GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders
Third Quarter Results 2012

For the period ended September 30, 2012

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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 September 30, 2012 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 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 $520 million for the three months ended September 30, 2012, compared to $457 million in the third quarter of 2011. On a per common share basis, this represents $0.547 per common share for the three months ended September 30, 2012, compared to $0.481 per common share for the same period in 2011.

For the nine months ended September 30, 2012, net earnings attributable to common shareholders were $1,462 million, compared to $1,398 million a year ago. This represents $1.539 per common share for the nine months ended September 30, 2012, compared to $1.473 per common share for the same period in 2011.

Consolidated assets under administration at September 30, 2012 were $532 billion, up $30 billion from December 31, 2011.

Highlights

- In quarter consolidated net earnings of $520 million are up 13.8% from third quarter 2011, with solid earnings growth in all geographic segments.
- Total Company premiums and deposits grew by 8% from third quarter 2011, reflecting continued strong persistency.
- Total Company sales grew by 13% from third quarter 2011, notably the following:
    - In quarter sales in Canada for Individual participating life insurance were up 34% and Wealth Management group retirement sales were up 41% compared to the third quarter of 2011.
    - In quarter sales in U.S. Financial Services were US$2.4 billion, up 46% compared to the third quarter of 2011, reflecting continued strong sales in both Individual Markets and Retirement Services.
    - In quarter sales in U.K. Payout Annuity were up 105% compared to the third quarter of 2011, and are up 31% year to date compared to 2011.
    - Putnam net asset inflows in third quarter 2012 were US$602 million.
- During the third quarter, Canada Life's Reinsurance Division entered into retrocession agreements with a U.K. domiciled insurance company covering closed blocks of approximately 1.2 million bank distributed protection policies in Spain and approximately 575,000 bank distributed protection policies in Portugal.
- The Company raised $200 million of 4.80% fixed rate perpetual preferred share capital on October 11, 2012.
- The Company's ROE continues to lead the industry at 17.1% based on net earnings and 16.1% 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 201% at September 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 December 31, 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 third quarter of 2012 were $281 million compared to $235 million in the third quarter of 2011. For the nine months ended September 30, 2012 net earnings attributable to common shareholders were $777 million compared to $742 million for the same period in 2011.

Total sales in the third quarter of 2012 were $2.0 billion compared to $1.9 billion in 2011. Individual Insurance product sales increased 17%, Group sales decreased 43% driven by lower sales in large case markets, Wealth Management group retirement sales were up 41% and sales of proprietary retail investments funds were up 12% compared to the third quarter of 2011. Total sales for the nine months ended September 30, 2012 were $6.6 billion, the same level as 2011.

Total assets under administration at September 30, 2012 were $136 billion, compared to $129 billion at December 31, 2011.

UNITED STATES

Net earnings attributable to common shareholders for the third quarter of 2012 were $87 million compared to $75 million in the third quarter of 2011. For the nine months ended September 30, 2012 net earnings attributable to common shareholders were $248 million compared to $291 million for the same period in 2011 which included a $55 million release of legal provisions in Putnam.

Financial Services sales in the third quarter of 2012 were US$2.4 billion, up 46% compared to the third quarter of 2011 reflecting increases in both Retirement Services and Individual Markets. Sales for the nine months ended September 30, 2012 were US$6.9 billion compared to US$5.3 billion in 2011.

Putnam assets under management at September 30, 2012 were US$127 billion compared to US$114 billion a year ago. Net asset inflows in third quarter 2012 were US$602 million compared to net outflows of US$1.5 billion for the same period in 2011. Net asset outflows for the nine months ended September 30, 2012 were US$1.6 billion compared to net inflows of US$2.0 billion a year ago.

Total United States segment assets under administration at September 30, 2012 were $324 billion compared to $303 billion at December 31, 2011.

EUROPE

Net earnings attributable to common shareholders for the third quarter of 2012 were $165 million compared to $148 million in the third quarter of 2011. Net earnings for the third quarter of 2012 include the impact of new life retrocession agreements of $24 million. For the nine months ended September 30, 2012 net earnings attributable to common shareholders were $466 million compared to $381 million for the same period in 2011. The 2011 results include catastrophe provisions of $84 million relating to earthquake events in Japan and New Zealand.

Sales for the third quarter of 2012 were $866 million compared to $1.3 billion in 2011. The decrease was due to a decline in single premium savings products in the Isle of Man reflecting the normal fluctuations in the number of large cases. This decrease was partially offset by strong sales of payout annuities in the U.K.

GREAT-WEST LIFECO INC.

Total sales for the nine months ended September 30, 2012 were $2.4 billion compared to $3.3 billion in 2011 due mainly to a decline in single premium savings products in both the U.K. and Isle of Man. This reflects the general market slowdown and normal fluctuations in the number of large cases in the Isle of Man. This decrease was partially offset by strong sales of payout annuities in the U.K.

Total assets under administration at September 30, 2012 increased to $72 billion from $70 billion at December 31, 2011.

CORPORATE

Net earnings in the Lifeco corporate segment attributable to common shareholders was a loss of $13 million in the third quarter of 2012 compared to a loss of $1 million for the third quarter of 2011. For the nine months ended September 30, 2012 net earnings attributable to common shareholders was a loss of $29 million compared to a loss of $16 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 December 31, 2012 to shareholders of record at the close of business December 3, 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;
- Series Q First Preferred Shares of $0.321875 per share; and
- Series R First Preferred Shares of $0.2663 per share

all payable December 31, 2012 to shareholders of record at the close of business December 3, 2012.

D. Allen Loney
President and Chief Executive Officer

November 8, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2012

DATED: NOVEMBER 8, 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 nine months ended September 30, 2012 compared with the same periods in 2011, and with the three months ended June 30, 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 September 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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	**$ 4,940**	$ 4,524	$ 4,392	**$ 13,993**	$ 12,959
Self-funded premium equivalents (ASO contracts)	**631**	673	660	**1,989**	1,994
Segregated funds deposits:					
Individual products	**1,490**	1,436	1,975	**4,485**	5,516
Group products	**1,681**	1,595	1,420	**5,046**	4,340
Proprietary mutual funds & institutional deposits	**6,779**	4,898	5,892	**17,616**	23,264
Total premiums and deposits	**15,521**	13,126	14,339	**43,129**	48,073
Fee and other income	**720**	734	704	**2,178**	2,163
Paid or credited to policyholders	**6,607**	5,979	6,826	**17,329**	16,703
Operating earnings - common shareholders	**520**	491	457	**1,462**	1,398
Net earnings - common shareholders	**520**	491	457	**1,462**	1,398
Per common share					
Operating earnings	**$ 0.547**	$ 0.517	$ 0.481	**$ 1.539**	$ 1.473
Basic earnings	**0.547**	0.517	0.481	**1.539**	1.473
Dividends paid	**0.3075**	0.3075	0.3075	**0.9225**	0.9225
Book value	**13.01**	12.97	12.46		
Return on common shareholders' equity (trailing four quarters*)					
Net operating earnings	**16.1 %**	15.8 %	16.7 %		
Net earnings	**17.1 %**	16.8 %	16.7 %		
Total assets	**$ 249,043**	$ 245,297	$ 237,048		
Proprietary mutual funds and institutional net assets	**131,604**	129,028	124,343		
Total assets under management	**380,647**	374,325	361,391		
Other assets under administration	**151,604**	149,258	131,853		
Total assets under administration	**$ 532,251**	$ 523,583	$ 493,244		
Total equity	**$ 17,004**	$ 16,692	$ 15,837		

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 September 30, 2012 were $520 million compared to $457 million reported a year ago and $491 million in the previous quarter. On a per share basis, this represents $0.547 per common share ($0.543 diluted) for the third quarter of 2012 compared to $0.481 per common share ($0.478 diluted) a year ago and $0.517 per common share ($0.513 diluted) in the prior quarter.

For the nine months ended September 30, 2012, Lifeco's net earnings attributable to common shareholders were $1,462 million compared to $1,398 million reported a year ago. On a per share basis, this represents $1.539 per common share ($1.529 diluted) for 2012 compared to $1.473 per common share ($1.461 diluted) a year ago.

Net earnings - common shareholders	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2012	June 30* 2012	Sept. 30* 2011	**Sept. 30 2012**	Sept. 30* 2011
Canada					
Individual Insurance	**$ 83**	$ 26	$ 104	**$ 176**	$ 252
Wealth Management	**82**	80	14	**230**	187
Group Insurance	**119**	97	114	**303**	274
Canada Corporate	**(3)**	51	3	**68**	29
	281	254	235	**777**	742
United States					
Financial Services	**91**	91	86	**269**	268
Asset Management	**(4)**	(5)	(11)	**(21)**	23
U.S. Corporate	**-**	-	-	**-**	-
	87	86	75	**248**	291
Europe					
Insurance & Annuities	**104**	108	106	**318**	328
Reinsurance	**61**	56	45	**151**	57
Europe Corporate	**-**	(4)	(3)	**(3)**	(4)
	165	160	148	**466**	381
Lifeco Corporate	**(13)**	(9)	(1)	**(29)**	(16)
Operating earnings	**520**	491	457	**1,462**	1,398
Net earnings	**$ 520**	$ 491	$ 457	**$ 1,462**	$ 1,398

* During the period ended September 30, 2012, the Company reallocated certain income tax and expense items initially recorded in Corporate sections to the business units of the respective segment to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

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.

Market Impacts

Interest Rate Environment

During the third quarter of 2012, government interest rates in countries where the Company operates remained largely unchanged while credit spreads tightened to some degree. Shorter term rates, which have a greater impact on products with minimum interest guarantees, were largely unchanged.

In Europe, margins for reinvestment risk were decreased in light of an improved asset liability matching position, resulting in an increase in net earnings of $38 million. In Canada and the U.S. the impact on net earnings was immaterial.

Equity Markets

Equity markets strengthened during the third quarter of 2012 causing an increase in net earnings of approximately $7 million. Higher asset based fee income from equity based funds and decreases in the cost of guarantees of death, maturity, or income benefits on certain wealth management products offered by the Company were the major contributors. Segregated funds with Guaranteed Minimum Withdrawal Benefits did not materially impact the third quarter of 2012 results due to hedging programs in place.

Actuarial Assumption Changes

In addition to the $38 million noted above, the Company updated a number of other assumptions resulting in a positive net earnings impact of $39 million in the third quarter of 2012. This increase was primarily due to improved life mortality partially offset by strengthened provisions for policyholder behaviour. This compares to a positive net earnings impact of $58 million in the third quarter of 2011, which included the impact of the adoption of the revised Actuarial Standards of Practice for mortality improvement.

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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Canada					
Individual Insurance	**$ 971**	$ 992	$ 899	**$ 2,889**	$ 2,688
Wealth Management	**2,021**	2,011	1,859	**6,513**	6,408
Group Insurance	**1,860**	1,858	1,781	**5,573**	5,354
	4,852	4,861	4,539	**14,975**	14,450
United States					
Financial Services	**1,659**	1,357	1,572	**4,522**	4,066
Asset Management	**6,630**	4,740	5,743	**17,101**	22,709
	8,289	6,097	7,315	**21,623**	26,775
Europe					
Insurance & Annuities	**1,180**	1,227	1,565	**3,454**	4,226
Reinsurance	**1,200**	941	920	**3,077**	2,622
	2,380	2,168	2,485	**6,531**	6,848
Total	**$ 15,521**	$ 13,126	$ 14,339	**$ 43,129**	$ 48,073

Sales

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Canada	**$ 2,022**	$ 2,073	$ 1,890	**$ 6,620**	$ 6,643
United States	**9,071**	6,760	7,386	**23,979**	27,944
Europe	**866**	828	1,279	**2,449**	3,263
Total	**$ 11,959**	$ 9,661	$ 10,555	**$ 33,048**	$ 37,850

The information in the table is a summary of results for the Company's premiums and deposits and sales. 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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Investment income earned (net of investment properties expenses)	**$ 1,402**	$ 1,387	$ 1,316	**$ 4,199**	$ 4,095
Recovery (provision) for credit losses on loans and receivables	**15**	-	(2)	**15**	11
Net realized gains	**27**	60	34	**134**	119
Regular investment income	**1,444**	1,447	1,348	**4,348**	4,225
Investment expenses	**(19)**	(19)	(18)	**(56)**	(52)
Regular net investment income	**1,425**	1,428	1,330	**4,292**	4,173
Changes in fair value through profit or loss	**1,551**	1,106	2,080	**2,461**	2,600
Net investment income	**$ 2,976**	$ 2,534	$ 3,410	**$ 6,753**	$ 6,773

Net investment income in the third quarter of 2012, which includes changes in fair value through profit or loss, decreased by $434 million compared to the same period last year. The change in fair values in the third quarter of 2012 was an increase of $1,551 million compared to an increase of $2,080 million for the third quarter of 2011. During the quarter, the fair value of the Company's bonds increased, reflecting narrowing credit spreads and the fair value of the Company's stocks increased due to rising equity markets. Investment properties fair values increased by $23 million in the third quarter of 2012 compared to $26 million in the third quarter of 2011. Continued strong real estate fundamentals in the Company’s Canadian portfolio resulted in increases in fair values of $32 million, while fair values on investment properties in its European portfolio experienced net declines of $9 million.

Regular net investment income in the third quarter of 2012, which excludes changes in fair value through profit or loss, increased by $95 million compared to the same period last year. This reflects growth in invested assets and the impact of currency movement largely due to a weaker Canadian dollar against the U.S. dollar. Lower fixed income yields driven by the continuing low interest rate environment moderated these results. Realized gains on available-for-sale securities were $19 million in the third quarter of 2012 compared to $27 million for the same period last year.

For the nine months ended September 30, 2012 net investment income decreased by $20 million compared to the same period last year. The change in fair values for the nine month period was an increase of $2,461 million in 2012 compared to an increase in fair values of $2,600 million in 2011. Interest rates declined at a slower pace in the first nine months of 2012 as compared to 2011 resulting in a smaller increase in bond investment fair values in 2012. This was somewhat offset by increasing stock fair values as equity markets rose. Investment properties fair values increased by $91 million in 2012 compared to $127 million for the same period in 2011. Regular net investment income increased $119 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 $106 million for the first nine months of 2012 compared to $97 million for the same period last year.

Net investment income in the third quarter of 2012 was higher than the second quarter of 2012, primarily due to net increases in fair values of $1,551 million in the third quarter of 2012 compared to a net increase of $1,106 million in the previous quarter. The fair value of the Company's stock investments increased in the third quarter of 2012 as compared with decreasing in the second quarter of 2012 following equity market movements.

Credit Markets

In the third quarter of 2012, net market value increases on previously impaired securities, including dispositions during the quarter, and the release of a mortgage portfolio provision positively impacted common shareholders' net earnings by $21 million. There were no new impaired securities in the quarter.

In the third 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 $7 million.

For the nine months ended September 30, 2012, net market value increases on previously impaired securities, including dispositions during the period as well as the release of a mortgage portfolio provision, positively impacted common shareholders' net earnings by $32 million. New impairments year-to-date were not significant and had little impact on net earnings.

For the nine months ended September 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 $15 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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Canada					
Segregated funds, mutual funds and other	**$ 235**	$ 232	$ 231	**$ 706**	$ 710
ASO contracts	**36**	38	38	**112**	112
	271	270	269	**818**	822
United States					
Segregated funds, mutual funds and other	**304**	306	296	**912**	928
Europe					
Segregated funds, mutual funds and other	**145**	158	139	**448**	413
Total fee and other income	**$ 720**	$ 734	$ 704	**$ 2,178**	$ 2,163

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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Canada	**$ 2,733**	$ 2,681	$ 2,950	**$ 7,599**	$ 7,716
United States	**1,246**	1,025	1,433	**3,274**	3,273
Europe	**2,628**	2,273	2,443	**6,456**	5,714
Total	**$ 6,607**	$ 5,979	$ 6,826	**$ 17,329**	$ 16,703

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, segregated funds or mutual funds.

For the three months ended September 30, 2012, consolidated amounts paid or credited to policyholders were $6.6 billion, including $4.2 billion of policyholder benefit payments and a $2.4 billion increase in contract liabilities. The decrease of $219 million from the same period in 2011 consisted of $377 million of contract liability decrease, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe, partly offset by a $158 million increase in benefit payments.

For the nine months ended September 30, 2012 consolidated amounts paid or credited to policyholders were $17.3 billion, including $13.1 billion of policyholder benefit payments and a $4.2 billion increase in contract liabilities. The increase of $626 million from the same period in 2011 consisted of a $542 million increase in benefit payments and $84 million of contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $628 million. The increase consisted of $692 million of contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe, partly offset by a $64 million decrease in benefit payments.

INCOME TAXES

The Company had an effective income tax rate of 18% for the third quarter of 2012 compared to 12% in the previous quarter and 10% in the third quarter of 2011. The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions

The effective income tax rate for the third quarter is higher than the same period last year due to a higher percentage of the Company's income in the third quarter of 2011 consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions.

The Company had an effective tax rate of 14% for the nine months ended September 30, 2012 compared to 16% for the same period in 2011. During the second quarter of 2012 the Company entered into an audit agreement with the Canada Revenue Agency (CRA). The audit agreement resolved several outstanding issues including transfer pricing and other international taxation matters for taxation years 2004 to 2011. The Company held uncertain tax position reserves for these items which, upon release, resulted in a positive earnings impact of $47 million and which reduced the effective income tax rate for the nine months ended September 30, 2012 by 2%.

The third quarter effective income tax rate was higher than for the second quarter of 2012 primarily as a result of the above noted CRA audit agreement which reduced the Company's effective income tax rate for the second quarter by 8%.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2012			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 58,126**	**$ 29,261**	**$ 32,067**	**$ 119,454**
Goodwill and intangible assets	**5,093**	**1,697**	**1,690**	**8,480**
Other assets	**3,778**	**2,934**	**12,871**	**19,583**
Segregated funds net assets	**52,488**	**23,350**	**25,688**	**101,526**
Total assets	**119,485**	**57,242**	**72,316**	**249,043**
Proprietary mutual funds and institutional net assets	**3,523**	**128,081**	**-**	**131,604**
Total assets under management	**123,008**	**185,323**	**72,316**	**380,647**
Other assets under administration	**12,907**	**138,595**	**102**	**151,604**
Total assets under administration	**$ 135,915**	**$ 323,918**	**$ 72,418**	**$ 532,251**

	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 September 30, 2012 increased by $30.3 billion from December 31, 2011. Invested assets increased by $4.8 billion reflecting both business growth and market gains. Segregated funds net assets increased by $4.9 billion and proprietary mutual funds and institutional net assets increased by $6.2 billion, primarily as a result of market gains. Other assets under administration increased by $13.8 billion, primarily as a result of new plan sales and improved U.S. equity market levels.

Goodwill, Intangibles and Other Assets

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life and Putnam. IFRS principles require the Corporation to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and intangible assets at least annually. Other assets include $1.1 billion of deferred tax assets which are dependent on future taxable profits in Putnam, as well as tax planning opportunities. The Company's annual financial planning process provides a significant basis for the measurement of goodwill, intangibles and deferred tax assets.

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 September 30, 2012, the total provision for future credit losses in insurance contract liabilities was $2,508 million compared to $2,500 million at December 31, 2011, an increase of $8 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 $113 million ($237 million at December 31, 2011) and $2,508 million ($2,500 million at December 31, 2011) for future credit losses in insurance contract liabilities represents 2.4% of bond and mortgage assets at September 30, 2012 (2.6% at December 31, 2011).

Holdings of Debt Securities of Governments

	Carrying Value by Rating - September 30, 2012						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 8,918	$ 3,484	$ 2,517	$ -	$ -	$ 14,919	$ 13,302
U.K.	9,001	829	145	467	-	10,442	9,353
U.S.	5,951	1,132	124	10	-	7,217	6,749
	23,870	**5,445**	**2,786**	**477**	**-**	**32,578**	**29,404**
Portugal	-	-	-	-	8	8	10
Ireland	-	-	-	91	-	91	88
Italy	-	-	32	-	-	32	36
Greece	-	-	-	-	-	-	-
Spain	-	-	-	17	-	17	22
	-	**-**	**32**	**108**	**8**	**148**	**156**
Germany	841	9	-	-	-	850	809
France	405	33	-	-	-	438	412
Netherlands	492	-	-	-	-	492	453
Austria	152	-	-	-	-	152	152
Australia	79	-	-	-	-	79	78
Supranationals	899	-	-	-	-	899	800
All other (8 countries)	328	85	-	19	-	432	408
	3,196	**127**	**-**	**19**	**-**	**3,342**	**3,112**
Total	**$ 27,066**	**$ 5,572**	**$ 2,818**	**$ 604**	**$ 8**	**$ 36,068**	**$ 32,672**

* Includes certain funds held by ceding insurers with a carrying value of $3,246 million and an amortized cost of $2,942 million.

At September 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 $36.1 billion compared to $36.2 billion at June 30, 2012. Included in this portfolio are debt securities issued by Portugal, Ireland, Italy and Spain, with an aggregate carrying value of $148 million, down from $208 million at June 30, 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 - September 30, 2012						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 65	$ 465	$ 1,013	$ 136	$ -	$ 1,679	$ 1,585
U.K.	214	670	1,398	719	497	3,498	3,464
U.S.	-	1,527	1,972	693	9	4,201	3,859
	279	**2,662**	**4,383**	**1,548**	**506**	**9,378**	**8,908**
Portugal	-	-	-	-	-	-	-
Ireland	-	-	-	63	4	67	96
Italy	-	-	55	68	-	123	149
Greece	-	-	-	-	-	-	-
Spain**	66	-	46	137	-	249	281
	66	**-**	**101**	**268**	**4**	**439**	**526**
Germany	2	41	50	1	-	94	88
France	68	120	183	157	-	528	543
Netherlands	-	186	172	-	48	406	398
Australia	111	278	157	60	-	606	588
All other (12 institutions)	15	71	280	139	11	516	498
	196	**696**	**842**	**357**	**59**	**2,150**	**2,115**
Total	**$ 541**	**$ 3,358**	**$ 5,326**	**$ 2,173**	**$ 569**	**$ 11,967**	**$ 11,549**

	Carrying Value by Seniority - September 30, 2012							
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 71	$ 960	$ 283	$ 78	$ 287	$ -	$ 1,679	$ 1,585
U.K.	246	1,523	815	421	307	186	3,498	3,464
U.S.	350	2,772	869	-	210	-	4,201	3,859
	667	**5,255**	**1,967**	**499**	**804**	**186**	**9,378**	**8,908**
Portugal	-	-	-	-	-	-	-	-
Ireland	63	-	-	-	4	-	67	96
Italy	29	26	16	-	52	-	123	149
Greece	-	-	-	-	-	-	-	-
Spain**	71	-	110	34	34	-	249	281
	163	**26**	**126**	**34**	**90**	**-**	**439**	**526**
Germany	43	-	51	-	-	-	94	88
France	162	114	121	35	96	-	528	543
Netherlands	-	305	39	25	37	-	406	398
Australia	122	304	141	-	39	-	606	588
All other (12 institutions)	31	201	157	87	40	-	516	498
	358	**924**	**509**	**147**	**212**	**-**	**2,150**	**2,115**
Total	**$ 1,188**	**$ 6,205**	**$ 2,602**	**$ 680**	**$ 1,106**	**$ 186**	**$ 11,967**	**$ 11,549**

* Includes certain funds held by ceding insurers with a carrying value of $2,929 million and an amortized cost of $2,720 million.

** The Company's exposure to Spanish financial institutions has been reduced subsequent to the third quarter of 2012. Effective November 2, 2012, the Company's tender offer for subordinated debt holdings of a Spanish financial institution was accepted with proceeds approximating the September 30, 2012 carrying value of $57 million (amortized cost of $65 million).

At September 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 $12.0 billion, up from $11.6 billion at June 30, 2012 as higher market values more than offset the impact of currency movement. Included in this portfolio are $439 million of debt securities issued by banks and other financial institutions domiciled in Ireland, Italy and Spain, up from $408 million at June 30, 2012 as a result of higher market values. Of the Spanish holdings of $249 million, $176 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 September 30, 2012, 95% of the $12 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, 2.8% are invested in bonds of governments and financial institutions of Eurozone countries as at September 30, 2012.

LIABILITIES

Total liabilities

	Sept. 30 2012	Dec. 31 2011
Insurance and investment contract liabilities	**$ 118,650**	$ 115,512
Other general fund liabilities	**11,863**	10,570
Investment and insurance contracts on account of unit holders	**101,526**	96,582
Total	**$ 232,039**	$ 222,664

Total liabilities increased by $9.4 billion from $222.7 billion at December 31, 2011 to $232.0 billion at September 30, 2012. Insurance and investment contract liabilities increased by $3.1 billion, primarily as a result of the impact of lower interest rates on fixed income securities. Other general fund liabilities increased by $1.3 billion primarily due to an increase in repurchase agreements in the U.S. segment. Investment and insurance contracts on account of unit holders increased by $5.0 billion primarily due to increases in the 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 Guaranteed Minimum Withdrawal Benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At September 30, 2012, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $1,784 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

		September 30, 2012 Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 23,672	$ -	$ 31	$ 195	$ 195
United States	7,186	-	-	59	59
Europe					
Insurance & Annuities	2,474	-	43	45	45
Reinsurance**	994	563	1	30	595
	3,468	**563**	**44**	**75**	**640**
Total	**$ 34,326**	**$ 563**	**$ 75**	**$ 329**	**$ 894**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 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 September 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 $17 million in-quarter and $32 million year-to-date, with the majority arising in the Europe segment.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2012 was $8,176 million, which comprises $5,832 million of common shares, $1,864 million of non-cumulative First Preferred Shares, and $480 million of five-year rate reset First Preferred Shares.

At September 30, 2012, the Company had 949,914,440 common shares outstanding with a stated value of $5,832 million compared to 949,764,141 common shares with a stated value of $5,828 million at December 31, 2011.

During the nine months ended September 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, 150,299 shares were issued for total proceeds of $2.8 million or an average of $18.88 per share.

On February 10, 2012, the Company issued 10,000,000, 5.40% non-cumulative fixed rate perpetual First Preferred Shares, Series P, for gross proceeds of $250 million, which closed on February 22, 2012.

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.

On October 3, 2012, the Company issued 8,000,000, 4.80% non-cumulative fixed rate perpetual First Preferred Shares, Series R, for gross proceeds of $200 million, which closed on October 11, 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.

On September 14, 2012, GWLCT, a trust established by Great-West Life, announced that it intends to redeem all of its outstanding $350 million principal amount GREATs - Series A on December 31, 2012 at par.

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 September 30, 2012, Lifeco held cash and government short-term investments of $5.6 billion ($5.5 billion at December 31, 2011) and government bonds of $25.4 billion ($25.1 billion at December 31, 2011). The Company holds $0.7 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 4.80% Lifeco Series R perpetual preferred shares that was entered into on October 3, 2012 and completed on October 11, 2012. In addition, the Company maintains a $200 million committed line of credit with a Canadian chartered bank.

On October 18, 2012, the Company renewed a US$304 million Putnam non-revolving term loan facility, guaranteed by Lifeco, for three years.

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 September 30		For the nine months ended September 30	
	2012	2011	**2012**	2011
Cash flows relating to the following activities:				
Operations	**$ 1,494**	$ 1,442	**$ 3,375**	$ 3,576
Financing	**(204)**	(417)	**(692)**	(954)
Investment	**(1,125)**	(871)	**(2,837)**	(2,580)
	165	154	**(154)**	42
Effects of changes in exchange rates on cash and cash equivalents	**(33)**	70	**(31)**	72
Increase (decrease) in cash and cash equivalents in the period	**132**	224	**(185)**	114
Cash and cash equivalents, beginning of period	**1,739**	1,730	**2,056**	1,840
Cash and cash equivalents, end of period	**$ 1,871**	$ 1,954	**$ 1,871**	$ 1,954

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 third quarter, cash and cash equivalents increased by $132 million from June 30, 2012. Cash flows provided by operations during the third quarter of 2012 were $1,494 million, an increase of $52 million compared to the third quarter of 2011. For the three months ended September 30, 2012, cash flows were used by the Company to acquire an additional $1,125 million of investment assets; $322 million of cash was utilized to pay dividends to the preferred and common shareholders and $118 million was received from other financing activities. Other financing activities primarily include cash received from the issuance of preferred shares of $200 million, partially offset by the repayment of the line of credit of a subsidiary of $85 million.

For the nine months ended September 30, 2012, cash and cash equivalents decreased by $185 million from December 31, 2011. Cash flows provided from operations were $3,375 million, a decrease of $201 million compared to 2011. In 2012, cash flows were used by the Company to acquire an additional $2,837 million of investment assets; $959 million of cash was utilized to pay dividends to the preferred and common shareholders and $267 million was received from other financing activities. Other financing activities primarily include cash received from the issuance of preferred shares of $450 million, partially offset by cash used for the redemption of capital trust securities of $178 million.

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

	Sept. 30 2012	June 30 2012	Dec 31 2011
Canada	**21.6 %**	21.3 %	21.7 %
U.S. Financial Services (1)	**19.4 %**	20.4 %	20.7 %
U.S. Asset Management (Putnam)	**(1.7)%**	(2.1)%	0.9 %
Europe	**18.7 %**	18.0 %	17.5 %
Lifeco Corporate (2)	**(8.2)%**	(4.2)%	(5.5)%
Total Lifeco Net Earnings	**17.1 %**	16.8 %	17.6 %
Total Lifeco Operating Earnings (2)	**16.1 %**	15.8 %	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 17.1% 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 16.1% 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 September 30, 2012 was 201% (204% at December 31, 2011). London Life's MCCSR ratio at September 30, 2012 was 245% (239% at December 31, 2011). Canada Life's MCCSR ratio at September 30, 2012 was 201% (204% at December 31, 2011). The MCCSR ratio does not take into account any impact from $0.7 billion of liquidity at the Lifeco holding company level and net proceeds of $0.2 billion from the 4.80% Series R, non-cumulative fixed rate perpetual First Preferred share issuance that was entered into on October 3, 2012 and completed on October 11, 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 September 30, 2012, the amount phased in to the Great-West Life MCCSR was $557 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 third 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 nine month period ended September 30, 2012, the outstanding notional amount of derivative contracts increased by $1,229 million. In the third quarter, the Company purchased equity put options with a notional amount of $827 million as a macro balance sheet credit hedge.

The Company's exposure to credit risk, which reflects the current fair value of derivative financial instruments in a gain position, increased to $1,141 million at September 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 funded status of the pension plans 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 discount rate be applied to the net defined benefit plan asset (liability) to calculate the net interest income (expense). 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 the presentation and disclosure of the defined benefit obligation, the fair value of the plan assets, the components of the pension expense and other pension plan information within the financial statements of a company. 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. 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 returns from its holdings in the investee, and a direct link between the power to direct activities and receive returns. 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 not be materially different than the current reporting under IAS 27, *Consolidated and Separate Financial Statement*s.
IFRS 13 - Fair Value Measurement	Effective January 1, 2013, the Company will adopt the guidance of IFRS 13, Fair Value Measurement 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 also provides guidance on measurement and disclosure of the fair value for non-financial assets, such as the Company's investment properties. 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. The Company is not aware of any items impacted by the amended standard. 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 proposed plan is for an additional classification of financial assets to be measured at fair value through other comprehensive income. 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 measured at amortized cost; 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 leases would be accounted for using either a right-of-use model or a straight-line approach. Under the right-of-use model, both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from the lease contract if the lease term is for a major part of the asset's economic life or the present value of the lease payments is for a significant amount of the asset's fair value. For leases of assets where the lease term is insignificant to the total economic life of the asset and the present value of the lease payments is insignificant compared to the fair value of the asset, the straight-line approach would be used. The new lease models replace the operating and finance lease accounting models that currently exist under IAS 17, *Leases*. 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 first half of 2013.
IAS 18 - Revenue Recognition	The IASB issued a second exposure draft in November 2011 which proposed a 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 the first half of 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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 4,852**	$ 4,861	$ 4,539	**$ 14,975**	$ 14,450
Sales	**2,022**	2,073	1,890	**6,620**	6,643
Fee and other income	**271**	270	269	**818**	822
Net earnings - common shareholders	**281**	254	235	**777**	742
Total assets	**$ 119,485**	$ 116,979	$ 112,072		
Proprietary mutual funds net assets	**3,523**	3,376	3,179		
Total assets under management	**123,008**	120,355	115,251		
Other assets under administration	**12,907**	12,594	11,242		
Total assets under administration	**$ 135,915**	$ 132,949	$ 126,493		

2012 DEVELOPMENTS

- Net earnings attributable to common shareholders for the third quarter of 2012 were $281 million compared to $235 million for the third quarter of 2011. On a year-to-date basis, net earnings were $777 million, up 5% over the same period last year.
- Sales in the third quarter were $2,022 million, compared to $1,890 million for the third quarter of 2011. On a year-to-date basis, sales were $6.6 billion, comparable with the same period last year.
- Premiums and deposits of $4.9 billion were 7% higher than the third quarter of 2011. Year-to-date premiums and deposits of $15.0 billion were 4% higher than the same period last year.
- During the third quarter, Wealth Management introduced a new disclosure process and package for employees retiring or terminating from their group plans which will enable improved retention of assets into the NextStep™ plan.
- On October 9, 2012 Wealth Management announced changes to its Guaranteed Minimum Withdrawal Benefit for issues on or after October 19, 2012 which reduce deferral bonus and guaranteed payout rates in order to make the product sustainable in the current low interest rate environment.
- Individual Insurance launched new rates for level cost of insurance and limited pay universal life in September 2012.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30* 2011	**Sept. 30 2012**	Sept. 30* 2011
Premiums and deposits	**$ 971**	$ 992	$ 899	**$ 2,889**	$ 2,688
Sales	**115**	121	98	**351**	308
Net earnings	**83**	26	104	**176**	252

* During the period ended September 30, 2012, the Company reallocated certain income tax items initially recorded in Canada Corporate to Individual Insurance to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

Premiums and deposits
Individual Insurance premiums increased by $72 million to $971 million compared with the same quarter last year. Individual Life premiums for the quarter increased by $69 million to $892 million compared with the same quarter last year, primarily due to a 10% 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 nine months ended September 30, 2012 Individual Insurance premiums increased by 7% to $2.9 billion compared to the same period last year. Individual Life premiums increased by $190 million to $2.7 billion compared to the same period last year due to strong sales and good persistency. Living Benefits premiums increased by $11 million to $238 million compared to the same period last year.

Individual Insurance premiums decreased by $21 million to $971 million compared to the previous quarter, primarily due to a 4% decrease in participating life premiums due to the normal seasonality of life insurance sales.

Sales
For the quarter, Individual Life sales increased by $17 million to $104 million compared with the same quarter last year. The increase was driven by a 34% increase in participating life sales. Sales of Living Benefits of $11 million were comparable to the same quarter last year.

For the nine months ended September 30, 2012, Individual Life sales increased by $43 million to $319 million compared to the same period last year, primarily due to strong participating life sales. Sales of Living Benefits of $32 million were comparable to the same period last year.

Individual Life sales decreased by $5 million to $104 million compared with the previous quarter. Living Benefits sales of $11 million were $1 million lower than in the previous quarter.

Net earnings
Net earnings for the quarter decreased by $21 million compared with the third quarter of 2011. This decrease includes a $19 million overall decrease in liability basis changes as compared to the same period in 2011. The 2011 results included liability basis changes resulting from the adoption of the revised Actuarial Standards of Practice for mortality improvement, which was partially offset by policyholder behaviour basis change strengthening. The 2012 results also include a $17 million increase in new business strain on sales made prior to repricing to address low interest rates, partially offset by $8 million of favourable investment experience and $6 million of favourable income tax benefits in the third quarter.

For the nine months ended September 30, 2012, net earnings decreased by $76 million compared to the same period last year. Year-over-year, the impact of basis changes is $106 million lower compared to 2011, which, in addition to the in-quarter change, primarily reflects the strengthening of interest margins in the first half of 2012 that did not occur in the first half of 2011. The 2012 results also include investment and policyholder behaviour experience gains of $51 million and favourable income tax benefits of $4 million, partially offset by a $26 million increase in new business strain.

Net earnings increased by $57 million compared with the previous quarter. This increase is primarily due to a $68 million increase in liability basis changes, offset by $5 million higher new business strain and a $10 million reduction in policyholder behaviour gains. Included in the previous quarter is a $49 million strengthening of reinvestment risk margins.

The net earnings attributable to the participating account was $73 million in the third quarter of 2012 compared to net earnings of $2 million in the third quarter of 2011. The increase in net earnings is primarily due to higher liability basis changes. For the nine months ended September 30, 2012, the net earnings attributable to the participating account was $63 million compared with net earnings of $9 million for the same period in 2011. The increase in net earnings is primarily due to higher liability basis changes, partially offset by an increase in new business strain as a result of 33% growth in participating insurance sales. The net earnings of the participating account increased by $77 million from the second quarter of 2012 due to higher liability basis changes.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30* 2011	**Sept. 30 2012**	Sept. 30* 2011
Premiums and deposits	**$ 2,021**	$ 2,011	$ 1,859	**$ 6,513**	$ 6,408
Sales	**1,825**	1,799	1,648	**5,900**	5,957
Fee and other income	**223**	222	223	**673**	685
Net earnings	**82**	80	14	**230**	187

* During the period ended September 30, 2012, the Company reallocated certain income tax items initially recorded in Canada Corporate to Wealth Management to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

Premiums and deposits

Premiums and deposits to proprietary retail investment funds for the third quarter increased by $50 million to $865 million compared with the same quarter last year. This increase is the result of positive momentum from the high net worth product launch in the second quarter. The increase was also due to maintaining existing GMWB features through the quarter. Premiums and deposits to retail guaranteed interest rate and payout annuity products of $39 million were $34 million lower than in the third 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 $146 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.

For the nine months ended September 30, 2012, premiums and deposits to proprietary retail investment funds decreased by $99 million to $2.8 billion compared to the same period last year as investors exercised caution towards equity markets in the first half of the year. Premiums and deposits to retail guaranteed interest rate and payout annuity products were $173 million for the first nine months of 2012, which were $157 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 $361 million to $3.5 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 increased by $1 million with retail guaranteed interest rate and payout annuity products decreasing by $12 million compared to the previous quarter. Premiums to group retirement products increased by $21 million compared to the previous quarter due to increases in group capital accumulation plan deposits and single premium group annuity premiums offset by a decline in investment only deposits.

Sales

Sales of proprietary retail investment funds increased by $116 million to $1.1 billion compared to the same quarter last year. Sales of retail guaranteed interest rate and payout annuity products of $148 million were $29 million lower than in the same quarter last year. These changes are consistent with the changes in premium income. Sales of group retirement products of $406 million were $80 million higher than in the same quarter last year with increases in group capital accumulation plan and single premium group annuity sales only partially offset by the decrease in investment only sales.

For the nine months ended September 30, 2012, sales of proprietary retail investment funds decreased by $84 million to $3.4 billion compared to the same period last year. Sales of retail guaranteed interest rate and payout annuity products decreased by $180 million to $483 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 $219 million to $1.3 billion compared to the same period last year due to a significant increase in group capital accumulation plan sales, partially offset by a decline in single premium group annuity sales.

Sales of proprietary retail investment funds increased by $37 million and sales of retail guaranteed interest rate and payout annuity products increased by $7 million compared to the previous quarter due to poor results in the second quarter. Group retirement products sales decreased by $3 million from the previous quarter.

Fee and other income

Fee income was comparable to that of the third quarter of 2011. Lower average TSX equity index levels of 5.3% were offset by higher fixed income values resulting in a shift of retail investment fund asset mix towards fixed income products, which have lower margins. The lower margins offset the impact of the 4% growth in average assets.

For the nine months ended September 30, 2012, fee and other income decreased by $12 million. The decline in margins, for the same reasons as the in-quarter explanation above, more than offset the impact of 1% growth in average assets. For the first nine months of 2012, the average TSX equity index was 9.5% lower than in the same period last year.

Fee and other income increased by $1 million compared with the previous quarter due to higher average equity market levels and net cash flows than in the second quarter of 2012.

Net earnings

Net earnings for the third quarter of 2012 increased by $68 million compared with the same quarter last year. The increase is primarily due to strengthening of insurance contract liabilities in the third quarter of 2011 related to both the adoption of the revised Actuarial Standards of Practice for mortality improvement as well as mortality experience. The 2012 results were partially offset by less favourable mortality experience and lower investment gains.

For the nine months ended September 30, 2012, net earnings increased by $43 million compared to the same period last year. The increase is primarily due to the 2011 results reflecting the aforementioned adoption of revised Actuarial Standards of Practice for mortality improvements. The 2012 results were partially offset by lower fee income and higher operating expenses.

Net earnings increased by $2 million compared to the previous quarter. The increase reflects higher insurance contract liability basis changes offset by lower investment gains and less favourable mortality experience.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30* 2011	**Sept. 30 2012**	Sept. 30* 2011
Premiums and deposits	**$ 1,860**	$ 1,858	$ 1,781	**$ 5,573**	$ 5,354
Sales	**82**	153	144	**369**	378
Fee and other income	**36**	38	38	**112**	112
Net earnings	**119**	97	114	**303**	274

* During the period ended September 30, 2012, the Company reallocated certain income tax items initially recorded in Canada Corporate to Group Insurance to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

Premiums and deposits
Premiums and deposits for the third quarter of 2012 increased by $79 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 nine months ended September 30, 2012, premiums and deposits increased by $219 million to $5.6 billion compared to the same period in 2011. Large case premiums and deposits increased by 6%.

Premiums and deposits increased by $2 million compared with the previous quarter.

Sales
For the third quarter of 2012, sales decreased by $62 million to $82 million compared with the same quarter last year. The decrease was due to lower sales of creditor/direct marketing and large group policies. Sales of these policies can vary significantly from quarter-to-quarter.

For the nine months ended September 30, 2012, sales decreased by $9 million to $369 million compared with the same period last year. The decrease was primarily due to lower sales in the large case market.

Sales decreased by $71 million to $82 million compared to the previous quarter due to decreased sales in creditor/direct marketing products and lower sales in the large case market.

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

Fee and other income for the quarter was $2 million lower when compared with the third quarter of 2011 mainly due to a decrease in ASO premium equivalents.

For the nine months ended September 30, 2012, fee and other income was comparable to the same period last year.

Fee and other income for the quarter was $2 million lower when compared to the previous quarter mainly due to a decrease in ASO premium equivalents.

Net earnings
Net earnings for the third quarter of 2012 increased by $5 million compared with the same period last year, primarily due to higher investment, mortality and morbidity gains offset by lower expense gains and losses from insurance contract liability basis changes.

For the nine months ended September 30, 2012, net earnings of $303 million increased by $29 million compared to the same period last year. The increase was primarily due to higher morbidity and mortality gains and higher investment gains. These increases were partly offset by lower expense gains.

Net earnings increased by $22 million when compared with the previous quarter primarily due to higher mortality and morbidity gains. The increase was also due to higher investment gains and income tax adjustments recorded in the third quarter. The increases were partly offset by losses from insurance contract liability basis changes.

CANADA CORPORATE

Canada Corporate consists of items not associated directly with or allocated to the Canadian business units. During the period ended September 30, 2012, the Company reallocated certain income tax items initially recorded in Canada Corporate to the business units to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

Canada Corporate reported a net loss for the quarter of $3 million, compared with net earnings of $3 million in the third quarter of 2011. The decrease in net earnings is primarily due to decreased mark-to-market gains on investment properties supporting corporate surplus of $5 million as well as lower investment income backing corporate surplus. The decrease was partially offset by lower income taxes.

For the nine months ended September 30, 2012, Canada Corporate reported net earnings of $68 million compared with net earnings of $29 million for the same period in 2011. The increase in net earnings is primarily due to the conclusion on certain income tax matters positively impacting net earnings by $22 million, higher investment income, higher fee income and lower operating expenses.

Compared to the previous quarter, net earnings decreased by $54 million primarily as a result of the conclusion on certain income tax matters positively impacting net earnings by $22 million in the second quarter of 2012 and lower mark-to-market gains on investment properties supporting surplus of $15 million.

UNITED STATES

The United States operating results for Lifeco include the results of Great-West Life & Annuity Insurance Company (Great-West Financial), 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 nine months ended**	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 8,289**	$ 6,097	$ 7,315	**$ 21,623**	$ 26,775
Sales	**9,071**	6,760	7,386	**23,979**	27,944
Fee and other income	**304**	306	296	**912**	928
Net earnings - common shareholders	**87**	86	75	**248**	291
Net earnings - common shareholders (US$)	**87**	85	76	**247**	297
Total assets	**$ 57,242**	$ 57,265	$ 55,210		
Proprietary mutual funds and institutional net assets	**128,081**	125,652	121,164		
Total assets under management	**185,323**	182,917	176,374		
Other assets under administration	**138,595**	136,562	120,509		
Total assets under administration	**$ 323,918**	$ 319,479	$ 296,883		

BUSINESS UNITS – UNITED STATES

In the third 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 $2 million compared to the third quarter of 2011 and $6 million compared to the first nine 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 third quarter of 2012 were US$2.4 billion, compared to US$1.7 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 US$6.9 billion, up 29% over the same period last year.
- Net earnings for the third quarter of 2012 increased by US$4 million from the third quarter of 2011 primarily due to a mortgage provision release in 2012 and higher mortality basis changes offset by a prior year income tax adjustment. On a year-to-date basis, net earnings were US$268 million, down 2% from the same period last year.
- Premiums and deposits were US$1.7 billion or 3% higher than in the third quarter of 2011. On a year-to-date basis, premiums and deposits were US$4.5 billion, or 9% higher than in the same period last year.
- Fee and other income in the third quarter of 2012 was US$122 million compared to US$118 million in the same period of 2011. On a year-to-date basis, fee and other income was US$366 million, an increase of US$10 million from the same period last year.
- Great-West Life & Annuity introduced a new brand identity, Great-West Financial^{SM}, during the third quarter this year. The new single brand identity is a key factor in the Company's growth strategy, strengthening recognition among customers and creating a stronger brand in all of its markets.
- Great-West Financial launched a new group variable annuity product in the third quarter distributed by American Funds, an institutional partner.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30* 2012	Sept. 30* 2011	**Sept. 30 2012**	Sept. 30* 2011
Premiums and deposits	**$ 1,659**	$ 1,357	$ 1,572	**$ 4,522**	$ 4,066
Sales	**2,441**	2,020	1,643	**6,878**	5,235
Fee and other income	**122**	122	115	**367**	348
Net earnings	**91**	91	86	**269**	268
Premiums and deposits (US$)	**$ 1,659**	$ 1,343	$ 1,604	**$ 4,508**	$ 4,148
Sales (US$)	**2,441**	2,000	1,676	**6,858**	5,334
Fee and other income (US$)	**122**	121	118	**366**	356
Net earnings (US$)	**91**	90	87	**268**	273

* During the period ended September 30, 2012, the Company reallocated certain income tax and expense items initially recorded in United States Corporate to Great-West Financial to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

Premiums and deposits

Premiums and deposits for the third quarter of 2012 increased by US$55 million compared to the third quarter of 2011 due to an increase of US$39 million in Retirement Services and US$16 million in Individual Markets. The increase in Retirement Services was primarily related to higher public/non-profit activity. The increase in Individual Markets was primarily related to higher sales in the retail bank market.

For the nine months ended September 30, 2012, premiums and deposits increased by US$360 million compared to the same period in 2011 due to an increase of US$185 million in Individual Markets and US$175 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 increased by US$316 million primarily due to an increase of US$237 million in Retirement Services and US$79 million in Individual Markets. The increase in Retirement Services was primarily due to increased transfers of US$53 million from retail investment options to the general account in 401(k) and one large public/non-profit plan for US$102 million. The increase in Individual Markets was primarily due to higher sales in the business-owned life insurance market.

Sales

For the third quarter, sales increased by US$765 million compared to the third quarter of 2011 due to an increase of US$675 million in Retirement Services and US$90 million in Individual Markets. The 401(k) Retirement Services market sales increased by US$554 million due to growth in the number and size of plan sales and US$121 million in the public/non-profit market primarily related to one large plan sale. The retail bank market of Individual Markets increased by US$41 million or 53% over the third quarter of 2011 primarily due to the addition of several wholesalers and increased penetration of newer bank distribution relationships. The Individual Retirement Account business increased by US$40 million or 107% compared to the same period last year due to the strategic initiative to increase awareness of the rollover product among terminated plan participants.

For the nine months ended September 30, 2012, sales increased by US$1.5 billion compared to the same period last year due to an increase of US$1.2 billion in Retirement Services and US$283 million in Individual Markets. The 401(k) Retirement Services market experienced an increase of US$1.2 billion primarily due to an increase in the number and size of plan sales. The retail bank market of Individual Markets increased by US$163 million or 77% 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 by US$60 million or 35% compared to the same period last year. The Individual Retirement Account business increased by US$50 million or 35% compared to the same period last year due to the strategic initiative to increase awareness of the rollover product among terminated plan participants.

Sales increased by US$441 million compared with the previous quarter due to an increase of US$389 million in Retirement Services and US$52 million in Individual Markets. The public/non-profit market of Retirement Services increased by US$222 million primarily due to one large plan sale. The 401(k) Retirement Services market increased by US$167 million primarily due to growth in the number and size of plan sales. The business-owned life insurance sales increased by US$50 million compared to the previous quarter.

Fee and other income

Fee and other income for the third quarter of 2012 increased by US$4 million compared to the third quarter of 2011 primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

For the nine months ended September 30, 2012, fee and other income increased by US$10 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 increased by US$1 million compared with the previous quarter.

Net earnings

Net earnings for the third quarter of 2012 increased by US$4 million compared to the third quarter of 2011, primarily due to a mortgage provision release in 2012 of US$10 million and higher mortality basis changes of US$9 million, partially offset by a prior year income tax adjustment for US$11 million.

For the nine months ended September 30, 2012, net earnings decreased by US$5 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, a prior year income tax adjustment, partially offset by higher mortality basis changes, a reduction in reinvestment risk margins and a mortgage provision release in the current period.

Net earnings increased by US$1 million compared with the previous quarter.

ASSET MANAGEMENT

2012 DEVELOPMENTS

- Putnam's premiums and deposits increased by US$1.9 billion from the previous quarter, and US$770 million from the same quarter last year, primarily due to strong institutional sales.
- Putnam's total net asset flows increased by US$873 million from the previous quarter, and US$2.1 billion from the same quarter last year.
- Average Assets Under Management (AUM) increased by US$2.4 billion from the previous quarter, due to favourable markets and net inflows, and increased by US$236 million from the same quarter last year.
- Putnam was recognized by kasina, a leading consulting firm in the industry, as having the top-rated website in the asset management industry for financial advisors.

OPERATING RESULTS

	For the three months ended			**For the nine months ended**	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 6,630**	$ 4,740	$ 5,743	**$ 17,101**	$ 22,709
Fee and other income					
Investment management fees	**132**	129	130	**392**	402
Performance fees	**1**	6	-	**9**	21
Service fees	**36**	37	36	**107**	111
Underwriting & distribution fees	**13**	12	15	**37**	46
Fee and other income	**182**	184	181	**545**	580
Net earnings (loss)	**(4)**	(5)	(11)	**(21)**	23
Premiums and deposits (US$)	**$ 6,630**	$ 4,693	$ 5,860	**$ 17,054**	$ 23,166
Fee and other income (US$)					
Investment management fees (US$)	**132**	129	133	**392**	410
Performance fees (US$)	**1**	6	-	**9**	21
Service fees (US$)	**36**	36	37	**106**	113
Underwriting & distribution fees (US$)	**13**	11	15	**36**	48
Fee and other income (US$)	**182**	182	185	**543**	592
Net earnings (loss) (US$)	**(4)**	(5)	(11)	**(21)**	24

Premiums and deposits
Premiums and deposits increased by US$770 million compared to the same period in 2011. The quarterly increase is primarily a result of stronger overall institutional sales.

For the nine months ended September 30, 2012, premiums and deposits decreased by US$6.1 billion compared to the same period in 2011, primarily due to strong overall sales in the first six months of 2011 and caution exercised by equity investors in 2012 due to market volatility.

Premiums and deposits increased by US$1.9 billion compared with the previous quarter, primarily due to stronger institutional sales, including one large mandate of US$1.4 billion.

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 third quarter of 2012 increased by $236 million compared to the same period in 2011, as a 14.3% increase in the average S&P 500 offset net asset outflows. However, fee and other income for the third quarter of 2012 decreased by US$3 million compared to the same period in 2011. This was primarily due to a decrease in distribution fees from lower sales, and lower service fees from a modest drop in overall accounts, partially offset by a slight increase in performance fees. In spite of the increased average AUM, investment management fees remained comparable due to a change in asset mix.

For the nine months ended September 30, 2012, fee and other income decreased by US$49 million compared to the same period last year. This was primarily due to a decrease in investment management fees and distribution fees from lower average AUM and a change in asset mix, a decrease in performance fees, and lower service fees from a modest drop in overall accounts.

Fee and other income remained comparable with the previous quarter, as an increase in investment management fees from higher average AUM and higher distribution fees were completely offset by a reduction in performance fees due to the seasonality in which these fees are received.

Net earnings
Net earnings for the third quarter increased by US$7 million compared with the same period last year due to market gains on seed capital portfolios, lower operating expenses and the release of certain income tax reserves. This was partially offset by lower fee income and the impact of fair value adjustments related to share-based compensation expense from a decrease of US$11 million in the prior year quarter, to an increase of US$1 million in the current quarter.

For the nine months ended September 30, 2012, net earnings decreased by US$45 million compared to the same period last year. 2011 results included a partial release of a legal provision of US$57 million while a further release in the current year was US$16 million. The decrease was also attributable to lower fee income and changes in share-based compensation expense partially offset by lower operating expenses and market gains on seed capital portfolios.

Net earnings increased by US$1 million compared with the previous quarter due to market gains on seed capital portfolios, lower operating expenses and the release of certain income tax reserves. This was partially offset by the impact of fair value adjustments on share-based compensation expense from a decrease of US$7 million in the prior quarter to an increase of US$1 million in the current quarter.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Beginning assets	**$ 119,708**	$ 124,279	$ 129,132	**$ 116,652**	$ 121,213
Sales (includes dividends reinvested)	**6,630**	4,693	5,860	**17,054**	23,166
Redemptions	**(6,028)**	(4,964)	(7,319)	**(18,692)**	(21,171)
Net asset flows	**602**	(271)	(1,459)	**(1,638)**	1,995
Impact of market/performance	**6,625**	(4,300)	(13,802)	**11,921**	(9,337)
Ending assets	**$ 126,935**	$ 119,708	$ 113,871	**$ 126,935**	$ 113,871
Average assets under management	**$ 123,012**	$ 120,602	$ 122,776	**$ 121,984**	$ 124,981

Average assets under management (AUM) for the three months ended September 30, 2012 was US$123 billion, comprising mutual funds of US$62 billion and institutional accounts of US$61 billion. Average AUM increased by US$236 million compared to the three months ended September 30, 2011 primarily due to the impact of positive market performance, partially offset by net asset outflows. While average AUM was relatively comparable, ending AUM increased by US$13.1 billion compared to the three months ended September 30, 2011.

Average AUM for the nine months ended September 30, 2012 decreased by US$3 billion compared to the nine months ended September 30, 2011 primarily due to a higher beginning AUM in the prior year and the timing of market movements in the comparative periods.

Average AUM increased by US$2.4 billion compared to the previous quarter primarily due to the impact of favourable market conditions and net asset inflows in the third quarter of 2012.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units. During the period ended September 30, 2012, the Company reallocated certain income tax and expense items initially recorded in United States Corporate to Great-West Financial to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

United States Corporate net earnings were nil for the current and prior periods.

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 nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 2,380**	$ 2,168	$ 2,485	**$ 6,531**	$ 6,848
Sales	**866**	828	1,279	**2,449**	3,263
Fee and other income	**145**	158	139	**448**	413
Net earnings - common shareholders	**165**	160	148	**466**	381
Total assets	**$ 72,316**	$ 71,053	$ 69,790		
Other assets under administration	**102**	102	102		
Total assets under administration	**$ 72,418**	$ 71,155	$ 69,892		

2012 DEVELOPMENTS

- Net earnings for the third quarter of 2012 were $165 million, an increase of $17 million compared to the third quarter of 2011. Year-to-date net earnings increased by $85 million, up 22% from the same period last year. The 2011 year-to-date results included catastrophe provisions of $84 million relating to earthquake events in Japan and New Zealand.
- Fee and other income for the third quarter of 2012 was $145 million, up 4% compared to the same period of 2011. Year-to-date fee and other income of $448 million was 8% higher than in the same period last year.
- Insurance & Annuity sales for the third quarter of 2012 were $866 million, down 32% compared to the same period of 2011. Total sales for the nine months ended September 30, 2012 were $2.4 billion, compared to $3.3 billion in 2011, reflecting a decline in single premium savings products in the U.K. and Isle of Man partially offset by strong sales of U.K. payout annuities.
- During the third quarter, Canada Life's Reinsurance Division entered into retrocession agreements with a U.K. domiciled insurance company covering closed blocks of approximately 1.2 million bank distributed protection policies in Spain and approximately 575,000 bank distributed protection policies in Portugal. The average sum assured of the retroceded policies is approximately €27,000 per policy and the annualized premium associated with the underlying policies is approximately €185 million. The level of premiums will decline over time as the underlying policies lapse.
- The Isle of Man business won “Best Protection Product” for the Flexible Life Plan for the fourth consecutive year at the 2012 International Adviser International Life Awards.

- The Investments Life and Pensions Moneyfacts 2012 awards in the U.K., named Canada Life "Best Tax and Estate Planning Solutions Provider" for the second year in a row and "Best Group Protection Provider" for the fourth consecutive year.
- The Company, through its indirect subsidiary London Reinsurance Group Inc., offers property catastrophe coverage to reinsurance companies. Current preliminary estimates of industry insured losses arising as a result of Hurricane Sandy range from $7 billion to $20 billion. While the Company does not expect to receive formal claims notifications for some period of time, the Company estimates a claim payment obligation of between $10 million to $25 million.

BUSINESS UNITS – EUROPE

As a result of currency movement, net earnings were negatively impacted by $1 million compared to the third quarter of 2011 and positively impacted by $1 million compared to the first nine months of 2011.

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 1,180**	$ 1,227	$ 1,565	**$ 3,454**	$ 4,226
Sales	**866**	828	1,279	**2,449**	3,263
Fee and other income	**133**	146	129	**411**	383
Net earnings	**104**	108	106	**318**	328

Premiums and deposits
Premiums and deposits for the third quarter decreased by $385 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.

For the nine months ended September 30, 2012, premiums and deposits decreased by 18% 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. This is partly offset by higher sales of U.K. payout annuities.

Premiums and deposits decreased by 4% compared with the previous quarter mainly due to the normal seasonal decrease in U.K. group premiums and currency movement partly offset by an increase in payout annuity sales.

Sales
Sales decreased by $413 million compared to the same quarter last year due to a $591 million decrease in single premium savings products in the Isle of Man reflecting the normal fluctuations in the number of large cases. This decrease was partially offset by strong sales of payout annuities in the U.K.

For the nine months ended September 30, 2012, sales decreased by $814 million compared to the same period last year, due mainly to a decline in single premium savings products in both the U.K. and Isle of Man. This reflects the general market slowdown and normal fluctuations in the number of large cases in the Isle of Man. This decrease was partially offset by strong sales of payout annuities in the U.K.

Sales increased by $38 million from the previous quarter due mainly to an increase in payout annuity sales in the U.K. partly offset by currency movement.

Fee and other income

Fee and other income increased by $4 million compared to the same quarter last year due mainly to the timing of fee income recognition in Ireland during 2011 and asset growth in Germany. This is partly offset by lower surrender fees in the U.K. and currency movement.

For the nine months ended September 30, 2012, fee and other income increased by $28 million compared to the same period last year due mainly to the timing of fee income in Ireland and sales mix variation in the U.K. In addition, higher average assets under management in Germany contributed to the growth. This is partly offset by currency movement.

Fee and other income decreased by $13 million compared to the previous quarter due mainly to lower surrender fees and sales mix variation in the U.K. as well as currency movement. 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.

Net earnings

Net earnings for the third quarter of 2012 decreased by $2 million, as higher new business gains in U.K. payout annuities and more favourable mortality results in U.K. payout annuities and group insurance were offset by lower surrender fees and a 2011 benefit of reduced tax liability provisions in the U.K. Decreases in interest margin reserves contributed $24 million to in-period net earnings which was similar to the impact of interest margin and other reserve changes in 2011.

For the nine months ended September 30, 2012, net earnings decreased by $10 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 earnings were a $52 million increase in investment gains, a $29 million improvement in U.K. group insurance results and a $15 million increase in U.K. annuity new business gains. The strengthening of interest margin reserves reduced in-period net earnings by $17 million compared to a net release of interest margin reserves of $43 million in 2011.

Net earnings were $104 million in the third quarter, a decrease of $4 million from $108 million in the second quarter, primarily due to a decrease in investment experience partially offset by the positive net impact of basis changes.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2012	June 30 2012	Sept. 30 2011	**Sept. 30 2012**	Sept. 30 2011
Premiums and deposits	**$ 1,200**	$ 941	$ 920	**$ 3,077**	$ 2,622
Fee and other income	**12**	12	10	**37**	30
Net earnings	**61**	56	45	**151**	57

Premiums and deposits
Premiums and deposits for the third quarter of 2012 increased by $280 million compared with last year primarily due to the favourable impact of new life retrocession agreements in Europe, higher volumes in the life businesses and currency movement.

For the nine months ended September 30, 2012, premiums and deposits increased by $455 million compared to the same period last year due to new life retrocession agreements in Europe, higher volumes in the life businesses and currency movement.

Premiums and deposits increased by $259 million compared with the previous quarter primarily due to new life retrocession agreements in Europe and 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.

Compared to the same quarter last year, fee and other income increased by $2 million and by $7 million compared to the nine months ended September 30, 2011 primarily due to higher volumes. Fee and other income were comparable to the previous quarter.

Net earnings
Net earnings for the third quarter of 2012 increased by $16 million compared to the same period last year. Positive contributions to in period earnings include the impact of new life retrocession agreements in Europe of $24 million, and favourable changes to interest margin reserves of $14 million. Negative impacts in the third quarter of 2012 were basis change impacts of $26 million, other reserve strengthening of $3 million and lower new business gains of $3 million.

For the nine months ended September 30, 2012, net earnings increased by $94 million compared to the same period last year. The 2011 results include catastrophe provisions of $84 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 $28 million, favourable changes to interest margins of $3 million and lower claims in the annuity business of $5 million. Partly offsetting these increases was basis change impacts of $27 million, other reserve strengthening of $16 million and other net income tax adjustments of $11 million.

Net earnings for the third quarter of 2012 increased by $5 million compared to the previous quarter. Positive contributions to net earnings growth include the impact of new life retrocession agreements in Europe of $24 million and favourable changes to interest margin reserves of $20 million. Second quarter results also included the positive net earnings impact of the conclusion on certain income tax matters of $25 million. Less favourable experience in the traditional life business of $3 million as well as other reserve strengthening of $17 million negatively impacted third quarter results.

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 net earnings was nil compared to a net loss of $3 million for the same quarter last year. Net earnings for the nine months ended September 30, 2012 were comparable to the same period last year. Compared to the previous quarter, net earnings increased by $4 million due to the 2012 second quarter reserve adjustment 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 September 30, 2012, Lifeco Corporate reported a net loss of $13 million compared to a net loss of $1 million in the third quarter of 2011. The increase in the net loss of $12 million is primarily due to mark-to-market losses related to a macro balance sheet credit hedge of $4 million, higher financing charges and the loss on sale of fixed assets.

For the nine months ended September 30, 2012, Lifeco Corporate reported a net loss of $29 million compared to a net loss of $16 million for the same period in 2011 primarily for the same reasons stated above.

The net loss in Lifeco Corporate increased by $4 million compared to the previous quarter.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

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

	2012			2011				2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	**$ 8,636**	$ 7,792	$ 6,496	$ 8,003	$ 8,506	$ 7,134	$ 6,255	$ 5,247
Common Shareholders								
Net earnings								
Total	**520**	491	451	624	457	526	415	465
Basic - per share	**0.547**	0.517	0.475	0.657	0.481	0.553	0.438	0.491
Diluted - per share	**0.543**	0.513	0.472	0.651	0.478	0.550	0.436	0.488
Operating earnings(1)								
Total	**520**	491	451	500	457	526	415	465
Basic - per share	**0.547**	0.517	0.475	0.528	0.481	0.553	0.438	0.491
Diluted - per share	**0.543**	0.513	0.472	0.523	0.478	0.550	0.436	0.488

(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 $520 million for the third quarter of 2012 compared to $457 million reported a year ago. On a per share basis, this represents $0.547 per common share ($0.543 diluted) for the third quarter of 2012 compared to $0.481 per common share ($0.478 diluted) a year ago.

Total revenue for the third quarter of 2012 was $8,636 million and comprises premium income of $4,940 million, regular net investment income of $1,425 million, a positive change in fair value through profit or loss on investment assets of $1,551 million, and fee and other income of $720 million. Total revenue for the third quarter of 2011 was $8,506 million, including premium income of $4,392 million, regular net investment income of $1,330 million, a positive change in fair value through profit or loss on investment assets of $2,080 million and fee and other income of $704 million.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluations as of September 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 September 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**	**Sept. 30 2012**	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011	June 30 2011
United States dollar						
Balance sheet	**$0.98**	$1.02	$1.00	$1.02	$1.04	$0.96
Income and expenses	**$1.00**	$1.01	$1.00	$1.02	$0.98	$0.97
British pound						
Balance sheet	**$1.59**	$1.60	$1.60	$1.58	$1.62	$1.55
Income and expenses	**$1.57**	$1.60	$1.57	$1.61	$1.58	$1.58
Euro						
Balance sheet	**$1.26**	$1.29	$1.33	$1.32	$1.40	$1.40
Income and expenses	**$1.24**	$1.30	$1.31	$1.38	$1.38	$1.39

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 nine months ended	
	September 30 2012	June 30 2012	September 30 2011	**September 30 2012**	September 30 2011
Income					
Premium income					
Gross premiums written	**$ 5,645**	$ 5,233	$ 5,059	**$ 16,076**	$ 14,980
Ceded premiums	**(705)**	(709)	(667)	**(2,083)**	(2,021)
Total net premiums	**4,940**	4,524	4,392	**13,993**	12,959
Net investment income (note 3)					
Regular net investment income	**1,425**	1,428	1,330	**4,292**	4,173
Changes in fair value through profit or loss	**1,551**	1,106	2,080	**2,461**	2,600
Total net investment income	**2,976**	2,534	3,410	**6,753**	6,773
Fee and other income	**720**	734	704	**2,178**	2,163
	8,636	7,792	8,506	**22,924**	21,895
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**4,137**	4,311	3,988	**13,054**	12,417
Ceded	**(304)**	(367)	(284)	**(1,058)**	(933)
Total net policyholder benefits	**3,833**	3,944	3,704	**11,996**	11,484
Policyholder dividends and experience refunds	**414**	367	385	**1,145**	1,115
Change in insurance and investment contract liabilities	**2,360**	1,668	2,737	**4,188**	4,104
Total paid or credited to policyholders	**6,607**	5,979	6,826	**17,329**	16,703
Commissions	**441**	415	372	**1,266**	1,139
Operating and administrative expenses	**653**	637	605	**1,930**	1,808
Premium taxes	**74**	72	64	**218**	188
Financing charges (note 7)	**70**	72	72	**214**	216
Amortization of finite life intangible assets	**25**	28	24	**79**	72
Earnings before income taxes	**766**	589	543	**1,888**	1,769
Income taxes (note 14)	**141**	72	54	**270**	284
Net earnings before non-controlling interests	**625**	517	489	**1,618**	1,485
Attributable to non-controlling interests	**75**	(2)	8	**73**	15
Net earnings	**550**	519	481	**1,545**	1,470
Perpetual preferred share dividends	**30**	28	24	**83**	72
Net earnings - common shareholders	**$ 520**	$ 491	$ 457	**$ 1,462**	$ 1,398
Earnings per common share (note 13)					
Basic	**$ 0.547**	$ 0.517	$ 0.481	**$ 1.539**	$ 1.473
Diluted	**$ 0.543**	$ 0.513	$ 0.478	**$ 1.529**	$ 1.461

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2012	June 30 2012	September 30 2011	**September 30 2012**	September 30 2011
Net earnings	**$ 550**	$ 519	$ 481	**$ 1,545**	$ 1,470
Other comprehensive income (loss)					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(245)**	88	545	**(218)**	416
Income tax (expense) benefit	**-**	-	1	**-**	1
Unrealized gains (losses) on available for sale assets	**47**	68	163	**94**	202
Income tax (expense) benefit	**(12)**	(15)	(31)	**(26)**	(46)
Realized (gains) losses on available for sale assets	**(17)**	(51)	(26)	**(104)**	(94)
Income tax expense (benefit)	**3**	13	6	**26**	25
Unrealized gains (losses) on cash flow hedges	**55**	(27)	(115)	**31**	(67)
Income tax (expense) benefit	**(21)**	10	44	**(12)**	26
Realized (gains) losses on cash flow hedges	**-**	1	-	**1**	1
Non-controlling interests	**(1)**	(28)	(63)	**(5)**	(68)
Income tax (expense) benefit	**1**	7	15	**3**	17
	(190)	66	539	**(210)**	413
Comprehensive income	**$ 360**	$ 585	$ 1,020	**$ 1,335**	$ 1,883

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

		September 30 2012		December 31 2011
Assets				
Cash and cash equivalents	**$**	**1,871**	$	2,056
Bonds (note 3)		**82,660**		78,073
Mortgage loans (note 3)		**17,559**		17,432
Stocks (note 3)		**6,929**		6,704
Investment properties (note 3)		**3,446**		3,201
Loans to policyholders		**6,989**		7,162
		119,454		114,628
Funds held by ceding insurers		**10,336**		9,923
Goodwill		**5,396**		5,401
Intangible assets		**3,084**		3,154
Derivative financial instruments		**1,141**		968
Owner occupied properties		**508**		491
Fixed assets		**142**		137
Reinsurance assets (note 6)		**1,846**		2,061
Other assets		**4,585**		4,283
Deferred tax assets		**1,025**		1,140
Segregated funds for the risk of unitholders (note 5)		**101,526**		96,582
Total assets	**$**	**249,043**	$	238,768
Liabilities				
Insurance contract liabilities (note 6)	**$**	**117,891**	$	114,730
Investment contract liabilities (note 6)		**759**		782
Debentures and other debt instruments		**4,273**		4,313
Funds held under reinsurance contracts		**181**		169
Derivative financial instruments		**269**		316
Other liabilities		**4,408**		4,287
Deferred tax liabilities		**936**		929
Repurchase agreements		**1,444**		23
Capital trust securities (note 8)		**352**		533
Investment and insurance contracts on account of unitholders (note 5)		**101,526**		96,582
Total liabilities		**232,039**		222,664
Equity				
Non-controlling interests				
Participating account surplus in subsidiaries		**2,301**		2,227
Non-controlling interests in capital stock		**4**		3
Shareholders' equity				
Share capital (note 9)				
Perpetual preferred shares		**2,344**		1,894
Common shares		**5,832**		5,828
Accumulated surplus		**6,904**		6,327
Accumulated other comprehensive income (loss)		**(443)**		(233)
Contributed surplus		**62**		58
Total equity		**17,004**		16,104
Total liabilities and equity	**$**	**249,043**	$	238,768

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

September 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	**-**	**-**	**1,545**	**-**	**73**	**1,618**
Other comprehensive income (loss)	**-**	**-**	**-**	**(210)**	**2**	**(208)**
	7,722	**58**	**7,872**	**(443)**	**2,305**	**17,514**
Share issue costs (note 9)	**-**	**-**	**(9)**	**-**	**-**	**(9)**
Dividends to shareholders						
Perpetual preferred	**-**	**-**	**(83)**	**-**	**-**	**(83)**
Common shareholders	**-**	**-**	**(876)**	**-**	**-**	**(876)**
Shares issued under stock option plan	**4**	**-**	**-**	**-**	**-**	**4**
Issuance of preferred shares (note 9)	**450**	**-**	**-**	**-**	**-**	**450**
Share based payments	**-**	**4**	**-**	**-**	**-**	**4**
Balance, end of period	**$ 8,176**	**$ 62**	**$ 6,904**	**$ (443)**	**$ 2,305**	**$ 17,004**

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

September 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	-	-	1,470	-	15	1,485
Other comprehensive income (loss)	-	-	-	413	51	464
	7,699	55	6,944	(46)	2,113	16,765
Dividends to shareholders						
Perpetual preferred	-	-	(72)	-	-	(72)
Common shareholders	-	-	(876)	-	-	(876)
Shares issued under stock option plan	23	-	-	-	-	23
Surrender of preferred shares	(4)	-	-	-	-	(4)
Share based payments	-	1	-	-	-	1
Balance, end of period	$ 7,718	$ 56	$ 5,996	$ (46)	$ 2,113	$ 15,837

GREAT-WEST
LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2012	2011
Operations		
Earnings before income taxes	**$ 1,888**	$ 1,769
Income taxes paid, net of refunds received	**(207)**	137
Adjustments:		
Change in insurance and investment contract liabilities	**3,990**	3,881
Change in funds held by ceding insurers	**100**	330
Change in funds held under reinsurance contracts	**54**	29
Change in deferred acquisition costs	**20**	(2)
Change in reinsurance assets	**235**	381
Changes in fair value through profit or loss	**(2,461)**	(2,600)
Other	**(244)**	(349)
Cash flows from operations	**3,375**	3,576
Financing Activities		
Issue of common shares	**4**	23
Issue of preferred shares	**450**	-
Decrease in line of credit of subsidiary	**(1)**	(33)
Increase in debentures and other debt instruments	**1**	4
Redemption of capital trust securities	**(178)**	-
Share issue costs	**(9)**	-
Dividends paid on common shares	**(876)**	(876)
Dividends paid on preferred shares	**(83)**	(72)
	(692)	(954)
Investment Activities		
Bond sales and maturities	**16,336**	15,149
Mortgage loan repayments	**1,561**	1,240
Stock sales	**1,705**	1,658
Investment property sales	**-**	70
Change in loans to policyholders	**(11)**	(91)
Change in repurchase agreements	**1,453**	92
Investment in bonds	**(20,201)**	(16,627)
Investment in mortgage loans	**(1,823)**	(1,938)
Investment in stocks	**(1,681)**	(1,952)
Investment in investment properties	**(176)**	(181)
	(2,837)	(2,580)
Effect of changes in exchange rates on cash and cash equivalents	**(31)**	72
Increase (decrease) in cash and cash equivalents	**(185)**	114
Cash and cash equivalents, beginning of period	**2,056**	1,840
Cash and cash equivalents, end of period	**$ 1,871**	$ 1,954
Supplementary cash flow information		
Interest income received	**$ 3,430**	$ 3,421
Interest paid	**$ 182**	$ 174
Dividend income received	**$ 154**	$ 142

Notes to 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 (Power Financial) group of companies and its direct parent is Power Financial.

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 nine months ended September 30, 2012 were authorized for issue by the Board of Directors on November 8, 2012.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at September 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 nine months ended September 30, 2012 the Company did not adopt any changes in accounting policy. 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 or measurement 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 measurement 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 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 funded status of the pension plans 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 discount rate be applied to the net defined benefit plan asset (liability) to calculate the net interest income (expense). 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 the presentation and disclosure of the defined benefit obligation, the fair value of the plan assets, the components of the pension expense and other pension plan information within the financial statements of a company. 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. 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 returns from its holdings in the investee, and a direct link between the power to direct activities and receive returns. 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 not be materially different than the current reporting under IAS 27, *Consolidated and Separate Financial Statements.*
IFRS 13 - Fair Value Measurement	Effective January 1, 2013, the Company will adopt the guidance of IFRS 13, *Fair Value Measurement* 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 also provides guidance on measurement and disclosure of the fair value for non-financial assets, such as the Company's investment properties. 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. The Company is not aware of any items impacted by the amended standard. 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 proposed plan is for an additional classification of financial assets to be measured at fair value through OCI. 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 measured at amortized cost; 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 leases would be accounted for using either a right-of-use model or a straight-line approach. Under the right-of-use model, both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from the lease contract if the lease term is for a major part of the asset's economic life or the present value of the lease payments is for a significant amount of the asset's fair value. For leases of assets where the lease term is insignificant to the total economic life of the asset and the present value of the lease payments is insignificant compared to the fair value of the asset, the straight-line approach would be used. The new lease models replace the operating and finance lease accounting models that currently exist under IAS 17, *Leases*. 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 first half of 2013.
IAS 18 - Revenue Recognition	The IASB issued a second exposure draft in November 2011 which proposed a 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 the first half of 2013.

Revised Standard	Summary of Future Changes
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:

	September 30, 2012		December 31, 2011	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [(1)]	**$ 61,393**	**$ 61,393**	$ 59,856	$ 59,856
Classified fair value through profit or loss [(1)]	**1,970**	**1,970**	1,853	1,853
Available for sale	**8,646**	**8,646**	6,620	6,620
Loans and receivables	**10,651**	**12,209**	9,744	10,785
	82,660	**84,218**	78,073	79,114
Mortgage loans				
Residential	**5,940**	**6,353**	5,996	6,424
Non-residential	**11,619**	**12,419**	11,436	12,238
	17,559	**18,772**	17,432	18,662
Stocks				
Designated fair value through profit or loss [(1)]	**5,756**	**5,756**	5,502	5,502
Available for sale	**830**	**830**	864	864
Other	**343**	**353**	338	406
	6,929	**6,939**	6,704	6,772
Investment properties	**3,446**	**3,446**	3,201	3,201
	$ 110,594	**$ 113,375**	$ 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

	September 30 2012	December 31 2011
Impaired amounts by type		
Fair value through profit or loss	**$ 294**	$ 290
Available for sale	**22**	51
Loans and receivables	**23**	35
Total	**$ 339**	$ 376

Provisions on loans and receivables were $16 at September 30, 2012 and $36 at December 31, 2011.

(c) Net investment income comprises the following:

For the three months ended September 30, 2012	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 913**	**$ 223**	**$ 67**	**$ 61**	**$ 154**	**$ 1,418**
Net realized gains (losses) *(available for sale)*	**18**	**-**	**1**	**-**	**-**	**19**
Net realized gains (losses) *(other classifications)*	**4**	**4**	**-**	**-**	**-**	**8**
Net recovery (provision) for credit losses *(loans and receivables)*	**1**	**14**	**-**	**-**	**-**	**15**
Other income and expenses	**-**	**-**	**-**	**(16)**	**(19)**	**(35)**
	936	**241**	**68**	**45**	**135**	**1,425**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	**11**	**-**	**-**	**-**	**-**	**11**
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	**1,221**	**-**	**266**	**23**	**30**	**1,540**
	1,232	**-**	**266**	**23**	**30**	**1,551**
Net investment income	**$ 2,168**	**$ 241**	**$ 334**	**$ 68**	**$ 165**	**$ 2,976**

For the three months ended September 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 944	$ 220	$ 48	$ 64	$ 56	$ 1,332
Net realized gains (losses) *(available for sale)*	28	-	(1)	-	-	27
Net realized gains (losses) *(other classifications)*	3	4	-	-	-	7
Net recovery (provision) for credit losses *(loans and receivables)*	2	(4)	-	-	-	(2)
Other income and expenses	-	-	-	(16)	(18)	(34)
	977	220	47	48	38	1,330
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	54	-	-	-	-	54
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	2,553	-	(583)	26	30	2,026
	2,607	-	(583)	26	30	2,080
Net investment income	$ 3,584	$ 220	$ (536)	$ 74	$ 68	$ 3,410

For the nine months ended September 30, 2012	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 2,768**	**$ 672**	**$ 187**	**$ 185**	**$ 433**	**$ 4,245**
Net realized gains (losses) *(available for sale)*	**104**	**-**	**2**	**-**	**-**	**106**
Net realized gains (losses) *(other classifications)*	**7**	**21**	**-**	**-**	**-**	**28**
Net recovery (provision) for credit losses *(loans and receivables)*	**1**	**14**	**-**	**-**	**-**	**15**
Other income and expenses	**-**	**-**	**-**	**(46)**	**(56)**	**(102)**
	2,880	**707**	**189**	**139**	**377**	**4,292**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	**30**	**-**	**-**	**-**	**-**	**30**
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	**2,093**	**-**	**273**	**91**	**(26)**	**2,431**
	2,123	**-**	**273**	**91**	**(26)**	**2,461**
Net investment income	**$ 5,003**	**$ 707**	**$ 462**	**$ 230**	**$ 351**	**$ 6,753**

For the nine months ended September 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,823	$ 652	$ 139	$ 189	$ 341	$ 4,144
Net realized gains (losses) *(available for sale)*	92	-	5	-	-	97
Net realized gains (losses) *(other classifications)*	9	13	-	-	-	22
Net recovery (provision) for credit losses *(loans and receivables)*	18	(7)	-	-	-	11
Other income and expenses	-	-	-	(49)	(52)	(101)
	2,942	658	144	140	289	4,173
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) *(classified fair value through profit or loss)*	57	-	-	-	-	57
Net realized/unrealized gains (losses) *(designated fair value through profit or loss)*	2,941	-	(467)	127	(58)	2,543
	2,998	-	(467)	127	(58)	2,600
Net investment income	$ 5,940	$ 658	$ (323)	$ 267	$ 231	$ 6,773

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, 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.

<u>Concentration of Credit Risk</u>
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 $152 causing an increase in net earnings of approximately $105.
- The effect of an immediate 1% parallel decrease in the yield curve would be to increase these insurance and investment contract liabilities by approximately $707 causing a decrease in net earnings of approximately $501.

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 $22 causing an increase in net earnings of approximately $17. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $74 causing a decrease in net earnings of approximately $56.

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 $437 causing an increase in net earnings of approximately $334. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $485 causing a decrease in net earnings of approximately $367.

Caution Related to Risk Sensitivities

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

	September 30 2012	December 31 2011
Bonds	**$ 23,537**	$ 21,594
Mortgage loans	**2,352**	2,303
Stocks	**66,816**	63,885
Investment properties	**5,925**	5,457
Cash and cash equivalents	**4,810**	5,334
Accrued income	**270**	287
Other liabilities	**(2,184)**	(2,278)
	$ 101,526	$ 96,582

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

	For the nine months ended September 30	
	2012	2011
Segregated funds net assets, beginning of year	**$ 96,582**	$ 94,827
Additions (deductions):		
Policyholder deposits	**9,531**	9,856
Net investment income	**504**	226
Net realized capital gains (losses) on investments	**968**	476
Net unrealized capital gains (losses) on investments	**3,566**	(5,455)
Unrealized gains (losses) due to changes in foreign exchange rates	**(1,081)**	2,140
Policyholder withdrawals	**(8,543)**	(8,031)
Net transfer from (to) General Fund	**(1)**	14
	4,944	(774)
Segregated funds net assets, end of period	**$ 101,526**	$ 94,053

6. Insurance and Investment Contract Liabilities

	September 30, 2012		
	Gross	**Ceded**	**Net**
Insurance contract liabilities	**$ 117,891**	**$ 1,846**	**$ 116,045**
Investment contract liabilities	**759**	**-**	**759**
	$ 118,650	**$ 1,846**	**$ 116,804**

	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 September 30		For the nine months ended September 30	
	2012	2011	**2012**	2011
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ 1**	$ 1	**$ 3**	$ 3
Financial charges:				
Interest on long-term debentures and other debt instruments	**58**	58	**174**	174
Subordinated debenture issue costs	**-**	-	**1**	1
Net interest on capital trust securities	**5**	8	**21**	24
Other	**6**	5	**15**	14
	69	71	**211**	213
	$ 70	$ 72	**$ 214**	$ 216

Subsequent Event

On October 18, 2012, the Company renewed a U.S. $304 Putnam LLC non-revolving term loan facility, guaranteed by Lifeco, for three years.

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.

On September 14, 2012 Great-West Life Capital Trust, a trust established by Great-West Life, announced that it intends to redeem all of its outstanding $350 principal amount Great-West Life Trust Securities - Series A on December 31, 2012 at par.

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 accumulated surplus.

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) were charged to accumulated surplus.

Subsequent Event
On October 11, 2012 the Company issued 8,000,000 Series R, 4.80% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after December 31, 2017 for $25.00 per share plus a premium if redeemed prior to December 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 $6 ($4 after-tax) will be charged to accumulated surplus.

(b) Common Shares

Issued and outstanding

	September 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)	**150,299**	**4**	1,305,746	26
Balance, end of period	**949,914,440**	**$ 5,832**	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:

	September 30 2012	December 31 2011
Capital Available:		
Adjusted Net Tier 1 Capital	**$ 8,246**	$ 7,918
Net Tier 2 Capital	**1,687**	1,698
Total Available Capital	**$ 9,933**	$ 9,616
Capital Required:		
Total Capital Required	**$ 4,944**	$ 4,709
MCCSR ratios:		
Tier 1	**167%**	168%
Total	**201%**	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 third or second quarters of 2012 and 2,138,100 options were granted during the first quarter of 2012 (1,666,100 options were granted for the nine months ended September 30, 2011). The weighted average fair value of options granted was $3.17 per option during the nine months ended September 30, 2012 ($4.39 for the nine months ended September 30, 2011). Compensation expense of $4 after-tax has been recognized in the Consolidated Statements of Earnings for the nine months ended September 30, 2012 ($2 after-tax for the nine months ended September 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 September 30		**For the nine months ended September 30**	
	2012	2011	**2012**	2011
Pension benefits	**$ 29**	$ 17	**$ 85**	$ 63
Other post-employment benefits	**5**	4	**14**	13
	$ 34	$ 21	**$ 99**	$ 76

13. Earnings per Common Share

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

	For the three months ended September 30		For the nine months ended September 30	
	2012	2011	**2012**	2011
Earnings				
Net earnings	**$ 550**	$ 481	**$ 1,545**	$ 1,470
Perpetual preferred share dividends	**(30)**	(24)	**(83)**	(72)
Net earnings - common shareholders	**520**	457	**1,462**	1,398
Capital trust securities	**2**	3	**7**	7
Net earnings - common shareholders - diluted basis	**$ 522**	$ 460	**$ 1,469**	$ 1,405
Number of common shares				
Average number of common shares outstanding	**949,842,636**	949,563,859	**949,813,411**	949,209,257
Add:				
- Capital trust units	**11,281,403**	11,838,284	**11,281,403**	11,838,284
- Potential exercise of outstanding stock options	**226,118**	465,142	**265,489**	684,763
Average number of common shares outstanding - diluted basis	**961,350,157**	961,867,285	**961,360,303**	961,732,304
Basic earnings per common share	**$ 0.547**	$ 0.481	**$ 1.539**	$ 1.473
Diluted earnings per common share	**$ 0.543**	$ 0.478	**$ 1.529**	$ 1.461
Dividends per common share	**$ 0.3075**	$ 0.3075	**$ 0.9225**	$ 0.9225

14. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2012	2011	**2012**	2011
Current income taxes	**$ 127**	$ 41	**$ 197**	$ 313
Deferred income taxes	**14**	13	**73**	(29)
	$ 141	$ 54	**$ 270**	$ 284

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the nine months ended September 30, 2012 was 14% compared to 17% for the full year 2011 and 16% for the nine months ended September 30, 2011. The full year 2011 effective income tax rate reflected benefits related to non-taxable investment income and lower income 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 nine months ended September 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. 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 income tax rate for the nine months ended September 30, 2012 was reduced by 2% 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. Additionally, the Company's annual financial planning process provides a significant basis for the measurement of 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 $1,095 at September 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.

On October 17, 2012, a subsidiary of the Company received an administrative complaint from the Massachusetts Securities Division in relation to that company's role as collateral manager of two collateralized debt obligations (“CDOs”). The complaint is seeking certain remedies including the disgorgement of fees, a civil administrative fine and a cease-and-desist order. In addition, that same subsidiary is a defendant in two civil litigation matters brought by institutions involved in those CDOs. Based on information presently known the Company believes these matters are without merit. The potential outcome of these matters is not yet determinable.

16. Segmented Information

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

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,397	$ 879	$ 1,664	$ -	$ 4,940
Net investment income					
Regular net investment income	664	332	433	(4)	1,425
Changes in fair value through profit or loss	493	244	814	-	1,551
Total net investment income	1,157	576	1,247	(4)	2,976
Fee and other income	271	304	145	-	720
Total income	3,825	1,759	3,056	(4)	8,636
Benefits and expenses:					
Paid or credited to policyholders	2,733	1,246	2,628	-	6,607
Other	629	340	192	7	1,168
Financing charges	31	34	5	-	70
Amortization of finite life intangible assets	11	11	3	-	25
Earnings before income taxes	421	128	228	(11)	766
Income taxes	66	38	40	(3)	141
Net earnings before non-controlling interests	355	90	188	(8)	625
Non-controlling interests	73	(1)	3	-	75
Net earnings	282	91	185	(8)	550
Perpetual preferred share dividends	21	-	6	3	30
Net earnings before capital allocation	261	91	179	(11)	520
Impact of capital allocation	20	(4)	(14)	(2)	-
Net earnings - common shareholders	$ 281	$ 87	$ 165	$ (13)	$ 520

For the three months ended September 30, 2011

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,229	$ 952	$ 1,211	$ -	$ 4,392
Net investment income					
Regular net investment income	535	324	465	6	1,330
Changes in fair value through profit or loss	824	304	952	-	2,080
Total net investment income	1,359	628	1,417	6	3,410
Fee and other income	269	296	139	-	704
Total income	3,857	1,876	2,767	6	8,506
Benefits and expenses:					
Paid or credited to policyholders	2,950	1,433	2,443	-	6,826
Other	579	311	148	3	1,041
Financing charges	34	33	5	-	72
Amortization of finite life intangible assets	10	11	3	-	24
Earnings before income taxes	284	88	168	3	543
Income taxes	47	11	(5)	1	54
Net earnings before non-controlling interests	237	77	173	2	489
Non-controlling interests	3	-	5	-	8
Net earnings	234	77	168	2	481
Perpetual preferred share dividends	18	-	6	-	24
Net earnings before capital allocation	216	77	162	2	457
Impact of capital allocation	19	(2)	(14)	(3)	-
Net earnings - common shareholders	$ 235	$ 75	$ 148	$ (1)	$ 457

For the nine months ended September 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 7,113	$ 2,406	$ 4,474	$ -	$ 13,993
Net investment income					
Regular net investment income	1,939	983	1,373	(3)	4,292
Changes in fair value through profit or loss	755	442	1,264	-	2,461
Total net investment income	2,694	1,425	2,637	(3)	6,753
Fee and other income	818	912	448	-	2,178
Total income	10,625	4,743	7,559	(3)	22,924
Benefits and expenses:					
Paid or credited to policyholders	7,599	3,274	6,456	-	17,329
Other	1,912	1,003	482	17	3,414
Financing charges	99	101	14	-	214
Amortization of finite life intangible assets	33	38	8	-	79
Earnings before income taxes	982	327	599	(20)	1,888
Income taxes	143	69	63	(5)	270
Net earnings before non-controlling interests	839	258	536	(15)	1,618
Non-controlling interests	63	(1)	11	-	73
Net earnings	776	259	525	(15)	1,545
Perpetual preferred share dividends	58	-	17	8	83
Net earnings before capital allocation	718	259	508	(23)	1,462
Impact of capital allocation	59	(11)	(42)	(6)	-
Net earnings - common shareholders	$ 777	$ 248	$ 466	$ (29)	$ 1,462

GREAT-WEST LIFECO INC.

For the nine months ended September 30, 2011

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 6,861	$ 2,306	$ 3,792	$ -	$ 12,959
Net investment income					
Regular net investment income	1,769	980	1,412	12	4,173
Changes in fair value through profit or loss	1,075	461	1,064	-	2,600
Total net investment income	2,844	1,441	2,476	12	6,773
Fee and other income	822	928	413	-	2,163
Total income	10,527	4,675	6,681	12	21,895
Benefits and expenses:					
Paid or credited to policyholders	7,716	3,273	5,714	-	16,703
Other	1,792	897	429	17	3,135
Financing charges	102	100	14	-	216
Amortization of finite life intangible assets	31	34	7	-	72
Earnings before income taxes	886	371	517	(5)	1,769
Income taxes	138	75	70	1	284
Net earnings before non-controlling interests	748	296	447	(6)	1,485
Non-controlling interests	9	-	6	-	15
Net earnings	739	296	441	(6)	1,470
Perpetual preferred share dividends	55	-	17	-	72
Net earnings before capital allocation	684	296	424	(6)	1,398
Impact of capital allocation	58	(5)	(43)	(10)	-
Net earnings - common shareholders	$ 742	$ 291	$ 381	$ (16)	$ 1,398

GREAT-WEST
LIFECO INC.

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