GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders
Second Quarter Results 2012

For the period ended June 30, 2012

E1138(6/12)-6/12

Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to June 30, 2012 Six Months Results

The condensed consolidated interim unaudited financial statements including notes at June 30, 2012 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of $491 million for the three months ended June 30, 2012, compared to $526 million in the second quarter of 2011. On a per common share basis, this represents $0.517 per common share for the three months ended June 30, 2012, compared to $0.553 per common share for the same period in 2011.

For the six months ended June 30, 2012, net earnings attributable to common shareholders were $942 million, compared to $941 million a year ago. This represents $0.992 per common share for the six months ended June 30, 2012, compared to $0.991 per common share for the same period in 2011.

During the second quarter, the Company concluded on certain income tax matters which positively impacted net earnings by $47 million. The second quarter 2011 comparative results included a release of a legal provision of $55 million. The six months 2011 results also included catastrophe provisions of $75 million relating to earthquake events in Japan and New Zealand.

Consolidated assets under administration at June 30, 2012 were $524 billion, up $22 billion from December 31, 2011.

Highlights

- Sales in Canada for Individual participating life insurance were up 22% and Group sales were up 58% compared to the second quarter of 2011.
- Sales in U.S. Financial Services were US$2.0 billion compared to US$1.5 billion in the second quarter of 2011 reflecting continued strong sales in both Individual Markets and Retirement Services.
- Sales in UK Payout Annuity products increased by $103 million or 47% compared to the same period of 2011 resulting from the Company's improved competitive position.
- The Company raised $200 million of 5.15% fixed rate perpetual preferred share capital on July 6, 2012.
- The Company's ROE continues to lead the industry at 16.8% based on net earnings and 15.8% based on operating earnings.
- The Company's capital position remained very strong. The Great-West Life Assurance Company reported a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 205% at June 30, 2012.
- Credit experience remained favourable. There were no new impaired securities in the quarter.
- The Company declared a quarterly common dividend of $0.3075 per common share payable September 28, 2012.

OPERATING RESULTS

Consolidated net earnings for Lifeco comprise the net earnings of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life), Great-West Life & Annuity Insurance Company (GWL&A), and Putnam Investments, LLC (Putnam), together with Lifeco's corporate results.

CANADA

Net earnings attributable to common shareholders for the second quarter of 2012 were $254 million compared to $262 million in the second quarter of 2011. Net earnings for the second quarter of 2012 include the impact of strengthening of reinvestment risk margins of $49 million and a conclusion on certain income tax matters which positively impacted net earnings by $22 million. For the six months ended June 30, 2012 net earnings attributable to common shareholders were $496 million compared to $507 million for the same period in 2011.

Total sales in the second quarter of 2012 were $2.1 billion compared to $2.2 billion in 2011. Individual Insurance product sales increased 8%, Group sales increased 58% driven by large case sales in both the Creditor and Life and Health segments, Wealth Management group retirement sales were up 12% and sales of proprietary retail investments funds were down 7% compared to the second quarter of 2011. Total sales for the six months ended June 30, 2012 were $4.6 billion compared to $4.8 billion in 2011.

Total assets under administration at June 30, 2012 were $133 billion, compared to $129 billion at December 31, 2011.

UNITED STATES

Net earnings attributable to common shareholders for the second quarter of 2012 were $86 million compared to $128 million in the second quarter of 2011. The 2011 comparative results included a release of a legal provision of $55 million from a settlement of a lawsuit in Putnam. For the six months ended June 30, 2012 net earnings attributable to common shareholders were $161 million compared to $216 million for the same period in 2011.

Financial Services sales in the second quarter of 2012 were US$2.0 billion compared to US$1.5 billion in 2011 reflecting increases in both Retirement Services and Individual Markets. Sales for the six months ended June 30, 2012 were US$4.4 billion compared to US$3.7 billion in 2011.

Putnam average assets under management for the three months ended June 30, 2012 were US$121 billion compared to US$128 billion a year ago. The decrease was primarily due to net asset outflows during the previous four quarters and the impact of negative market performance during that period. Net asset outflows in second quarter 2012 were US$271 million, an improvement of US$1.7 billion over the previous quarter.

Putnam average assets under management for the six months ended June 30, 2012 were US$121 billion down from US$126 billion a year ago. Net asset outflows for the six months ended 2012 were US$2.2 billion compared to net inflows of US$3.5 billion a year ago.

Total United States segment assets under administration at June 30, 2012 were $320 billion compared to $303 billion at December 31, 2011.

EUROPE

Net earnings attributable to common shareholders for the second quarter of 2012 were $160 million compared to $147 million in the second quarter of 2011. Net earnings for the second quarter of 2012 include the impact of strengthening of reinvestment risk margins of $39 million and a conclusion on certain income tax matters which positively impacted net earnings by $25 million. For the six months ended June 30, 2012 net earnings attributable to common shareholders were $301 million compared to $233 million for the same period in 2011. The 2011 results included catastrophe provisions of $75 million relating to earthquake events in Japan and New Zealand.

Sales for the second quarter of 2012 were $828 million compared to $876 million in 2011. Sales in single premium savings products in the Isle of Man decreased by $138 million compared to 2011, reflecting the generally difficult market environment and normal fluctuations in the number of large cases. Sales of U.K. payout annuities grew by $103 million compared to 2011, resulting from the Company’s improved competitive position. Sales of guaranteed variable annuity products in Ireland, which were launched in the fourth quarter of 2011, grew by 40% from the previous quarter.

Total sales for the six months ended June 30, 2012 were $1.6 billion compared to $2.0 billion in 2011 due mainly to the decline in single premium savings products in both the U.K. and Isle of Man reflecting the general market slowdown and normal fluctuations in the number of large cases in the Isle of Man.

Total assets under administration at June 30, 2012 increased to $71 billion from $70 billion at December 31, 2011.

CORPORATE

Net earnings in the Lifeco corporate segment attributable to common shareholders was a net loss of $9 million in the second quarter of 2012 compared to a net loss of $11 million for the second quarter of 2011. For the six months ended June 30, 2012 net earnings attributable to common shareholders was a net loss of $16 million compared to a net loss of $15 million for the same period in 2011.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3075 per share on the common shares of the Company payable September 28, 2012 to shareholders of record at the close of business August 31, 2012.

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

In addition, the Directors approved quarterly dividends on:

- Series F First Preferred Shares of $0.36875 per share;
- Series G First Preferred Shares of $0.3250 per share;
- Series H First Preferred Shares of $0.30313 per share;
- Series I First Preferred Shares of $0.28125 per share;
- Series J First Preferred Shares of $0.3750 per share;
- Series L First Preferred Shares of $0.353125 per share;
- Series M First Preferred Shares of $0.36250 per share;
- Series N First Preferred Shares of $0.228125 per share;
- Series P First Preferred Shares of $0.3375 per share; and
- Series Q First Preferred Shares of $0.30336 per share

all payable September 28, 2012 to shareholders of record at the close of business August 31, 2012.

D. Allen Loney
President and Chief Executive Officer

August 1, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2012

DATED: AUGUST 1, 2012

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months and six months ended June 30, 2012 compared with the same periods in 2011, and with the three months ended March 31, 2012. The MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated 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 financial statements for the period ended June 30, 2012. Please also refer to the 2011 Annual MD&A and consolidated financial statements, in the Company's 2011 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, are also forward-looking statements. Forward-looking statements are based on expectations and projections about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements due to, but not limited to, important factors such as sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive, and there may be other factors, including factors set out under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" in the Company's 2011 Annual MD&A and any listed in other filings with securities regulators, which are available for review at www.sedar.com. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. 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. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

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 six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	**$ 4,524**	$ 4,529	$ 4,272	**$ 9,053**	$ 8,567
Self-funded premium equivalents (ASO contracts)	**673**	685	664	**1,358**	1,334
Segregated funds deposits:					
Individual products	**1,436**	1,559	1,636	**2,995**	3,541
Group products	**1,595**	1,770	1,427	**3,365**	2,920
Proprietary mutual funds & institutional deposits	**4,898**	5,939	8,289	**10,837**	17,372
Total premiums and deposits	**13,126**	14,482	16,288	**27,608**	33,734
Fee and other income	**734**	724	739	**1,458**	1,459
Paid or credited to policyholders	**5,979**	4,743	5,298	**10,722**	9,877
Operating earnings - common shareholders	**491**	451	526	**942**	941
Net earnings - common shareholders	**491**	451	526	**942**	941
Per common share					
Operating earnings	**$ 0.517**	$ 0.475	$ 0.553	**$ 0.992**	$ 0.991
Basic earnings	**0.517**	0.475	0.553	**0.992**	0.991
Dividends paid	**0.3075**	0.3075	0.3075	**0.615**	0.615
Book value	**12.97**	12.69	11.72		
Return on common shareholders' equity (trailing four quarters*)					
Net operating earnings	**15.8 %**	16.5 %	17.1 %		
Net earnings	**16.8 %**	17.5 %	15.2 %		
Total assets	**$ 245,297**	$ 243,702	$ 232,137		
Proprietary mutual funds and institutional net assets	**129,028**	131,140	130,066		
Total assets under management	**374,325**	374,842	362,203		
Other assets under administration	**149,258**	148,068	134,822		
Total assets under administration	**$ 523,583**	$ 522,910	$ 497,025		
Total equity	**$ 16,692**	$ 16,406	$ 15,079		

The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of certain litigation provisions described in note 30 to the Company's December 31, 2011 consolidated financial statements.

* Return on common shareholders' equity is the trailing four quarter calculation of net earnings divided by common shareholders' equity.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders for the three month period ended June 30, 2012 were $491 million compared to $526 million reported a year ago. On a per share basis, this represents $0.517 per common share ($0.513 diluted) for the second quarter of 2012 compared to $0.553 per common share ($0.550 diluted) a year ago.

For the six months ended June 30, 2012, Lifeco's net earnings attributable to common shareholders were $942 million compared to $941 million reported a year ago. On a per share basis, this represents $0.992 per common share ($0.985 diluted) for 2012 compared to $0.991 per common share ($0.986 diluted) a year ago.

During the second quarter, the Company concluded on certain income tax matters which positively impacted net earnings by $47 million. The second quarter 2011 comparative results included a release of a legal provision of $55 million. The six months 2011 results also included catastrophe provisions of $75 million relating to earthquake events in Japan and New Zealand.

Lifeco's net earnings attributable to common shareholders for the three month period ended June 30, 2012 were $491 million compared to $451 million in the previous quarter. On a per share basis, this represents $0.517 per common share ($0.513 diluted) for the second quarter of 2012 compared to $0.475 per common share ($0.472 diluted) in the first quarter of 2012.

Net earnings - common shareholders

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Canada					
Individual Insurance	**$ 26**	$ 67	$ 66	**$ 93**	$ 148
Wealth Management	**80**	68	91	**148**	173
Group Insurance	**97**	87	94	**184**	160
Canada Corporate	**51**	20	11	**71**	26
	254	242	262	**496**	507
United States					
Financial Services	**93**	89	81	**182**	179
Asset Management	**(5)**	(12)	47	**(17)**	34
U.S. Corporate	**(2)**	(2)	-	**(4)**	3
	86	75	128	**161**	216
Europe					
Insurance & Annuities	**108**	106	97	**214**	222
Reinsurance	**56**	34	50	**90**	12
Europe Corporate	**(4)**	1	-	**(3)**	(1)
	160	141	147	**301**	233
Lifeco Corporate	**(9)**	(7)	(11)	**(16)**	(15)
Operating earnings	**491**	451	526	**942**	941
Net earnings	**$ 491**	$ 451	$ 526	**$ 942**	$ 941

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

Net earnings in the second quarter of 2012 were impacted by a number of macroeconomic factors including:

Interest Rate Environment

During the second quarter of 2012, government interest rates in countries where the Company operates declined sharply at mid and longer term points on the yield curve. Credit spreads widened to compensate to some extent, but overall yields were down. Shorter term rates, which have a greater impact on products with minimum interest guarantees, were largely unchanged.

In Canada, where the Company is exposed to declining long-term interest rates, strengthening of margins within policy liabilities for future reinvestment risks caused a decrease in net earnings of $49 million. For Europe, where the Company is currently more closely matched, margins for reinvestment risk were strengthened in light of continued economic uncertainty, resulting in a decrease in net earnings of $39 million. In the U.S., reinvestment risk margins were reduced in light of cash flow modeling refinements, resulting in an increase in net earnings of $11 million.

Equity Markets

Equity markets weakened during the second quarter of 2012 causing a decrease in net earnings of approximately $14 million. This is primarily due to lower asset based fee income from equity based funds. The cost of guarantees of death, maturity, or income benefits on certain wealth management products offered by the Company were not materially impacted this quarter. Segregated funds with Guaranteed Minimum Withdrawal Benefits did not materially impact the second quarter of 2012 results due to hedging programs in place. The change in fair value of common stocks and private equities backing products with long-tail liabilities were generally consistent with the Company's expectations and as a result had no material impact on net earnings.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits include premiums on risk-based insurance and annuity products, premium equivalents on self-funded group insurance administrative services only (ASO) contracts, deposits on individual and group segregated fund products and deposits on proprietary mutual funds and institutional accounts.

Sales include 100% of single premium and annualized recurring premium on risk-based and annuity products, deposits on individual and group segregated fund products, deposits on proprietary mutual funds and institutional accounts and deposits on non-proprietary mutual funds.

Premiums and deposits

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Canada					
Individual Insurance	**$ 992**	$ 926	$ 914	**$ 1,918**	$ 1,789
Wealth Management	**2,011**	2,481	2,124	**4,492**	4,549
Group Insurance	**1,858**	1,855	1,786	**3,713**	3,573
	4,861	5,262	4,824	**10,123**	9,911
United States					
Financial Services	**1,357**	1,506	1,167	**2,863**	2,494
Asset Management	**4,740**	5,731	8,114	**10,471**	16,966
	6,097	7,237	9,281	**13,334**	19,460
Europe					
Insurance & Annuities	**1,227**	1,047	1,285	**2,274**	2,661
Reinsurance	**941**	936	898	**1,877**	1,702
	2,168	1,983	2,183	**4,151**	4,363
Total	**$ 13,126**	$ 14,482	$ 16,288	**$ 27,608**	$ 33,734

Sales

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Canada	**$ 2,073**	$ 2,525	$ 2,204	**$ 4,598**	$ 4,753
United States	**6,760**	8,148	9,526	**14,908**	20,558
Europe	**828**	755	876	**1,583**	1,984
Total	**$ 9,661**	$ 11,428	$ 12,606	**$ 21,089**	$ 27,295

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

NET INVESTMENT INCOME

Net investment income

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Investment income earned (net of investment properties expenses)	**$ 1,387**	$ 1,410	$ 1,384	**$ 2,797**	$ 2,779
Recovery of credit losses on loans and receivables	**-**	-	12	**-**	13
Net realized gains	**60**	47	37	**107**	85
Regular investment income	**1,447**	1,457	1,433	**2,904**	2,877
Investment expenses	**(19)**	(18)	(17)	**(37)**	(34)
Regular net investment income	**1,428**	1,439	1,416	**2,867**	2,843
Changes in fair value through profit or loss	**1,106**	(196)	707	**910**	520
Net investment income	**$ 2,534**	$ 1,243	$ 2,123	**$ 3,777**	$ 3,363

Net investment income in the second quarter of 2012, which includes changes in fair value through profit or loss, increased by $411 million compared to the same period last year. The change in fair values in the second quarter of 2012 was an increase of $1,106 million compared to an increase of $707 million for the second quarter of 2011. During the quarter, the fair value of bonds increased as a result of a decrease in short-term and long-term government bond rates. Investment properties fair values increased by $32 million in the second quarter of 2012 compared to $36 million in the second quarter of 2011. Continued strong real estate fundamentals resulted in increases in fair values in the Company's Canadian portfolio of $51 million, while fair values on investment properties in its European portfolio experienced net declines of $19 million.

Regular net investment income in the second quarter of 2012, which excludes changes in fair value through profit or loss, increased by $12 million compared to the same period last year, reflecting growth in invested assets partly offset by lower fixed income yields in the continuing low interest rate environment. Regular net investment income also includes realized gains on available-for-sale securities which were $51 million in the second quarter of 2012 compared to $28 million for the same period last year.

For the six months ended June 30, 2012 net investment income increased by $414 million compared to the same period last year. The increase in net investment income from 2011 is primarily a result of an increase in fair values of $910 million in 2012 compared to an increase in fair values of $520 million in 2011. Government rates decreased more in the first six months of 2012 as compared to 2011 resulting in a larger increase in bond investment fair values in 2012. Investment properties fair values increased by $68 million in 2012 as a result of net increases in the Company's Canadian portfolio of $92 million partly offset by net declines of $24 million in its European portfolio compared to increases in both regions totaling $101 million for the same period in 2011. Regular net investment income increased $24 million compared to the same period last year for the same reasons as discussed for the quarter. Realized gains on available-for-sale securities were $87 million for the first six months of 2012 compared to $70 million for the same period last year.

Net investment income in the second quarter of 2012 was higher than the first quarter of 2012, primarily due to net increases in fair values of $1,106 million in the second quarter of 2012 compared to a loss of $196 million in the previous quarter. The fair value of the Company's bond investments increased in the second quarter of 2012 due to declining government bond rates in the period. Investment properties fair values increased by $36 million in the first quarter of 2012.

Credit Markets

In the second quarter of 2012, net market value increases on previously impaired securities, including dispositions during the quarter, positively impacted common shareholders' net earnings by $3 million. There were no new impaired securities in the quarter.

In the second quarter of 2012, changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $13 million.

For the six months ended June 30, 2012, net market value increases on previously impaired securities, including dispositions during the quarter, positively impacted common shareholders' net earnings by $11 million. New impairments year-to-date were not significant and had little impact on net earnings.

For the six months ended June 30, 2012 changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $8 million.

FEE AND OTHER INCOME

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

Fee and other income	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Canada					
Segregated funds, mutual funds and other	**$ 232**	$ 239	$ 240	**$ 471**	$ 479
ASO contracts	**38**	38	37	**76**	74
	270	277	277	**547**	553
United States					
Segregated funds, mutual funds and other	**306**	302	318	**608**	632
Europe					
Segregated funds, mutual funds and other	**158**	145	144	**303**	274
Total fee and other income	**$ 734**	$ 724	$ 739	**$ 1,458**	$ 1,459

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

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Canada	**$ 2,681**	$ 2,185	$ 2,585	**$ 4,866**	$ 4,766
United States	**1,025**	1,003	890	**2,028**	1,840
Europe	**2,273**	1,555	1,823	**3,828**	3,271
Total	**$ 5,979**	$ 4,743	$ 5,298	**$ 10,722**	$ 9,877

Amounts paid or credited to policyholders include life and health claims, policy surrenders, annuity and maturity payments, segregated funds guarantee payments, policyholder dividend and experience refund payments and changes in insurance and investment contract liabilities. The change in contract liabilities includes the impact of changes in fair value of certain invested assets backing those liabilities as well as changes in the provision for future credit losses. The amounts do not include benefit payments for ASO contracts or segregated funds and mutual funds.

For the three months ended June 30, 2012, consolidated amounts paid or credited to policyholders were $6 billion, including $4.3 billion of policyholder benefit payments and a $1.7 billion increase in contract liabilities. The increase of $681 million from the same period in 2011 consisted of a $244 million increase in benefit payments and $437 million of contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of lower interest rates in Canada, the U.S. and Europe.

For the six months ended June 30, 2012 consolidated amounts paid or credited to policyholders were $10.7 billion, including $8.9 billion of policyholder benefit payments and a $1.8 billion increase in contract liabilities. The increase of $845 million from the same period in 2011 consisted of a $384 million increase in benefit payments and $461 million of contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of lower interest rates in Canada, the U.S. and Europe.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $1.2 billion. The increase consisted of a $272 million decrease in benefit payments and $1.5 billion of contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of lower interest rates in Canada, the U.S. and Europe.

INCOME TAXES

The Company had an effective income tax rate of 12% for the second quarter of 2012 compared to 11% in the previous quarter and 22% in the second quarter of 2011. The effective income tax rate in the second quarter is lower than the same period last year primarily due to an audit agreement between several of the Company's subsidiaries and the Canada Revenue Agency (CRA). The audit agreement resolves several outstanding issues including transfer pricing and other international taxation matters for taxation years 2004 to 2011. As a result of the audit agreement, the Company has agreed to make a cash payment of $103 million. The Company held uncertain tax position (UTP) reserves for these items which, upon release, resulted in a positive earnings impact of $47 million in the second quarter; $22 million in the Canada segment and $25 million in the Europe segment. The Company's effective income tax rate for the second quarter was reduced by 8% as a result of the audit agreement.

The Company had an effective income tax rate of 11% for the six months ended June 30, 2012 compared to 19% for the same period in 2011. The effective income tax rate is primarily reduced by benefits related to non-taxable investment income and lower tax in foreign jurisdictions. Also reducing the effective income tax rate are the impacts of reductions to statutory income tax rates in the Company's Europe segment and the impact of changes to statutory tax rates on the adjustment within the insurance contract liabilities for deferred taxes. The above noted CRA audit agreement further reduced the six month effective income tax rate by 4%.

The first quarter effective income tax rate was lower due to the reduction in statutory corporate income tax rates in Canada from 28% to 26.5% and in the U.K. from 26% to 24%, as well as the impact of changes to statutory income tax rates on the adjustment within the insurance contract liabilities for deferred taxes. Also contributing to the lower first quarter effective income tax rate was the recognition of prior year income tax benefits of $11 million in the U.S. segment.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	June 30, 2012			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 57,286**	**$ 29,128**	**$ 31,766**	**$ 118,180**
Goodwill and intangible assets	**5,091**	**1,767**	**1,693**	**8,551**
Other assets	**3,925**	**3,070**	**12,363**	**19,358**
Segregated funds net assets	**50,677**	**23,300**	**25,231**	**99,208**
Total assets	**116,979**	**57,265**	**71,053**	**245,297**
Proprietary mutual funds and institutional net assets	**3,376**	**125,652**	**-**	**129,028**
Total assets under management	**120,355**	**182,917**	**71,053**	**374,325**
Other assets under administration	**12,594**	**136,562**	**102**	**149,258**
Total assets under administration	**$ 132,949**	**$ 319,479**	**$ 71,155**	**$ 523,583**

	December 31, 2011			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 56,374	$ 27,403	$ 30,851	$ 114,628
Goodwill and intangible assets	5,089	1,769	1,697	8,555
Other assets	3,453	3,050	12,500	19,003
Segregated funds net assets	49,622	22,359	24,601	96,582
Total assets	114,538	54,581	69,649	238,768
Proprietary mutual funds and institutional net assets	3,318	122,072	-	125,390
Total assets under management	117,856	176,653	69,649	364,158
Other assets under administration	11,458	126,247	102	137,807
Total assets under administration	$ 129,314	$ 302,900	$ 69,751	$ 501,965

Total assets under administration at June 30, 2012 increased by $21.6 billion from December 31, 2011. Segregated funds increased by $2.6 billion and proprietary mutual funds and institutional net assets increased by $3.6 billion, primarily as a result of lower government bond rates and to a lesser extent, higher U.S. equity market levels. Other assets under administration increased by $11.5 billion, primarily as a result of new plan sales and improved U.S. equity market levels. Invested assets increased by $3.6 billion primarily due to lower government bond rates.

Provision for future credit losses

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

At June 30, 2012, the total provision for future credit losses in insurance contract liabilities was $2,542 million compared to $2,500 million at December 31, 2011, an increase of $42 million which primarily reflects a combination of lower interest rates, currency movement, credit rating activity and normal business activity.

The aggregate of impairment provisions of $197 million ($237 million at December 31, 2011) and $2,542 million ($2,500 million at December 31, 2011) for future credit losses in insurance contract liabilities represents 2.5% of bond and mortgage assets at June 30, 2012 (2.6% at December 31, 2011).

Holdings of Debt Securities of Governments

	Carrying Value by Rating - June 30, 2012						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 8,773	$ 3,531	$ 2,478	$ -	$ -	$ 14,782	$ 13,170
U.K.	9,492	681	149	442	-	10,764	9,574
U.S.	5,755	1,193	102	10	-	7,060	6,583
	24,020	**5,405**	**2,729**	**452**	**-**	**32,606**	**29,327**
Portugal	-	-	-	-	10	10	13
Ireland	-	-	-	129	-	129	134
Italy	-	-	38	-	-	38	44
Greece	-	-	-	-	-	-	-
Spain	-	-	-	31	-	31	42
	-	**-**	**38**	**160**	**10**	**208**	**233**
Germany	759	6	-	-	-	765	714
France	470	72	-	-	-	542	528
Netherlands	508	-	-	-	-	508	473
Austria	159	-	-	-	-	159	154
Australia	79	-	-	-	-	79	79
Supranationals	856	-	-	-	-	856	759
All other (9 countries)	398	68	-	18	-	484	464
	3,229	**146**	**-**	**18**	**-**	**3,393**	**3,171**
Total	**$ 27,249**	**$ 5,551**	**$ 2,767**	**$ 630**	**$ 10**	**$ 36,207**	**$ 32,731**

* Includes certain funds held by ceding insurers with a carrying value of $3,496 million and an amortized cost of $3,155 million.

At June 30, 2012, the Company held government and government related debt securities (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $36.2 billion compared to $35.1 billion at March 31, 2012. Included in this portfolio are debt securities issued by Portugal, Ireland, Italy and Spain, with an aggregate carrying value of $208 million, down from $220 million at March 31, 2012 as a result of dispositions and currency movement as the Canadian dollar strengthened compared to the euro. The Company does not hold any debt securities of the government of Greece.

Holdings of Debt Securities of Banks and Other Financial Institutions

	Carrying Value by Rating - June 30, 2012						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 65	$ 484	$ 1,024	$ 137	$ -	$ 1,710	$ 1,632
U.K.	203	659	1,257	662	480	3,261	3,468
U.S.	1	1,474	1,965	706	20	4,166	3,991
	269	**2,617**	**4,246**	**1,505**	**500**	**9,137**	**9,091**
Portugal	-	-	-	-	-	-	-
Ireland	-	-	-	63	4	67	97
Italy	-	-	51	59	-	110	150
Greece	-	-	-	-	-	-	-
Spain	59	-	46	126	-	231	284
	59	**-**	**97**	**248**	**4**	**408**	**531**
Germany	-	41	47	-	-	88	86
France	71	110	168	146	-	495	549
Netherlands	-	196	166	-	44	406	420
Australia	22	318	153	55	-	548	545
All other (12 institutions)	15	82	273	131	9	510	514
	108	**747**	**807**	**332**	**53**	**2,047**	**2,114**
Total	**$ 436**	**$ 3,364**	**$ 5,150**	**$ 2,085**	**$ 557**	**$ 11,592**	**$ 11,736**

	Carrying Value by Seniority - June 30, 2012						
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Total*	Amortized Cost*
Canada	$ 70	$ 989	$ 289	$ 78	$ 284	$ 1,710	$ 1,632
U.K.	232	1,420	919	413	277	3,261	3,468
U.S.	355	2,744	841	-	226	4,166	3,991
	657	**5,153**	**2,049**	**491**	**787**	**9,137**	**9,091**
Portugal	-	-	-	-	-	-	-
Ireland	63	-	-	-	4	67	97
Italy	28	23	14	-	45	110	150
Greece	-	-	-	-	-	-	-
Spain	64	-	99	35	33	231	284
	155	**23**	**113**	**35**	**82**	**408**	**531**
Germany	41	-	47	-	-	88	86
France	162	102	115	31	85	495	549
Netherlands	-	311	38	22	35	406	420
Australia	33	344	137	-	34	548	545
All other (12 institutions)	31	196	155	96	32	510	514
	267	**953**	**492**	**149**	**186**	**2,047**	**2,114**
Total	**$ 1,079**	**$ 6,129**	**$ 2,654**	**$ 675**	**$ 1,055**	**$ 11,592**	**$ 11,736**

* Includes certain funds held by ceding insurers with a carrying value of $2,683 million and an amortized cost of $2,674 million.

At June 30, 2012, the Company held debt securities issued by banks and other financial institutions (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $11.6 billion, compared to $11.4 billion at March 31, 2012. Included in this portfolio is $408 million of debt securities issued by banks and other financial institutions domiciled in Ireland, Italy and Spain, down from $441 million at March 31, 2012 as a result of dispositions, currency movement and lower market values as a result of widening credit spreads. Of the Spain holdings of $231 million, $168 million are Sterling denominated bonds issued by U.K. domiciled Financial Services Authority (FSA) regulated subsidiaries of Spanish financial institutions. The Company does not have any holdings of banks and other financial institutions domiciled in Greece or Portugal.

At June 30, 2012, 95% of the $11.6 billion carrying value of debt securities invested in banks and other financial institutions was rated investment grade.

Of the Company's invested assets including certain funds held by ceding insurers, 2.9% are invested in bonds of governments and financial institutions of Eurozone countries as at June 30, 2012.

LIABILITIES

Total liabilities

	June 30 2012	Dec. 31 2011
Insurance and investment contract liabilities	**$ 117,747**	$ 115,512
Other general fund liabilities	**11,650**	10,570
Investment and insurance contracts on account of unit holders	**99,208**	96,582
Total	**$ 228,605**	$ 222,664

Total liabilities increased by $5.9 billion from $222.7 billion at December 31, 2011 to $228.6 billion at June 30, 2012. Insurance and investment contract liabilities increased by $2.2 billion, primarily as a result of the impact of lower interest rates on fixed income securities. Other general fund liabilities increased by $1.1 billion due to an increase in repurchase agreements in the U.S. segment. Investment and insurance contracts on account of unit holders increased by $2.6 billion driven primarily by increases in fair value of investments.

Investment Guarantees Associated with Wealth Management Products

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. The GMWB products offered by the Company offer levels of death and maturity guarantees. At June 30, 2012, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $1,565 million ($1,256 million at December 31, 2011). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated funds guarantee exposure

	June 30, 2012				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 22,887	$ -	$ 45	$ 351	$ 351
United States	7,202	-	-	66	66
Europe					
Insurance & Annuities	2,418	1	67	73	73
Reinsurance**	1,027	607	1	34	643
	3,445	**608**	**68**	**107**	**716**
Total	**$ 33,534**	**$ 608**	**$ 113**	**$ 524**	**$ 1,133**

* 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 June 30, 2012.

** Reinsurance exposure is to markets in Canada and the United States.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on June 30, 2012. 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 was approximately $7 million in-quarter and $10 million year-to-date, with the majority ($6 million in-quarter and $8 million year-to-date) associated with the top-up required to purchase annuities to cover the guaranteed minimum income benefits in Reinsurance.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at June 30, 2012 was $7,973 million, which comprises $5,829 million of common shares, $1,664 million of non-cumulative First Preferred Shares, and $480 million of five-year rate reset First Preferred Shares.

At June 30, 2012, the Company had 949,820,440 common shares outstanding with a stated value of $5,829 million compared to 949,764,141 common shares with a stated value of $5,828 million at December 31, 2011.

During the six months ended June 30, 2012, no common shares were purchased for cancellation pursuant to the Company’s Normal Course Issuer Bid. Under the Company’s Stock Option Plan, 56,299 shares were issued for total proceeds of $1 million or an average of $18.44 per share.

On February 22, 2012, the Company issued 10,000,000, 5.4% non-cumulative fixed rate perpetual First Preferred Shares, Series P, for gross proceeds of $250 million.

On June 28, 2012, the Company issued 8,000,000, 5.15% non-cumulative fixed rate perpetual First Preferred Shares, Series Q, for gross proceeds of $200 million, which closed on July 6, 2012.

Canada Life Capital Trust Securities (CLiCS) - Canada Life Capital Trust (CLCT), a trust established by Canada Life, redeemed all of its outstanding $300 million principal amount Canada Life Capital Securities-Series A (CLiCS) on June 29, 2012 at par. Lifeco previously held $122 million of these CLiCS as a long-term investment.

Great-West Life Capital Trust Securities (GREATs) - Subject to regulatory approval, Great-West Life Capital Trust (GWLCT) may redeem the GREATs, in whole or in part, at any time, and the GREATs are callable at par on December 31, 2012.

NON-CONTROLLING INTERESTS

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by generating internal funds and maintaining adequate levels of liquid investments. At June 30, 2012, Lifeco held cash and government short-term investments of $5.3 billion ($5.5 billion at December 31, 2011) and government bonds of $25.6 billion ($25.1 billion at December 31, 2011). The Company holds $0.6 billion ($0.6 billion at December 31, 2011) directly at the holding company level. The Company raised a further $0.2 billion through the issuance of 5.15% Lifeco Series Q perpetual preferred shares that was entered into on June 28, 2012 and completed on July 6, 2012. In addition, the Company maintains a $200 million committed line of credit with a Canadian chartered bank.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources. As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows	For the three months ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
Cash flows relating to the following activities:				
Operations	**$ 1,270**	$ 1,473	**$ 1,881**	$ 2,134
Financing	**(551)**	(341)	**(488)**	(537)
Investment	**(607)**	(1,470)	**(1,712)**	(1,709)
	112	(338)	**(319)**	(112)
Effects of changes in exchange rates on cash and cash equivalents	**6**	(2)	**2**	2
Increase (decrease) in cash and cash equivalents in the period	**118**	(340)	**(317)**	(110)
Cash and cash equivalents, beginning of period	**1,621**	2,070	**2,056**	1,840
Cash and cash equivalents, end of period	**$ 1,739**	$ 1,730	**$ 1,739**	$ 1,730

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. In general, 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. Financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the second quarter, cash and cash equivalents increased by $118 million from March 31, 2012. Cash flows provided by operations during the second quarter of 2012 were $1,270 million, a decrease of $203 million compared to the second quarter of 2011. For the three months ended June 30, 2012, cash flows were used by the Company to acquire an additional $607 million of investment assets; $320 million of cash was utilized to pay dividends to the preferred and common shareholders and $231 million was used for other financing activities.

For the six months ended June 30, 2012, cash and cash equivalents decreased by $317 million from December 31, 2011. Cash flows provided from operations were $1,881 million, a decrease of $253 million compared to 2011. In 2012, cash flows were used by the Company to acquire an additional $1,712 million of investment assets; $637 million of cash was utilized to pay dividends to the preferred and common shareholders and $149 million was received from other financing activities.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2011.

CAPITAL MANAGEMENT AND ADEQUACY

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology which allocates financing costs in proportion to allocated capital. For the Canadian and European segments (essentially The Great-West Life Assurance Company), this allocation method 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 debt-to-equity ratio in each business unit mirroring the consolidated Company.

The Company’s consolidated net earnings are presented on an IFRS basis after capital allocation. The Company's return on common shareholders' equity (ROE) and net earnings are unaffected by the capital allocation methodology as the process does not change the total, just the distribution of capital and net earnings among the business units.

Return on Equity

	June 30 2012	Mar. 31 2012	Dec 31 2011
Canada	**21.3 %**	21.4 %	21.7 %
U.S. Financial Services [1]	**20.4 %**	19.5 %	20.7 %
U.S. Asset Management (Putnam)	**(2.1)%**	1.0 %	0.9 %
Europe	**18.0 %**	18.3 %	17.5 %
Lifeco Corporate [2]	**(4.2)%**	(6.1)%	(5.5)%
Total Lifeco Net Earnings	**16.8 %**	17.5 %	17.6 %
Total Lifeco Operating Earnings [2]	**15.8 %**	16.5 %	16.6 %

(1) Includes U.S. Corporate.

(2) The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of the provisions described in note 30 to the Company's December 31, 2011 consolidated financial statements.

ROE is the trailing four quarter calculation of net earnings divided by common shareholders' equity.

The Company reported ROE based on net earnings of 16.8% compared to 17.6% at December 31, 2011. While the Company continues to maintain positive net earnings, the Company’s capital growth outpaced net earnings which resulted in a decrease in ROE from December 31, 2011. The Company achieved a 15.8% ROE on operating earnings, which compares favourably with its long-term objective of 15.0%.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. The internal target range of the MCCSR ratio for Lifeco's major Canadian operating subsidiaries is 175% to 200% (on a consolidated basis).

Great-West Life's MCCSR ratio at June 30, 2012 was 205% (204% at December 31, 2011). London Life's MCCSR ratio at June 30, 2012 was 238% (239% at December 31, 2011). Canada Life's MCCSR ratio at June 30, 2012 was 206% (204% at December 31, 2011). The MCCSR ratio does not take into account any impact from $0.6 billion of liquidity at the Lifeco holding company level and net proceeds of $0.2 billion from the 5.15% Series Q, non-cumulative fixed rate perpetual First Preferred share issuance that was entered into on June 28, 2012 and completed on July 6, 2012.

Under OSFI's Advisory on Conversion to International Financial Reporting Standards by Federally Regulated Entities, the Company's federally regulated subsidiaries have elected to phase in the impact of $636 million for the conversion to IFRS on capital for MCCSR regulatory reporting purposes over eight quarters which commenced January 1, 2011. As at June 30, 2012, the amount phased in to the Great-West Life MCCSR was $477 million. In the years following the Company's initial adoption of IFRS, as a result of the proposed changes to the IFRS for measurement of insurance contract liabilities and the evolving nature of IFRS, there will likely be further regulatory capital and accounting changes, some of which may be significant.

RATINGS

Lifeco and its major operating subsidiaries receive strong ratings from the five rating agencies that rate the Company as set out below. The operating companies below have the same financial strength ratings from each rating agency, commonly known as a "fleet" rating which is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and Europe. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco. There were no rating changes to the Company's credit ratings during the second quarter of 2012.

Rating agency	Measurement	Lifeco	Great-West	London Life	Canada Life	GWL&A
A.M. Best Company	Financial Strength		A+	A+	A+	A+
DBRS Limited	Claims Paying Ability		IC-1	IC-1	IC-1	NR
	Senior Debt	AA (low)				
	Subordinated Debt				AA (low)	
Fitch Ratings	Insurer Financial Strength		AA	AA	AA	AA
	Senior Debt	A				
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3	Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA	AA	AA	AA
	Senior Debt	A+				
	Subordinated Debt				AA-	

RISK MANAGEMENT AND CONTROL PRACTICES

The Company has policies relating to the identification, measurement, monitoring, mitigating and controlling 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 Lifeco's 2011 Annual Report. For a complete discussion of the Company's risk governance structure and risk management approach, see the "Financial Instrument Risk Management" note in the Company's December 31, 2011 consolidated 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.

DERIVATIVE FINANCIAL INSTRUMENTS
There were no major changes to the Company's and its subsidiaries' policies and procedures with respect to the use of derivative financial instruments in 2012. During the six month period ended June 30, 2012, the outstanding notional amount of derivative contracts increased by $339 million primarily due to currency hedging of new foreign currency fixed income investments to the currency of the liabilities. The Company's exposure to credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $927 million at June 30, 2012 from $968 million at December 31, 2011.

ACCOUNTING POLICIES

International Financial Reporting Standards – The Company issued its first annual consolidated financial statements in compliance with International Financial Reporting Standards (IFRS) for the year-ended December 31, 2011.

Due to the evolving nature of IFRS, there are a number of IFRS changes that could impact the Company in the future. 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. In addition, the Company considers potential changes to financial reporting, disclosure controls and procedures, or information systems of the Company as a result of these IFRS changes.

IFRS that will change in the future and could impact the Company are set out in the following tables:

Effective in 2013

Revised standard	Summary of Future Changes
IAS 19 - Employee Benefits	The IASB published an amended version of this standard in June 2011 that eliminates the corridor approach for actuarial gains and losses resulting in those gains and losses being recognized immediately through other comprehensive income (OCI). As a result the net pension asset or liability will reflect the full funded status of the pension plan on the Consolidated Balance Sheets. Under the revised IAS 19, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. The revised IAS 19 requires the same discount rate be applied to measure the benefit obligation and to the plan assets to determine the net interest expense (income). This discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Further, the revised standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense would be presented and disclosed within the financial statements of an entity. The Company will continue to use the corridor method until January 1, 2013 when the revised standard for employee benefits becomes effective. In accordance with the transitional provisions in IAS 19, this change in IFRS will be applied retroactively to January 1, 2012. For further information on the Company's employee benefit plans, please refer to note 23 to the December 31, 2011 consolidated financial statements.

IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities	Effective January 1, 2013, the Company plans to adopt IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, and IFRS 12, Disclosure of Interest in Other Entities for the presentation and preparation of its consolidated financial statements. IFRS 10, Consolidated Financial Statements uses consolidation principles based on a revised definition of control. The definition of control is dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits. IFRS 11, Joint Arrangements separates jointly controlled entities between joint operations and joint ventures. The standard has eliminated the option of using proportionate consolidation for accounting for the interests in joint ventures, now requiring an entity to use the equity method of accounting for interests in joint ventures. IFRS 12, Disclosure of Interests in Other Entities proposes new disclosure requirements for the interest an entity has in subsidiaries, joint arrangements, associates, and structured entities. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented within the financial statements. In June 2012, the IASB released amendments clarifying the transitional guidance offered in IFRS 10 as well as providing additional transitional relief in IFRS 10, IFRS 11, and IFRS 12 limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The Company continues to evaluate the impact of the above standards on its consolidation procedures and disclosure in preparation of the January 1, 2013 effective date and does not anticipate it will have a material impact. The IASB issued an exposure draft that proposed an exception from consolidation for the controlled entities of investment entities. The industry is seeking clarity that segregated funds presented within the financial statements of a life insurer would qualify for this exception and would not be materially different than the current reporting under IFRS.
IFRS 13 - Fair Value Measurement	Effective January 1, 2013, the Company will adopt the guidance of IFRS 13 which seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The standard relates primarily to disclosure and will not impact the financial results of the Company.
IAS 1 - Presentation of Financial Statements	Effective January 1, 2013, the Company will adopt the guidance in the amended IAS 1, Presentation of Financial Statements. The amended standard includes requirements that OCI be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. This revised standard relates only to presentation and will not impact the financial results of the Company.

IFRS 7 - Financial Instruments: Disclosure	Effective January 1, 2013, the Company will adopt the guidance in the amendments to IFRS 7, Financial Instruments. The amended standard introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements. This revised standard relates only to disclosure and will not impact the financial results of the Company.

Proposed to be effective subsequent to 2013

Revised standard	Summary of Future Changes
IFRS 4 - Insurance Contracts	The IASB issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under the Canadian Asset Liability Method (CALM) and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements. Since the release of the exposure draft, there have been discussions within the insurance industry and between accounting standard setters globally recommending significant proposed changes to the 2010 exposure draft. At this time no new standard has been either re-exposed or released. The Company will continue to measure insurance contract liabilities using CALM until such time when a new IFRS for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.
IFRS 9 - Financial Instruments	The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available-for-sale, held to maturity, and loans and receivables. The new standard also requires: • embedded derivatives to be assessed for classification together with their financial asset host; • an expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge accounting and measuring effectiveness The full impact of IFRS 9 on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39, Financial Instruments impairment methodology, hedge accounting, and asset and liability offsetting are finalized. The Company continues to actively monitor developments in this area. The current timetable for adoption of IFRS 9, Financial Instruments is for the annual period beginning January 1, 2015, however, the Company continues to monitor this standard in conjunction with the developments to IFRS 4.

IAS 17 - Leases	The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The full impact of adoption of the proposed changes will be determined once the final lease standard is issued, which is expected to be in the second half of 2012.
IAS 18 - Revenue Recognition	The IASB issued a second exposure draft in November 2011 which proposed a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer. The full impact of adoption of the proposed changes will be determined once the final revenue recognition standard is issued, which is targeted for release in 2012 or 2013.
IAS 32 - Financial Instruments: Presentation	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, Financial Instruments: Presentation. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco including the comparative figures are presented on an IFRS basis after capital allocation. The operating results include Great-West Life, London Life, Canada Life, GWL&A and Putnam.

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

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and Canada Life. There are three primary business units included in this segment. Through its Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through its Wealth Management business unit, the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through its Group Insurance business unit, the Company provides life, health, critical illness, disability and creditor insurance products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 4,861**	$ 5,262	$ 4,824	**$ 10,123**	$ 9,911
Sales	**2,073**	2,525	2,204	**4,598**	4,753
Fee and other income	**270**	277	277	**547**	553
Net earnings - common shareholders	**254**	242	262	**496**	507
Total assets	**$ 116,979**	$ 116,831	$ 113,991		
Proprietary mutual funds net assets	**3,376**	3,479	3,394		
Total assets under management	**120,355**	120,310	117,385		
Other assets under administration	**12,594**	12,393	10,987		
Total assets under administration	**$ 132,949**	$ 132,703	$ 128,372		

2012 DEVELOPMENTS

- Net earnings attributable to common shareholders for the second quarter of 2012 were $254 million compared to $262 million for the second quarter of 2011. On a year-to-date basis, net earnings were $496 million, down 2% over the same period last year. Net earnings for the second quarter of 2012 include the impact of strengthening of reinvestment risk margins of $49 million and weaker equity markets impact of approximately $5 million, which were partially offset by the conclusion on certain income tax matters positively impacting net earnings by $22 million and investment properties backing surplus gains of $21 million.
- Sales in the second quarter of $2,073 million, were down 6% compared to the second quarter of 2011. On a year-to-date basis, sales were $4,598 million, down 3% over the same period last year.
- Premiums and deposits of $4,861 million were 1% higher than the second quarter of 2011. Year-to-date premiums and deposits of $10.1 billion were 2% higher than the same period last year.
- Individual Insurance Term 20 life insurance rates were adjusted in June 2012 to improve the competitive positioning of this product and to enhance Term 20 sales.
- During the second quarter, Wealth Management launched a new high net worth retail segregated fund offering, for clients with over $500,000 invested with the Company.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 992**	$ 926	$ 914	**$ 1,918**	$ 1,789
Sales	**121**	115	112	**236**	210
Net earnings	**26**	67	66	**93**	148

Premiums and deposits
Individual Insurance premiums increased by $78 million to $992 million compared with the same quarter last year. Individual Life premiums for the quarter increased by $75 million to $913 million compared with the same quarter last year, primarily due to a 14% increase in non-participating life premiums. Living Benefits premiums for the quarter increased by $3 million to $79 million compared with the same period last year.

For the six months ended June 30, 2012 Individual Insurance premiums increased by 7% to $1.9 billion compared to the same period last year. Individual Life premiums increased by $121 million to $1.8 billion compared to the same period last year. Living Benefits premiums increased by $8 million to $159 million compared to the same period last year.

Individual Insurance premiums increased by $66 million to $992 million compared to the previous quarter, primarily due to a 10% increase in participating life premiums due to the normal seasonality of life insurance sales.

Sales
For the quarter, Individual Life sales increased by $9 million to $109 million compared with the same quarter last year. The increase was driven by a 22% increase in participating life sales. Sales of Living Benefits of $12 million were comparable to the same quarter last year.

For the six months ended June 30, 2012, Individual Life sales increased by $25 million to $214 million compared to the same period last year, primarily due to strong participating life sales. Sales of Living Benefits of $22 million were $1 million higher than in the same period last year.

Individual Life sales increased by $4 million to $109 million compared with the previous quarter. Living Benefits sales of $12 million were $2 million higher than in the previous quarter.

Net earnings
Net earnings for the quarter decreased by $40 million compared with the second quarter of 2011. This decrease is primarily due to strengthening of reinvestment risk margins by $49 million compared to a net release of $6 million a year ago. Net earnings, excluding the impact of the strengthening of reinvestment risk margins, increased by $15 million, driven by a $27 million increase in investment and policyholder behaviour gains, partially offset by $8 million lower mortality and morbidity gains and $6 million higher new business strain on sales made prior to repricing to address low interest rates.

For the six months ended June 30, 2012, net earnings decreased by $55 million compared to the same period last year. This decrease is due to strengthening of reinvestment risk margins by $49 million compared to a net release of $6 million a year ago. Net earnings, excluding the impact of the strengthening of reinvestment risk margins, were comparable to net earnings from the same period in 2011. Included in net earnings for the six months ended June 30, 2012 were a $42 million increase in investment and policyholder behaviour gains, partially offset by $14 million lower mortality and morbidity gains and $32 million of lower non-interest related insurance contract liability basis changes.

Net earnings decreased by $41 million compared with the previous quarter. This decrease is primarily due to strengthening of reinvestment risk margins by $49 million. Net earnings, excluding the impact of the strengthening of reinvestment risk margins, increased by $8 million, driven by a $10 million increase in investment experience, a $9 million improvement in morbidity experience, and an $11 million improvement in new business strain driven by pricing and reinsurance changes, partially offset by $18 million lower non-interest related insurance contract liability basis changes.

The net loss attributable to the participating account was $3 million in the second quarter of 2012 compared to net earnings of $6 million in the second quarter of 2011. The decrease in net earnings is primarily due to an increase in new business strain as a result of 22% growth in participating insurance sales. For the six months ended June 30, 2012, the net loss attributable to the participating account was $9 million compared with net earnings of $7 million for the same period in 2011. The decrease in net earnings is primarily due to an increase in new business strain as a result of 31% growth in participating insurance sales. The net earnings of the participating account increased by $3 million from the first quarter of 2012.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 2,011**	$ 2,481	$ 2,124	**$ 4,492**	$ 4,549
Sales	**1,799**	2,276	1,995	**4,075**	4,309
Fee and other income	**222**	228	232	**450**	462
Net earnings	**80**	68	91	**148**	173

Premiums and deposits
Premiums and deposits to proprietary retail investment funds for the second quarter decreased by $41 million to $864 million compared with the same quarter last year. This decrease is consistent with weaker flows into equity products in the overall investment funds market in the second quarter of 2012 as investors looked to avoid equity market volatility. Premiums and deposits to retail guaranteed interest rate and payout annuity products of $51 million were $85 million lower than the second quarter of 2011. This decrease was in part due to the lower long-term interest rates as investors moved to more price sensitive, lower margin short-term guarantees. Premiums and deposits to group retirement products of $1.1 billion were $13 million higher compared to the same quarter last year. This result was driven by strong lump sum transfers from new group capital accumulation plan clients offset by lower group payout annuity sales.

For the six months ended June 30, 2012, premiums and deposits to proprietary retail investment funds decreased by $149 million to $1.9 billion compared to the same period last year. Premiums and deposits to retail guaranteed interest rate and payout annuity products were $134 million for the first six months of 2012, $123 million lower than in the same period last year. The decline in deposits to these products was primarily due to fewer clients electing these interest sensitive products in the current low interest environment. Premiums and deposits to group retirement products increased by $215 million to $2.4 billion compared to the same period last year, primarily due to a significant increase in lump sum transfers to group capital accumulation plans.

Premiums and deposits to proprietary retail investment funds decreased by $210 million with retail guaranteed interest rate and payout annuity products decreasing by $32 million compared to the previous quarter, due to Registered Retirement Savings Plan (RRSP) season in the first quarter. Premiums to group retirement products decreased by $228 million compared to the previous quarter due to high first quarter activity in RRSP season.

Sales
Sales of proprietary retail investment funds decreased by $86 million to $1 billion compared to the same quarter last year. Sales of retail guaranteed interest rate and payout annuity products of $141 million were $92 million lower than in the same quarter last year. These changes are consistent with the second quarter experience in the Canadian marketplace. Sales of group retirement products of $409 million were $19 million lower than in the same quarter last year as the increase in group capital accumulation plan sales was more than offset by the decrease in investment only and single premium group annuity sales.

For the six months ended June 30, 2012, sales of proprietary retail investment funds decreased by $201 million to $2.4 billion compared to the same period last year. Sales of retail guaranteed interest rate and payout annuity products decreased by $150 million to $335 million compared to the same period last year for the same reason as noted for the quarter-over-quarter sales comparison above. Sales of group retirement products increased by $138 million to $910 million compared to the same period last year due to a significant increase in group capital accumulation plan sales partially offset by a decline in investment only sales.

Sales of proprietary retail investment funds decreased by $273 million and sales of retail guaranteed interest rate and payout annuity products decreased by $53 million compared to the previous quarter due to RRSP season in the first quarter. Group retirement products sales decreased by $92 million, for the same reasons as noted for the quarter-over-quarter premiums and deposits comparison.

Fee and other income
Fee income declined by $10 million or 4% from the same quarter in 2011. Lower average TSX equity index levels of 13.4% were partially offset by higher fixed income values. This resulted in a shift of retail investment fund asset mix towards fixed income products, which have lower margins.

For the six months ended June 30, 2012, fee and other income decreased by $12 million compared to the same period last year for the same reasons as the in-quarter explanation above. For the first six months of 2012, the average TSX equity index was 11.4% lower than the same period last year.

Fee and other income decreased by $6 million compared with the previous quarter due to the lower average equity market levels than in the first quarter of 2012.

Net earnings
Net earnings for the second quarter of 2012 decreased by $11 million compared with the same quarter last year. The decrease is primarily from lower fee income and higher operating expenses, partially offset by more favourable mortality experience and higher investment gains.

For the six months ended June 30, 2012, net earnings decreased by $25 million compared to the same period last year primarily due to lower fee income, higher operating expenses and lower insurance contract liability basis changes partially offset by higher investment experience gains.

Net earnings increased by $12 million compared to the previous quarter. The increase reflects lower operating expenses and higher investment gains partially offset by lower fee income.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 1,858**	$ 1,855	$ 1,786	**$ 3,713**	$ 3,573
Sales	**153**	134	97	**287**	234
Fee and other income	**38**	38	37	**76**	74
Net earnings	**97**	87	94	**184**	160

Premiums and deposits
Premiums and deposits for the second quarter of 2012 increased by $72 million to $1.9 billion compared with the same period last year, primarily due to an increase in health and long-term disability premiums.

For the six months ended June 30, 2012, premiums and deposits increased by $140 million to $3.7 billion compared to the same period in 2011. Large case premiums and deposits increased by 6%.

Premiums and deposits increased by $3 million compared with the previous quarter.

Sales
For the second quarter of 2012, sales increased by $56 million to $153 million compared with the same quarter last year. The increase was due to higher sales of creditor/direct marketing and large group policies. Sales of these policies can be highly variable from quarter-to-quarter.

For the six months ended June 30, 2012, sales increased by $53 million to $287 million compared with the same period last year. The increase was primarily due to higher sales in creditor/direct marketing products and higher sales in the large case market.

Sales increased by $19 million to $153 million compared to the previous quarter due to increased sales in creditor/direct marketing products. This increase was partly offset by lower sales in the small/mid-size case and large case markets.

Fee and other income
Fee and other income is derived primarily from ASO contracts, whereby the Company provides group insurance benefit plan administration on a cost-plus basis.

Fee and other income for the quarter was $1 million higher when compared with the second quarter of 2011 mainly due to an increase in ASO premium equivalents.

For the six months ended June 30, 2012, fee and other income increased by $2 million compared with the same period last year mainly due to an increase in ASO premium equivalents.

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

Net earnings
Net earnings for the second quarter of 2012 increased by $3 million compared with the same period last year, primarily due to higher morbidity results partly offset by lower expense and mortality gains.

For the six months ended June 30, 2012, net earnings of $184 million increased by $24 million compared to the same period last year. The increase was primarily due to higher gains from non-credit related insurance contract liability basis changes, higher morbidity results and higher investment gains. These increases were partly offset by lower expense gains.

Net earnings increased by $10 million when compared with the previous quarter primarily due to higher morbidity results. The increase was also due to higher investment and expense gains. The increases were partly offset by lower gains from interest related insurance contract liability basis changes and lower mortality results.

CANADA CORPORATE

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

Canada Corporate reported net earnings for the quarter of $51 million, compared with net earnings of $11 million in the second quarter of 2011. The increase in net earnings is primarily due to increased mark-to-market gains on investment properties supporting corporate surplus of $21 million as well as the conclusion on certain income tax matters positively impacting net earnings by $22 million.

For the six months ended June 30, 2012, Canada Corporate reported net earnings of $71 million compared with net earnings of $26 million for the same period in 2011. The increase in net earnings is primarily due to reasons noted above for the in-quarter change, as well as an expense recovery in a private equity fund in the first quarter of 2012.

Compared to the previous quarter, net earnings increased by $31 million primarily as a result of the conclusion on certain income tax matters positively impacting net earnings by $22 million.

UNITED STATES

The United States operating results for Lifeco include the results of Great-West Life & Annuity Insurance Company (GWL&A), Putnam Investments, LLC (Putnam), and the results of the insurance businesses in the United States branches of Great-West Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, fund management, investment and advisory services. It also provides individual retirement accounts, life insurance and annuity products, and business-owned life insurance and executive benefits products. Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distributions, and related services through a broad range of investment products.

Selected consolidated financial information - United States

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 6,097**	$ 7,237	$ 9,281	**$ 13,334**	$ 19,460
Sales	**6,760**	8,148	9,526	**14,908**	20,558
Fee and other income	**306**	302	318	**608**	632
Net earnings - common shareholders	**86**	75	128	**161**	216
Net earnings - common shareholders (US$)	**85**	75	132	**160**	221
Total assets	**$ 57,265**	$ 55,626	$ 51,112		
Proprietary mutual funds and institutional net assets	**125,652**	127,661	126,672		
Total assets under management	**182,917**	183,287	177,784		
Other assets under administration	**136,562**	135,568	123,719		
Total assets under administration	**$ 319,479**	$ 318,855	$ 301,503		

BUSINESS UNITS – UNITED STATES

In the second quarter, comparing 2012 to 2011, the Canadian dollar weakened against the U.S. dollar. As a result of currency movement, net earnings were positively impacted by $3 million compared to the second quarter of 2011 and $4 million compared to the first six months of 2011.

TRANSLATION OF FOREIGN CURRENCY

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

Currency translation impact is a non-IFRS financial measure which attempts to remove the impact of changes in currency translation rates on IFRS results. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

FINANCIAL SERVICES

2012 DEVELOPMENTS

- Sales in the second quarter of 2012 were US$2 billion, compared to US$1.5 billion in the same period of 2011 due to increased sales for both Individual Markets and Retirement Services. On a year-to-date basis, sales were $4.4 billion, up 21% over the same period last year.
- Net earnings for the second quarter of 2012 increased by US$3 million from the previous quarter primarily due to improved mortality partially offset by lower income tax benefits. On a year-to-date basis, net earnings were US$181 million, down 1% from the same period last year.
- Premiums and deposits were US$1.3 billion or 12% higher than in the second quarter of 2011. On a year-to-date basis, premiums and deposits were US$2.8 billion, or 12% higher than in the same period last year.
- Fee and other income in the second quarter of 2012 was US$120 million compared to US$119 million in the same period of 2011. On a year-to-date basis, fee and other income was US$242 million, an increase of US$6 million from the same period last year.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 1,357**	$ 1,506	$ 1,167	**$ 2,863**	$ 2,494
Sales	**2,020**	2,417	1,412	**4,437**	3,592
Fee and other income	**121**	122	115	**243**	231
Net earnings	**93**	89	81	**182**	179
Premiums and deposits (US$)	**$ 1,343**	$ 1,506	$ 1,204	**$ 2,849**	$ 2,544
Sales (US$)	**2,000**	2,417	1,456	**4,417**	3,658
Fee and other income (US$)	**120**	122	119	**242**	236
Net earnings (US$)	**92**	89	84	**181**	183

Premiums and deposits

Premiums and deposits for the second quarter of 2012 increased by US$139 million compared to the second quarter of 2011 due to an increase of US$76 million in Individual Markets and US$63 million in Retirement Services. The increase in Individual Markets was primarily related to higher sales in the retail bank market. The increase in Retirement Services was primarily related to higher volume large 401(k) plan activity.

For the six months ended June 30, 2012, premiums and deposits increased by US$305 million compared to the same period in 2011 due to an increase of US$169 million in Individual Markets and US$136 million in Retirement Services. The increase in Individual Markets was primarily related to higher sales in the retail bank and business-owned life insurance markets. The increase in Retirement Services was primarily related to a higher volume large 401(k) plan activity.

Compared to the previous quarter, premiums and deposits decreased by US$163 million primarily due to the decrease in the 401(k) market for US$118 million as a result of higher sales in first quarter compared to the second quarter of 2012.

Sales

For the second quarter, sales increased by US$544 million compared to the second quarter of 2011 due to an increase of US$445 million in Retirement Services and US$99 million in Individual Markets. The 401(k) Retirement Services market sales increased by US$426 million due to growth in the number and size of plan sales. The retail bank market of Individual Markets experienced a strong second quarter in 2012 with US$142 million in sales, an increase of 122% over the second quarter of 2011 primarily due to the addition of several wholesalers and increased penetration of newer bank distribution relationships.

For the six months ended June 30, 2012, sales increased by US$759 million compared to the same period last year due to an increase of US$566 million in Retirement Services and US$193 million in Individual Markets. The 401(k) market experienced an increase of US$664 million primarily due to an increase in the number and size of plan sales. The retail bank market of Individual Markets increased US$122 million or 90% compared to the same period last year primarily due to the addition of several wholesalers and increased penetration of newer bank distribution relationships. The business-owned life insurance sales increased US$62 million or 100% compared to the same period last year.

Sales decreased by US$417 million compared with the previous quarter due to lower sales in the 401(k) market of US$470 million primarily due to lower single premium sales in the second quarter of 2012.

Fee and other income
Fee and other income for the second quarter of 2012 increased by US$1 million compared to the second quarter of 2011.

For the six months ended June 30, 2012, fee and other income increased by US$6 million compared to the same period last year, primarily due to increased average asset levels, driven by higher average equity market levels and positive cash flows.

Fee and other income decreased by US$2 million compared with the previous quarter primarily due to lower Individual Markets fees.

Net earnings
Net earnings for the second quarter of 2012 increased by US$8 million compared to the second quarter of 2011 primarily due to a reduction of reinvestment risk margins in 2012 of US$11 million partially offset by lower mortality gains in 2012.

For the six months ended June 30, 2012, net earnings decreased by US$2 million compared to the same period in 2011 primarily due to unfavourable mortality experience in the closed block related to an abnormally high number of claims partially offset by a reduction of reinvestment risk margins in the current period.

Net earnings increased by US$3 million compared with the previous quarter primarily due to improved mortality partially offset by lower income tax benefits.

ASSET MANAGEMENT

2012 DEVELOPMENTS

- Putnam's total net asset flows improved by US$1.7 billion from the previous quarter, as a significant reduction in redemptions more than offset lower gross sales.
- Average Assets Under Management (AUM) decreased by US$1.7 billion from the previous quarter, due to unfavourable markets and net outflows.
- Putnam continued its initiative of building its presence in strategic markets within Asia by opening a representative office in Beijing, its first office in China. The office will represent Putnam's capabilities in building and managing relationships with governmental and private institutions across China, and will assess intermediate and long-term business opportunities in the quickly developing financial sector in China.
- Two new share classes were introduced for Putnam's qualified retirement plan sponsors. These new share classes allow greater transparency and flexibility by allowing the plan sponsors to display investment management fees separately from recordkeeping and administrative fees for their plan participants. The new classes will also increase the level of useful, actionable information and tools for advisors, retirement plan sponsors and participants to help them gain greater insight and potentially deeper levels of engagement.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 4,740**	$ 5,731	$ 8,114	**$ 10,471**	$ 16,966
Fee and other income					
Investment management fees	**129**	131	137	**260**	272
Performance fees	**6**	2	14	**8**	21
Service fees	**37**	34	37	**71**	75
Underwriting & distribution fees	**12**	12	15	**24**	31
Fee and other income	**184**	179	203	**363**	399
Net earnings (loss)	**(5)**	(12)	47	**(17)**	34
Premiums and deposits (US$)	**$ 4,693**	$ 5,731	$ 8,365	**$ 10,424**	$ 17,306
Fee and other income (US$)					
Investment management fees (US$)	**129**	131	141	**260**	277
Performance fees (US$)	**6**	2	14	**8**	21
Service fees (US$)	**36**	34	38	**70**	76
Underwriting & distribution fees (US$)	**11**	12	16	**23**	33
Fee and other income (US$)	**182**	179	209	**361**	407
Net earnings (loss) (US$)	**(5)**	(12)	48	**(17)**	35

Premiums and deposits

Premiums and deposits decreased by US$3.7 billion, compared to the same period in 2011. The quarterly decrease is a result of strong overall sales in the second quarter of 2011 and continued caution exercised by equity investors due to market volatility.

For the six months ended June 30, 2012, premiums and deposits decreased by US$6.9 billion compared to the same period in 2011 primarily due to the same reasons as the in-quarter comparison to 2011.

Premiums and deposits decreased by US$1.0 billion compared with the previous quarter largely due to a reduction in institutional sales in the second quarter of 2012.

Fee and other income

Revenue is derived primarily from investment management fees, performance fees, transfer agency and other service fees and underwriting and distribution fees. Generally, fees are earned based on AUM and may depend on financial markets, the relative performance of Putnam’s investment products, the number of retail accounts and sales.

Putnam's average AUM for the second quarter of 2012 decreased $7.3 billion compared to the same period in 2011 as net asset outflows more than offset a 2.4% increase in the average S&P 500. As a result, fee and other income for the second quarter of 2012 decreased by US$27 million compared to the same period in 2011. This was primarily due to a decrease in investment management and distribution fees from the lower AUM and a change in asset mix, a decrease in performance fees, and lower service fees from a modest drop in overall accounts.

For the six months ended June 30, 2012, fee and other income decreased by US$46 million compared to the same period last year for the same reasons as the in-quarter period compared to 2011.

Fee and other income increased by US$3 million compared with the previous quarter, primarily due to an increase in performance fees, partially offset by a reduction in investment management fees from lower average AUM.

Net earnings

Net earnings for the second quarter decreased by US$53 million compared with the same period last year. The prior year second quarter net earnings include a release of a legal provision of US$57 million. Additionally, the current quarter included lower fee income and lower net investment income on the seed capital portfolios. This was partially offset by the year-over-year change in fair value adjustments related to share based compensation of US$7 million, and lower operating expenses.

For the six months ended June 30, 2012, net earnings decreased by US$52 million compared to the same period last year due to a decrease in the partial release of a legal provision of US$41 million, lower fee income, and the year-over-year change in fair value adjustments related to share based compensation of $2 million, partially offset by lower other compensation expense and investment dealer sales expenses.

Net earnings increased by US$7 million compared with the previous quarter due to the year-over-year change in fair value adjustments on share based compensation of US$16 million, slightly higher fee revenue, and lower operating expenses, mostly offset by the partial release of a legal provision of US$16 million in the first quarter of 2012, and a slight unrealized loss on the seed capital portfolios versus strong gains in the prior quarter.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Beginning assets	**$ 124,279**	$ 116,652	$ 127,211	**$ 116,652**	$ 121,213
Sales (includes dividends reinvested)	**4,693**	5,731	8,365	**10,424**	17,306
Redemptions	**(4,964)**	(7,700)	(6,750)	**(12,664)**	(13,852)
Net asset flows	**(271)**	(1,969)	1,615	**(2,240)**	3,454
Impact of market/performance	**(4,300)**	9,596	306	**5,296**	4,465
Ending assets	**$ 119,708**	$ 124,279	$ 129,132	**$ 119,708**	$ 129,132
Average assets under management	**$ 120,602**	$ 122,345	$ 127,951	**$ 121,466**	$ 126,110

Average AUM for the three months ended June 30, 2012 was US$121 billion, comprising mutual funds of US$61 billion and institutional accounts of US$60 billion. Average AUM decreased by US$7.3 billion compared to the three months ended June 30, 2011 primarily due to net asset outflows during the previous four quarters and the impact of negative market performance during that period.

Average AUM for the six months ended June 30, 2012 decreased by US$4.6 billion compared to the six months ended June 30, 2011 due to the same reasons as the in-quarter comparison.

Average AUM decreased by US$1.7 billion compared to the previous quarter primarily due to the impact of unfavourable market conditions and net asset outflows in the second quarter of 2012.

UNITED STATES CORPORATE

United States Corporate net earnings decreased by US$2 million compared to the second quarter of 2011 as a result of an increase in allocated Lifeco interest expense.

For the six months ended June 30, 2012, United States Corporate reported a net loss of US$4 million compared with net earnings of US$3 million for the same period in 2011 primarily as a result of an increase in allocated Lifeco interest expense and lower income tax benefits.

Net earnings were comparable to the previous quarter.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance. Insurance & Annuities consists of operations in the U.K., Isle of Man, Ireland and Germany which offer protection and wealth management products including payout annuity products, conducted through Canada Life and its subsidiaries. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

TRANSLATION OF FOREIGN CURRENCY

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

Currency translation impact is a non-IFRS financial measure which attempts to remove the impact of changes in currency translation rates on IFRS results. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 2,168**	$ 1,983	$ 2,183	**$ 4,151**	$ 4,363
Sales	**828**	755	876	**1,583**	1,984
Fee and other income	**158**	145	144	**303**	274
Net earnings - common shareholders	**160**	141	147	**301**	233
Total assets	**$ 71,053**	$ 71,245	$ 67,034		
Other assets under administration	**102**	107	116		
Total assets under administration	**$ 71,155**	$ 71,352	$ 67,150		

2012 DEVELOPMENTS

- Net earnings for the second quarter of 2012 were $160 million, an increase of $13 million compared to the second quarter of 2011. Year-to-date net earnings increased by $68 million, up 29% from the same period last year. The 2011 results included catastrophe provisions of $75 million relating to earthquake events in Japan and New Zealand.
- Fee and other income for the second quarter of 2012 was $158 million, up 10% compared to the same period of 2011. Year-to-date fee and other income of $303 million was 11% higher than the same period last year.
- Sales for the second quarter of 2012 were $828 million, down 5% compared to the same period of 2011. Total sales for the six months ended June 30, 2012 were $1.6 billion, compared to $2.0 billion in 2011 reflecting challenging market conditions and weak consumer confidence.

BUSINESS UNITS – EUROPE

Comparing 2012 to 2011, the British pound and the US dollar strengthened against the Canadian dollar. This was partially offset by the strengthening of the Canadian dollar against the euro. As a result of currency movement, net earnings were positively impacted by $3 million compared to the second quarter of 2011 and $2 million compared to the first six months of 2011.

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 1,227**	$ 1,047	$ 1,285	**$ 2,274**	$ 2,661
Sales	**828**	755	876	**1,583**	1,984
Fee and other income	**146**	132	134	**278**	254
Net earnings	**108**	106	97	**214**	222

Premiums and deposits

Premiums and deposits for the second quarter decreased by $58 million compared with the same quarter last year, primarily due to lower sales of savings products in the Isle of Man. This decrease was partially offset by strong sales of U.K. payout annuities and from sales of guaranteed variable annuity products in Ireland which were launched in the fourth quarter of 2011.

For the six months ended June 30, 2012, premiums and deposits decreased by 15% compared to the same period in 2011, primarily due to the sales decline in single premium savings products in the U.K. and Isle of Man as well as currency movement.

Premiums and deposits increased by 17% compared with the previous quarter mainly due to the sales increase in payout annuities and the normal seasonal growth of group insurance products in the U.K. Also contributing to the growth were increased sales of pension and guaranteed variable annuity products in Ireland.

Sales

Sales decreased by $48 million compared to the same quarter last year due to a $138 million decrease in single premium savings products in the Isle of Man reflecting the generally difficult market environment and normal fluctuations in the number of large cases. This decrease was partially offset by strong sales of U.K. payout annuities resulting from the Company's improved competitive position and from sales of guaranteed variable annuity products in Ireland which were launched in the fourth quarter of 2011.

For the six months ended June 30, 2012, sales decreased by $401 million compared to the same period last year, due mainly to the decline in single premium savings products in both the U.K. and Isle of Man reflecting the general market slowdown and normal fluctuations in the number of large cases in the Isle of Man.

Sales increased by $73 million from the previous quarter primarily due to a $37 million increase in payout annuities in the U.K. The remainder of the increase is attributable to sales of single premium savings products in the Isle of Man and sales of pension and guaranteed variable annuity products in Ireland.

Fee and other income

Fee and other income increased by $12 million compared to the same quarter last year due mainly to higher surrender fees in the U.K. and higher average assets under management in Germany and the U.K. The irregular pattern of sales and surrenders on certain shorter term single premium investment products can cause the surrender fees to significantly fluctuate from quarter-to-quarter.

For the six months ended June 30, 2012, fee and other income increased by $24 million compared to the same period last year due mainly to higher surrender charges and sales mix variation in the U.K. In addition, higher average assets under management in Germany and the U.K. contributed to the growth.

Fee and other income increased by $14 million compared to the previous quarter for the same reasons as the in-quarter comparison to 2011.

Net earnings

Net earnings for the second quarter of 2012 increased by $11 million compared to the same quarter last year. Positive contributions to in-period net earnings were a $30 million increase in investment gains, improved mortality and morbidity results by $19 million and $7 million higher surrender fees in U.K. wealth management. Partly offsetting these increases was the strengthening of reinvestment risk margins, in light of continued economic uncertainty which reduced net earnings by $30 million compared to a net release of interest margins of $16 million in 2011.

For the six months ended June 30, 2012, net earnings decreased by $8 million compared to the same period last year. Net earnings in 2011 included a positive impact of $44 million arising from changes in valuation methodology of insurance contract liability reserves backed by investment properties. Positive contributions to in-period net earnings were a $53 million increase in investment gains, a $21 million improvement in U.K. group insurance results and lower U.K. corporate income tax rates which reduced taxes by $6 million. The strengthening of reinvestment risk margins reduced in-period net earnings by $42 million compared to a net release of interest margins of $9 million in 2011.

Net earnings were $108 million in the second quarter, an increase of $2 million from $106 million in the first quarter.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Premiums and deposits	**$ 941**	$ 936	$ 898	**$ 1,877**	$ 1,702
Fee and other income	**12**	13	10	**25**	20
Net earnings	**56**	34	50	**90**	12

Premiums and deposits
Premiums and deposits for the second quarter of 2012 increased by $43 million compared with last year primarily due to higher volumes in the life businesses and currency movement.

For the six months ended June 30, 2012, premiums and deposits increased by $175 million compared to the same period last year due to higher volumes in the life businesses and currency movement.

Premiums and deposits increased by $5 million compared with the previous quarter primarily due to higher volumes in the life businesses.

Fee and other income
The reinsurance business earns fee income primarily in the life business with the fees driven by volume of coverage provided.

Fee and other income increased by $2 million compared to the same quarter last year and $5 million compared to the six months ended June 30, 2011 primarily due to higher volumes. Fee and other income was comparable to the previous quarter.

Net earnings
Net earnings for the second quarter of 2012 increased by $6 million compared to the same period last year. Positive contributions to in-period net earnings include the conclusion on certain income tax matters positively impacting net earnings by $25 million, favourable mortality experience of $6 million and other net tax adjustments of $4 million. Partly offsetting these increases was a strengthening of reinvestment risk margins of $9 million and other reserve strengthening of $18 million.

For the six months ended June 30, 2012, net earnings increased by $78 million compared to the same period last year. The 2011 results include catastrophe provisions of $75 million relating to earthquake events in Japan and New Zealand. Positive contributions to in-period net earnings include the conclusion on certain income tax matters positively impacting net earnings by $25 million, favourable new business gains of $8 million, lower claims in the annuity business of $6 million and other net tax adjustments of $4 million. Offsetting these increases was a strengthening of reinvestment risk margins of $13 million and other reserve strengthening of $22 million.

Net earnings for the second quarter of 2012 increased by $22 million compared to the previous quarter. Positive contributions to in-period net earnings include the conclusion on certain income tax matters positively impacting net earnings by $25 million, favourable mortality experience in the life business of $12 million and other net tax adjustments of $4 million. Offsetting these increases was a strengthening of reinvestment risk margins and other reserve charges of $10 million and lower new business gains of $9 million.

EUROPE CORPORATE

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

Europe Corporate had a net loss of $4 million for the three months ended June 30, 2012, a decrease of $4 million compared to the same period in 2011.

For the six months ended June 30, 2012, Europe Corporate reported a net loss of $3 million compared to a net loss of $1 million for the same period in 2011. The decrease was primarily due to a reserve adjustment in the legacy international operations.

Europe Corporate had a net loss of $4 million for the three months ended June 30, 2012, primarily due to a decrease of $5 million in the legacy international operations.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended June 30, 2012, Lifeco Corporate reported a net loss of $9 million compared to a net loss of $11 million in the second quarter of 2011. The decrease in the net loss of $2 million is primarily due to lower operating and other expenses partially offset by lower investment income.

For the six months ended June 30, 2012, Lifeco Corporate reported a net loss of $16 million compared to a net loss of $15 million for the same period in 2011. The increase in the net loss of $1 million is primarily due to lower investment income partially offset by a decrease in operating and other expenses.

The net loss in Lifeco Corporate decreased by $2 million compared to the previous quarter primarily due to higher operating and other expenses partially offset by higher investment income.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

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

	2012		2011				2010	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**$ 7,792**	$ 6,496	$ 8,003	$ 8,506	$ 7,134	$ 6,255	$ 5,247	$ 9,116
Common Shareholders								
Net earnings								
Total	**491**	451	624	457	526	415	465	267
Basic - per share	**0.517**	0.475	0.657	0.481	0.553	0.438	0.491	0.281
Diluted - per share	**0.513**	0.472	0.651	0.478	0.550	0.436	0.488	0.281
Operating earnings(1)								
Total	**491**	451	500	457	526	415	465	471
Basic - per share	**0.517**	0.475	0.528	0.481	0.553	0.438	0.491	0.497
Diluted - per share	**0.513**	0.472	0.523	0.478	0.550	0.436	0.488	0.494

(1) Operating earnings are presented as a non-IFRS financial measure of earnings performance before certain other items that management considers to be of a non-recurring nature. Refer to the "Non-IFRS Financial Measures" section of this report.

Lifeco's consolidated net earnings attributable to common shareholders were $491 million for the second quarter of 2012 compared to $526 million reported a year ago. On a per share basis, this represents $0.517 per common share ($0.513 diluted) for the second quarter of 2012 compared to $0.553 per common share ($0.550 diluted) a year ago.

Total revenue for the second quarter of 2012 was $7,792 million and comprises premium income of $4,524 million, regular net investment income of $1,428 million, a positive change in fair value through profit or loss on investment assets of $1,106 million, and fee and other income of $734 million. Total revenue for the second quarter of 2011 was $7,134 million, including premium income of $4,272 million, regular net investment income of $1,416 million, a positive change in fair value through profit or loss on investment assets of $707 million and fee and other income of $739 million.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluations as of June 30, 2012, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level in ensuring 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 adequate internal control over financial reporting for Lifeco. All internal control systems have inherent limitations and may become inadequate 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 in the Company's internal control over financial reporting during the period ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the financial 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**	**June 30 2012**	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	June 30 2011	Mar. 31 2011
United States dollar						
Balance sheet	**$1.02**	$1.00	$1.02	$1.04	$0.96	$0.97
Income and expenses	**$1.01**	$1.00	$1.02	$0.98	$0.97	$0.99
British pound						
Balance sheet	**$1.60**	$1.60	$1.58	$1.62	$1.55	$1.56
Income and expenses	**$1.60**	$1.57	$1.61	$1.58	$1.58	$1.58
Euro						
Balance sheet	**$1.29**	$1.33	$1.32	$1.40	$1.40	$1.38
Income and expenses	**$1.30**	$1.31	$1.38	$1.38	$1.39	$1.35

MUTUAL FUNDS DEPOSITS AND ASO PREMIUM EQUIVALENTS (ASO CONTRACTS)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of mutual funds or the claims payments related to ASO group health contracts. However, the Company does earn fee and other income related to these contracts. Mutual funds and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

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 six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Income					
Premium income					
Gross premiums written	**$ 5,233**	$ 5,198	$ 4,980	**$ 10,431**	$ 9,921
Ceded premiums	**(709)**	(669)	(708)	**(1,378)**	(1,354)
Total net premiums	**4,524**	4,529	4,272	**9,053**	8,567
Net investment income (note 3)					
Regular net investment income	**1,428**	1,439	1,416	**2,867**	2,843
Changes in fair value through profit or loss	**1,106**	(196)	707	**910**	520
Total net investment income	**2,534**	1,243	2,123	**3,777**	3,363
Fee and other income	**734**	724	739	**1,458**	1,459
	7,792	6,496	7,134	**14,288**	13,389
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**4,311**	4,606	4,006	**8,917**	8,429
Ceded	**(367)**	(387)	(316)	**(754)**	(649)
	3,944	4,219	3,690	**8,163**	7,780
Policyholder dividends and experience refunds	**367**	364	377	**731**	730
Change in insurance and investment contract liabilities	**1,668**	160	1,231	**1,828**	1,367
Total paid or credited to policyholders	**5,979**	4,743	5,298	**10,722**	9,877
Commissions	**415**	410	390	**825**	767
Operating and administrative expenses	**637**	640	558	**1,277**	1,203
Premium taxes	**72**	72	68	**144**	124
Financing charges (note 7)	**72**	72	72	**144**	144
Amortization of finite life intangible assets	**28**	26	25	**54**	48
Earnings before income taxes	**589**	533	723	**1,122**	1,226
Income taxes (note 14)	**72**	57	161	**129**	230
Net earnings before non-controlling interests	**517**	476	562	**993**	996
Attributable to non-controlling interests	**(2)**	-	12	**(2)**	7
Net earnings	**519**	476	550	**995**	989
Perpetual preferred share dividends	**28**	25	24	**53**	48
Net earnings - common shareholders	**$ 491**	$ 451	$ 526	**$ 942**	$ 941
Earnings per common share (note 13)					
Basic	**$ 0.517**	$ 0.475	$ 0.553	**$ 0.992**	$ 0.991
Diluted	**$ 0.513**	$ 0.472	$ 0.550	**$ 0.985**	$ 0.986

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the six months ended	
	June 30 2012	March 31 2012	June 30 2011	**June 30 2012**	June 30 2011
Net earnings	**$ 519**	$ 476	$ 550	**$ 995**	$ 989
Other comprehensive income (loss)					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**88**	(61)	(66)	**27**	(129)
Income tax (expense) benefit	**-**	-	(2)	**-**	-
Unrealized gains (losses) on available for sale assets	**68**	(21)	71	**47**	39
Income tax (expense) benefit	**(15)**	1	(16)	**(14)**	(15)
Realized (gains) losses on available for sale assets	**(51)**	(36)	(26)	**(87)**	(68)
Income tax expense (benefit)	**13**	10	6	**23**	19
Unrealized gains (losses) on cash flow hedges	**(27)**	3	25	**(24)**	48
Income tax (expense) benefit	**10**	(1)	(9)	**9**	(18)
Realized (gains) losses on cash flow hedges	**1**	-	1	**1**	1
Non-controlling interests	**(28)**	24	(16)	**(4)**	(3)
Income tax (expense) benefit	**7**	(5)	-	**2**	-
	66	(86)	(32)	**(20)**	(126)
Comprehensive income	**$ 585**	$ 390	$ 518	**$ 975**	$ 863

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	June 30 2012	December 31 2011
Assets		
Cash and cash equivalents	**$ 1,739**	$ 2,056
Bonds (note 3)	**82,120**	78,073
Mortgage loans (note 3)	**17,200**	17,432
Stocks (note 3)	**6,670**	6,704
Investment properties (note 3)	**3,298**	3,201
Loans to policyholders	**7,153**	7,162
	118,180	114,628
Funds held by ceding insurers	**10,121**	9,923
Goodwill	**5,401**	5,401
Intangible assets	**3,150**	3,154
Derivative financial instruments	**927**	968
Owner occupied properties	**509**	491
Fixed assets	**147**	137
Reinsurance assets (note 6)	**1,946**	2,061
Other assets	**4,596**	4,283
Deferred tax assets	**1,112**	1,140
Segregated funds for the risk of unitholders (note 5)	**99,208**	96,582
Total assets	**$ 245,297**	$ 238,768
Liabilities		
Insurance contract liabilities (note 6)	**$ 116,985**	$ 114,730
Investment contract liabilities (note 6)	**762**	782
Debentures and other debt instruments	**4,398**	4,313
Funds held under reinsurance contracts	**167**	169
Derivative financial instruments	**399**	316
Other liabilities	**4,265**	4,287
Deferred tax liabilities	**948**	929
Repurchase agreements	**1,120**	23
Capital trust securities (note 8)	**353**	533
Investment and insurance contracts on account of unitholders (note 5)	**99,208**	96,582
Total liabilities	**228,605**	222,664
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,227**	2,227
Non-controlling interests in capital stock	**3**	3
Shareholders' equity		
Share capital (note 9)		
Perpetual preferred shares	**2,144**	1,894
Common shares	**5,829**	5,828
Accumulated surplus	**6,680**	6,327
Accumulated other comprehensive income (loss)	**(253)**	(233)
Contributed surplus	**62**	58
Total equity	**16,692**	16,104
Total liabilities and equity	**$ 245,297**	$ 238,768

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

June 30, 2012

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	**$ 7,722**	**$ 58**	**$ 6,327**	**$ (233)**	**$ 2,230**	**$ 16,104**
Net earnings	**-**	**-**	**995**	**-**	**(2)**	**993**
Other comprehensive income (loss)	**-**	**-**	**-**	**(20)**	**2**	**(18)**
	7,722	**58**	**7,322**	**(253)**	**2,230**	**17,079**
Share issue costs	**-**	**-**	**(5)**	**-**	**-**	**(5)**
Dividends to shareholders						
Perpetual preferred	**-**	**-**	**(53)**	**-**	**-**	**(53)**
Common shareholders	**-**	**-**	**(584)**	**-**	**-**	**(584)**
Shares issued under stock option plan	**1**	**-**	**-**	**-**	**-**	**1**
Issuance of preferred shares (note 9)	**250**	**-**	**-**	**-**	**-**	**250**
Share based payments	**-**	**4**	**-**	**-**	**-**	**4**
Balance, end of period	**$ 7,973**	**$ 62**	**$ 6,680**	**$ (253)**	**$ 2,230**	**$ 16,692**

December 31, 2011

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 7,699	$ 55	$ 5,474	$ (459)	$ 2,047	$ 14,816
Net earnings	-	-	2,118	-	121	2,239
Other comprehensive income (loss)	-	-	-	226	62	288
	7,699	55	7,592	(233)	2,230	17,343
Dividends to shareholders						
Perpetual preferred	-	-	(96)	-	-	(96)
Common shareholders	-	-	(1,169)	-	-	(1,169)
Shares issued under stock option plan	26	-	-	-	-	26
Surrender of preferred shares	(3)	-	-	-	-	(3)
Share based payments	-	3	-	-	-	3
Balance, end of year	$ 7,722	$ 58	$ 6,327	$ (233)	$ 2,230	$ 16,104

June 30, 2011

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 7,699	$ 55	$ 5,474	$ (459)	$ 2,047	$ 14,816
Net earnings	-	-	989	-	7	996
Other comprehensive income (loss)	-	-	-	(126)	3	(123)
	7,699	55	6,463	(585)	2,057	15,689
Dividends to shareholders						
Perpetual preferred	-	-	(48)	-	-	(48)
Common shareholders	-	-	(583)	-	-	(583)
Shares issued under stock option plan	20	-	-	-	-	20
Share based payments	-	1	-	-	-	1
Balance, end of period	$ 7,719	$ 56	$ 5,832	$ (585)	$ 2,057	$ 15,079

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the six months ended June 30	
	2012	2011
Operations		
Earnings before income taxes	**$ 1,122**	$ 1,226
Income taxes paid, net of refunds received	**(47)**	(72)
Adjustments:		
Change in insurance and investment contract liabilities	**1,818**	1,533
Change in funds held by ceding insurers	**87**	257
Change in funds held under reinsurance contracts	**12**	28
Change in deferred acquisition costs	**17**	(8)
Change in reinsurance assets	**125**	(99)
Changes in fair value through profit or loss	**(910)**	(520)
Other	**(343)**	(211)
Cash flows from operations	**1,881**	2,134
Financing Activities		
Issue of common shares	**1**	20
Issue of preferred shares	**250**	-
Increase in line of credit of subsidiary	**84**	70
Increase in (repayment of) debentures and other debt instruments	**(3)**	4
Redemption of capital trust securities	**(178)**	-
Share issue costs	**(5)**	-
Dividends paid on common shares	**(584)**	(583)
Dividends paid on preferred shares	**(53)**	(48)
	(488)	(537)
Investment Activities		
Bond sales and maturities	**10,060**	10,732
Mortgage loan repayments	**1,113**	841
Stock sales	**1,132**	976
Investment property sales	**-**	1
Change in loans to policyholders	**8**	(70)
Change in repurchase agreements	**1,078**	(145)
Investment in bonds	**(13,109)**	(11,236)
Investment in mortgage loans	**(881)**	(1,491)
Investment in stocks	**(1,081)**	(1,152)
Investment in investment properties	**(32)**	(165)
	(1,712)	(1,709)
Effect of changes in exchange rates on cash and cash equivalents	**2**	2
Decrease in cash and cash equivalents	**(317)**	(110)
Cash and cash equivalents, beginning of period	**2,056**	1,840
Cash and cash equivalents, end of period	**$ 1,739**	$ 1,730
Supplementary cash flow information		
Interest income received	**$ 2,359**	$ 2,348
Interest paid	**$ 144**	$ 144
Dividend income received	**$ 107**	$ 94

Notes to the Condensed 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 (TSX: 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 Financial Corporation group of companies and its direct parent is Power Financial 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, Europe and Asia through its major operating subsidiaries The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam LLC).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and six months ended June 30, 2012 were authorized for issue by the Board of Directors on August 1, 2012.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at June 30, 2012 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2011. During the six months ended June 30, 2012 the Company did not adopt any changes in accounting policy that resulted in a material impact to the financial statements of the Company. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report dated December 31, 2011.

Critical Estimates and Judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The valuation of insurance and investment contract liabilities, certain financial assets and liabilities, goodwill and indefinite life intangible assets, income taxes, contingencies and pension plans and other post-employment benefits are the most significant components of the Company’s financial statements subject to management estimates. The financial statements of the Company are measured using the functional currency which is in the primary economic environment in which the Company operates within.

Management has applied judgments in the classification of insurance and investment contracts, and financial instruments within the financial statements. In addition, the financial statements required management's judgments in accounting for deferred income reserves (DIR) and deferred acquisition costs (DAC), the valuation of deferred income tax assets, the level of componentization of property, plant and equipment, determination of relationships with subsidiaries and special purpose entities and the identification of cash generating units and operating segments.

The year to date results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The estimation of insurance and investment contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Credit rating changes may lag developments in the current environment. Subsequent credit rating adjustments will impact insurance and investment contract liabilities.

Future Accounting Policies
The Company may be impacted in the future by the IFRS set out in the following table:

Effective in 2013

Revised Standard	Summary of Future Changes
IAS 19 - Employee Benefits	The IASB published an amended version of this standard in June 2011 that eliminates the corridor approach for actuarial gains and losses resulting in those gains and losses being recognized immediately through other comprehensive income (OCI). As a result the net pension asset or liability will reflect the full funded status of the pension plan on the Consolidated Balance Sheets. Under the revised IAS 19, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. The revised IAS 19 requires the same discount rate be applied to measure the benefit obligation and to the plan assets to determine the net interest expense (income). This discount rate is determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Further, the revised standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense would be presented and disclosed within the financial statements of an entity. The Company will continue to use the corridor method until January 1, 2013 when the revised standard for employee benefits becomes effective. In accordance with the transitional provisions in IAS 19, this change in IFRS will be applied retroactively to January 1, 2012. For further information on the Company's employee benefit plans, please refer to note 23 of the December 31, 2011 consolidated financial statements.

Revised Standard	Summary of Future Changes
IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities	Effective January 1, 2013, the Company plans to adopt IFRS 10, *Consolidated Financial Statements,* IFRS 11, *Joint Arrangements*, and IFRS 12, *Disclosure of Interest in Other Entities* for the presentation and preparation of its consolidated financial statements. IFRS 10, *Consolidated Financial Statements* uses consolidation principles based on a revised definition of control. The definition of control is dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits. IFRS 11, *Joint Arrangements* separates jointly controlled entities between joint operations and joint ventures. The standard has eliminated the option of using proportionate consolidation for accounting for the interests in joint ventures, now requiring an entity to use the equity method of accounting for interests in joint ventures. IFRS 12, *Disclosure of Interests in Other Entities* proposes new disclosure requirements for the interest an entity has in subsidiaries, joint arrangements, associates, and structured entities. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented within the financial statements. In June 2012, the IASB released amendments clarifying the transitional guidance offered in IFRS 10 as well as providing additional transitional relief in IFRS 10, IFRS 11, and IFRS 12 limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The Company continues to evaluate the impact of the above standards on its consolidation procedures and disclosure in preparation of the January 1, 2013 effective date and does not anticipate it will have a material impact. The IASB issued an exposure draft that proposed an exception from consolidation for the controlled entities of investment entities. The industry is seeking clarity that segregated funds presented within the financial statements of a life insurer would qualify for this exception and would not be materially different than the current reporting under IFRS.
IFRS 13 - Fair Value Measurement	Effective January 1, 2013, the Company will adopt the guidance IFRS 13 which seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorizes the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The standard relates primarily to disclosure and will not impact the financial results of the Company.

Revised Standard	Summary of Future Changes
IAS 1 - Presentation of Financial Statements	Effective January 1, 2013, the Company will adopt the guidance in the amended IAS 1, *Presentation of Financial Statements*. The amended standard includes requirements that OCI be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. This revised standard relates only to presentation and will not impact the financial results of the Company.
IFRS 7 - Financial Instruments: Disclosure	Effective January 1, 2013, the Company will adopt the guidance in the amendments to IFRS 7, *Financial Instruments*. The amended standard introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements. This revised standard relates only to disclosure and will not impact the financial results of the Company.

Proposed to be effective subsequent to 2013

Revised Standard	Summary of Future Changes
IFRS 4 - Insurance Contracts	The IASB issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under the Canadian Asset Liability Method (CALM) and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements. Since the release of the exposure draft, there have been discussions within the insurance industry and between accounting standard setters globally recommending significant proposed changes to the 2010 exposure draft. At this time no new standard has been either re-exposed or released. The Company will continue to measure insurance contract liabilities using CALM until such time when a new IFRS for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.

Revised Standard	Summary of Future Changes
IFRS 9 - Financial Instruments	The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available for sale, held to maturity, and loans and receivables. The new standard also requires: • embedded derivatives to be assessed for classification together with their financial asset host; • an expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge accounting and measuring effectiveness The full impact of IFRS 9 on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39, *Financial Instruments* impairment methodology, hedge accounting, and asset and liability offsetting are finalized. The Company continues to actively monitor developments in this area. The current timetable for adoption of IFRS 9, *Financial Instruments* is for the annual period beginning January 1, 2015, however, the Company continues to monitor this standard in conjunction with the developments to IFRS 4.
IAS 17 - Leases	The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The full impact of adoption of the proposed changes will be determined once the final lease standard is issued, which is expected to be in the second half of 2012.
IAS 18 - Revenue Recognition	The IASB issued a second exposure draft in November 2011 which proposed a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer. The full impact of adoption of the proposed changes will be determined once the final revenue recognition standard is issued, which is targeted for release in 2012 or 2013.
IAS 32 – Financial Instruments: Presentation	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments: Presentation*. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

3. Portfolio Investments

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

	June 30, 2012		December 31, 2011	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 61,581**	**$ 61,581**	$ 59,856	$ 59,856
Classified fair value through profit or loss [1]	**1,857**	**1,857**	1,853	1,853
Available for sale	**8,209**	**8,209**	6,620	6,620
Loans and receivables	**10,473**	**11,828**	9,744	10,785
	82,120	**83,475**	78,073	79,114
Mortgage loans				
Residential	**5,880**	**6,318**	5,996	6,424
Non-residential	**11,320**	**12,173**	11,436	12,238
	17,200	**18,491**	17,432	18,662
Stocks				
Designated fair value through profit or loss [1]	**5,462**	**5,462**	5,502	5,502
Available for sale	**864**	**864**	864	864
Other	**344**	**368**	338	406
	6,670	**6,694**	6,704	6,772
Investment properties	**3,298**	**3,298**	3,201	3,201
	$ 109,288	**$ 111,958**	$ 105,410	$ 107,749

[1] Investments can be fair value through profit or loss in two ways: designated as fair value through profit or loss at the option of management; or, classified as fair value through profit or loss if they are actively traded for the purpose of earning investment income.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	June 30 2012	December 31 2011
Impaired amounts by type		
Fair value through profit or loss	**$ 306**	$ 290
Available for sale	**26**	51
Loans and receivables	**9**	35
Total	**$ 341**	$ 376

Provisions on loans and receivables were $32 at June 30, 2012 and $36 at December 31, 2011.

(c) Net investment income comprises the following:

For the three months ended June 30, 2012	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 930**	**$ 223**	**$ 64**	**$ 62**	**$ 123**	**$ 1,402**
Net realized gains (losses) *(available for sale)*	**51**	**-**	**-**	**-**	**-**	**51**
Net realized gains (losses) *(other classifications)*	**-**	**9**	**-**	**-**	**-**	**9**
Other income and expenses	**-**	**-**	**-**	**(15)**	**(19)**	**(34)**
	981	**232**	**64**	**47**	**104**	**1,428**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	**26**	**-**	**-**	**-**	**-**	**26**
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	**1,246**	**-**	**(236)**	**32**	**38**	**1,080**
	1,272	**-**	**(236)**	**32**	**38**	**1,106**
Net investment income	**$ 2,253**	**$ 232**	**$ (172)**	**$ 79**	**$ 142**	**$ 2,534**

For the three months ended June 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 933	$ 217	$ 49	$ 64	$ 138	$ 1,401
Net realized gains (losses) *(available for sale)*	25	-	3	-	-	28
Net realized gains (losses) *(other classifications)*	5	4	-	-	-	9
Net recovery (provision) for credit losses *(loans and receivables)*	15	(3)	-	-	-	12
Other income and expenses	-	-	-	(17)	(17)	(34)
	978	218	52	47	121	1,416
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	19	-	-	-	-	19
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	794	-	(160)	36	18	688
	813	-	(160)	36	18	707
Net investment income	$ 1,791	$ 218	$ (108)	$ 83	$ 139	$ 2,123

For the six months ended June 30, 2012	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,855**	**$ 449**	**$ 120**	**$ 124**	**$ 279**	**$ 2,827**
Net realized gains (losses) *(available for sale)*	**86**	**-**	**1**	**-**	**-**	**87**
Net realized gains (losses) *(other classifications)*	**3**	**17**	**-**	**-**	**-**	**20**
Other income and expenses	**-**	**-**	**-**	**(30)**	**(37)**	**(67)**
	1,944	**466**	**121**	**94**	**242**	**2,867**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	**19**	**-**	**-**	**-**	**-**	**19**
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	**872**	**-**	**7**	**68**	**(56)**	**891**
	891	**-**	**7**	**68**	**(56)**	**910**
Net investment income	**$ 2,835**	**$ 466**	**$ 128**	**$ 162**	**$ 186**	**$ 3,777**

For the six months ended June 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,879	$ 432	$ 91	$ 125	$ 285	$ 2,812
Net realized gains (losses) *(available for sale)*	64	-	6	-	-	70
Net realized gains (losses) *(other classifications)*	6	9	-	-	-	15
Net recovery (provision) for credit losses *(loans and receivables)*	16	(3)	-	-	-	13
Other income and expenses	-	-	-	(33)	(34)	(67)
	1,965	438	97	92	251	2,843
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	3	-	-	-	-	3
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	388	-	116	101	(88)	517
	391	-	116	101	(88)	520
Net investment income	$ 2,356	$ 438	$ 213	$ 193	$ 163	$ 3,363

Investment income earned comprises income from investments that are classified as available for sale, loans and receivables and 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 and equity income from the investment in IGM Financial Inc. (IGM). Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties.

4. Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating, and controlling 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 Lifeco's 2011 Annual Report. Certain risks have been outlined below. For a complete discussion of the Company's risk governance structure and risk management approach, see the "Financial Instrument Risk Management" note in the Company's December 31, 2011 consolidated financial statements.

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

(a) Credit Risk

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

Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2011.

(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 the capital markets. The Company maintains a $200 million committed line of credit with a Canadian chartered bank.

(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.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian 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 (AOCI). 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 share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

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

(ii) Interest Rate Risk

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

Projected cash flows from the current assets and liabilities are used in CALM 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 several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk.

One way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholder earnings of the Company of a 1% immediate parallel shift in the yield curve. These interest rate changes will impact the projected cash flows.

- The effect of an immediate 1% parallel increase in the yield curve would be to decrease these insurance and investment contract liabilities by approximately $242 causing an increase in net earnings of approximately $174.
- The effect of an immediate 1% parallel decrease in the yield curve would be to increase these insurance and investment contract liabilities by approximately $703 causing a decrease in net earnings of approximately $503.

In addition to above, if this change in the yield curve persisted for an extended period the range of the tested scenarios might change. The effect of an immediate 1% parallel decrease or increase in the yield curve persisting for a year would have immaterial additional effects on the reported insurance and investment contract liability.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees (GMWB) using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity market values. There will be additional impacts on these liabilities as equity market values fluctuate. A 10% increase in equity markets would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $25 causing an increase in net earnings of approximately $20. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $108 causing a decrease in net earnings of approximately $81.

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $425 causing an increase in net earnings of approximately $322. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $470 causing a decrease in net earnings of approximately $354.

<u>Caution Related to Risk Sensitivities</u>
This document includes 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 tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of our 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.

5. Segregated Funds for the Risk of Unitholders

(a) Segregated funds - consolidated net assets

	June 30 2012	December 31 2011
Bonds	$ 22,861	$ 21,594
Mortgage loans	2,321	2,303
Stocks	64,867	63,885
Investment properties	5,720	5,457
Cash and cash equivalents	5,301	5,334
Accrued income	282	287
Other liabilities	(2,144)	(2,278)
	$ 99,208	$ 96,582

(b) Segregated funds - consolidated statements of changes in net assets

	For the six months ended June 30	
	2012	2011
Segregated funds net assets, beginning of year	$ 96,582	$ 94,827
Additions (deductions):		
Policyholder deposits	6,360	6,461
Net investment income	351	141
Net realized capital gains (losses) on investments	511	702
Net unrealized capital gains (losses) on investments	1,254	465
Unrealized gains (losses) due to changes in foreign exchange rates	110	(331)
Policyholder withdrawals	(5,958)	(5,495)
Net transfer from (to) General Fund	(2)	6
	2,626	1,949
Segregated funds net assets, end of period	$ 99,208	$ 96,776

6. Insurance and Investment Contract Liabilities

	June 30, 2012		
	Gross	Ceded	Net
Insurance contract liabilities	$ 116,985	$ 1,946	$ 115,039
Investment contract liabilities	762	-	762
	$ 117,747	$ 1,946	$ 115,801

	December 31, 2011		
	Gross	Ceded	Net
Insurance contract liabilities	$ 114,730	$ 2,061	$ 112,669
Investment contract liabilities	782	-	782
	$ 115,512	$ 2,061	$ 113,451

7. Financing Charges

Financing charges consist of the following:

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ 1**	$ 1	**$ 2**	$ 2
Financial charges:				
Interest on long-term debentures and other debt instruments	**58**	58	**116**	116
Subordinated debenture issue costs	**1**	1	**1**	1
Net interest on capital trust securities	**8**	8	**16**	16
Other	**4**	4	**9**	9
	71	71	**142**	142
	$ 72	$ 72	**$ 144**	$ 144

8. Capital Trust Securities

Canada Life Capital Trust, a trust established by Canada Life, redeemed all of its outstanding $300 principal amount Canada Life Capital Securities-Series A (CLiCS) on June 29, 2012 at par. Lifeco previously held $122 of these CLiCS as a long-term investment.

9. Share Capital

(a) Preferred Shares

On February 22, 2012 the Company issued 10,000,000 Series P, 5.40% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after March 31, 2017 for $25.00 per share plus a premium if redeemed prior to March 31, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption. Transaction costs incurred in connection with the preferred share issue of $7 ($5 after-tax) were charged to surplus.

Subsequent Event
On July 6, 2012 the Company issued 8,000,000 Series Q, 5.15% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after September 30, 2017 for $25.00 per share plus a premium if redeemed prior to September 30, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption. Transaction costs incurred in connection with the preferred share issue of $6 ($4 after-tax) will be charged to surplus.

(b) Common Shares

Issued and outstanding

	June 30, 2012		December 31, 2011	
	Number	**Carrying value**	Number	Carrying value
Common shares:				
Balance, beginning of year	**949,764,141**	**$ 5,828**	948,458,395	$ 5,802
Issued under stock option plan (exercised)	**56,299**	**1**	1,305,746	26
Balance, end of period	**949,820,440**	**$ 5,829**	949,764,141	$ 5,828

10. Capital Management

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.

Since the timing of available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. Also, a demand for funds may arise as a result of the Company taking advantage of current investment opportunities. The sources of the funds that may be required in such situations include bank financing and the issuance of debentures and equity securities.

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 of the Company and its operating subsidiaries will also take into account the views expressed by the various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, the Office of the Superintendent of Financial Institutions Canada (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR).

For Canadian regulatory reporting purposes, capital is defined by OSFI in its MCCSR guideline. The following table provides the MCCSR information and ratios for Great-West Life:

	June 30 2012	December 31 2011
Capital Available:		
Adjusted Net Tier 1 Capital	**$ 8,159**	$ 7,918
Net Tier 2 Capital	**1,658**	1,698
Total Available Capital	**$ 9,817**	$ 9,616
Capital Required:		
Total Capital Required	**$ 4,793**	$ 4,709
MCCSR ratios:		
Tier 1	**170%**	168%
Total	**205%**	204%

The result of adoption of IFRS as at January 1, 2011 is a reduction in Total Available Capital subject to phase-in of $636. This impact is to be phased-in over eight quarters beginning March 31, 2011 in accordance with the IFRS transition guidance outlined by OSFI.

At December 31, 2011 the Company maintained capital levels in compliance with the minimum local regulatory requirements in each of its foreign operations.

11. Share Based Payments

Under the Company's stock option plan, no options were granted during the second quarter of 2012 and 2,138,100 options were granted during the first quarter of 2012 (1,638,700 options were granted for the six months ended June 30, 2011). The weighted average fair value of options granted was $3.17 per option during the six months ended June 30, 2012 ($4.41 for the six months ended June 30, 2011). Compensation expense relating to the Company's stock option plan of $4 after-tax has been recognized in the Consolidated Statements of Earnings for the six months ended June 30, 2012 ($3 after-tax for the six months ended June 30, 2011).

12. Pension Benefits and Other Post-Employment Benefits

The total benefit costs included in operating expenses are as follows:

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
Pension benefits	**$ 27**	$ 27	**$ 56**	$ 46
Other post-employment benefits	**4**	4	**9**	9
	$ 31	$ 31	**$ 65**	$ 55

13. Earnings per Common Share

The following table provides the reconciliation between basic and diluted earnings per common share:

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
Earnings				
Net earnings	**$ 519**	$ 550	**$ 995**	$ 989
Perpetual preferred share dividends	**(28)**	(24)	**(53)**	(48)
Net earnings - common shareholders	**491**	526	**942**	941
Capital trust securities	**2**	2	**5**	5
Net earnings - common shareholders - diluted basis	**$ 493**	$ 528	**$ 947**	$ 946
Number of common shares				
Average number of common shares outstanding	**949,816,266**	949,293,303	**949,798,639**	949,029,017
Add:				
- Capital trust units	**11,646,896**	9,735,128	**11,646,896**	9,735,128
- Potential exercise of outstanding stock options	**272,168**	818,400	**284,305**	786,499
Average number of common shares outstanding - diluted basis	**961,735,330**	959,846,831	**961,729,840**	959,550,644
Basic earnings per common share	**$ 0.517**	$ 0.553	**$ 0.992**	$ 0.991
Diluted earnings per common share	**$ 0.513**	$ 0.550	**$ 0.985**	$ 0.986
Dividends per common share	**$ 0.3075**	$ 0.3075	**$ 0.6150**	$ 0.6150

14. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended June 30		For the six months ended June 30	
	2012	2011	**2012**	2011
Current income taxes	**$ (16)**	$ 139	**$ 70**	$ 272
Deferred income taxes	**88**	22	**59**	(42)
	$ 72	$ 161	**$ 129**	$ 230

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the six months ended June 30, 2012 was 11% compared to 17% for the full year 2011 and 19% for the six months ended June 30, 2011. The full year 2011 effective income tax rate reflected benefits related to non-taxable investment income and lower tax in foreign jurisdictions. Also reducing the effective income tax rate were the impacts of reductions to statutory income tax rates primarily in the Company's Europe segment and the impact of the adjustment within the insurance contract liabilities for deferred taxes.

The six months ended June 30, 2012 effective income tax rate reflects benefits related to non-taxable investment income and lower tax in foreign jurisdictions. Also reducing the effective income tax rate are the impacts of reductions to statutory income tax rates in the Company's Europe segment and the impact of changes to statutory rates on the adjustment within the insurance contract liabilities for deferred taxes. These reductions to the effective income tax rate are partially offset by increases to future income tax rates applied to temporary differences in the Company's Canada segment.

In addition, several of the Company's subsidiaries entered into an audit agreement with the Canada Revenue Agency (CRA). The audit agreement resolves several outstanding issues including transfer pricing and other international taxation matters for taxation years 2004 to 2011. As a result of the audit agreement, the Company has agreed to make a cash payment of $103. The Company held uncertain tax position (UTP) reserves for these items which, upon release resulted in a positive earnings impact of $47 in the second quarter of 2012; $22 in the Canada segment and $25 in the Europe segment. The Company's effective tax rate for the six months ended June 30, 2012 was reduced by 4% as a result of the audit agreement.

(c) Deferred Tax Assets

A deferred tax asset is recognized only to the extent that realization of the related tax benefit through future taxable profits is more likely than not.

Recognition is based on the fact that it is more likely than not that the entity will have sufficient taxable profits and/or tax planning opportunities will be available to allow the deferred tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred tax assets.

The deferred tax asset includes balances which are dependent on future taxable profits while the relevant entities have incurred losses in either the current year or the preceding year. The aggregate deferred tax asset for the most significant entities where this applies is $1,127 at June 30, 2012 ($1,110 at December 31, 2011).

15. Legal Provisions and Contingent Liabilities (changes since December 31, 2011 annual report)

On May 24, 2012, the Supreme Court of Canada dismissed the plaintiff's application for leave to appeal the Court of Appeal for Ontario November 3, 2011 decision in regard to the involvement of the participating accounts of Lifeco subsidiaries London Life and Great-West Life in the financing of the acquisition of London Insurance Group Inc. in 1997. The Court of Appeal decision directed the parties back to the trial judge to work out the remaining issues.

16. Segmented Information

Consolidated Net Earnings
For the three months ended June 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,351	$ 706	$ 1,467	$ -	$ 4,524
Net investment income					
Regular net investment income	621	327	477	3	1,428
Changes in fair value through profit or loss	412	177	517	-	1,106
Total net investment income	1,033	504	994	3	2,534
Fee and other income	270	306	158	-	734
Total income	3,654	1,516	2,619	3	7,792
Benefits and expenses:					
Paid or credited to policyholders	2,681	1,025	2,273	-	5,979
Other	636	333	149	6	1,124
Financing charges	34	34	4	-	72
Amortization of finite life intangible assets	11	14	3	-	28
Earnings before income taxes	292	110	190	(3)	589
Income taxes	43	22	7	-	72
Net earnings before non-controlling interests	249	88	183	(3)	517
Non-controlling interests	(4)	(2)	4	-	(2)
Net earnings	253	90	179	(3)	519
Perpetual preferred share dividends	19	-	5	4	28
Net earnings before capital allocation	234	90	174	(7)	491
Impact of capital allocation	20	(4)	(14)	(2)	-
Net earnings - common shareholders	$ 254	$ 86	$ 160	$ (9)	$ 491

GREAT-WEST LIFECO INC.

For the three months ended June 30, 2011

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,353	$ 602	$ 1,317	$ -	$ 4,272
Net investment income					
Regular net investment income	618	328	466	4	1,416
Changes in fair value through profit or loss	315	126	266	-	707
Total net investment income	933	454	732	4	2,123
Fee and other income	277	318	144	-	739
Total income	3,563	1,374	2,193	4	7,134
Benefits and expenses:					
Paid or credited to policyholders	2,585	890	1,823	-	5,298
Other	598	251	156	11	1,016
Financing charges	34	34	4	-	72
Amortization of finite life intangible assets	11	12	2	-	25
Earnings before income taxes	335	187	208	(7)	723
Income taxes	69	55	37	-	161
Net earnings before non-controlling interests	266	132	171	(7)	562
Non-controlling interests	6	2	4	-	12
Net earnings	260	130	167	(7)	550
Perpetual preferred share dividends	18	-	6	-	24
Net earnings before capital allocation	242	130	161	(7)	526
Impact of capital allocation	20	(2)	(14)	(4)	-
Net earnings - common shareholders	$ 262	$ 128	$ 147	$ (11)	$ 526

For the six months ended June 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 4,716	$ 1,527	$ 2,810	$ -	$ 9,053
Net investment income					
Regular net investment income	1,275	651	940	1	2,867
Changes in fair value through profit or loss	262	198	450	-	910
Total net investment income	1,537	849	1,390	1	3,777
Fee and other income	547	608	303	-	1,458
Total income	6,800	2,984	4,503	1	14,288
Benefits and expenses:					
Paid or credited to policyholders	4,866	2,028	3,828	-	10,722
Other	1,283	663	290	10	2,246
Financing charges	68	67	9	-	144
Amortization of finite life intangible assets	22	27	5	-	54
Earnings before income taxes	561	199	371	(9)	1,122
Income taxes	77	31	23	(2)	129
Net earnings before non-controlling interests	484	168	348	(7)	993
Non-controlling interests	(10)	-	8	-	(2)
Net earnings	494	168	340	(7)	995
Perpetual preferred share dividends	37	-	11	5	53
Net earnings before capital allocation	457	168	329	(12)	942
Impact of capital allocation	39	(7)	(28)	(4)	-
Net earnings - common shareholders	$ 496	$ 161	$ 301	$ (16)	$ 942

For the six months ended June 30, 2011

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 4,632	$ 1,354	$ 2,581	$ -	$ 8,567
Net investment income					
Regular net investment income	1,234	656	947	6	2,843
Changes in fair value through profit or loss	251	157	112	-	520
Total net investment income	1,485	813	1,059	6	3,363
Fee and other income	553	632	274	-	1,459
Total income	6,670	2,799	3,914	6	13,389
Benefits and expenses:					
Paid or credited to policyholders	4,766	1,840	3,271	-	9,877
Other	1,213	586	281	14	2,094
Financing charges	68	67	9	-	144
Amortization of finite life intangible assets	21	23	4	-	48
Earnings before income taxes	602	283	349	(8)	1,226
Income taxes	91	64	75	-	230
Net earnings before non-controlling interests	511	219	274	(8)	996
Non-controlling interests	6	-	1	-	7
Net earnings	505	219	273	(8)	989
Perpetual preferred share dividends	37	-	11	-	48
Net earnings before capital allocation	468	219	262	(8)	941
Impact of capital allocation	39	(3)	(29)	(7)	-
Net earnings - common shareholders	$ 507	$ 216	$ 233	$ (15)	$ 941

GREAT-WEST LIFECO INC.

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