	—	83
Amortization of finite life intangible assets	25	43	14	—	—	82
Restructuring and integration expenses	—	32	—	—	—	32
Earnings (loss) before income taxes	503	182	423	95	(74)	1,129
Income taxes	89	10	42	(13)	(17)	111
Net earnings (loss) before non-controlling interests	414	172	381	108	(57)	1,018
Non-controlling interests	108	5	—	—	—	113
Net earnings (loss)	306	167	381	108	(57)	905
Preferred share dividends	28	—	5	—	—	33
Net earnings (loss) before capital allocation	278	167	376	108	(57)	872
Impact of capital allocation	27	1	(19)	(6)	(3)	—
Net earnings (loss) - common shareholders	$ 305	$ 168	$ 357	$ 102	$ (60)	$ 872

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

15. Segmented Information (cont'd)

For the three months ended September 30, 2020

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

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

15. Segmented Information (cont'd)

For the nine months ended September 30, 2021

	Canada	United States	Europe	Capital and Risk Solutions	Lifeco Corporate	Total
Income						
Total net premiums	$ 9,786	$ 3,907	$ 3,820	$ 22,311	$ —	$ 39,824
Net investment income						
Regular net investment income	2,117	1,461	988	200	(10)	4,756
Changes in fair value through profit or loss	(1,049)	(732)	(1,589)	(327)	3	(3,694)
Total net investment income (loss)	1,068	729	(601)	(127)	(7)	1,062
Fee and other income	1,470	2,882	1,051	6	—	5,409
	12,324	7,518	4,270	22,190	(7)	46,295
Benefits and expenses						
Paid or credited to policyholders	8,007	4,062	2,026	21,608	—	35,703
Other [(1)]	2,774	2,670	1,249	167	102	6,962
Financing charges	101	112	18	6	2	239
Amortization of finite life intangible assets	78	128	41	—	—	247
Restructuring and integration expenses	—	69	—	—	—	69
Earnings (loss) before income taxes	1,364	477	936	409	(111)	3,075
Income taxes	152	63	128	(9)	(60)	274
Net earnings (loss) before non-controlling interests	1,212	414	808	418	(51)	2,801
Non-controlling interests	329	8	2	—	—	339
Net earnings (loss)	883	406	806	418	(51)	2,462
Preferred share dividends	85	—	14	—	—	99
Net earnings (loss) before capital allocation	798	406	792	418	(51)	2,363
Impact of capital allocation	82	1	(55)	(19)	(9)	—
Net earnings (loss) - common shareholders	$ 880	$ 407	$ 737	$ 399	$ (60)	$ 2,363

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

15. Segmented Information (cont'd)

For the nine months ended September 30, 2020

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

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

The revenue by source currency for Capital and Risk Solutions:

	For the three months ended September 30		**For the nine months ended September 30**	
	2021	2020	**2021**	2020
Revenue				
United States	**$ 4,797**	$ 3,722	**$ 15,267**	$ 11,919
United Kingdom	**388**	348	**1,003**	1,100
Japan	**2,844**	—	**4,297**	—
Other	**522**	564	**1,623**	1,609
Total revenue	**$ 8,551**	$ 4,634	**$ 22,190**	$ 14,628

(b) Consolidated Total Assets and Liabilities

	September 30, 2021				
	Canada	United States	Europe	Capital and Risk Solutions	Total
Assets					
Invested assets	$ 89,617	$ 55,725	$ 48,567	$ 9,875	$ 203,784
Goodwill and intangible assets	5,744	5,683	3,025	—	14,452
Other assets	4,114	30,149	9,002	7,840	51,105
Investments on account of segregated fund policyholders	97,769	116,568	131,284	—	345,621
Total	$ 197,244	$ 208,125	$ 191,878	$ 17,715	$ 614,962
Liabilities					
Insurance and investment contract liabilities	$ 81,701	$ 75,438	$ 46,095	$ 14,158	$ 217,392
Other liabilities	8,205	8,368	4,153	991	21,717
Investment and insurance contracts on account of segregated fund policyholders	97,769	116,568	131,284	—	345,621
Total	$ 187,675	$ 200,374	$ 181,532	$ 15,149	$ 584,730

15. Segmented Information (cont'd)

	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:

	September 30 2021	December 31 2020
Assets		
United States	**$ 6,041**	$ 6,667
United Kingdom	**6,778**	7,572
Japan	**4,337**	—
Other	**559**	622
Total assets	**$ 17,715**	$ 14,861

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