

# CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, (in millions of Canadian dollars except for per share amounts)	2019	2018
<b>Revenue</b>		
Premiums		
Gross	\$ 22,680	\$ 20,981
Less: Ceded	2,392	2,339
Net premiums	20,288	18,642
Net investment income (loss):		
Interest and other investment income (Note 5)	5,855	5,641
Fair value and foreign currency changes on assets and liabilities (Note 5)	7,118	(3,373)
Net gains (losses) on available-for-sale assets	167	121
Net investment income (loss)	13,140	2,389
Fee income (Note 17)	6,251	5,966
<b>Total revenue</b>	<b>39,679</b>	<b>26,997</b>
<b>Benefits and expenses</b>		
Gross claims and benefits paid (Note 10)	17,421	15,986
Increase (decrease) in insurance contract liabilities (Note 10)	11,367	312
Decrease (increase) in reinsurance assets (Note 10)	(28)	97
Increase (decrease) in investment contract liabilities (Note 10)	65	(31)
Reinsurance expenses (recoveries) (Note 11)	(2,131)	(2,021)
Commissions	2,417	2,339
Net transfer to (from) segregated funds (Note 22)	(437)	(308)
Operating expenses (Note 18)	7,033	6,432
Premium taxes	406	375
Interest expense	333	305
<b>Total benefits and expenses</b>	<b>36,446</b>	<b>23,486</b>
<b>Income (loss) before income taxes</b>	<b>3,233</b>	<b>3,511</b>
Less: Income tax expense (benefit) (Note 20)	286	597
<b>Total net income (loss)</b>	<b>2,947</b>	<b>2,914</b>
Less: Net income (loss) attributable to participating policyholders (Note 21)	230	298
Less: Net income (loss) attributable to non-controlling interests	4	-
<b>Shareholders' net income (loss)</b>	<b>2,713</b>	<b>2,616</b>
Less: Preferred shareholders' dividends	95	94
<b>Common shareholders' net income (loss)</b>	<b>\$ 2,618</b>	<b>\$ 2,522</b>
 <b>Average exchange rates during the reporting periods:</b>		
	U.S. dollars	
	1.33	1.30
 <b>Earnings (loss) per share (Note 26)</b>		
Basic earnings (loss) per share	\$ 4.42	\$ 4.16
Diluted earnings (loss) per share	\$ 4.40	\$ 4.14
<b>Dividends per common share</b>	<b>\$ 2.100</b>	<b>\$ 1.905</b>

The attached notes form part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, (in millions of Canadian dollars)	2019	2018
<b>Total net income (loss)</b>	<b>\$ 2,947</b>	<b>\$ 2,914</b>
<b>Other comprehensive income (loss), net of taxes:</b>		
Items that may be reclassified subsequently to income:		
Change in unrealized foreign currency translation gains (losses):		
Unrealized gains (losses)	(564)	911
Change in unrealized gains (losses) on available-for-sale assets:		
Unrealized gains (losses)	489	(313)
Reclassifications to net income (loss)	(120)	(89)
Change in unrealized gains (losses) on cash flow hedges:		
Unrealized gains (losses)	33	(10)
Reclassifications to net income (loss)	(19)	–
Share of other comprehensive income (loss) in joint ventures and associates:		
Unrealized gains (losses)	(9)	7
Total items that may be reclassified subsequently to income	(190)	506
Items that will not be reclassified subsequently to income:		
Remeasurement of defined benefit plans	(42)	84
Total items that will not be reclassified subsequently to income	(42)	84
Total other comprehensive income (loss)	(232)	590
<b>Total comprehensive income (loss)</b>	<b>2,715</b>	<b>3,504</b>
Less: Participating policyholders' comprehensive income (loss) (Note 21)	227	303
Less: Non-controlling interests' comprehensive income (loss)	4	–
<b>Shareholders' comprehensive income (loss)</b>	<b>\$ 2,484</b>	<b>\$ 3,201</b>

## INCOME TAXES INCLUDED IN OTHER COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, (in millions of Canadian dollars)	2019	2018
<b>Income tax benefit (expense):</b>		
Items that may be reclassified subsequently to income:		
Unrealized foreign currency translation gains (losses)	\$ –	\$ (56)
Unrealized gains (losses) on available-for-sale assets	(110)	58
Reclassifications to net income for available-for-sale assets	31	31
Unrealized gains (losses) on cash flow hedges	(13)	4
Reclassifications to net income for cash flow hedges	8	–
Total items that may be reclassified subsequently to income	(84)	37
Items that will not be reclassified subsequently to income:		
Remeasurement of defined benefit plans	21	(17)
Total items that will not be reclassified subsequently to income	21	(17)
<b>Total income tax benefit (expense) included in other comprehensive income (loss)</b>	<b>\$ (63)</b>	<b>\$ 20</b>

The attached notes form part of these Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, (in millions of Canadian dollars)	2019	2018
<b>Assets</b>		
Cash, cash equivalents and short-term securities (Note 5)	\$ 9,575	\$ 9,506
Debt securities (Notes 5 and 6)	81,606	74,443
Equity securities (Notes 5 and 6)	4,787	4,634
Mortgages and loans (Notes 5 and 6)	48,222	46,822
Derivative assets (Notes 5 and 6)	1,548	1,112
Other invested assets (Note 5)	5,357	4,830
Policy loans (Note 5)	3,218	3,222
Investment properties (Note 5)	7,306	7,157
Invested assets	161,619	151,726
Other assets (Note 8)	5,216	4,498
Reinsurance assets (Notes 10 and 11)	4,024	4,141
Deferred tax assets (Note 20)	1,455	1,209
Intangible assets (Note 9)	2,083	1,779
Goodwill (Note 9)	5,832	5,412
Total general fund assets	180,229	168,765
Investments for account of segregated fund holders (Note 22)	116,973	103,062
<b>Total assets</b>	<b>\$ 297,202</b>	<b>\$ 271,827</b>
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Insurance contract liabilities (Note 10)	\$ 131,184	\$ 121,923
Investment contract liabilities (Note 10)	3,116	3,164
Derivative liabilities (Notes 5 and 6)	2,040	2,295
Deferred tax liabilities (Note 20)	406	322
Other liabilities (Note 12)	14,937	12,153
Senior debentures (Note 13)	500	1,299
Subordinated debt (Note 14)	3,538	3,039
Total general fund liabilities	155,721	144,195
Insurance contracts for account of segregated fund holders (Note 22)	110,269	96,663
Investment contracts for account of segregated fund holders (Note 22)	6,704	6,399
<b>Total liabilities</b>	<b>\$ 272,694</b>	<b>\$ 247,257</b>
<b>Equity</b>		
Issued share capital and contributed surplus	\$ 10,619	\$ 10,749
Shareholders' retained earnings and accumulated other comprehensive income	12,779	12,957
Total shareholders' equity	23,398	23,706
Participating policyholders' equity	1,091	864
Non-controlling interests' equity	19	-
<b>Total equity</b>	<b>\$ 24,508</b>	<b>\$ 24,570</b>
<b>Total liabilities and equity</b>	<b>\$ 297,202</b>	<b>\$ 271,827</b>

**Exchange rates at the end of the reporting periods:**

U.S. dollars	1.30	1.36
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The attached notes form part of these Consolidated Financial Statements.

Approved on behalf of the Board of Directors on February 12, 2020.



**Dean A. Connor**  
President and Chief Executive Officer



**Sara Grootwassink Lewis**  
Director

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, (in millions of Canadian dollars)	2019	2018
<b>Shareholders:</b>		
<b>Preferred shares (Note 15)</b>		
Balance, beginning and end of year	\$ 2,257	\$ 2,257
<b>Common shares (Note 15)</b>		
Balance, beginning of year	8,419	8,582
Stock options exercised	28	16
Common shares purchased for cancellation	(158)	(183)
Common shares issued as consideration for business acquisition	–	4
Balance, end of year	8,289	8,419
<b>Contributed surplus</b>		
Balance, beginning of year	73	72
Share-based payments	5	4
Stock options exercised	(5)	(3)
Balance, end of year	73	73
<b>Retained earnings</b>		
Balance, beginning of year	11,267	10,305
Adjustment for change in accounting policy (Note 2)	(22)	(44)
Balance, beginning of year, after change in accounting policy	11,245	10,261
Net income (loss)	2,713	2,616
Dividends on common shares	(1,236)	(1,147)
Dividends on preferred shares	(95)	(94)
Common shares purchased for cancellation (Note 15)	(434)	(458)
Transfer from participating policyholders' equity (Note 21)	–	89
Changes attributable to acquisition (Note 3)	(875)	–
Balance, end of year	11,318	11,267
<b>Accumulated other comprehensive income (loss), net of taxes (Note 27)</b>		
Balance, beginning of year	1,690	1,105
Total other comprehensive income (loss) for the year	(229)	585
Balance, end of year	1,461	1,690
<b>Total shareholders' equity, end of year</b>	<b>\$ 23,398</b>	<b>\$ 23,706</b>
<b>Participating policyholders:</b>		
Balance, beginning of year	\$ 864	\$ 650
Net income (loss) (Note 21)	230	298
Total other comprehensive income (loss) for the year (Note 27)	(3)	5
Transfer to retained earnings (Note 21)	–	(89)
<b>Total participating policyholders' equity, end of year</b>	<b>\$ 1,091</b>	<b>\$ 864</b>
<b>Non-controlling interests:</b>		
Balance, beginning of year	\$ –	\$ –
Changes attributable to acquisition (Note 3)	15	–
Net income (loss)	4	–
<b>Total non-controlling interests' equity, end of year</b>	<b>\$ 19</b>	<b>\$ –</b>
<b>Total equity</b>	<b>\$ 24,508</b>	<b>\$ 24,570</b>

The attached notes form part of these Consolidated Financial Statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, (in millions of Canadian dollars)	2019	2018
<b>Cash flows provided by (used in) operating activities</b>		
Income (loss) before income taxes	\$ 3,233	\$ 3,511
Adjustments:		
Interest expense related to financing activities	249	247
Increase (decrease) in insurance and investment contract liabilities	11,432	281
Decrease (increase) in reinsurance assets	(28)	97
Realized and unrealized (gains) losses and foreign currency changes on invested assets	(7,285)	3,252
Sales, maturities and repayments of invested assets	59,162	62,387
Purchases of invested assets	(64,165)	(65,353)
Income taxes received (paid)	(698)	(307)
Mortgage securitization (Note 5)	264	96
Other operating activities	383	(377)
<b>Net cash provided by (used in) operating activities</b>	<b>2,547</b>	<b>3,834</b>
<b>Cash flows provided by (used in) investing activities</b>		
Net (purchase) sale of property and equipment	(114)	(85)
Investment in and transactions with joint ventures and associates (Note 16)	19	(64)
Dividends received from joint ventures and associates (Note 16)	45	34
Acquisitions, net of cash and cash equivalents (Note 3) <sup>(1)</sup>	(167)	–
Other investing activities	(213)	(165)
<b>Net cash provided by (used in) investing activities</b>	<b>(430)</b>	<b>(280)</b>
<b>Cash flows provided by (used in) financing activities</b>		
Increase in (repayment of) borrowed funds	132	(40)
Issuance of subordinated debt, net of issuance costs (Note 14)	747	–
Redemption of senior debentures and subordinated debt (Notes 13 and 14)	(1,050)	(400)
Issuance of common shares on exercise of stock options	23	13
Common shares purchased for cancellation (Note 15)	(592)	(641)
Dividends paid on common and preferred shares	(1,318)	(1,227)
Payment of lease liabilities	(125)	–
Interest expense paid	(253)	(271)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,436)</b>	<b>(2,566)</b>
Changes due to fluctuations in exchange rates	(190)	250
Increase (decrease) in cash and cash equivalents	(509)	1,238
Net cash and cash equivalents, beginning of year	7,194	5,956
Net cash and cash equivalents, end of year	6,685	7,194
Short-term securities, end of year	2,860	2,208
<b>Net cash, cash equivalents and short-term securities, end of year (Note 5)</b>	<b>\$ 9,545</b>	<b>\$ 9,402</b>

(1) Consists of total cash consideration paid of \$192 (\$nil in 2018), less cash and cash equivalents acquired of \$25 (\$nil in 2018).

The attached notes form part of these Consolidated Financial Statements.