GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Second Quarter Results

For the period ended June 30, 2015

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Quarterly Report to Shareholders

For cautionary notes regarding forward-looking information and non-IFRS financial measures, see page 5.

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to June 30, 2015 Six Months Results

The condensed consolidated interim unaudited financial statements including notes at June 30, 2015 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 $659 million or $0.661 per common share for the three months ended June 30, 2015 compared to $615 million or $0.616 per common share for the same period in 2014, an increase of 7%.

For the six months ended June 30, 2015, net earnings attributable to common shareholders were $1,359 million, compared to $1,202 million for the same period in 2014, an increase of 13%. This represents $1.363 per common share for the six months ended June 30, 2015, compared to $1.203 per common share for the same period in 2014.

Consolidated assets under administration at June 30, 2015 were $1.1 trillion, up $85 billion from December 31, 2014.

Highlights – In Quarter

- Total Company sales in the second quarter of 2015 of $24.5 billion were up 52% from the same quarter in 2014:
    - Canada sales were $3.0 billion, up 4%, due to continued growth of insurance and individual Wealth Management sales.
    - Europe sales were $3.4 billion, up 21%, primarily due to strong growth in Ireland and Germany.
    - Great-West Financial sales were US$7.8 billion, up 250%, due to continued strong sales in Empower Retirement.
    - Putnam gross sales were US$6.9 billion, down 6% overall. Institutional sales increased 42%, while mutual fund sales decreased by 21%.
- The last of the policy migration activities for the Irish Life integration successfully concluded during the second quarter of 2015. The Company now expects to realize €48 million of annualized synergies from the acquisition of Irish Life, exceeding the annualized synergy target of €40 million by 20%.
- The Company maintained a strong ROE of 15.7% based on net earnings.
- The Company's capital position remained very strong. The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 229% at June 30, 2015.
- The Company declared a quarterly common dividend of $0.3260 per common share payable September 30, 2015.

OPERATING RESULTS

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

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results. The three primary business units included in this segment are Individual Insurance, Wealth Management and Group Insurance. Great-West Life, London Life and Canada Life provide accumulation, annuity, life, disability and critical illness insurance products to individual and group clients.

Net earnings attributable to common shareholders for the second quarter of 2015 were $308 million, up 1% compared to $304 million in the second quarter of 2014. For the six months ended June 30, 2015, net earnings attributable to common shareholders were $607 million compared to $598 million for the same period in 2014.

Total sales in the second quarter of 2015 of $3.0 billion compared to $2.9 billion in the second quarter of 2014. This reflects strong participating life insurance sales, higher individual investment funds sales and higher creditor sales, partially offset by lower group retirement product sales. Total sales for the six months ended June 30, 2015 were $6.2 billion compared to $6.1 billion for the same period in 2014.

Total Canada segment assets under administration at June 30, 2015 were $166 billion, compared to $161 billion at December 31, 2014.

UNITED STATES

The United States operating results for Lifeco include the results of Great-West Financial, Putnam and 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.

Great-West Financial, and specifically the Empower Retirement brand, provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, individual retirement accounts, fund management and investment and advisory services. It also provides life insurance and annuity products and executive benefits products. Putnam provides investment management, certain administrative functions, distributions and related services through a broad range of investment products.

Net earnings attributable to common shareholders for the second quarter of 2015 were $67 million, reflecting Great-West Financial net earnings of $70 million and a net loss of $3 million for Putnam, compared to $69 million in the second quarter of 2014. For the six months ended June 30, 2015, net earnings attributable to common shareholders were $188 million compared to $110 million for the same period in 2014.

Great-West Financial sales in the second quarter of 2015 were US$7.8 billion, up from US$2.2 billion in the second quarter of 2014, primarily due to an increased number of large plan sales in Empower Retirement. Sales for the six months ended June 30, 2015 were US$15.8 billion compared to US$5.1 billion in 2014.

Putnam in-quarter average assets under management as at June 30, 2015 were US$160 billion compared to US$155 billion a year ago, an increase of over 3%, primarily due to the impact of positive market and investment performance. Net asset outflows for the second quarter of 2015 were US$1.8 billion compared to net asset inflows of US$0.2 billion for the same quarter in 2014.

Total United States segment assets under administration at June 30, 2015 were $760 billion compared to $697 billion at December 31, 2014.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, as well as an allocation of Lifeco's corporate results. Insurance & Annuities provides protection and wealth management products including payout annuities, through subsidiaries of Canada Life in the U.K., Isle of Man and Germany, and through Irish Life in Ireland. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

Net earnings attributable to common shareholders for the second quarter of 2015 were $289 million, up 17% compared to $246 million in the second quarter of 2014. For the six months ended June 30, 2015, net earnings attributable to common shareholders were $575 million compared to $505 million for the same period in 2014.

Insurance & Annuities sales for the second quarter of 2015 were $3.4 billion, compared to $2.8 billion a year ago, an increase of 21%. The increase primarily reflects strong sales in Ireland and Germany. Sales for the six months ended June 30, 2015 were $7.9 billion compared to $6.3 billion for the same period in 2014.

Total Europe segment assets under administration at June 30, 2015 were $222 billion, up from $205 billion at December 31, 2014.

LIFECO CORPORATE

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

Lifeco Corporate segment net loss attributable to common shareholders was $5 million in the second quarter of 2015 compared to a net loss of $4 million in the second quarter of 2014. For the six months ended June 30, 2015, the net loss attributable to common shareholders of $11 million was comparable to the same period in 2014.

GREAT-WEST LIFECO INC.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3260 per share on the common shares of the Company payable September 30, 2015 to shareholders of record at the close of business September 2, 2015.

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 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;
- Series R First Preferred Shares of $0.3000 per share; and
- Series S First Preferred Shares of $0.328125 per share

all payable September 30, 2015 to shareholders of record at the close of business September 2, 2015.

P. A. Mahon
President and Chief Executive Officer

August 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2015

DATED: AUGUST 5, 2015

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 and six months ended June 30, 2015 and includes a comparison to the corresponding periods in 2014, to the three months ended March 31, 2015, and to the Company's financial condition as at December 31, 2014. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated financial statements for the period ended June 30, 2015. Please also refer to the 2014 Annual MD&A and consolidated financial statements in the Company's 2014 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. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance, taxes, inflation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, investment values, global equity and capital markets, business competition, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and that there will be no unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include technological change, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings and catastrophic events. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2014 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is 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”, “assets under management”, “assets under administration” and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information (in Canadian $ millions, except for per share amounts)	**As at or for the three months ended**			**For the six months ended**	
	June 30 2015	March 31 2015	June 30 2014[(2)(4)]	**June 30 2015**	June 30 2014[(2)(4)]
Premiums and deposits:					
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 5,516**	$ 6,932	$ 5,764	**$ 12,448**	$ 11,031
Policyholder deposits (segregated funds):					
Individual products	**3,031**	2,981	2,830	**6,012**	5,776
Group products	**1,835**	2,035	1,940	**3,870**	5,304
Premiums and deposits reported in the financial statements	**10,382**	11,948	10,534	**22,330**	22,111
Self-funded premium equivalents (Administrative services only contracts)[(1)]	**659**	662	658	**1,321**	1,316
Proprietary mutual funds and institutional deposits[(1)(2)]	**11,032**	12,938	9,592	**23,970**	21,887
Total premiums and deposits[(1)]	**22,073**	25,548	20,784	**47,621**	45,314
Fee and other income	**1,226**	1,258	1,110	**2,484**	2,169
Paid or credited to policyholders[(3)]	**1,588**	9,889	7,580	**11,477**	15,069
Earnings					
Net earnings - common shareholders	**$ 659**	$ 700	$ 615	**$ 1,359**	$ 1,202
Per common share					
Basic earnings	**0.661**	0.702	0.616	**1.363**	1.203
Dividends paid	**0.326**	0.326	0.3075	**0.652**	0.615
Book value[(4)]	**18.28**	17.68	15.87		
Return on common shareholders' equity[(4)(5)]					
Operating earnings[(6)]	**15.7%**	16.0%	14.5%		
Net earnings	**15.7%**	16.0%	16.0%		
Total assets per financial statements[(4)]	**$ 376,428**	$ 381,331	$ 344,351		
Proprietary mutual funds and institutional net assets[(7)]	**232,168**	238,650	200,113		
Total assets under management[(4)(7)]	**608,596**	619,981	544,464		
Other assets under administration[(8)]	**539,259**	556,893	260,079		
Total assets under administration[(4)]	**$ 1,147,855**	$ 1,176,874	$ 804,543		
Total equity[(4)]	**$ 23,470**	$ 22,888	$ 20,951		

(1) In addition to premiums and deposits reported in the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). This measure provides useful information as it is an indicator of top line growth.
(2) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.
(3) Paid or credited to policyholders includes the impact of changes in fair values of assets supporting insurance and investment contract liabilities.
(4) Comparative figures have been adjusted as described in note 2 to the Company's condensed consolidated financial statements for the period ended June 30, 2015.
(5) Return on shareholders' equity is detailed within the "Capital Allocation Methodology" section.
(6) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2014 annual consolidated financial statements.
(7) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight over the investment policies.
(8) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration includes recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders for the three month period ended June 30, 2015 were $659 million compared to $615 million a year ago and $700 million in the previous quarter. On a per share basis, this represents $0.661 per common share ($0.659 diluted) for the second quarter of 2015 compared to $0.616 per common share ($0.615 diluted) a year ago and $0.702 per common share ($0.700 diluted) in the previous quarter.

For the six months ended June 30, 2015, Lifeco's net earnings attributable to common shareholders were $1,359 million compared to $1,202 million a year ago. On a per share basis, this represents $1.363 per common share ($1.359 diluted) for 2015 compared to $1.203 per common share ($1.202 diluted) a year ago.

Net earnings - common shareholders	**For the three months ended**			**For the six months ended**	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Canada					
Individual Insurance	**$ 88**	$ 77	$ 97	**$ 165**	$ 166
Wealth Management	**122**	122	113	**244**	218
Group Insurance	**96**	109	92	**205**	201
Canada Corporate	**2**	(9)	2	**(7)**	13
	308	299	304	**607**	598
United States					
Financial Services	**72**	120	78	**192**	172
Asset Management	**(3)**	2	(9)	**(1)**	(62)
U.S. Corporate	**(2)**	(1)	—	**(3)**	—
	67	121	69	**188**	110
Europe					
Insurance & Annuities	**207**	216	184	**423**	384
Reinsurance	**92**	77	72	**169**	135
Europe Corporate	**(10)**	(7)	(10)	**(17)**	(14)
	289	286	246	**575**	505
Lifeco Corporate	**(5)**	(6)	(4)	**(11)**	(11)
Net earnings - common shareholders	**$ 659**	$ 700	$ 615	**$ 1,359**	$ 1,202

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

MARKET IMPACTS

Interest Rate Environment
Interest rates in countries where the Company operates increased during the quarter, but did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates had no material impact on net earnings and contributed to the increase in the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for managing the matching of assets and liabilities. As a result, the impact of changes in fair values of bonds backing insurance and investment contract liabilities recorded through profit or loss is mostly offset by a corresponding change in the insurance and investment contract liabilities.

Refer to note 5 to the Company's condensed consolidated financial statements for the period ended June 30, 2015 for a further description of the Company's sensitivity to interest rate fluctuations.

Equity Markets
In all geographies where the Company operates, the average levels of the equity markets' in the second quarter of 2015 were positive compared to the second quarter of 2014 and the first quarter of 2015; however, ended the quarter at lower market levels as compared to March 31, 2015. The change in average market levels during the quarter had a slightly positive impact on gross asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company.

Comparing the second quarter of 2015 to the second quarter of 2014, the average equity market levels were up by 3% in Canada (as measured by S&P TSX), by 12% in broader Europe (as measured by Eurostoxx 50), by 2% in the U.K. (as measured by FTSE 100), and by 11% in the U.S. (as measured by S&P 500). The major equity indices finished the second quarter down 2% in Canada, down 6% in broader Europe, down 4% in the U.K. and flat in the U.S. compared to March 31, 2015.

Foreign Currency
Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: "constant currency basis", "impact of currency movement" and "effect of currency translation fluctuations". These measures have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. This non-IFRS measure provides useful information as it facilitates the comparability of results between periods.

During the second quarter of 2015, the average currency translation rate of the U.S. dollar and British pound increased, while the average currency translation rates of the euro declined compared to the second quarter of 2014. The overall impact of currency movement on the Company's net earnings for the three month period ended June 30, 2015 was an increase of $12 million ($27 million year-to-date) compared to translation rates a year ago.

From March 31, 2015 to June 30, 2015, the market rates at the end of the reporting period used to translate the euro and the British pound assets and liabilities to the Canadian dollar increased, while the end of period market rates for the U.S. dollar assets and liabilities decreased. The movements in end of period market rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $132 million in-quarter ($885 million net unrealized gains year-to-date) recorded in other comprehensive income.

Translation rates for the reporting period and comparative periods are detailed in the "Translation of Foreign Currency" section.

ACTUARIAL ASSUMPTION CHANGES

During the second quarter of 2015, the Company updated a number of assumptions resulting in a positive net earnings impact of $74 million, compared to a positive net earnings impact of $26 million for the same quarter last year and $82 million for the previous quarter. For the second quarter of 2015, assumption changes included refinements to annuitant longevity assumptions in Europe, updates to morbidity assumptions in Canada and a number of modeling refinements.

For the six months ended June 30, 2015, assumption changes resulted in a positive net earnings impact of $156 million as compared to $65 million for the same period last year.

PREMIUMS AND DEPOSITS AND SALES

Total premiums and deposits (a non-IFRS financial measure) include premiums on risk-based insurance and annuity products (as defined under IFRS), premium equivalents on self-funded group insurance administrative services only (ASO) contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top line growth.

Sales (a non-IFRS financial measure) for risk-based insurance and annuity products include 100% of single premium and annualized premiums expected in the first twelve months of the plan. Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies. For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds. For group wealth management products, sales include assets transferred from a previous plan provider and the expected annual contributions from the new plan. This measure provides an indicator of new business growth.

Premiums and deposits

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014[1]	**June 30 2015**	June 30 2014[1]
Canada					
Individual Insurance	**$ 1,216**	$ 1,154	$ 1,122	**$ 2,370**	$ 2,199
Wealth Management	**2,713**	2,811	2,736	**5,524**	6,787
Group Insurance	**1,940**	1,948	1,912	**3,888**	3,812
	5,869	5,913	5,770	**11,782**	12,798
United States					
Financial Services[1]	**2,504**	2,730	2,029	**5,234**	4,470
Asset Management	**8,507**	10,232	8,041	**18,739**	18,013
	11,011	12,962	10,070	**23,973**	22,483
Europe					
Insurance & Annuities	**4,116**	5,160	3,498	**9,276**	7,610
Reinsurance	**1,077**	1,513	1,446	**2,590**	2,423
	5,193	6,673	4,944	**11,866**	10,033
Total premiums and deposits	**$ 22,073**	$ 25,548	$ 20,784	**$ 47,621**	$ 45,314

Sales

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015[1]	June 30 2014	**June 30 2015**	June 30 2014
Canada	**$ 3,016**	$ 3,183	$ 2,904	**$ 6,199**	$ 6,106
United States[1]	**18,131**	20,123	10,480	**38,254**	23,639
Europe - Insurance & Annuities	**3,396**	4,456	2,814	**7,852**	6,320
Total sales	**$ 24,543**	$ 27,762	$ 16,198	**$ 52,305**	$ 36,065

(1) Comparative figures have been restated to improve consistency across the Company's business units.

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

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Investment income earned (net of investment properties expenses)	**$ 1,515**	$ 1,475	$ 1,531	**$ 2,990**	$ 3,021
Allowances for credit losses on loans and receivables	**—**	1	1	**1**	—
Net realized gains	**29**	87	18	**116**	40
Regular investment income	**1,544**	1,563	1,550	**3,107**	3,061
Investment expenses	**(25)**	(27)	(24)	**(52)**	(46)
Regular net investment income	**1,519**	1,536	1,526	**3,055**	3,015
Changes in fair value through profit or loss	**(4,037)**	2,953	1,670	**(1,084)**	3,792
Net investment income	**$ (2,518)**	$ 4,489	$ 3,196	**$ 1,971**	$ 6,807

Net investment income in the second quarter of 2015, which includes changes in fair value through profit or loss, decreased by $5,714 million compared to the same quarter last year. The change in fair values in the second quarter of 2015 was a decrease of $4,037 million compared to an increase of $1,670 million for the second quarter of 2014, primarily due to government and corporate bond yields increasing in the second quarter of 2015 compared to decreasing in the second quarter of 2014.

Regular net investment income in the second quarter of 2015 of $1,519 million, which excludes changes in fair value through profit or loss, was comparable to the same quarter last year as lower interest on fixed-income investments was mostly offset by the impact of currency movement and higher net realized gains. Net realized gains include gains on available-for-sale securities of $20 million in the second quarter of 2015 compared to $13 million for the same quarter last year.

For the six months ended June 30, 2015, net investment income decreased by $4,836 million compared to the same period last year. The change in fair values for the six month period in 2015 was a decrease of $1,084 million compared to an increase in fair values of $3,792 million during the same period in 2014. Government and corporate bond yields decreased in the first half of 2014. In the first half of 2015, Canadian long-term bond yields have declined less than in the first half of 2014, while U.S. and U.K. bond yields have increased across most durations. Regular net investment income for the six months ended June 30, 2015 increased by $40 million compared to the same period last year. The increase was primarily due to higher net realized gains and the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar, partially offset by lower interest from fixed-income investments. Net realized gains include gains on available-for-sale securities of $94 million for the six months ended June 30, 2015, compared to $24 million for the same period last year.

Net investment income in the second quarter of 2015 decreased by $7,007 million compared to the previous quarter, primarily due to net decreases in fair values of $4,037 million in the second quarter of 2015 compared to net increases of $2,953 million in the previous quarter. The change in fair values was primarily due to an increase in bond yields during the second quarter compared to a decline in the previous quarter.

Credit Markets
In the second quarter of 2015, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $4 million ($15 million net recovery in the second quarter of 2014). 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 $16 million ($9 million net charge in the second quarter of 2014).

For the six months ended June 30, 2015, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $7 million ($20 million net recovery year-to-date in 2014). 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 $22 million year-to-date ($12 million net charge year-to-date in 2014).

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Canada					
Segregated funds, mutual funds and other	**$ 327**	$ 319	$ 318	**$ 646**	$ 624
ASO contracts	**39**	39	38	**78**	76
	366	358	356	**724**	700
United States					
Segregated funds, mutual funds and other	**577**	573	436	**1,150**	855
Europe					
Segregated funds, mutual funds and other	**283**	327	318	**610**	614
Total fee and other income	**$ 1,226**	$ 1,258	$ 1,110	**$ 2,484**	$ 2,169

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

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Canada	**$ 1,460**	$ 3,765	$ 3,367	**$ 5,225**	$ 6,732
United States	**543**	1,121	1,295	**1,664**	2,593
Europe	**(415)**	5,003	2,918	**4,588**	5,744
Total	**$ 1,588**	$ 9,889	$ 7,580	**$ 11,477**	$ 15,069

Amounts paid or credited to policyholders include life and health claims, policy surrenders, annuity and maturity payments, segregated fund 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 supporting those liabilities as well as changes in the provision for future credit losses. The amounts do not include benefit payments for ASO contracts or segregated funds and mutual funds.

For the three months ended June 30, 2015, consolidated amounts paid or credited to policyholders were $1.6 billion, including $5.0 billion of policyholder benefit payments and a $3.4 billion decrease in contract liabilities. The decrease of $6.0 billion from the same period in 2014 consisted of a $6.5 billion decrease in the change in contract liabilities and a $0.5 billion increase in benefit payments. The decrease in contract liabilities was primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe as well as a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014. The increase in benefit payments was primarily due to new and restructured reinsurance treaties and the positive impact of currency movement.

For the six months ended June 30, 2015, consolidated amounts paid or credited to policyholders were $11.5 billion, including $10.5 billion of policyholder benefit payments and a $1.0 billion increase in contract liabilities. The decrease of $3.6 billion from the same period in 2014 consisted of a $5.0 billion decrease in the change in contract liabilities and a $1.4 billion increase in benefit payments. The decrease in contract liabilities was primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe as well as the impact of a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014, partially offset by the acquisition of Equitable Life's annuity business during the first quarter of 2015. The increase in benefit payments was primarily due to new and restructured reinsurance treaties and the positive impact of currency movement.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders decreased by $8.3 billion. The decrease consisted of a $7.8 billion decrease in the change in contract liabilities, primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe as well as the acquisition of Equitable Life's annuity business during the first quarter of 2015. The decrease also consisted of a $0.5 billion decrease in benefit payments primarily due to lower business volumes.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

In the second quarter of 2015, the Company had an effective income tax rate of 11%, down from 19% in the second quarter of 2014. The decrease in the effective income tax rate for the second quarter of 2015 was primarily due to a higher percentage of income subject to lower rates of income tax in foreign jurisdictions as well as changes to certain tax estimates that resulted in a positive earnings impact.

The Company had an effective income tax rate of 17% for the six months ended June 30, 2015 compared to 20% for the same period last year. The decrease in the Company's effective income tax rate was primarily due to the same items discussed for the in-quarter results.

The second quarter effective income tax rate of 11% was lower than the first quarter rate of 23%. The decrease in the effective income tax rate compared to the previous quarter was primarily due to the same items discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	June 30, 2015			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ **66,272**	$ **39,235**	$ **48,004**	$ **153,511**
Goodwill and intangible assets	**5,119**	**2,218**	**2,296**	**9,633**
Other assets	**3,266**	**4,214**	**20,969**	**28,449**
Segregated funds net assets	**70,878**	**33,201**	**80,756**	**184,835**
Total assets	**145,535**	**78,868**	**152,025**	**376,428**
Proprietary mutual funds and institutional net assets	**5,028**	**205,049**	**22,091**	**232,168**
Total assets under management	**150,563**	**283,917**	**174,116**	**608,596**
Other assets under administration	**15,123**	**476,600**	**47,536**	**539,259**
Total assets under administration	$ **165,686**	$ **760,517**	$ **221,652**	$ **1,147,855**

	December 31, 2014			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 64,718	$ 36,198	$ 45,440	$ 146,356
Goodwill and intangible assets	5,123	2,061	2,296	9,480
Other assets	3,277	3,613	19,017	25,907
Segregated funds net assets	68,372	31,030	75,564	174,966
Total assets	141,490	72,902	142,317	356,709
Proprietary mutual funds and institutional net assets	4,718	190,817	20,736	216,271
Total assets under management	146,208	263,719	163,053	572,980
Other assets under administration	14,793	433,754	41,806	490,353
Total assets under administration	$ 161,001	$ 697,473	$ 204,859	$ 1,063,333

Total assets under administration at June 30, 2015 increased by $84.5 billion to $1.1 trillion compared to December 31, 2014, primarily as a result of the impact of currency movement.

INVESTED ASSETS

The Company manages its general fund assets to support the cash flow, liquidity and profitability requirements of the Company's insurance and investment products. The Company follows prudent and conservative investment policies, so that assets are not unduly exposed to concentration, credit or market risks. The Company implements strategies within the overall framework of the Company's policies, reviewing and adjusting them on an ongoing basis in light of liability cash flows and capital market conditions. The majority of investments of the general fund are in medium-term and long-term fixed-income investments, primarily bonds and mortgages, reflecting the characteristics of the Company's liabilities.

Bond portfolio – It is the Company's policy to acquire only investment grade bonds subject to prudent and well-defined investment policies. The total bond portfolio, including short-term investments, was $108.5 billion or 71% of invested assets at June 30, 2015 and $103.2 billion or 71% at December 31, 2014. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher. The Company's bond exposure to the Oil & Gas industry, including funds held by ceding insurers, was 3% of invested assets at June 30, 2015.

Bond portfolio quality

	June 30, 2015		December 31, 2014	
AAA	**$ 34,660**	**32%**	$ 34,332	34%
AA	**19,496**	**18**	18,954	18
A	**33,731**	**31**	31,133	30
BBB	**19,145**	**18**	17,370	17
BB or lower	**1,420**	**1**	1,379	1
Total	**$ 108,452**	**100%**	$ 103,168	100%

Mortgage portfolio – It is the Company's practice to acquire only high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages.

Mortgage portfolio

	June 30, 2015				December 31, 2014	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 788**	**$ 1,149**	**$ 1,937**	**9%**	$ 1,916	9%
Multi-family residential	**2,882**	**2,655**	**5,537**	**26**	5,322	26
Commercial	**230**	**13,400**	**13,630**	**65**	13,308	65
Total	**$ 3,900**	**$ 17,204**	**$ 21,104**	**100%**	$ 20,546	100%

The total mortgage portfolio was $21.1 billion or 14% of invested assets at June 30, 2015, compared to $20.5 billion or 14% of invested assets at December 31, 2014. Total insured loans were $3.9 billion or 18% of the mortgage portfolio.

Single family residential mortgages

Region	June 30, 2015		December 31, 2014	
Ontario	**$ 940**	**49%**	$ 933	49%
Quebec	**401**	**21**	401	21
Alberta	**134**	**7**	134	7
British Columbia	**118**	**6**	111	6
Newfoundland	**101**	**5**	102	5
Saskatchewan	**82**	**4**	78	4
Nova Scotia	**62**	**3**	62	3
Manitoba	**54**	**3**	51	3
New Brunswick	**41**	**2**	41	2
Other	**4**	**—**	3	—
Total	**$ 1,937**	**100%**	$ 1,916	100%

During the six months ended June 30, 2015, single family mortgage originations, including renewals, were $284 million, of which 34% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio is 22 years as at June 30, 2015.

Provision for future credit losses

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

At June 30, 2015, the total actuarial provision for future credit losses in insurance contract liabilities was $3,317 million compared to $3,133 million at December 31, 2014, an increase of $184 million primarily due to the impact of currency movement, normal business and credit rating activity.

The aggregate of impairment provisions of $24 million ($22 million at December 31, 2014) and actuarial provisions for future credit losses in insurance contract liabilities of $3,317 million ($3,133 million at December 31, 2014) represents 2.4% of bond and mortgage assets, including funds held by ceding insurers, at June 30, 2015 (2.4% at December 31, 2014).

LIABILITIES

Total liabilities

	June 30 2015	December 31 2014
Insurance and investment contract liabilities	**$ 153,157**	$ 146,055
Other general fund liabilities	**14,966**	13,791
Investment and insurance contracts on account of segregated fund policyholders	**184,835**	174,966
Total	**$ 352,958**	$ 334,812

Total liabilities increased by $18.1 billion to $353.0 billion at June 30, 2015 from December 31, 2014.

Investment and insurance contracts on account of segregated fund policyholders increased by $9.9 billion, primarily due to the combined impact of market value gains and investment income of $6.1 billion and the impact of currency movement of $4.0 billion, partially offset by net withdrawals of $0.6 billion. Insurance and investment contract liabilities increased by $7.1 billion. The increase was primarily due to the strengthening of the U.S. dollar and British pound against the Canadian dollar and the impact of new business, including the acquisition of Equitable Life's annuity business, partially offset by increasing interest rates reflected in the fair value adjustments.

Segregated Fund and Variable Annuity Guarantees

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds.

The guaranteed minimum withdrawal benefit (GMWB) products offered by the Company provide levels of death and maturity guarantees. At June 30, 2015, the market value of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,347 million ($3,016 million at December 31, 2014). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated fund and variable annuity guarantee exposure

		June 30, 2015			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 29,776	$ —	$ 29	$ 111	$ 111
United States	11,287	6	—	45	51
Europe					
Insurance & Annuities	8,303	3	—	370	370
Reinsurance[2]	1,206	353	—	23	376
	9,509	**356**	**—**	**393**	**746**
Total	**$ 50,572**	**$ 362**	**$ 29**	**$ 549**	**$ 908**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 2015.
(2) Reinsurance exposure is to markets in Canada and the United States.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on June 30, 2015. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $3 million in-quarter ($3 million for the second quarter of 2014) and $6 million year-to-date ($5 million year-to-date for 2014), with the majority arising in the Reinsurance business unit in the Europe segment.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at June 30, 2015 was $9,680 million, which comprises $7,166 million of common shares, $2,264 million of non-cumulative First Preferred Shares and $250 million of non-cumulative five-year rate reset First Preferred Shares.

The Company commenced a normal course issuer bid on December 9, 2014, terminating December 8, 2015, to purchase and cancel up to 8,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options under the Company's Stock Option Plan. During the six months ended June 30, 2015, the Company repurchased and subsequently cancelled 2,126,298 common shares (2014 - 726,304) at an average cost per share of $35.87 (2014 - $30.72) under its normal course issuer bid program.

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 internal funds and maintaining adequate levels of liquid investments. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At June 30, 2015, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $9.5 billion ($7.3 billion at December 31, 2014) and other available government bonds of $31.0 billion ($32.8 billion at December 31, 2014). Included in the cash, cash equivalents and short-term bonds at June 30, 2015 was approximately $0.9 billion ($0.7 billion at December 31, 2014) at the Lifeco holding company level. In addition, the Company maintains sufficient committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital and availability of cash resources.

As a holding company, the Company's ability to pay dividends 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. For entities based in Europe, the local solvency capital regime will be changing to the Solvency II basis, effective January 1, 2016. Uncertainty around the rules and regulatory interpretation of their application could increase the near-term risk of additional local capital requirements. The Company continues to assess the impact of this change, remains in regular contact with its regulators through the preparatory phase in 2015 and will take appropriate steps to respond to the new regulatory environment.

CASH FLOWS

Cash flows	For the three months ended June 30		For the six months ended June 30	
	2015	2014	**2015**	2014
Cash flows relating to the following activities:				
Operations	**$ 1,404**	$ 1,381	**$ 2,496**	$ 2,654
Financing	**(491)**	(222)	**(871)**	(632)
Investment	**(1,440)**	(1,172)	**(1,544)**	(1,733)
	(527)	(13)	**81**	289
Effects of changes in exchange rates on cash and cash equivalents	**18**	(74)	**109**	29
Increase (decrease) in cash and cash equivalents in the period	**(509)**	(87)	**190**	318
Cash and cash equivalents, beginning of period	**3,197**	3,196	**2,498**	2,791
Cash and cash equivalents, end of period	**$ 2,688**	$ 3,109	**$ 2,688**	$ 3,109

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. Cash flow related financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the second quarter of 2015, cash and cash equivalents decreased by $509 million from March 31, 2015. Cash flows provided by operations during the second quarter of 2015 were $1,404 million, an increase of $23 million compared to the second quarter of 2014. Cash flows used in financing were $491 million, primarily used for payment of dividends to the preferred and common shareholders of $356 million and a decrease to a line of credit of a subsidiary of $118 million. For the three months ended June 30, 2015, cash flows were used by the Company to acquire an additional $1,440 million of investment assets.

For the six months ended June 30, 2015, cash and cash equivalents increased by $190 million from December 31, 2014. Cash flows provided by operations were $2,496 million, a decrease of $158 million compared to the same period in 2014. Cash flows used in financing were $871 million, primarily used for payment of dividends to the preferred and common shareholders of $713 million and a decrease in a line of credit of a subsidiary of $161 million. In the first quarter of 2015, the Company increased the quarterly dividend to common shareholders from $0.3075 per common share to $0.3260 per common share. For the six months ended June 30, 2015, cash flows were used by the Company to acquire an additional $1,544 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2014.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company’s internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans.

The Company’s practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, 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 MCCSR ratio. The internal target range of the MCCSR ratio for Lifeco's major Canadian operating subsidiaries is 175% to 215% (on a consolidated basis).

Great-West Life’s MCCSR ratio at June 30, 2015 was 229% (224% at December 31, 2014). London Life’s MCCSR ratio at June 30, 2015 was 233% (247% at December 31, 2014). Canada Life's MCCSR ratio at June 30, 2015 was 248% (237% at December 31, 2014). The MCCSR ratio does not take into account any impact from $0.9 billion of liquidity at the Lifeco holding company level at June 30, 2015 ($0.7 billion at December 31, 2014).

In calculating the MCCSR position, available regulatory capital is reduced by goodwill and intangible assets, subject to a prescribed inclusion for a portion of intangible assets. The OSFI MCCSR Guideline also prescribes that quarterly re-measurements to defined benefit plans, impacting available capital for the Company’s federally regulated subsidiaries, are amortized over twelve quarters.

Due to the evolving nature of IFRS and proposed future changes to IFRS for the measurement of insurance contract liabilities, there will likely be further regulatory capital and accounting changes, some of which may be significant.

The Company is both a user and a provider of reinsurance, including both traditional reinsurance, which is undertaken primarily to mitigate against assumed insurance risks, and financial reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited.

The Company has 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 capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy, risk profile and business plans. The Board of Directors reviews and approves the annual capital plan as well as capital transactions undertaken by management pursuant to the plan.

OSFI Regulatory Capital Initiatives

OSFI has commenced work on a number of initiatives that will have or may have application to the calculation and reporting of the MCCSR of the Company or certain of its subsidiaries.

These initiatives are discussed in the 2013 OSFI Life Insurance Regulatory Framework. Within the Framework, there are three broad categories specific to regulatory capital amounts: the review of methodology used to determine capital requirements in connection with segregated fund guarantees; the review of the qualifying criteria and capital components of Available Capital; and the new regime for calculating capital requirements relating to credit, market, insurance and operational risk. In tandem with these reviews, OSFI will consider the extent of diversification benefits and hedging credits to reflect in its new framework.

The Company is presently reviewing the OSFI proposals that have been released to the industry to date, and is in ongoing dialogue with OSFI, the Canadian Institute of Actuaries, the Canadian Life and Health Insurance Association and other industry participants. The Company is also actively participating in OSFI Quantitative Impact Studies relating to its Life Insurance Regulatory Framework initiatives. At this point, the Company cannot determine what the final outcome of these initiatives will be.

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 Great-West Life), 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 a debt-to-equity ratio in each business unit mirroring the consolidated Company.

The capital allocation methodology allows the Company to calculate comparable Return on Equity (ROE) for each business unit. These ROEs are therefore based on the capital the business unit has been allocated and the financing charges associated with that capital.

Return on Equity[(1)]	**June 30 2015**	March 31 2015	Dec. 31 2014
Canada	**22.2 %**	22.2 %	22.1 %
U.S. Financial Services[(2)]	**15.0 %**	16.0 %	16.3 %
U.S. Asset Management (Putnam)	**(0.4)%**	(0.7)%	(3.6)%
Europe	**18.1 %**	18.0 %	17.7 %
Lifeco Corporate	**(4.5)%**	(5.1)%	(5.3)%
Total Lifeco Operating Earnings Basis[(3)]	**15.7 %**	16.0 %	15.7 %
Total Lifeco Net Earnings Basis	**15.7 %**	16.0 %	15.7 %

(1) Return on Equity is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.
(2) Includes U.S. Corporate.
(3) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2014 annual consolidated financial statements, which is reflected in the results of Lifeco Corporate.

RATINGS

Great-West Lifeco maintains ratings from five independent ratings companies. In the second quarter of 2015, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continues to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and 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 changes to the Company's group credit ratings in the second quarter of 2015.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Great-West Financial
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-	

Irish Life Assurance Plc (ILA) is not part of the group ratings. ILA is rated AA- by Fitch Ratings and was upgraded from A to A+ by Standard & Poor's Ratings Services during the quarter. The ILA €200 million perpetual capital notes assumed on the acquisition of Irish Life are rated A- by Fitch Ratings and were upgraded from BBB+ to A- by Standard & Poor's Ratings Services during the quarter.

RISK MANAGEMENT AND CONTROL PRACTICES

The Board of Directors is ultimately accountable and responsible for the governance and oversight of risk throughout the Company and regularly reviews and approves the Company's Risk Appetite Framework and Enterprise Risk Management. During the second quarter of 2015, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2014 Annual MD&A for a detailed description of the Company's risk management and control practices.

DERIVATIVE FINANCIAL INSTRUMENTS

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in the second quarter of 2015. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of early termination of a transaction, which includes but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions. At June 30, 2015, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $119 million ($52 million at December 31, 2014) and pledged on derivative liabilities was $407 million ($299 million at December 31, 2014).

During the six month period ended June 30, 2015, the outstanding notional amount of derivative contracts increased by $9.5 billion to $25.0 billion, primarily due to an increase of $8.9 billion in forward settling to-be-announced security transactions.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $466 million at June 30, 2015 from $652 million at December 31, 2014. The decrease was primarily due to certain interest rate swaps that were in an unrealized gain position of $202 million at December 31, 2014 that were unwound in the first quarter of 2015.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2015, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to IFRS for *Annual Improvements 2010 - 2012 Cycle*, *Annual Improvements 2011 - 2013 Cycle* and IAS 19, *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

In July 2015, the IASB deferred the effective date of IFRS 15, *Revenue from Contracts with Customers* from January 1, 2017, as disclosed in the Company's 2014 Annual MD&A, to January 1, 2018. The Company continues to evaluate the impact of the adoption of this standard.

In regards to future accounting policy changes that could impact the Company, other than the change to IFRS 15 noted above, there have been no significant changes from the disclosure included in the Company's 2014 Annual MD&A.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Great-West Life and its operating subsidiaries, London Life and Canada Life; Great-West Financial and Putnam, together with Lifeco's corporate results.

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

CANADA

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

Selected consolidated financial information - Canada

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 5,869**	$ 5,913	$ 5,770	**$ 11,782**	$ 12,798
Sales	**3,016**	3,183	2,904	**6,199**	6,106
Fee and other income	**366**	358	356	**724**	700
Net earnings - common shareholders	**308**	299	304	**607**	598
Total assets	**$ 145,535**	$ 147,372	$ 138,167		
Proprietary mutual funds and institutional net assets	**5,028**	5,019	4,587		
Total assets under management	**150,563**	152,391	142,754		
Other assets under administration	**15,123**	15,164	14,225		
Total assets under administration	**$ 165,686**	$ 167,555	$ 156,979		

2015 DEVELOPMENTS

- Premiums and deposits for the three months ended June 30, 2015 of $5,869 million were $99 million higher than the same quarter last year.
- Sales for the three months ended June 30, 2015 were $3,016 million, an increase of $112 million compared to the same quarter in 2014, which reflects strong sales across all lines of business.
- Fee and other income for the three months ended June 30, 2015 was $366 million, an increase of $10 million compared to the same quarter in 2014, primarily due to growth in assets under management driven by higher average market levels and positive net cash flows.
- Net earnings for the three months ended June 30, 2015 of $308 million were comparable to the same quarter last year.
- A new business area has been formed within the Canada segment to focus on building out new organizational capabilities in the areas of digital services, customer segmentation, innovation and data analytics.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 1,216**	$ 1,154	$ 1,122	**$ 2,370**	$ 2,199
Sales	**138**	113	125	**251**	247
Net earnings	**88**	77	97	**165**	166

Premiums and deposits

Individual Insurance premiums for the second quarter of 2015 increased by $94 million to $1,216 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $91 million to $1,132 million compared to the same quarter last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums increased by $3 million to $84 million compared to the same quarter last year.

For the six months ended June 30, 2015, Individual Insurance premiums increased by $171 million to $2,370 million compared to the same period last year. Individual Life premiums increased by $169 million to $2,204 million compared to the same period last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums of $166 million were comparable to the same period last year.

Individual Insurance premiums for the second quarter of 2015 increased by $62 million compared to the previous quarter, primarily due to a 9% increase in participating life premiums.

Sales

Individual Insurance sales for the second quarter of 2015 increased by $13 million to $138 million compared to the same quarter last year. Participating life insurance sales remained strong, up $18 million or 22%. Universal Life and Term Life insurance product sales decreased by $5 million or 15%, impacted by application processing delays as a result of new business process system issues. While second quarter non-participating life insurance sales were down year-over-year, results continued to improve during the quarter as the Company continues to work on returning to normal service levels during 2015.

For the six months ended June 30, 2015, Individual Insurance sales increased by $4 million to $251 million compared to the same period last year. Participating life insurance sales increased $19 million or 12%, while Universal Life and Term Life insurance product sales decreased $15 million or 23%, primarily due to the same reasons discussed for the in-quarter results.

Individual Insurance sales for the second quarter of 2015 increased by $25 million compared to the previous quarter, primarily due to growth in participating life insurance sales, which increased by $18 million or 22%. Universal Life and Term Life insurance product sales increased by $5 million or 22% compared to the previous quarter, reflecting improved new business processing times as the Company continues to work on returning to normal service levels.

Net earnings

Net earnings for the second quarter of 2015 decreased by $9 million to $88 million compared to the same quarter last year. The decrease was primarily due to higher new business strain, lower contributions from insurance contract liability basis changes as well as less favourable mortality and morbidity experience. In addition, net earnings for the second quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not occur in 2014.

For the six months ended June 30, 2015, net earnings of $165 million were comparable to the same period last year. Higher new business strain and lower contributions from insurance contract liability basis changes were mostly offset by favourable investment and mortality experience as well as lower income taxes as discussed for the in-quarter results.

Net earnings for the second quarter of 2015 increased by $11 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes and favourable mortality experience, partially offset by less favourable morbidity and policyholder behaviour experience. In addition, net earnings for the second quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not occur in the first quarter of 2015.

For the second quarter of 2015, the net earnings attributable to the participating account decreased by $8 million to $16 million compared to the same quarter last year, primarily due to higher new business strain.

For the six months ended June 30, 2015, the net earnings attributable to the participating account increased by $3 million to $49 million compared to the same period last year. The increase was primarily due to higher contributions from investment experience on par surplus assets, mostly offset by higher new business strain.

The net earnings attributable to the participating account for the second quarter of 2015 decreased by $17 million compared to the previous quarter, primarily due to lower contributions from investment experience on par surplus assets.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 2,713**	$ 2,811	$ 2,736	**$ 5,524**	$ 6,787
Sales	**2,757**	2,944	2,673	**5,701**	5,606
Fee and other income	**313**	308	301	**621**	595
Net earnings	**122**	122	113	**244**	218

Premiums and deposits

Premiums and deposits for the second quarter of 2015 decreased by $23 million to $2,713 million compared to same quarter last year. The decrease was primarily due to lower premiums related to group capital accumulation plans (GCAP), group investment only (IO) products and single premium group annuities (SPGAs), partially offset by an increase in premiums and deposits related to individual investment funds.

Excluding the impact of the conversion of certain pension plan assets into segregated fund products of $1,066 million in the first quarter of 2014, premiums and deposits for the six months ended June 30, 2015 decreased by $197 million to $5,524 million for the same reasons discussed for the in-quarter results.

Premiums and deposits for the second quarter of 2015 decreased by $98 million compared to the previous quarter. The decrease was primarily driven by lower premiums and deposits related to individual investment funds due to the positive impact of registered retirement savings plan (RRSP) season on first quarter premiums and deposits, partially offset by higher premiums related to SPGAs.

Sales

Sales for the second quarter of 2015 increased by $84 million to $2,757 million compared to the same quarter last year. The increase was primarily due to higher sales of individual investment funds, partially offset by lower sales of group IO products and SPGAs.

For the six months ended June 30, 2015, sales increased by $95 million to $5,701 million compared to the same period last year, primarily due to higher sales of individual investment funds, partially offset by lower sales of GCAP products, group IO products and SPGAs.

Sales for the second quarter of 2015 decreased by $187 million compared to the previous quarter. The decrease was primarily driven by lower sales of individual investment funds due to the positive impact of RRSP season on first quarter sales, partially offset by higher sales of SPGAs and GCAP products.

Net cash inflows for the second quarter of 2015 were $159 million compared to $290 million in the same quarter last year and $250 million in the previous quarter. For the six months ended June 30, 2015, net cash inflows were $409 million compared to $1,602 million for the same period last year, which included $1,066 million related to the conversion of certain pension plan assets into segregated fund products. Excluding this conversion, net cash inflows decreased by $127 million due to the same drivers as the decrease in premiums and deposits.

Fee and other income

Fee and other income for the second quarter of 2015 increased by $12 million to $313 million compared to the same quarter last year. The increase was primarily due to growth in assets under management driven by higher average market levels and positive net cash flows, partially offset by lower fee margins. Lower margins were primarily driven by the development of the market for high-net-worth segregated fund and mutual fund products.

For the six months ended June 30, 2015, fee and other income increased by $26 million to $621 million compared to the same period last year, for the same reasons discussed for the in-quarter results.

Fee and other income for the second quarter of 2015 increased by $5 million compared to the previous quarter, primarily due to growth in assets under management driven by higher average market levels and positive net cash flows.

Net earnings

Net earnings for the second quarter of 2015 increased by $9 million to $122 million compared to the same quarter last year. The increase was primarily driven by higher fee income, increased acquisition expense deferrals and higher contributions from insurance contract liability basis changes, partially offset by lower contributions from investment experience and increased operating expenses. During the quarter, acquisition expense deferrals increased due to an update to expense allocations, which resulted in a higher allocation to deferrable acquisition costs.

For the six months ended June 30, 2015, net earnings increased by $26 million to $244 million compared to the same period last year. The increase was primarily due to higher fee income, higher contributions from investment experience, increased acquisition expense deferrals, as discussed for the in-quarter results, and more favourable longevity experience. The increase was partially offset by lower contributions from insurance contract liability basis changes and increased operating expenses.

Net earnings for the second quarter of 2015 of $122 million were comparable to the previous quarter as increased acquisition expense deferrals, as discussed for the in-quarter results, and higher fee income were offset by lower contributions from investment experience and less favourable longevity experience.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 1,940**	$ 1,948	$ 1,912	**$ 3,888**	$ 3,812
Sales	**121**	126	106	**247**	253
Fee and other income	**39**	39	38	**78**	76
Net earnings	**96**	109	92	**205**	201

Premiums and deposits

Premiums and deposits for the second quarter of 2015 increased by $28 million to $1,940 million compared to the same quarter last year, primarily due to an increase in mid-size case market premiums and deposits.

For the six months ended June 30, 2015, premiums and deposits increased by $76 million to $3,888 million compared to the same period last year, primarily due to an increase in mid-size and large case market premiums and deposits.

Premiums and deposits for the second quarter of 2015 decreased by $8 million compared to the previous quarter, primarily due to a decrease in large case market premiums and deposits.

Sales

Sales for the second quarter of 2015 increased by $15 million to $121 million compared to the same quarter last year. The increase was primarily due to higher sales in the small and mid-size case markets and higher creditor sales, partially offset by lower sales in the large case market. Sales of creditor/direct marketing products can be highly variable from quarter to quarter.

For the six months ended June 30, 2015, sales decreased by $6 million to $247 million compared to the same period last year. The decrease was primarily due to lower creditor sales in the large case market, partially offset by higher sales in the small and mid-size case markets.

Sales for the second quarter of 2015 decreased by $5 million compared to the previous quarter. The decrease was primarily due to lower sales in the large case market, partially offset by higher sales in the small and mid-size case markets and higher creditor sales.

Fee and other income

Fee and other income of $39 million for the second quarter of 2015 was both comparable to the same quarter last year and the previous quarter.

Fee and other income of $78 million for the six months ended June 30, 2015 was comparable to the same period last year.

Net earnings

Net earnings for the second quarter of 2015 increased by $4 million to $96 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment experience, partially offset by less favourable morbidity experience and lower contributions from insurance contract liability basis changes. In addition, net earnings for the second quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not occur in 2014.

For the six months ended June 30, 2015, net earnings increased by $4 million to $205 million compared to the same period last year, for the same reasons discussed for the in-quarter result.

Net earnings for the second quarter of 2015 decreased by $13 million compared to the previous quarter. The decrease was primarily due to less favourable morbidity experience as well as lower contributions from insurance contract liability basis changes and investment experience, partially offset by lower operating expenses and lower income taxes.

CANADA CORPORATE

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

For the second quarter of 2015, Canada Corporate net earnings of $2 million were comparable to the same quarter last year, as higher investment income and lower operating expenses were offset by increased allocated financing charges.

For the six months ended June 30, 2015, Canada Corporate had a net loss of $7 million compared to net earnings of $13 million for the same period in 2014, primarily due to increased allocated financing charges.

For the second quarter of 2015, Canada Corporate net earnings increased to $2 million from a net loss of $9 million in the previous quarter, primarily due to an increase in reserves for uncertain tax positions, which negatively impacted earnings in the first quarter of 2015, partially offset by lower investment income in the second quarter of 2015.

UNITED STATES

The United States operating results for Lifeco include the results of Great-West Financial, 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, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. The Company also provides life insurance, annuity and executive benefits products.

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

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 that highlights the impact of changes in currency translation rates on IFRS results. This measure provides useful information as it facilitates comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - United States

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015[2]	June 30 2014[1][3]	**June 30 2015**	June 30 2014[1][3]
Premiums and deposits[1]	**$ 11,011**	$ 12,962	$ 10,070	**$ 23,973**	$ 22,483
Sales[2]	**18,131**	20,123	10,480	**38,254**	23,639
Fee and other income	**577**	573	436	**1,150**	855
Net earnings - common shareholders	**67**	121	69	**188**	110
Net earnings - common shareholders (US$)	**55**	98	63	**153**	100
Total assets[3]	**$ 78,868**	$ 81,216	$ 66,714		
Proprietary mutual funds and institutional net assets	**205,049**	211,294	176,577		
Total assets under management	**283,917**	292,510	243,291		
Other assets under administration	**476,600**	494,200	203,517		
Total assets under administration	**$ 760,517**	$ 786,710	$ 446,808		

(1) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.
(2) Comparative figures for sales (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.
(3) Comparative figures have been restated for a prior period adjustment described in note 2 to the Company's condensed consolidated financial statements for the period ended June 30, 2015.

2015 DEVELOPMENTS

- Under the Empower Retirement brand, effective January 1, 2015, the retirement services businesses of Great-West Financial, the acquired J.P. Morgan Retirement Plan Services (RPS) and Putnam have merged, creating the second largest recordkeeping provider in the U.S. with nearly 7.4 million participant accounts. Empower Retirement also includes the individual retirement account (IRA) business that was previously reported with Great-West Financial's Individual Markets results.
- Within the business unit sections, 2015 figures are aligned with the new business structure, while 2014 comparative figures reflect the previous structure. For the full year in 2014, Putnam's retirement service business recorded a net loss of approximately US$20 million. As noted above, in 2015 this business is integrated within the Empower Retirement operations.
- Net earnings for the three months ended June 30, 2015 were US$55 million, a decrease of US$8 million compared to the same quarter last year, primarily due to higher strategic and business development expenses related to Empower Retirement. Net earnings for the three months ended June 30, 2015 decreased by US$43 million compared to the first quarter of 2015 primarily due to lower contributions from investment experience.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2015 DEVELOPMENTS

- Sales for three months ended June 30, 2015 were US$7.8 billion, an increase of US$5.6 billion compared to the same quarter last year, primarily due to an increased number of large plan sales in Empower Retirement.
- Fee and other income for the three months ended June 30, 2015 was US$242 million, an increase of US$69 million from the same quarter last year, primarily due to the addition of RPS fee income of US$46 million, which was acquired August 29, 2014.
- Premiums and deposits for the three months ended June 30, 2015 were US$2,035 million, an increase of US$172 million from the same quarter last year, primarily due to higher Empower Retirement sales.
- Net earnings for the three months ended June 30, 2015 were US$58 million, a decrease of US$13 million over the same quarter last year, primarily due to higher strategic and business development expenses related to Empower Retirement. Empower Retirement's focus continues on enhancements, which will improve the client-facing experience as well as streamline the back-office processing over the next several years. The Company expects that these enhancements will drive future sales and increased market share. The Company anticipates investing approximately US$150 million on this multi-year initiative with expected impact to net earnings of approximately US$35 million in 2015 and US$20 million in 2016. For the six months ended June 30, 2015, these costs have impacted net earnings by US$16 million. Subsequent to 2016, the Company expects these costs to decline and normalize and will include amortization expense from the system and infrastructure enhancements.
- Empower Retirement exceeded 2 million retirement plan participants in the defined contribution government sector during the three months ended June 30, 2015. Empower Retirement now serves approximately 600 government clients at the state, county or local levels with more than US$90 billion in assets under administration.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015[2]	June 30 2014[1]	**June 30 2015**	June 30 2014[1]
Premiums and deposits[1]	**$ 2,504**	$ 2,730	$ 2,029	**$ 5,234**	$ 4,470
Sales[2]	**9,624**	9,891	2,439	**19,515**	5,626
Fee and other income	**297**	295	189	**592**	374
Net earnings	**72**	120	78	**192**	172
Premiums and deposits (US$)[1]	**$ 2,035**	$ 2,202	$ 1,863	**$ 4,237**	$ 4,082
Sales (US$)[2]	**7,825**	7,977	2,238	**15,802**	5,135
Fee and other income (US$)	**242**	238	173	**480**	342
Net earnings (US$)	**58**	97	71	**155**	156

(1) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.
(2) Comparative figures for sales (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.

Premiums and deposits
Premiums and deposits for the second quarter of 2015 increased by US$172 million to US$2,035 million compared to the same quarter last year, due to an increase of US$309 million in Empower Retirement, which was partially offset by a decrease of US$137 million in Individual Markets. The increase in Empower Retirement was primarily due to an increase in defined contribution plan sales. The decrease in Individual Markets was primarily due to lower sales in the retail bank life insurance and executive benefits lines of business. In the second quarter of 2014, IRA premiums and deposits of US$41 million were included in Individual Markets; in 2015, these are included in Empower Retirement.

For the six months ended June 30, 2015, premiums and deposits increased by US$155 million to US$4,237 million compared to the same period last year, due to an increase of US$420 million in Empower Retirement, which was partially offset by a decrease of US$265 million in Individual Markets. The increase in Empower Retirement was primarily due to higher sales, partially offset by lower contributions from participants of existing plans. The decrease in Individual Markets was primarily due to lower sales in the executive benefits and retail bank life insurance lines of business. For the six months ended June 30, 2014, IRA premiums and deposits of US$100 million were included in Individual Markets; in 2015, these are included in Empower Retirement.

Premiums and deposits for the second quarter of 2015 decreased by US$167 million compared to the previous quarter. Empower Retirement premiums decreased by US$167 million, primarily due to a decrease in sales, partly offset by higher contributions from participants of existing plans.

Sales
Sales in the second quarter of 2015 increased by US$5,587 million to US$7,825 million compared to the same quarter last year, due to an increase of US$5,782 million in Empower Retirement, partially offset by a decrease of US$195 million in Individual Markets. The increase in Empower Retirement sales was primarily due to an increase in large plan sales. The decrease in Individual Markets sales reflects lower sales in the retail bank life insurance line of business. In the second quarter of 2014, IRA sales of US$117 million were included in Individual Markets; in 2015, these are included in Empower Retirement.

For the six months ended June 30, 2015, sales increased by US$10,667 million to US$15,802 million compared to the same period last year. The increase was driven by an increase of US$11,046 million in Empower Retirement and a decrease in Individual Markets of US$379 million, primarily due to the same reasons discussed for the in-quarter results. For the six months ended June 30, 2014, IRA sales of US$250 million were included in Individual Markets; in 2015, these are included in Empower Retirement.

Sales in the second quarter of 2015 decreased by US$152 million compared to the previous quarter, due to a decrease of US$209 million in Empower Retirement, which was partially offset by an increase of US$57 million in Individual Markets. The decrease in Empower Retirement sales was due to lower plan mergers, partly offset by higher annualized sales premiums. The increase in Individual Markets was due to higher sales in the executive benefits and bank annuity lines of business. Individual Markets' executive benefits and bank annuity lines of business sales increased for the second quarter of 2015 compared to the previous quarter by 72% and 9%, respectively.

Fee and other income

Fee and other income for the second quarter of 2015 increased by US$69 million to US$242 million compared to the same quarter last year. The increase was primarily due to higher fees resulting from the RPS acquisition of US$46 million, increased asset levels driven by higher average equity market levels and positive cash flows as well as the impact of the transfer of the defined contribution business from Putnam to Empower Retirement on January 1, 2015. In the second quarter of 2014, Putnam fee income included US$8 million related to the transferred defined contribution business.

For the six months ended June 30, 2015, fee and other income increased by US$138 million to US$480 million compared to the same period last year, for the same reasons discussed for the in-quarter results. RPS fees for the six months ended June 30, 2015 were US$95 million. For the six months ended June 30, 2014, Putnam fee income included US$15 million related to the transferred defined contribution business.

Fee and other income for the second quarter of 2015 increased by US$4 million compared to the previous quarter, primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

Net earnings

Net earnings for the second quarter of 2015 decreased by US$13 million to US$58 million compared to the same quarter last year. The decrease was primarily due to higher strategic and business development expenses related to Empower Retirement of US$8 million as well as the impact of the transfer of the defined contribution business from Putnam to Empower Retirement, partially offset by higher contributions from investment experience. In the second quarter of 2014, Putnam net earnings included a net loss of US$6 million related to the transferred defined contribution business.

For the six months ended June 30, 2015, net earnings decreased by US$1 million to US$155 million compared to the same period last year, as increased strategic and business development expenses related to Empower Retirement of US$14 million and the impact of the transfer of the defined contribution business from Putnam to Empower Retirement were mostly offset by higher contributions from investment experience. For the six months ended June 30, 2014, Putnam net earnings included a net loss of US$11 million related to the transferred defined contribution business.

Net earnings for the second quarter of 2015 decreased by US$39 million compared to the previous quarter, primarily due to lower contributions from investment experience and increased strategic and business development expenses related to Empower Retirement of US$2 million.

ASSET MANAGEMENT

2015 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at June 30, 2015 of US$156.3 billion decreased by US$2.2 billion compared to the same quarter last year, while average AUM of US$160.4 billion increased by US$5.8 billion compared to the same quarter last year.
- Sales for the three months ended June 30, 2015 were US$6.9 billion, a decrease of US$0.5 billion compared to the same quarter last year.
- Fee income for the three months ended June 30, 2015 was US$228 million, an increase of US$1 million compared to the same quarter last year.

- Putnam agreed to continue its strategic alliance through 2020 with Nissay Asset Management (NAM), the asset management arm of Nippon Life Insurance Company. Putnam will continue to hold a 10% ownership stake in NAM, serve as a sub-advisor for retail funds distributed by NAM and act as an investment advisor for pension fund clients of NAM.
- Putnam continues to sustain strong investment performance relative to its peers. As of June 30, 2015, approximately 93% and 78% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. Additionally, approximately 81% of Putnam's fund assets performed at levels in the Lipper Top Quartile on a three-year basis.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Sales	**$ 8,507**	$ 10,232	$ 8,041	**$ 18,739**	$ 18,013
Fee income					
Investment management fees	**214**	213	182	**427**	357
Performance fees	**6**	3	7	**9**	10
Service fees	**42**	42	44	**84**	87
Underwriting & distribution fees	**18**	20	14	**38**	27
Fee income	**280**	278	247	**558**	481
Core net earnings (loss)[(1)]	**10**	15	4	**25**	(10)
Less: Financing and other expenses (after-tax)[(1)]	**(13)**	(13)	(13)	**(26)**	(52)
Reported net earnings (loss)	**(3)**	2	(9)	**(1)**	(62)
Sales (US$)	**$ 6,916**	$ 8,252	$ 7,377	**$ 15,168**	$ 16,442
Fee income (US$)					
Investment management fees (US$)	**174**	172	168	**346**	326
Performance fees (US$)	**5**	3	6	**8**	9
Service fees (US$)	**34**	34	40	**68**	79
Underwriting & distribution fees (US$)	**15**	15	13	**30**	25
Fee income (US$)	**228**	224	227	**452**	439
Core net earnings (loss) (US$)[(1)]	**8**	12	4	**20**	(9)
Less: Financing and other expenses (after-tax) (US$)[(1)]	**(10)**	(10)	(12)	**(20)**	(47)
Reported net earnings (loss) (US$)	**(2)**	2	(8)	**—**	(56)
Pre-tax operating margin (US$)[(2)]	**6.6%**	9.2%	4.2%	**7.9%**	(0.2)%

(1) Core net earnings (loss) (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization, and excludes the impact of corporate financing charges and allocations and fair value adjustments related to stock-based compensation.

(2) Pre-tax operating margin (a non-IFRS financial measure) is a measure of the Asset Management business unit's pre-tax core net earnings (loss) divided by the sum of fee income and net investment income.

Sales
Sales in the second quarter of 2015 decreased by US$0.5 billion to US$6.9 billion compared to the same quarter last year, due to a decrease in mutual fund sales of US$1.2 billion, partially offset by higher institutional sales of US$0.7 billion.

For the six months ended June 30, 2015, sales decreased by US$1.3 billion to US$15.2 billion compared to the same period last year, due to a decrease in mutual fund sales of US$2.0 billion, partially offset by higher institutional sales of US$0.7 billion.

Sales in the second quarter of 2015 decreased by US$1.3 billion compared to the previous quarter, due to a decrease in mutual fund sales of US$1.1 billion and a decrease in institutional sales of US$0.2 billion.

Fee income
Fee income is derived primarily from investment management fees, performance fees, transfer agency and other service fees, as well as 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.

Fee income for the second quarter of 2015 of US$228 million was comparable to the same quarter last year. Fee income for the second quarter of 2014 included US$8 million related to the defined contribution business, which was transferred to Empower Retirement ("transferred defined contribution business") on January 1, 2015. Excluding the impact of the transferred defined contribution business, fee income increased by US$9 million, primarily due to increased investment management fees driven by growth in average assets under management.

For the six months ended June 30, 2015, fee income increased by US$13 million to US$452 million compared to the same period last year. Fee income for the six months ended June 30, 2014 included US$15 million related to the defined contribution business that was transferred to Empower Retirement. Excluding the impact of the transferred defined contribution business, fee income increased by US$28 million, primarily due to increased investment management fees driven by growth in average assets under management and an increased number of accounts.

Fee income for the second quarter of 2015 increased by US$4 million compared to the previous quarter, primarily due to increased investment management fees and performance fees on both mutual funds and institutional portfolios.

Net earnings
Core net earnings (a non-IFRS financial measure) for the second quarter of 2015 were US$8 million compared to US$4 million in the same quarter last year. Core net earnings for the second quarter of 2014 included a net loss of US$6 million attributable to the transferred defined contribution business. Excluding the impact of the transferred defined contribution business, core net earnings decreased US$2 million, primarily due to lower net investment income, mostly offset by higher fee income and lower operating expenses. Net investment income in the second quarter of 2015 included unrealized losses of US$2 million on seed capital as a result of lower equity market levels, while the second quarter of 2014 included unrealized and realized gains of US$7 million, primarily due to the redemption of seed capital as a result of successful product launches. In the second quarter of 2015, the reported net loss, including financing and other expenses, was US$2 million compared to a net loss of US$8 million for the same quarter last year. Financing and other expenses for the second quarter of 2015 decreased by US$2 million to US$10 million compared to the same quarter last year.

For the six months ended June 30, 2015, core net earnings were US$20 million compared to a net loss of US$9 million in the same period last year. Core net earnings for the six months ended June 30, 2014 included a net loss of US$11 million attributable to the transferred defined contribution business. Excluding the impact of the transferred defined contribution business, core net earnings increased US$18 million, primarily due to higher fee income and lower operating expenses, partially offset by lower net investment income. Reported net earnings, including financing and other expenses, for the six months ended June 30, 2015 were nil compared to a net loss of US$56 million for the same period last year. Financing and other expenses for the six month period ended June 30, 2015 decreased by US$27 million to US$20 million compared to the same period last year. On a year-to-date basis, 2014 financing and other expenses included the impact of share-based liability compensation expenses of US$21 million and proxy expenses for the Putnam Funds of US$4 million, which did not recur in 2015.

Core net earnings for the second quarter of 2015 decreased by US$4 million compared to the previous quarter. The previous quarter included US$5 million of expense recoveries that did not recur. Excluding the impact of these expense recoveries, core net earnings increased US$1 million, primarily due to higher fee income and lower operating expenses, mostly offset by lower net investment income. The reported net loss, including financing and other expenses, for the second quarter of 2015 was US$2 million compared to net earnings of US$2 million in the previous quarter. Financing and other expenses for the second quarter of 2015 of US$10 million were comparable to the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)	**For the three months ended**			**For the six months ended**	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Beginning assets	**$ 159,208**	$ 157,572	$ 153,432	**$ 157,572**	$ 149,556
Sales - Mutual funds	**4,500**	5,608	5,677	**10,108**	12,053
Redemptions - Mutual funds	**(5,508)**	(5,166)	(3,986)	**(10,674)**	(7,915)
Net asset flows - Mutual funds	**(1,008)**	442	1,691	**(566)**	4,138
Sales - Institutional	**2,416**	2,644	1,700	**5,060**	4,389
Redemptions - Institutional	**(3,222)**	(3,063)	(3,222)	**(6,285)**	(7,268)
Net asset flows - Institutional	**(806)**	(419)	(1,522)	**(1,225)**	(2,879)
Net asset flows - Total	**(1,814)**	23	169	**(1,791)**	1,259
Impact of market/performance	**(1,046)**	1,613	4,970	**567**	7,756
Ending assets	**$ 156,348**	$ 159,208	$ 158,571	**$ 156,348**	$ 158,571
Average assets under management					
Mutual funds	**87,896**	87,269	82,016	**87,588**	80,240
Institutional assets	**72,459**	71,127	72,516	**71,803**	72,279
Total average assets under management	**$ 160,355**	$ 158,396	$ 154,532	**$ 159,391**	$ 152,519

Average AUM for the three months ended June 30, 2015 was US$160.4 billion. Average AUM increased by US$5.8 billion compared to the same quarter last year, primarily due to the impact of positive market and investment performance over the twelve month period. Net asset outflows for the second quarter of 2015 were US$1.8 billion compared to net asset inflows of US$0.2 billion in the same quarter last year. In-quarter mutual fund net asset outflows were US$1.0 billion and institutional net asset outflows were US$0.8 billion.

Average AUM for the six months ended June 30, 2015 increased by US$6.9 billion to US$159.4 billion compared to the same period last year, primarily due to the impact of positive market and investment performance. Net asset outflows for the six months ended June 30, 2015 were US$1.8 billion compared to net asset inflows of US$1.3 billion for the same period last year. Year-to-date mutual fund net asset outflows were US$0.6 billion and institutional net asset outflows were US$1.2 billion.

Average AUM increased by US$2.0 billion compared to the previous quarter, primarily due to positive market and investment performance.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units, including the impact of certain non-continuing items related to the U.S. segment.

In the second quarter of 2015, United States Corporate had a net loss of US$1 million compared to nil for the same quarter last year, due to RPS acquisition related restructuring costs in 2015.

For the six months ended June 30, 2015, Corporate had a net loss of US$2 million compared to nil for the same period in 2014, for the same reasons discussed for the in-quarter results.

The net loss for the three months ended June 30, 2015 of US$1 million was comparable to the previous quarter.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities, where the Company offers protection and wealth management products, including payout annuity products, through subsidiaries of Canada Life in the U.K., the Isle of Man and Germany, as well as through Irish Life in Ireland; and Reinsurance, which operates primarily in the U.S., Barbados and Ireland. Reinsurance products are provided 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 that highlights the impact of changes in currency translation rates on IFRS results. This measure provides useful information as it facilitates comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 5,193**	$ 6,673	$ 4,944	**$ 11,866**	$ 10,033
Fee and other income	**283**	327	318	**610**	614
Net earnings - common shareholders	**289**	286	246	**575**	505
Total assets	**$ 152,025**	$ 152,743	$ 139,470		
Proprietary mutual funds and institutional net assets	**22,091**	22,337	18,949		
Total assets under management	**174,116**	175,080	158,419		
Other assets under administration	**47,536**	47,529	42,337		
Total assets under administration	**$ 221,652**	$ 222,609	$ 200,756		

2015 DEVELOPMENTS

- Net earnings for the second quarter of 2015 were $289 million, an increase of $43 million from the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes as well as lower income taxes.
- Premiums and deposits for the three months ended June 30, 2015 were $5.2 billion, an increase of $249 million from the same quarter last year, primarily due to higher fund management sales in Ireland.
- Fee and other income for the three months ended June 30, 2015 was $283 million, a decrease of $35 million compared to the same quarter last year, primarily driven by the impact of currency movement and lower net fee income in Ireland.
- The last of the policy migration activities for the Irish Life integration successfully concluded during the second quarter of 2015. The Company now expects to realize €48 million of annualized synergies from the acquisition of Irish Life, exceeding the annualized synergy target of €40 million by 20%.
- The 2014 U.K. Budget changes became effective in April 2015 and have reduced, and will continue to impact, the sales of annuities in the U.K. In the second quarter of 2015, U.K. retail payout annuities sales were 45% of the sales levels in the second quarter of 2014. During the quarter, the Company successfully launched its new range of pension products, designed to take advantage of the new flexibilities given to individuals with defined contribution pensions in the U.K.
- On July 1, 2015, the Company, through its subsidiary The Canada Life Group (U.K.) Limited, completed the acquisition of Legal & General International (Ireland) Limited (LGII), a Dublin-based subsidiary of the Legal & General Group Plc. LGII provides quality investment and wealth management solutions, primarily focused on the U.K. high-net-worth market and has over 4,300 investment bond policies with assets under administration of approximately £2.8 billion (as at June 30, 2015). LGII will now operate as Canada Life International Assurance (Ireland) (CLIAI).
- In Europe, the Company continues to develop and implement systems and processes to meet the new Solvency II regulations in advance of the effective date of January 1, 2016. The implementation of Solvency II regulations will remain the focus of all of the Company's regulated European businesses during 2015. Progress continues to be made, with the submission of Preparatory Phase I reporting to the Company's local regulators: the Prudential Regulation Authority (PRA) and the Central Bank of Ireland (CBI) during the quarter.
- In May 2015, Irish Life Investment Managers (ILIM) was appointed by Ark Life (now part of the U.K. based Guardian group) to manage in excess of €2 billion of its asset portfolio and provide the associated asset servicing requirements, effective August 2015. Prior to the appointment, a subsidiary of Irish Life provided the policyholder recordkeeping and administrative functions for this portfolio and will continue to provide these services going forward.
- At the IPD/IPF U.K. Property Investment Awards, Canada Life Investments, a subsidiary of Canada Life in the U.K. was awarded "Small Balanced Funds (below £100m at Dec 2013) - Highest 3 year annualized return".

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 4,116**	$ 5,160	$ 3,498	**$ 9,276**	$ 7,610
Sales	**3,396**	4,456	2,814	**7,852**	6,320
Fee and other income	**277**	322	307	**599**	593
Net earnings	**207**	216	184	**423**	384

Premiums and deposits
Premiums and deposits for the second quarter of 2015 increased by $0.6 billion to $4.1 billion compared to the same quarter last year. The increase was primarily due to higher sales across most product lines in Ireland and Germany. The increase was partially offset by lower retail U.K. payout annuity sales and the impact of currency movement, driven by the weakening of the euro during the quarter compared to the second quarter of 2014.

For the six months ended June 30, 2015, premiums and deposits increased by $1.7 billion to $9.3 billion compared to the same period last year. The increase was primarily due to the acquisition of Equitable Life's annuity business in the first quarter of 2015, higher fund management sales as well as higher sales across most product lines in Ireland and Germany. The increase was partially offset by the impact of currency movement, driven by the weakening of the euro compared to the same period in 2014.

Premiums and deposits for the second quarter of 2015 decreased by $1.0 billion compared to the previous quarter, primarily due to the $1.6 billion acquisition of Equitable Life's annuity business in the previous quarter, which was partially offset by higher fund management, pension and annuity sales in Ireland.

Sales
Sales for the second quarter of 2015 increased by $0.6 billion to $3.4 billion compared to the same quarter last year. For the six months ended June 30, 2015, sales increased to $7.9 billion from $6.3 billion in the same period last year. The increases in both the three month and six month periods were due to the same reasons discussed for premiums and deposits for the respective periods.

Sales for the second quarter of 2015 decreased by $1.1 billion from the previous quarter, due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income
Fee and other income for the second quarter of 2015 decreased by $30 million to $277 million compared to the same quarter last year. The decrease reflects the impact of currency movement, driven by the weakening of the euro during the quarter compared to the second quarter of 2014 and lower gain related fee income amounts associated with a closed block of Irish unit-linked business. The fee income on this block of business is particularly sensitive to market levels at the start and end of a reporting period.

For the six months ended June 30, 2015, fee and other income increased by $6 million to $599 million compared to the same period last year, due to higher asset management fees in Ireland and Germany, primarily driven by growth in assets under management, partially offset by the impact of currency movement, driven by the weakening of the euro compared to the same period in 2014.

Fee and other income for the second quarter of 2015 decreased by $45 million compared to the previous quarter, primarily due to lower net fee income in Ireland as described for the in-quarter results.

Net earnings
Net earnings for the second quarter of 2015 increased by $23 million to $207 million compared to the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes, which include refinements to annuitant longevity assumptions and modeling refinements. The increase was partially offset by less favourable mortality, morbidity and investment experience as well as the impact of lower U.K. payout annuity new business volumes. Net earnings include $60 million in Ireland, up $3 million from the same quarter in 2014, due to an increase in benefits from integration synergies and higher contributions from insurance contract liability basis changes, offset by lower net fee income.

Net earnings for the six months ended June 30, 2015 increased by $39 million to $423 million compared to the same period last year. The growth was primarily due to higher contributions from insurance contract liability basis changes, higher asset management fees and improved morbidity in Ireland. These items were mostly offset by the impact of lower U.K. payout annuity new business volumes, lower contributions from investment experience, less favourable mortality experience in the U.K. and Ireland as well as higher income taxes. Net earnings include $140 million in Ireland, up $31 million from the same period in 2014 for the reasons discussed above as well as an increase in benefits from integration synergies.

Net earnings for the second quarter of 2015 decreased by $9 million compared to the previous quarter. The decrease was primarily due to less favourable morbidity experience in Ireland, lower net fee income in Ireland and lower contributions from insurance contract liability basis changes, which were partially offset by higher contributions from investment experience.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Premiums and deposits	**$ 1,077**	$ 1,513	$ 1,446	**$ 2,590**	$ 2,423
Fee and other income	**6**	5	11	**11**	21
Net earnings	**92**	77	72	**169**	135

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

Premiums and deposits for the second quarter of 2015 decreased by $369 million to $1,077 million compared to the same quarter last year. The decrease was primarily due to a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014, partially offset by new and restructured reinsurance treaties and the positive impact of currency movement.

For the six months ended June 30, 2015, premiums and deposits increased by $167 million to $2,590 million compared to the same period last year. The increase was primarily due to new business volumes and restructured reinsurance agreements as well as the positive impact of currency movement, partially offset by commuted treaties and a Dutch-based annuity reinsurance agreement entered into during 2014.

Premiums and deposits for the second quarter of 2015 decreased by $436 million compared to the previous quarter, primarily due to lower business volumes.

Fee and other income
Fee and other income for the second quarter of 2015 decreased by $5 million to $6 million compared to the same quarter last year. Certain life treaties were restructured in the fourth quarter of 2014 and result in lower fee income on an ongoing basis.

For the six months ended June 30, 2015, fee and other income decreased by $10 million to $11 million compared to the same period last year, as discussed for the in-quarter results.

Fee and other income for the second quarter of 2015 was comparable to the previous quarter.

Net earnings
Net earnings for the second quarter of 2015 increased by $20 million to $92 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and the positive impact of currency movement, partially offset by higher new business strain in the traditional life business and less favourable claims experience. In addition, net earnings for the second quarter of 2015 were positively impacted by changes to certain income tax estimates.

For the six months ended June 30, 2015, net earnings increased by $34 million to $169 million compared to the same period last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and investment experience, the positive impact of currency movement as well as lower income taxes as discussed for the in-quarter results. These increases were partially offset by higher new business strain in the traditional life business.

Net earnings for the second quarter of 2015 increased by $15 million compared to the previous quarter. The increase was primarily due to lower income taxes discussed for the in-quarter results, partially offset by lower contributions from insurance contract liability basis changes and investment experience.

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.

In the second quarter of 2015, Europe Corporate had a net loss of $10 million, which was comparable to the same quarter last year. Second quarter 2015 results include restructuring costs of $9 million relating to the acquisition of Irish Life, compared to $8 million for the same quarter last year.

For the six months ended June 30, 2015, Europe Corporate had a net loss of $17 million compared to a net loss of $14 million for the same period last year. Included in the year-to-date net loss was $15 million of Irish Life related restructuring costs in 2015, compared to $13 million for the same period in 2014.

The net loss for the three months ended June 30, 2015, increased from $7 million in the previous quarter to $10 million in the current quarter, due to an increase in Irish Life related restructuring costs.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended June 30, 2015, Lifeco Corporate had a net loss of $5 million, an increase from a net loss of $4 million in the second quarter of 2014, primarily due to lower investment income.

For the six months ended June 30, 2015, Lifeco Corporate had a net loss of $11 million, which was comparable to the same period last year.

The net loss for the three months ended June 30, 2015 of $5 million decreased from a net loss of $6 million for the previous quarter, primarily due to higher investment income.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2015**		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue(1)(2)	**$ 4,224**	$12,679	$10,723	$ 8,451	$10,070	$ 9,937	$ 8,056	$ 7,206
Common shareholders								
Net earnings								
Total	**$ 659**	700	657	687	615	587	717	523
Basic - per share	**0.661**	0.702	0.658	0.687	0.616	0.587	0.717	0.527
Diluted - per share	**0.659**	0.700	0.657	0.686	0.615	0.587	0.716	0.522
Operating earnings(3)								
Total	**$ 659**	700	657	687	615	587	491	523
Basic - per share	**0.661**	0.702	0.658	0.687	0.616	0.587	0.491	0.527
Diluted - per share	**0.659**	0.700	0.657	0.686	0.615	0.587	0.490	0.522

(1) The Company reclassified comparative figures for presentation adjustments in 2013.
(2) Revenue includes the change in fair value through profit or loss on investment assets.
(3) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions. Refer to the "Cautionary Note Regarding Non-IFRS Financial Measures" section of this document.

Lifeco's consolidated net earnings attributable to common shareholders were $659 million for the second quarter of 2015 compared to $615 million reported a year ago. On a per share basis, this represents $0.661 per common share ($0.659 diluted) for the second quarter of 2015 compared to $0.616 per common share ($0.615 diluted) a year ago.

Total revenue for the second quarter of 2015 was $4,224 million and comprises premium income of $5,516 million, regular net investment income of $1,519 million, a negative change in fair value through profit or loss on investment assets of $4,037 million and fee and other income of $1,226 million.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

There have been no changes in the Company's internal control over financial reporting during the six month period ending June 30, 2015 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 reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency Period ended	June 30 2015	Mar. 31 2015	Dec. 31 2014	Sept. 30 2014	June 30 2014	Mar. 31 2014
United States dollar						
Balance sheet	**$ 1.25**	$ 1.27	$ 1.16	$ 1.12	$ 1.07	$ 1.11
Income and expenses	**$ 1.23**	$ 1.24	$ 1.14	$ 1.09	$ 1.09	$ 1.10
British pound						
Balance sheet	**$ 1.96**	$ 1.88	$ 1.81	$ 1.82	$ 1.83	$ 1.84
Income and expenses	**$ 1.89**	$ 1.88	$ 1.80	$ 1.82	$ 1.84	$ 1.83
Euro						
Balance sheet	**$ 1.39**	$ 1.36	$ 1.40	$ 1.42	$ 1.46	$ 1.52
Income and expenses	**$ 1.36**	$ 1.40	$ 1.42	$ 1.44	$ 1.50	$ 1.51

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.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014	**June 30 2015**	June 30 2014
Income					
Premium income					
Gross premiums written	**$ 6,410**	$ 7,806	$ 6,646	**$ 14,216**	$ 12,757
Ceded premiums	**(894)**	(874)	(882)	**(1,768)**	(1,726)
Total net premiums	**5,516**	6,932	5,764	**12,448**	11,031
Net investment income (note 4)					
Regular net investment income	**1,519**	1,536	1,526	**3,055**	3,015
Changes in fair value through profit or loss	**(4,037)**	2,953	1,670	**(1,084)**	3,792
Total net investment income	**(2,518)**	4,489	3,196	**1,971**	6,807
Fee and other income	**1,226**	1,258	1,110	**2,484**	2,169
	4,224	12,679	10,070	**16,903**	20,007
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**5,127**	5,640	4,592	**10,767**	9,393
Ceded	**(490)**	(483)	(476)	**(973)**	(951)
Total net policyholder benefits	**4,637**	5,157	4,116	**9,794**	8,442
Policyholder dividends and experience refunds	**374**	381	358	**755**	746
Changes in insurance and investment contract liabilities	**(3,423)**	4,351	3,106	**928**	5,881
Total paid or credited to policyholders	**1,588**	9,889	7,580	**11,477**	15,069
Commissions	**554**	515	546	**1,069**	1,051
Operating and administrative expenses	**1,081**	1,078	915	**2,159**	1,848
Premium taxes	**80**	84	83	**164**	168
Financing charges (note 9)	**75**	77	76	**152**	152
Amortization of finite life intangible assets	**37**	36	32	**73**	65
Restructuring and acquisition expenses	**14**	7	10	**21**	15
Earnings before income taxes	**795**	993	828	**1,788**	1,639
Income taxes (note 14)	**86**	224	156	**310**	329
Net earnings before non-controlling interests	**709**	769	672	**1,478**	1,310
Attributable to non-controlling interests	**19**	37	28	**56**	50
Net earnings	**690**	732	644	**1,422**	1,260
Preferred share dividends	**31**	32	29	**63**	58
Net earnings - common shareholders	**$ 659**	$ 700	$ 615	**$ 1,359**	$ 1,202
Earnings per common share (note 11)					
Basic	**$ 0.661**	$ 0.702	$ 0.616	**$ 1.363**	$ 1.203
Diluted	**$ 0.659**	$ 0.700	$ 0.615	**$ 1.359**	$ 1.202

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the six months ended	
	June 30 2015	March 31 2015	June 30 2014 (note 2)	**June 30 2015**	June 30 2014 (note 2)
Net earnings	**$ 690**	$ 732	$ 644	**$ 1,422**	$ 1,260
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**146**	733	(335)	**879**	185
Unrealized foreign exchange gains (losses) on euro debt designated as hedge of the net investment in foreign operations	**(15)**	20	30	**5**	5
Income tax benefit	**1**	—	—	**1**	—
Unrealized gains (losses) on available-for-sale assets	**(141)**	130	57	**(11)**	152
Income tax (expense) benefit	**30**	(28)	(13)	**2**	(34)
Realized gains on available-for-sale assets	**(20)**	(73)	(11)	**(93)**	(22)
Income tax expense	**3**	12	4	**15**	7
Unrealized gains (losses) on cash flow hedges	**29**	(135)	66	**(106)**	7
Income tax (expense) benefit	**(11)**	51	(25)	**40**	(3)
Realized losses on cash flow hedges	**—**	1	1	**1**	1
Non-controlling interests	**35**	(42)	(18)	**(7)**	(46)
Income tax (expense) benefit	**(10)**	11	5	**1**	12
Total items that may be reclassified	**47**	680	(239)	**727**	264
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 13)	**325**	(223)	(119)	**102**	(239)
Income tax (expense) benefit	**(77)**	48	28	**(29)**	57
Non-controlling interests	**(19)**	7	8	**(12)**	17
Income tax (expense) benefit	**5**	(1)	(2)	**4**	(4)
Total items that will not be reclassified	**234**	(169)	(85)	**65**	(169)
Total other comprehensive income (loss)	**281**	511	(324)	**792**	95
Comprehensive income	**$ 971**	$ 1,243	$ 320	**$ 2,214**	$ 1,355

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	June 30 2015	December 31 2014
Assets		
Cash and cash equivalents	**$ 2,688**	$ 2,498
Bonds (note 4)	**108,452**	103,168
Mortgage loans (note 4)	**21,104**	20,546
Stocks (note 4)	**7,826**	7,820
Investment properties (note 4)	**5,220**	4,613
Loans to policyholders	**8,221**	7,711
	153,511	146,356
Funds held by ceding insurers	**14,050**	12,154
Goodwill	**5,865**	5,855
Intangible assets	**3,768**	3,625
Derivative financial instruments	**466**	652
Owner occupied properties	**629**	619
Fixed assets	**255**	228
Reinsurance assets (note 8)	**5,139**	5,151
Premiums in course of collection, accounts and interest receivable	**3,444**	3,056
Other assets	**2,662**	2,368
Current income taxes	**69**	48
Deferred tax assets	**1,735**	1,631
Investments on account of segregated fund policyholders (note 7)	**184,835**	174,966
Total assets	**$ 376,428**	$ 356,709
Liabilities		
Insurance contract liabilities (note 8)	**$ 152,315**	$ 145,198
Investment contract liabilities (note 8)	**842**	857
Debentures and other debt instruments	**5,265**	5,355
Funds held under reinsurance contracts	**328**	313
Derivative financial instruments	**1,678**	1,195
Accounts payable	**2,061**	1,480
Other liabilities	**3,326**	3,099
Current income taxes	**537**	737
Deferred tax liabilities	**1,609**	1,450
Capital trust debentures	**162**	162
Investment and insurance contracts on account of segregated fund policyholders (note 7)	**184,835**	174,966
Total liabilities	**352,958**	334,812
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,547**	2,480
Non-controlling interests in subsidiaries	**185**	163
Shareholders' equity		
Share capital (note 10)		
Preferred shares	**2,514**	2,514
Common shares	**7,166**	7,102
Accumulated surplus	**9,779**	9,134
Accumulated other comprehensive income	**1,170**	378
Contributed surplus	**109**	126
Total equity	**23,470**	21,897
Total liabilities and equity	**$ 376,428**	$ 356,709

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	June 30, 2015					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 9,616**	**$ 126**	**$ 9,134**	**$ 378**	**$ 2,643**	**$ 21,897**
Net earnings	**—**	**—**	**1,422**	**—**	**56**	**1,478**
Other comprehensive income	**—**	**—**	**—**	**792**	**14**	**806**
	9,616	**126**	**10,556**	**1,170**	**2,713**	**24,181**
Dividends to shareholders						
Preferred shareholders (note 11)	**—**	**—**	**(63)**	**—**	**—**	**(63)**
Common shareholders	**—**	**—**	**(650)**	**—**	**—**	**(650)**
Shares exercised and issued under share-based payment plans (note 10)	**79**	**(46)**	**—**	**—**	**39**	**72**
Share-based payment plans expense	**—**	**29**	**—**	**—**	**—**	**29**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(23)**	**(23)**
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	**(76)**	**—**	**—**	**—**	**—**	**(76)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	**61**	**—**	**(61)**	**—**	**—**	**—**
Dilution loss on non-controlling interests	**—**	**—**	**(3)**	**—**	**3**	**—**
Balance, end of period	**$ 9,680**	**$ 109**	**$ 9,779**	**$ 1,170**	**$ 2,732**	**$ 23,470**

	June 30, 2014 (note 2)					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,426	$ 57	$ 7,899	$ 86	$ 2,362	$ 19,830
Net earnings	—	—	1,260	—	50	1,310
Other comprehensive income	—	—	—	95	21	116
	9,426	57	9,159	181	2,433	21,256
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(58)	—	—	(58)
Common shareholders	—	—	(614)	—	—	(614)
Shares exercised and issued under share-based payment plans (note 10)	8	(1)	—	—	—	7
Share-based payment plans expense	—	5	—	—	—	5
Modification to share-based plans	—	26	—	—	217	243
Equity settlement of Putnam share-based plans	—	—	—	—	(62)	(62)
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	(22)	—	—	—	—	(22)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	17	—	(17)	—	—	—
Issuance of preferred shares	200	—	—	—	—	200
Share issue costs	—	—	(4)	—	—	(4)
Balance, end of period	$ 9,629	$ 87	$ 8,466	$ 181	$ 2,588	$ 20,951

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the six months ended June 30	
	2015	2014
Operations		
Earnings before income taxes	**$ 1,788**	$ 1,639
Income taxes paid, net of refunds received	**(265)**	(410)
Adjustments:		
Change in insurance and investment contract liabilities	**(729)**	5,389
Change in funds held by ceding insurers	**479**	247
Change in funds held under reinsurance contracts	**(90)**	17
Change in deferred acquisition costs	**24**	30
Change in reinsurance assets	**124**	(245)
Changes in fair value through profit or loss	**1,084**	(3,792)
Other	**81**	(221)
	2,496	2,654
Financing Activities		
Issue of common shares (note 10)	**79**	8
Issue of preferred shares	**—**	200
Share issue costs	**—**	(4)
Purchased and cancelled common shares (note 10)	**(76)**	(22)
Decrease in line of credit of subsidiary	**(161)**	(142)
Dividends paid on common shares	**(650)**	(614)
Dividends paid on preferred shares	**(63)**	(58)
	(871)	(632)
Investment Activities		
Bond sales and maturities	**16,396**	15,293
Mortgage loan repayments	**1,280**	975
Stock sales	**1,025**	1,943
Investment property sales	**4**	98
Change in loans to policyholders	**(104)**	(50)
Investment in bonds	**(17,821)**	(17,231)
Investment in mortgage loans	**(1,161)**	(1,820)
Investment in stocks	**(917)**	(836)
Investment in investment properties	**(246)**	(105)
	(1,544)	(1,733)
Effect of changes in exchange rates on cash and cash equivalents	**109**	29
Increase in cash and cash equivalents	**190**	318
Cash and cash equivalents, beginning of period	**2,498**	2,791
Cash and cash equivalents, end of period	**$ 2,688**	$ 3,109
Supplementary cash flow information		
Interest income received	**$ 2,499**	$ 2,465
Interest paid	**$ 157**	$ 158
Dividend income received	**$ 120**	$ 127

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

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three and six months ended June 30, 2015 were approved by the Board of Directors on August 5, 2015.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2014 consolidated annual audited financial statements and notes thereto. Certain June 30, 2014 comparative figures in these financial statements have been restated for the prior period adjustment disclosed in note 35 to the Company's December 31, 2014 consolidated annual financial statements. For the three and six months ended June 30, 2014 this adjustment resulted in an increase of $6 and a decrease of $2, respectively, to other comprehensive income as a result of unrealized foreign exchange losses on translation of foreign operations. This adjustment had no impact on the net earnings or earnings per share for the periods presented within these financial statements.

The financial statements of Lifeco at June 30, 2015 have been prepared in compliance 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, 2014 except as described below.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for *Annual Improvements 2010 - 2012 Cycle, Annual Improvements 2011 - 2013 Cycle* and IAS 19 *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

<u>Future Accounting Policies</u>

In July 2015, the IASB deferred the effective date of IFRS 15, *Revenue from Contracts with Customers* from January 1, 2017, as disclosed in the December 31, 2014 consolidated annual audited financial statements, to January 1, 2018. The Company continues to evaluate the impact of the adoption of this standard.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2014 consolidated annual audited financial statements.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are further described in the relevant accounting policies as described in note 2 of the Company's December 31, 2014 consolidated annual audited financial statements and notes thereto.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available.

3. Business Acquisitions

(a) J.P. Morgan Retirement Plan Services

On August 29, 2014, the Company, through its wholly owned subsidiary Great-West Financial, completed the acquisition of all of the voting equity interests in the J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business. The Company disclosed the allocation of the purchase price to the amounts of assets acquired, goodwill and liabilities assumed in note 3 to the December 31, 2014 consolidated annual audited financial statements. During the first quarter of 2015 the Company finalized the purchase price allocation with no adjustments from those balances reported as at December 31, 2014.

(b) Legal & General International (Ireland) Limited - Subsequent Event

On July 1, 2015, the Company, through its indirect wholly owned subsidiary Canada Life Group, acquired Legal & General International (Ireland) Limited, a provider of investment and wealth management solutions for high net worth individuals in the United Kingdom.

The estimated impact upon acquisition is that approximately $5 billion of unit-linked funds will be recognized within investments on account of segregated fund policyholders and investment and insurance contracts on account of segregated fund policyholder liabilities on the Company’s balance sheet. The Company continues to finalize the allocation of the purchase price of this acquisition. The acquisition will not have a material impact on the Company's financial results.

4. Portfolio Investments

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

	June 30, 2015		December 31, 2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 77,820**	**$ 77,820**	$ 77,833	$ 77,833
Classified fair value through profit or loss [1]	**1,917**	**1,917**	2,167	2,167
Available-for-sale	**13,394**	**13,394**	9,990	9,990
Loans and receivables	**15,321**	**16,810**	13,178	14,659
	108,452	**109,941**	103,168	104,649
Mortgage loans				
Residential	**7,474**	**7,876**	7,238	7,653
Non-residential	**13,630**	**14,712**	13,308	14,514
	21,104	**22,588**	20,546	22,167
Stocks				
Designated fair value through profit or loss [1]	**6,629**	**6,629**	6,617	6,617
Available-for-sale	**52**	**52**	50	50
Available-for-sale, at cost [2]	**557**	**N/A**	560	N/A
Equity method	**588**	**598**	593	664
	7,826	**7,279**	7,820	7,331
Investment properties	**5,220**	**5,220**	4,613	4,613
Total	**$ 142,602**	**$ 145,028**	$ 136,147	$ 138,760

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

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

[2] Fair value cannot be reliably measured, therefore the investments are held at cost and excluded from the total fair value amount presented.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	June 30 2015	December 31 2014
Impaired amounts by classification		
Fair value through profit or loss	**$ 355**	$ 355
Available-for-sale	**15**	14
Loans and receivables	**24**	15
Total	**$ 394**	$ 384

The above carrying values for loans and receivables are net of allowances of $19 at June 30, 2015 and $18 at December 31, 2014.

4. Portfolio Investments (cont'd)

(c) Net investment income comprises the following:

For the three months ended June 30, 2015	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,035**	**$ 238**	**$ 60**	**$ 87**	**$ 121**	**$ 1,541**
Net realized gains (losses)						
Available-for-sale	**20**	**—**	**—**	**—**	**—**	**20**
Other classifications	**2**	**(8)**	**15**	**—**	**—**	**9**
Net allowances for credit losses on loans and receivables	**—**	**—**	**—**	**—**	**—**	**—**
Other income and expenses	**—**	**—**	**—**	**(26)**	**(25)**	**(51)**
	1,057	**230**	**75**	**61**	**96**	**1,519**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**(26)**	**—**	**—**	**—**	**—**	**(26)**
Designated fair value through profit or loss	**(3,966)**	**—**	**(134)**	**81**	**8**	**(4,011)**
	(3,992)	**—**	**(134)**	**81**	**8**	**(4,037)**
Total	**$ (2,935)**	**$ 230**	**$ (59)**	**$ 142**	**$ 104**	**$ (2,518)**

For the three months ended June 30, 2014	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,037	$ 238	$ 63	$ 80	$ 130	$ 1,548
Net realized gains						
Available-for-sale	4	—	9	—	—	13
Other classifications	3	2	—	—	—	5
Net allowances for credit losses on loans and receivables	—	1	—	—	—	1
Other income and expenses	—	—	—	(17)	(24)	(41)
	1,044	241	72	63	106	1,526
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	18	—	—	—	—	18
Designated fair value through profit or loss	1,231	—	292	47	82	1,652
	1,249	—	292	47	82	1,670
Total	$ 2,293	$ 241	$ 364	$ 110	$ 188	$ 3,196

4. Portfolio Investments (cont'd)

For the six months ended June 30, 2015	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 2,052**	**$ 481**	**$ 122**	**$ 175**	**$ 211**	**$ 3,041**
Net realized gains						
Available-for-sale	**93**	**—**	**1**	**—**	**—**	**94**
Other classifications	**7**	**—**	**15**	**—**	**—**	**22**
Net allowances for credit losses on loans and receivables	**—**	**1**	**—**	**—**	**—**	**1**
Other income and expenses	**—**	**—**	**—**	**(51)**	**(52)**	**(103)**
	2,152	**482**	**138**	**124**	**159**	**3,055**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**19**	**—**	**—**	**—**	**—**	**19**
Designated fair value through profit or loss	**(1,389)**	**—**	**28**	**136**	**122**	**(1,103)**
	(1,370)	**—**	**28**	**136**	**122**	**(1,084)**
Total	**$ 782**	**$ 482**	**$ 166**	**$ 260**	**$ 281**	**$ 1,971**

For the six months ended June 30, 2014	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,044	$ 472	$ 134	$ 157	$ 247	$ 3,054
Net realized gains						
Available-for-sale	16	—	8	—	—	24
Other classifications	12	4	—	—	—	16
Net allowances for credit losses on loans and receivables	—	—	—	—	—	—
Other income and expenses	—	—	—	(33)	(46)	(79)
	2,072	476	142	124	201	3,015
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	50	—	—	—	—	50
Designated fair value through profit or loss	2,943	—	502	137	160	3,742
	2,993	—	502	137	160	3,792
Total	$ 5,065	$ 476	$ 644	$ 261	$ 361	$ 6,807

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends and equity income from the investment in IGM Financial Inc. and Allianz Ireland. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties.

5. Financial Instruments 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 financial 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 2014 Annual Report. Certain risks have been outlined below. For a discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2014 consolidated audited financial statements and the "Risk Management and Control Practices" section in the Company's December 31, 2014 Management's Discussion and Analysis.

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 to make payments when due.

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2014.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(c) Financial Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities
These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest-rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. 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. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

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

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios.

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions. If sustained however, the parallel shift could impact the Company's range of scenarios covered.

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

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would not change the total provision for interest rates.

Another 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 shareholders net earnings of the Company of a 1% change in the Company's view of the range of interest rates to be covered by these provisions:

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $124 causing an increase in net earnings of approximately $74.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $593 causing a decrease in net earnings of approximately $403.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees 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 values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $56 causing an increase in net earnings of approximately $47. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $156 causing a decrease in net earnings of approximately $124.

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 $490 causing an increase in net earnings of approximately $395. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $519 causing a decrease in net earnings of approximately $411.

6. Fair Value Measurement

The Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Assets and liabilities utilizing Level 1 inputs include actively exchange traded equity securities, exchange-traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans. Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, and investment properties.

6. Fair Value Measurement (cont'd)

The following presents the Company’s assets and liabilities measured at fair value on a recurring basis by hierarchy level:

	June 30, 2015			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 2,688	$ —	$ —	$ 2,688
Financial assets at fair value through profit or loss				
Bonds	—	79,728	9	79,737
Stocks	6,575	7	47	6,629
Total financial assets at fair value through profit or loss	6,575	79,735	56	86,366
Available-for-sale financial assets				
Bonds	—	13,393	1	13,394
Stocks	51	—	1	52
Total available-for-sale financial assets	51	13,393	2	13,446
Investment properties	—	—	5,220	5,220
Derivatives [1]	3	463	—	466
Other assets:				
Trading account assets in Putnam	271	195	1	467
Other trading assets	86	—	—	86
Other [2]	111	—	—	111
Total assets measured at fair value	$ 9,785	$ 93,786	$ 5,279	$ 108,850
Liabilities measured at fair value				
Derivatives [3]	$ 1	$ 1,677	$ —	$ 1,678
Investment contract liabilities	—	813	29	842
Other liabilities - other	111	—	—	111
Total liabilities measured at fair value	$ 112	$ 2,490	$ 29	$ 2,631

[1] Excludes collateral received of $119.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged of $348.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

6. Fair Value Measurement (cont'd)

	December 31, 2014			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,498	$ —	$ —	$ 2,498
Financial assets at fair value through profit or loss				
Bonds	—	79,914	86	80,000
Stocks	6,594	6	17	6,617
Total financial assets at fair value through profit or loss	6,594	79,920	103	86,617
Available-for-sale financial assets				
Bonds	—	9,989	1	9,990
Stocks	49	—	1	50
Total available-for-sale financial assets	49	9,989	2	10,040
Investment properties	—	—	4,613	4,613
Derivatives (1)	1	651	—	652
Other assets:				
Trading account assets in Putnam	184	143	—	327
Other trading assets	78	—	—	78
Other (2)	16	—	—	16
Total assets measured at fair value	$ 9,420	$ 90,703	$ 4,718	$ 104,841
Liabilities measured at fair value				
Derivatives (3)	$ 4	$ 1,191	$ —	$ 1,195
Investment contract liabilities	—	829	28	857
Other liabilities - other	16	—	—	16
Total liabilities measured at fair value	$ 20	$ 2,020	$ 28	$ 2,068

(1) Excludes collateral received of $52.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $273.

There were no transfers of the Company's assets and liabilities between Level 1 and Level 2 in the period.

6. Fair Value Measurement (cont'd)

The following presents additional information about assets and liabilities measured at fair value on a recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	June 30, 2015							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks (3)	Available-for-sale stocks	Investment properties	Other assets-trading account (4)	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	**$ 86**	**$ 1**	**$ 17**	**$ 1**	**$ 4,613**	**$ —**	**$ 4,718**	**$ 28**
Total gains								
Included in net earnings	**5**	**—**	**3**	**—**	**136**	**—**	**144**	**—**
Included in other comprehensive income (1)	**—**	**—**	**—**	**—**	**238**	**—**	**238**	**—**
Purchases	**—**	**—**	**34**	**—**	**246**	**1**	**281**	**—**
Sales	**—**	**—**	**(3)**	**—**	**(4)**	**—**	**(7)**	**—**
Repayments	**(48)**	**—**	**—**	**—**	**—**	**—**	**(48)**	**—**
Other	**—**	**—**	**—**	**—**	**(9)**	**—**	**(9)**	**1**
Transfers into Level 3 (2)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3 (2)	**(34)**	**—**	**(4)**	**—**	**—**	**—**	**(38)**	**—**
Balance, end of period	**$ 9**	**$ 1**	**$ 47**	**$ 1**	**$ 5,220**	**$ 1**	**$ 5,279**	**$ 29**
Total gains for the period included in net investment income	**$ 5**	**$ —**	**$ 3**	**$ —**	**$ 136**	**$ —**	**$ 144**	**$ —**
Change in unrealized gains for the period included in earnings for assets held at June 30, 2015	**$ 5**	**$ —**	**$ 2**	**$ —**	**$ 125**	**$ —**	**$ 132**	**$ —**

(1) Other comprehensive income for investment properties represents the unrealized gains on foreign exchange.

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

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

(4) Includes illiquid equities where prices are not quoted; however, the Company does not believe changing the inputs to reasonably alternate assumptions would change the values significantly.

6. Fair Value Measurement (cont'd)

	December 31, 2014							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks (3)	Available-for-sale stocks	Investment properties	Other assets - trading account (4)	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 333	$ 24	$ 24	$ 1	$ 4,288	$ 21	$ 4,691	$ 30
Total gains (losses)								
Included in net earnings	6	—	(1)	—	262	1	268	—
Included in other comprehensive income (1)	—	1	—	—	56	—	57	—
Purchases	33	—	8	—	127	—	168	—
Sales	—	—	(13)	—	(98)	(22)	(133)	—
Repayments	(1)	—	—	—	—	—	(1)	—
Transferred to owner occupied properties	—	—	—	—	(13)	—	(13)	—
Other	—	—	—	—	(9)	—	(9)	(2)
Transfers into Level 3 (2)	—	—	—	—	—	—	—	—
Transfers out of Level 3 (2)	(285)	(24)	(1)	—	—	—	(310)	—
Balance, end of year	$ 86	$ 1	$ 17	$ 1	$ 4,613	$ —	$ 4,718	$ 28
Total gains (losses) for the year included in net investment income	$ 6	$ —	$ (1)	$ —	$ 262	$ 1	$ 268	$ —
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2014	$ 6	$ —	$ (3)	$ —	$ 229	$ 1	$ 233	$ —

(1) Other comprehensive income for investment properties represents the unrealized gains on foreign exchange.

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

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

(4) Includes illiquid equities where prices are not quoted; however, the Company does not believe changing the inputs to reasonably alternate assumptions would change the values significantly.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.5% - 11.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 5.0% - 8.3%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.9%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

7. Segregated Funds

The following presents details of the investments, determined in accordance with the relevant statutory reporting requirements of each region of the Company's operations, on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	June 30 2015	December 31 2014
Cash and cash equivalents	**$ 11,076**	$ 11,052
Bonds	**39,580**	37,912
Mortgage loans	**2,510**	2,508
Stocks and units in unit trusts	**73,579**	68,911
Mutual funds	**49,425**	46,707
Investment properties	**9,886**	9,533
	186,056	176,623
Accrued income	**363**	364
Other liabilities	**(2,917)**	(3,033)
Non-controlling mutual funds interest	**1,333**	1,012
Total	**$ 184,835**	$ 174,966

7. Segregated Funds (cont'd)

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

	For the six months ended June 30	
	2015	2014
Balance, beginning of year	**$ 174,966**	$ 160,779
Additions (deductions):		
Policyholder deposits	**9,882**	11,080
Net investment income	**951**	1,035
Net realized capital gains on investments	**2,771**	2,476
Net unrealized capital gains on investments	**2,377**	5,250
Unrealized gains due to changes in foreign exchange rates	**4,017**	774
Policyholder withdrawals	**(10,505)**	(10,674)
Segregated Fund investment in General Fund	**31**	(382)
General Fund investment in Segregated Fund	**(6)**	—
Net transfer from General Fund	**30**	35
Non-controlling mutual funds interest	**321**	10
Other	**—**	(1)
Total	**9,869**	9,603
Balance, end of period	**$ 184,835**	$ 170,382

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 6)

	June 30, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 118,323**	**$ 58,168**	**$ 10,760**	**$ 187,251**

[1] Excludes other liabilities, net of other assets, of $2,416.

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	$ 112,189	$ 54,942	$ 10,390	$ 177,521

[1] Excludes other liabilities, net of other assets, of $2,555.

During the first six months of 2015 certain foreign stock holdings valued at $321 have been transferred from Level 1 to Level 2 ($2,234 were transferred from Level 1 to Level 2 at December 31, 2014) based on the Company's ability to utilize observable, quoted prices in active markets.

Level 2 assets include those assets where fair value is not available from normal market pricing sources and where the Company does not have visibility through to the underlying assets.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	June 30 2015	December 31 2014
Balance, beginning of year	**$ 10,390**	$ 9,298
Total gains included in segregated fund investment income	**369**	782
Purchases	**275**	919
Sales	**(273)**	(603)
Transfers into Level 3	**—**	4
Transfers out of Level 3	**(1)**	(10)
Balance, end of period	**$ 10,760**	$ 10,390

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

For further details on the Company's risk and guarantee exposure and the management of these risks, refer to the Segregated Fund and Variable Annuity Guarantees section of the Company's Management's Discussion and Analysis for the period ended June 30, 2015 and the Risk Management and Control Practice section of the Company's December 31, 2014 Management's Discussion and Analysis.

8. Insurance and Investment Contract Liabilities

	June 30, 2015		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 152,315**	**$ 5,139**	**$ 147,176**
Investment contract liabilities	**842**	**—**	**842**
Total	**$ 153,157**	**$ 5,139**	**$ 148,018**

	December 31, 2014		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 145,198	$ 5,151	$ 140,047
Investment contract liabilities	857	—	857
Total	$ 146,055	$ 5,151	$ 140,904

9. Financing Charges

Financing charges consist of the following:

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	**2015**	2014
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ 2**	$ 2	**$ 3**	$ 3
Financial charges:				
Interest on long-term debentures and other debt instruments	**65**	65	**131**	131
Interest on capital trust debentures	**2**	2	**5**	5
Other	**6**	7	**13**	13
	73	74	**149**	149
Total	**$ 75**	$ 76	**$ 152**	$ 152

10. Share Capital

Common Shares

	For the six months ended June 30			
	2015		2014	
	Number	**Carrying Value**	Number	Carrying Value
Common shares				
Balance, beginning of year	**996,699,371**	**$ 7,102**	999,402,079	$ 7,112
Purchased and cancelled under Normal Course Issuer Bid	**(2,126,298)**	**(76)**	(726,304)	(22)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**61**	—	17
Exercised and issued under stock option plan	**2,306,036**	**79**	260,802	8
Balance, end of period	**996,879,109**	**$ 7,166**	998,936,577	$ 7,115

On December 5, 2014, the Company announced a normal course issuer bid commencing December 9, 2014 and terminating December 8, 2015 to purchase for cancellation up to but not more than 8,000,000 of its common shares at market prices.

During the six months ended June 30, 2015, the Company repurchased and subsequently cancelled 2,126,298 common shares at a cost of $76 (726,304 during the six months ended June 30, 2014 under the previous normal course issuer bid at a cost of $22). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was $61 and was recognized as a reduction to equity ($17 during the six months ended June 30, 2014 under the previous normal course issuer bid).

During the six months ended June 30, 2015, 2,306,036 common shares were exercised under the Company's stock plan with a carrying value of $79 (260,802 with a carrying value of $8 during the six months ended June 30, 2014).

11. Earnings per Common Share

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	**2015**	2014
Earnings				
Net earnings	**$ 690**	$ 644	**$ 1,422**	$ 1,260
Preferred share dividends	**(31)**	(29)	**(63)**	(58)
Net earnings - common shareholders	**$ 659**	$ 615	**$ 1,359**	$ 1,202
Number of common shares				
Average number of common shares outstanding	**997,371,589**	999,058,528	**997,113,344**	999,136,645
Add: Potential exercise of outstanding stock options	**2,768,324**	926,027	**2,512,342**	1,091,114
Average number of common shares outstanding - diluted basis	**1,000,139,913**	999,984,555	**999,625,686**	1,000,227,759
Basic earnings per common share	**$ 0.661**	$ 0.616	**$ 1.363**	$ 1.203
Diluted earnings per common share	**$ 0.659**	$ 0.615	**$ 1.359**	$ 1.202
Dividends per common share	**$ 0.3260**	$ 0.3075	**$ 0.6520**	$ 0.6150

12. Capital Management

(a) Policies and Objectives

Managing capital is the continual process of establishing and maintaining the quantity and quality of capital appropriate for the Company and ensuring capital is deployed in a manner consistent with the expectations of the Company's stakeholders. For these purposes, the Board considers the key stakeholders to be the Company's shareholders, policyholders and holders of subordinated liabilities in addition to the relevant regulators in the various jurisdictions where the Company and its subsidiaries operate.

The Company manages its capital on both a consolidated basis as well as at the individual operating subsidiary level. The primary objectives of the Company's capital management strategy are:

- to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate;
- to maintain strong credit and financial strength ratings of the Company ensuring stable access to capital markets; and
- to provide an efficient capital structure to maximize shareholders value in the context of the Company's operational risks and strategic plans.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is reviewed by the Executive Committee of the Board of Directors and approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions Canada 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. For this purpose, various additions or deductions from capital are mandated by the guidelines issued by the Office of the Superintendent of Financial Institutions Canada. The following provides a summary of the Minimum Continuing Capital and Surplus Requirements information and ratios for Great-West Life:

	June 30 2015	December 31 2014
Adjusted Net Tier 1 Capital	**$ 12,064**	$ 11,132
Net Tier 2 Capital	**2,508**	2,530
Total Capital Available	**$ 14,572**	$ 13,662
Total Capital Required	**$ 6,370**	$ 6,092
Tier 1 Ratio	**189%**	183%
Total Ratio	**229%**	224%

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2014 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

13. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	**2015**	2014
Pension plans				
Service costs	**$ 52**	$ 40	**$ 102**	$ 79
Net interest cost	**7**	—	**13**	1
	59	40	**115**	80
Other post-employment benefits				
Service costs	**—**	1	**1**	1
Net interest cost	**4**	4	**8**	9
	4	5	**9**	10
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**63**	45	**124**	90
Pension plans - re-measurements				
Actuarial (gain) loss	**(571)**	237	**(34)**	462
Return on assets less (greater) than assumed	**236**	(135)	**(184)**	(254)
Administrative expenses greater (less) than assumed	**1**	—	**1**	(1)
Change in the asset ceiling	**27**	—	**112**	(7)
Actuarial loss - investment in associate (1)	**2**	8	**6**	12
Pension plans re-measurement (income) loss	**(305)**	110	**(99)**	212
Other post-employment benefits - re-measurements				
Actuarial (gain) loss	**(20)**	9	**(3)**	27
Pension plans and other post-employment benefits expense - other comprehensive (income) loss	**(325)**	119	**(102)**	239
Total pension plans and other post-employment benefits (income) expense	**$ (262)**	$ 164	**$ 22**	$ 329

(1) This includes the Company's share of pension plan re-measurements for an investment in an associate accounted for under the equity method.

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

	Weighted average discount rate	
June 30, 2015 (June 30, 2014)	**3.7%**	(4.0%)
March 31, 2015 (March 31, 2014)	**3.1%**	(4.3%)
December 31, 2014 (December 31, 2013)	**3.5%**	(4.7%)

14. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended June 30		For the six months ended June 30	
	2015	2014	**2015**	2014
Current income taxes	**$ 31**	$ 82	**$ 180**	$ 188
Deferred income taxes	**55**	74	**130**	141
Total income tax expense	**$ 86**	$ 156	**$ 310**	$ 329

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the three months ended June 30, 2015 was 11% compared to 19% for the three months ended June 30, 2014. The overall effective income tax rate for Lifeco for the six months ended June 30, 2015 was 17% compared to 19% for the full year 2014 and 20% for the six months ended June 30, 2014. The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.75% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

The effective income tax rate for the three months ended June 30, 2015 is lower than the effective tax rate for the same period last year primarily due to a higher percentage of foreign income subject to lower rates of income tax in foreign jurisdictions as well as changes to certain tax estimates resulting in a reduced current income tax expense.

The effective income tax rate for the six months ended June 30, 2015 is lower than the six months ended June 30, 2014 and the full year 2014 effective income tax rates primarily driven by the same items discussed for the in-quarter results.

(c) Deferred Tax Assets

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities will be available to allow the deferred income 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 income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

The deferred income 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 income tax asset for the most significant entities where this applies is $1,279 at June 30, 2015 ($1,216 at December 31, 2014).

15. Legal Provisions and Contingent Liabilities (changes since December 31, 2014 Consolidated Financial Statements)

On April 15, 2015 the United States Court of Appeals for the Second Circuit issued its decision in the second civil litigation matter involving a subsidiary of the Company, Putnam Advisory Company, LLC. The decision overturned the dismissal of the action and remanded the matter for further proceedings.

16. Segmented Information

Consolidated Net Earnings

For the three months ended June 30, 2015

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,839	$ 905	$ 1,772	$ —	$ 5,516
Net investment income					
Regular net investment income	630	390	498	1	1,519
Changes in fair value through profit or loss	(1,181)	(566)	(2,290)	—	(4,037)
Total net investment income	(551)	(176)	(1,792)	1	(2,518)
Fee and other income	366	577	283	—	1,226
	2,654	1,306	263	1	4,224
Benefits and expenses					
Paid or credited to policyholders	1,460	543	(415)	—	1,588
Other [(1)]	775	614	322	4	1,715
Financing charges	29	35	10	1	75
Amortization of finite life intangible assets	15	18	4	—	37
Restructuring and acquisition expenses	—	3	11	—	14
Earnings (loss) before income taxes	375	93	331	(4)	795
Income taxes (recovery)	47	22	18	(1)	86
Net earnings (loss) before non-controlling interests	328	71	313	(3)	709
Non-controlling interests	16	2	1	—	19
Net earnings (loss)	312	69	312	(3)	690
Preferred share dividends	26	—	5	—	31
Net earnings (loss) before capital allocation	286	69	307	(3)	659
Impact of capital allocation	22	(2)	(18)	(2)	—
Net earnings (loss) - common shareholders	$ 308	$ 67	$ 289	$ (5)	$ 659

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

16. Segmented Information (cont'd)

For the three months ended June 30, 2014

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,776	$ 832	$ 2,156	$ —	$ 5,764
Net investment income					
Regular net investment income	643	352	529	2	1,526
Changes in fair value through profit or loss	780	302	588	—	1,670
Total net investment income	1,423	654	1,117	2	3,196
Fee and other income	356	436	318	—	1,110
	4,555	1,922	3,591	2	10,070
Benefits and expenses					
Paid or credited to policyholders	3,367	1,295	2,918	—	7,580
Other [(1)]	728	478	332	6	1,544
Financing charges	29	35	12	—	76
Amortization of finite life intangible assets	13	14	5	—	32
Restructuring and acquisition expenses	—	—	10	—	10
Earnings (loss) before income taxes	418	100	314	(4)	828
Income taxes (recovery)	90	25	42	(1)	156
Net earnings (loss) before non-controlling interests	328	75	272	(3)	672
Non-controlling interests	24	2	2	—	28
Net earnings (loss)	304	73	270	(3)	644
Preferred share dividends	24	—	5	—	29
Net earnings (loss) before capital allocation	280	73	265	(3)	615
Impact of capital allocation	24	(4)	(19)	(1)	—
Net earnings (loss) - common shareholders	$ 304	$ 69	$ 246	$ (4)	$ 615

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

16. Segmented Information (cont'd)

For the six months ended June 30, 2015

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 5,506	$ 1,634	$ 5,308	$ —	$ 12,448
Net investment income					
Regular net investment income	1,259	785	1,011	—	3,055
Changes in fair value through profit or loss	195	(334)	(945)	—	(1,084)
Total net investment income	1,454	451	66	—	1,971
Fee and other income	724	1,150	610	—	2,484
	7,684	3,235	5,984	—	16,903
Benefits and expenses					
Paid or credited to policyholders	5,225	1,664	4,588	—	11,477
Other [(1)]	1,538	1,200	646	8	3,392
Financing charges	58	71	22	1	152
Amortization of finite life intangible assets	29	35	9	—	73
Restructuring and acquisition expenses	—	4	17	—	21
Earnings (loss) before income taxes	834	261	702	(9)	1,788
Income taxes (recovery)	170	66	76	(2)	310
Net earnings (loss) before non-controlling interests	664	195	626	(7)	1,478
Non-controlling interests	49	4	3	—	56
Net earnings (loss)	615	191	623	(7)	1,422
Preferred share dividends	52	—	11	—	63
Net earnings (loss) before capital allocation	563	191	612	(7)	1,359
Impact of capital allocation	44	(3)	(37)	(4)	—
Net earnings (loss) - common shareholders	$ 607	$ 188	$ 575	$ (11)	$ 1,359

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

16. Segmented Information (cont'd)

For the six months ended June 30, 2014

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 5,389	$ 1,644	$ 3,998	$ —	$ 11,031
Net investment income					
Regular net investment income	1,281	709	1,027	(2)	3,015
Changes in fair value through profit or loss	1,727	625	1,440	—	3,792
Total net investment income	3,008	1,334	2,467	(2)	6,807
Fee and other income	700	855	614	—	2,169
	9,097	3,833	7,079	(2)	20,007
Benefits and expenses					
Paid or credited to policyholders	6,732	2,593	5,744	—	15,069
Other [(1)]	1,443	972	642	10	3,067
Financing charges	58	70	24	—	152
Amortization of finite life intangible assets	26	29	10	—	65
Restructuring and acquisition expenses	—	—	15	—	15
Earnings (loss) before income taxes	838	169	644	(12)	1,639
Income taxes (recovery)	195	48	89	(3)	329
Net earnings (loss) before non-controlling interests	643	121	555	(9)	1,310
Non-controlling interests	46	3	1	—	50
Net earnings (loss)	597	118	554	(9)	1,260
Preferred share dividends	47	—	11	—	58
Net earnings (loss) before capital allocation	550	118	543	(9)	1,202
Impact of capital allocation	48	(8)	(38)	(2)	—
Net earnings (loss) - common shareholders	$ 598	$ 110	$ 505	$ (11)	$ 1,202

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

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