GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2016

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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 September 30, 2016 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 2016 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco or the Company) has reported net earnings attributable to common shareholders (net earnings) of $674 million or $0.682 per common share for the three months ended September 30, 2016 compared to $720 million or $0.724 per common share for the same period in 2015.

For the nine months ended September 30, 2016, net earnings were $1,965 million, compared to $2,079 million for the same period in 2015. This represents $1.982 per common share for the nine months ended September 30, 2016, compared to $2.086 per common share for the same period in 2015.

Consolidated assets under administration at September 30, 2016 were over $1.2 trillion, an increase of $16.0 billion from December 31, 2015.

Highlights – In Quarter

- Lifeco premiums and deposits in the third quarter of 2016 of $29.3 billion were comparable to the same quarter in 2015:
    - Canada premiums and deposits were $6.1 billion, up 7%, primarily due to strong Individual Insurance and Single Premium Group Annuity sales.
    - Europe premiums and deposits were $8.3 billion, down 16%, primarily due to a $3.5 billion sale to an institutional client in the third quarter of 2015. Excluding this impact, premiums and deposits increased $2.0 billion primarily due to an increase in premiums from reinsurance agreements, higher fund management sales in Ireland and higher payout annuity sales in the U.K.
    - Great-West Financial premiums and deposits were US$2.7 billion, up 3%, primarily as a result of higher premiums due to sales from the executive benefits line of business. Empower Retirement sales were down in the third quarter compared to 2015 driven by lower very large plan sales.
    - Putnam gross sales were US$8.7 billion, up 11% overall. Institutional sales increased 36% as the pipeline continues to remain strong, while mutual fund sales decreased 11%, reflective of the decline in industry segments where Putnam operates.
- Lifeco's capital position remained very strong. The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 227% at September 30, 2016.
- Lifeco reported a ROE of 13.8%.
- Lifeco declared a quarterly common dividend of $0.3460 per common share payable December 30, 2016.
- Lifeco completed its previously announced Irish health insurance acquisitions and will operate its new business under the Irish Life Health brand. The Company has set annual cost savings targets of €16 million pre-tax to be achieved through operating efficiencies from the combination of the businesses. Integration activities, with an expected cost of €16 million pre-tax, are anticipated to be completed in the next 18 to 24 months.

GREAT-WEST LIFECO INC.

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), 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. 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

Net earnings attributable to common shareholders for the third quarter of 2016 were $289 million compared to $326 million in the third quarter of 2015. For the nine months ended September 30, 2016, net earnings attributable to common shareholders were $892 million compared to $933 million for the same period in 2015.

Total sales in the third quarter of 2016 of $3.1 billion increased from $2.9 billion in the third quarter of 2015, reflecting higher Participating Life and Universal Life product sales as well as very strong Single Premium Group Annuity sales. Total sales for the nine months ended September 30, 2016 of $9.1 billion were comparable to the same period in 2015.

Total Canada segment assets under administration at September 30, 2016 were $174 billion compared to $166 billion at December 31, 2015.

UNITED STATES

Net earnings attributable to common shareholders for the third quarter of 2016 were $78 million, reflecting Great-West Financial net earnings of $84 million and a net loss of $6 million for Putnam, compared to net earnings of $96 million in the third quarter of 2015. For the nine months ended September 30, 2016, net earnings attributable to common shareholders were $194 million compared to $284 million for the same period in 2015.

Great-West Financial sales in the third quarter of 2016 were US$8.9 billion, down from US$11.9 billion in the third quarter of 2015, primarily due to lower Empower Retirement very large plan sales. Sales for the nine months ended September 30, 2016 were US$33.9 billion, up from US$27.7 billion in 2015.

Putnam assets under management at September 30, 2016 were US$153.8 billion compared to US$146.6 billion at September 30, 2015, an increase of 5%, primarily due to the cumulative impact of positive markets and net asset inflows from the institutional business. Net asset inflows for the third quarter of 2016 were US$0.5 billion compared to US$0.1 billion for the same quarter in 2015, as in-quarter institutional net asset inflows of US$2.1 billion were partially offset by mutual fund net asset outflows of US$1.6 billion.

Total United States segment assets under administration at September 30, 2016 were $818 billion compared to $808 billion at December 31, 2015.

EUROPE

Market uncertainty and volatility continues following the U.K.'s June 23, 2016 vote to leave the European Union, most notably resulting in a weaker British pound. The Company remains committed to its operations in the U.K. which are strong and are primarily domestic businesses with well-diversified investment portfolios. Customer needs for insurance, wealth and annuity products remain as before and the Company is well placed to continue to serve these customers.

Net earnings attributable to common shareholders for the third quarter of 2016 were $313 million, up from $296 million in the third quarter of 2015. While the Company's U.K. domestic businesses continue to perform well, net earnings were negatively impacted by $45 million as a result of a decrease in the exchange rate of the British pound to the Canadian dollar compared to the same quarter last year. For the nine months ended September 30, 2016, net earnings attributable to common shareholders were $893 million up from $871 million for the same period in 2015.

Insurance & Annuities sales for the third quarter of 2016 were $4.6 billion, down from $7.7 billion in the third quarter of 2015, primarily due to the $3.5 billion sale to an institutional client in the third quarter of 2015. Excluding this item, sales increased $0.4 billion primarily due to higher fund management sales in Ireland and payout annuity sales in the U.K., partially offset by the impact of currency movement driven by the weakening of the British pound compared to the Canadian dollar. Sales for the nine months ended September 30, 2016 were $14.8 billion compared to $15.6 billion for the same period in 2015.

Total Europe segment assets under administration at September 30, 2016 were $237 billion compared to $238 billion at December 31, 2015.

LIFECO CORPORATE

Lifeco Corporate segment's net loss attributable to common shareholders was $6 million in the third quarter of 2016 compared to net earnings of $2 million in the third quarter of 2015. For the nine months ended September 30, 2016, the net loss was $14 million compared to a net loss of $9 million for the same period in 2015.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3460 per share on the common shares of Lifeco payable December 30, 2016 to shareholders of record at the close of business December 2, 2016.

In addition, the Directors approved quarterly dividends on Lifeco's preferred shares, as follows:

First Preferred Shares	**Record Date**	**Payment Date**	**Amount, per share**
Series F	December 2, 2016	December 30, 2016	$0.36875
Series G	December 2, 2016	December 30, 2016	$0.3250
Series H	December 2, 2016	December 30, 2016	$0.30313
Series I	December 2, 2016	December 30, 2016	$0.28125
Series L	December 2, 2016	December 30, 2016	$0.353125
Series M	December 2, 2016	December 30, 2016	$0.3625
Series N	December 2, 2016	December 30, 2016	$0.1360
Series O	December 2, 2016	December 30, 2016	$0.114180
Series P	December 2, 2016	December 30, 2016	$0.3375
Series Q	December 2, 2016	December 30, 2016	$0.321875
Series R	December 2, 2016	December 30, 2016	$0.3000
Series S	December 2, 2016	December 30, 2016	$0.328125

all payable December 30, 2016 to shareholders of record at the close of business December 2, 2016.

P. A. Mahon
President and Chief Executive Officer

November 3, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2016
DATED: NOVEMBER 3, 2016

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 nine months ended September 30, 2016 and includes a comparison to the corresponding periods in 2015, to the three months ended June 30, 2016, and to the Company's financial condition as at December 31, 2015. 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 September 30, 2016. Also refer to the 2015 Annual MD&A and consolidated financial statements in the Company's 2015 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A may contain forward-looking statements. 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 other similar expressions or negative versions thereof. These statements may include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures. Forward-looking statements are based on expectations, forecasts, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. 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 customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets, business competition and other general economic, political and market factors in North America and internationally. 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 customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. 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 2015 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, uncertainties and potential events 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. Refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits:					
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 8,334**	$ 6,871	$ 5,891	**$ 22,220**	$ 18,339
Policyholder deposits (segregated funds):					
Individual products	**3,211**	3,213	3,157	**10,113**	9,169
Group products	**1,875**	1,858	2,738	**5,971**	6,608
Premiums and deposits reported in the financial statements	**13,420**	11,942	11,786	**38,304**	34,116
Self-funded premium equivalents (Administrative services only contracts)[1]	**655**	707	639	**2,060**	1,960
Proprietary mutual funds and institutional deposits[1]	**15,187**	15,522	16,807	**47,063**	40,777
Total premiums and deposits[1]	**29,262**	28,171	29,232	**87,427**	76,853
Fee and other income	**1,271**	1,231	1,241	**3,756**	3,725
Paid or credited to policyholders[2]	**10,589**	10,035	5,833	**30,302**	17,310
Earnings					
Net earnings - common shareholders	**$ 674**	$ 671	$ 720	**$ 1,965**	$ 2,079
Per common share					
Basic earnings	**0.682**	0.675	0.724	**1.982**	2.086
Dividends paid	**0.346**	0.346	0.326	**1.038**	0.978
Book value	**19.18**	19.02	19.38		
Return on common shareholders' equity[3]					
Net earnings	**13.8%**	14.0%	15.2%		
Total assets per financial statements	**$ 401,489**	$ 390,251	$ 389,935		
Proprietary mutual funds and institutional net assets[4]	**256,544**	243,688	239,050		
Total assets under management[4]	**658,033**	633,939	628,985		
Other assets under administration[5]	**570,475**	549,878	524,813		
Total assets under administration	**$ 1,228,508**	$ 1,183,817	$ 1,153,798		
Total equity	**$ 24,256**	$ 24,201	$ 24,534		

(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) Paid or credited to policyholders includes the impact of changes in fair values of assets supporting insurance contract liabilities.

(3) Return on common shareholders' equity is detailed within the "Capital Allocation Methodology" section.

(4) 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 of the investment policies.

(5) 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 include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

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 (net earnings) for the three month period ended September 30, 2016 were $674 million compared to $720 million a year ago and $671 million in the previous quarter. On a per share basis, this represents $0.682 per common share ($0.681 diluted) for the third quarter of 2016 compared to $0.724 per common share ($0.722 diluted) a year ago and $0.675 per common share ($0.674 diluted) in the previous quarter.

For the nine months ended September 30, 2016, Lifeco's net earnings were $1,965 million compared to $2,079 million a year ago. On a per share basis, this represents $1.982 per common share ($1.979 diluted) for 2016 compared to $2.086 per common share ($2.081 diluted) a year ago.

Net earnings - common shareholders	**For the three months ended**			**For the nine months ended**	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Canada					
Individual Insurance	**$ 70**	$ 80	$ 91	**$ 242**	$ 256
Wealth Management	**99**	104	116	**304**	360
Group Insurance	**110**	125	153	**302**	358
Canada Corporate	**10**	18	(34)	**44**	(41)
	289	327	326	**892**	933
United States					
Financial Services	**89**	74	106	**253**	298
Asset Management	**(6)**	(18)	(8)	**(49)**	(9)
U.S. Corporate	**(5)**	(3)	(2)	**(10)**	(5)
	78	53	96	**194**	284
Europe					
Insurance & Annuities	**251**	225	229	**702**	652
Reinsurance	**54**	74	71	**191**	240
Europe Corporate	**8**	(6)	(4)	**—**	(21)
	313	293	296	**893**	871
Lifeco Corporate	**(6)**	(2)	2	**(14)**	(9)
Net earnings - common shareholders	**$ 674**	$ 671	$ 720	**$ 1,965**	$ 2,079

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

U.K. Referendum

On June 23, 2016, the U.K. voted to leave the European Union (EU). The Company has undertaken an in-depth analysis of the potential risks to the Company's businesses, and notwithstanding the uncertainty and increased volatility in bond, equity and currency markets, the businesses are resilient and the Company maintains significant financial flexibility. The Company's operations in Europe have strong, stable businesses and a diversified investment portfolio. These businesses are appropriately capitalized and the Company remains committed to these markets. Further discussion of the impact on the Europe segment and Solvency II is discussed in the "Europe Segment" section of the MD&A.

The impact of the vote on the Company's asset portfolio is discussed in the "Invested Assets" section of the MD&A. During the second quarter of 2016, a valuation adjustment of 3.5% was applied to reduce the carrying value of U.K. properties held by the general fund at June 30, 2016. This valuation adjustment was removed on September 30, 2016, following a review of portfolio property valuations and current market conditions and reflects the Company's view that the property market's behaviour is returning to a more stable pattern. Market values following the removal of the valuation adjustment were higher than the June 30, 2016 adjusted values and less than 1% lower than market values prior to the vote. As the majority of these assets support insurance contract liabilities, the market value changes have been mostly offset by a corresponding change in the insurance contract liabilities.

From the date of the vote to September 30, 2016, the British pound declined approximately 10% against the Canadian dollar. The decline in the third quarter of 2016 reduced the average currency translation rate for the Company's British pound net earnings by 8% compared to the second quarter of 2016. The impact on the translation of foreign operations is discussed in the "Market Impacts - Foreign Currency" section of the MD&A. Also, refer to the Company's 2015 Annual MD&A Risk Management section for a further description of the Company's sensitivity to foreign currency fluctuations.

Interest Rate Environment

Interest rates in countries where the Company operates mostly increased during the quarter, except in the U.K. where rates decreased. The net change in interest rates 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; however, contributed to the decrease 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 matching asset and liability cash flows. As a result, the impact of changes in fair values of bonds backing insurance contract liabilities recorded through profit or loss is mostly offset by a corresponding change in the insurance contract liabilities.

Refer to note 5 to the Company's condensed consolidated financial statements for the period ended September 30, 2016 for a further description of the Company's sensitivity to interest rate fluctuations.

Equity Markets
In the regions where the Company operates, average equity market levels in the third quarter of 2016 were mixed compared to the same period in 2015; however, ended the quarter at higher market levels compared to June 30, 2016. Relative to the Company's expectation, the change in average market levels and market volatility had a positive impact on net earnings of approximately $8 million during the third quarter of 2016 and $10 million negative year-to-date in 2016 ($27 million negative impact in the third quarter of 2015 and $21 million negative year-to-date in 2015), related to 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. In addition, net earnings were positively impacted by approximately $8 million in the third quarter of 2016 and $4 million year-to-date in 2016 ($6 million negative impact in the third quarter of 2015 and $1 million negative impact year-to-date in 2015), related to seed money investments held in the Asset Management and Canada Corporate business units.

Comparing the third quarter of 2016 to the third quarter of 2015, average equity market levels were up by 4% in Canada (as measured by S&P TSX), by 7% in the U.S. (as measured by S&P 500) and by 6% in the U.K. (as measured by FTSE 100); however, were down by 12% in broader Europe (as measured by Eurostoxx 50). The major equity indices finished the third quarter of 2016 up 5% in Canada, 3% in the U.S., 6% in the U.K. and 5% in broader Europe, compared to June 30, 2016.

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.

The average currency translation rate for the third quarter of 2016 decreased for the British pound and remained consistent for the U.S. dollar and euro compared to the third quarter of 2015. The overall impact of currency movement on the Company’s net earnings for the three month period ended September 30, 2016 was a decrease of $45 million ($17 million year-to-date) compared to translation rates a year ago, primarily reflecting the decrease in the British pound.

From June 30, 2016 to September 30, 2016, the market rates at the end of the reporting period used to translate the U.S. dollar and euro assets and liabilities to the Canadian dollar increased. For the British pound, the September 30, 2016 end of period market rate decreased compared to June 30, 2016. 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 $67 million in-quarter ($1,399 million net unrealized loss 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 third quarter of 2016, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $171 million, compared to $123 million for the same quarter last year and $112 million for the previous quarter. In Europe, net earnings were positively impacted by $129 million, primarily due to the impact of updated annuitant mortality and economic assumptions, partially offset by the impact of updated expense and life mortality assumptions. In the U.S., net earnings were positively impacted by $22 million, primarily due to the impact of updated annuitant mortality, expense and life mortality assumptions. In Canada, net earnings were positively impacted by $20 million, primarily due to the impact of updated morbidity assumptions and modeling refinements, partially offset by the impact of updated expense assumptions.

For the nine months ended September 30, 2016, actuarial assumption changes resulted in a positive net earnings impact of $331 million, compared to $279 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 net of ceded reinsurance (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 previous plan providers 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 nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Canada					
Individual Insurance	**$ 1,298**	$ 1,294	$ 1,220	**$ 3,828**	$ 3,590
Wealth Management	**2,716**	2,496	2,504	**7,938**	8,028
Group Insurance	**2,040**	2,100	1,948	**6,214**	5,836
	6,054	5,890	5,672	**17,980**	17,454
United States					
Financial Services	**3,575**	3,327	3,477	**10,631**	8,711
Asset Management	**11,341**	10,623	10,242	**34,352**	28,981
	14,916	13,950	13,719	**44,983**	37,692
Europe					
Insurance & Annuities	**5,325**	6,293	8,354	**17,292**	17,630
Reinsurance	**2,967**	2,038	1,487	**7,172**	4,077
	8,292	8,331	9,841	**24,464**	21,707
Total premiums and deposits	**$ 29,262**	$ 28,171	$ 29,232	**$ 87,427**	$ 76,853

Sales	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Canada	**$ 3,117**	$ 2,677	$ 2,944	**$ 9,062**	$ 9,143
United States	**23,011**	16,665	25,831	**79,834**	64,085
Europe - Insurance & Annuities	**4,645**	5,550	7,716	**14,769**	15,568
Total sales	**$ 30,773**	$ 24,892	$ 36,491	**$ 103,665**	$ 88,796

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 nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Investment income earned (net of investment properties expenses)	**$ 1,480**	$ 1,571	$ 1,555	**$ 4,707**	$ 4,545
Allowances for credit losses on loans and receivables	**1**	(16)	—	**(22)**	1
Net realized gains	**41**	48	19	**140**	135
Regular investment income	**1,522**	1,603	1,574	**4,825**	4,681
Investment expenses	**(26)**	(27)	(28)	**(80)**	(80)
Regular net investment income	**1,496**	1,576	1,546	**4,745**	4,601
Changes in fair value through profit or loss	**2,307**	3,129	(82)	**7,846**	(1,166)
Net investment income	**$ 3,803**	$ 4,705	$ 1,464	**$ 12,591**	$ 3,435

Net investment income in the third quarter of 2016, which includes changes in fair value through profit or loss, increased by $2,339 million compared to the same quarter last year. The changes in fair value in the third quarter of 2016 were an increase of $2,307 million compared to a decrease of $82 million for the third quarter of 2015. In the third quarter of 2016, the increase was primarily due to a decline in Canadian and U.K. bond yields and an increase in Canadian equity markets. In the third quarter of 2015, the impact of a decrease in Canadian equity markets was mostly offset by a decline in U.K. government bond yields.

Regular net investment income in the third quarter of 2016 of $1,496 million, which excludes changes in fair value through profit or loss, decreased by $50 million compared to the same quarter last year. The decrease was primarily due to the impact of currency movement as the Canadian dollar strengthened against the British pound. Net realized gains include gains on available-for-sale securities of $21 million for the third quarter of 2016 compared to $8 million for the same quarter last year.

For the nine months ended September 30, 2016, net investment income increased by $9,156 million compared to the same period last year. The changes in fair value for the nine month period in 2016 were an increase of $7,846 million compared to a decrease of $1,166 million during the same period in 2015. The changes in fair value were primarily due to a decline in bond yields and an increase in Canadian equity markets in the first nine months of 2016, compared to mixed bond yields and a decline in Canadian equity markets in the same period of 2015.

Regular net investment income for the nine months ended September 30, 2016 increased by $144 million compared to the same period last year. The increase was primarily due to the impact of currency movement as the U.S. dollar strengthened against the Canadian dollar, partially offset by the Canadian dollar strengthening against the British pound. Net realized gains include gains on available-for-sale securities of $70 million for the nine months ended September 30, 2016, compared to $102 million for the same period last year.

Net investment income in the third quarter of 2016 decreased by $902 million compared to the previous quarter, primarily due to net increases in fair values of $2,307 million in the third quarter of 2016 compared to net increases of $3,129 million in the previous quarter. The net decrease in fair values during the third quarter was primarily due to a smaller decline in bond yields compared to the previous quarter.

Credit Markets
In the third quarter of 2016, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $1 million ($1 million net recovery in the third quarter of 2015). 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 $4 million ($8 million net charge in the third quarter of 2015).

For the nine months ended September 30, 2016, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $21 million ($8 million net recovery year-to-date in 2015), primarily driven by impairment charges on mortgage loans as a result of the insolvency of British Home Stores (BHS), a U.K. retailer. Changes in credit ratings in the Company's bond portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $10 million year-to-date ($30 million net charge year-to-date in 2015).

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Canada					
Segregated funds, mutual funds and other	**$ 338**	$ 327	$ 328	**$ 984**	$ 974
ASO contracts	**39**	42	38	**124**	116
	377	369	366	**1,108**	1,090
United States					
Segregated funds, mutual funds and other	**566**	555	591	**1,692**	1,741
Europe					
Segregated funds, mutual funds and other	**328**	307	284	**956**	894
Total fee and other income	**$ 1,271**	$ 1,231	$ 1,241	**$ 3,756**	$ 3,725

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 nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Canada	**$ 3,485**	$ 3,632	$ 1,967	**$ 10,418**	$ 7,192
United States	**1,776**	1,996	1,390	**5,884**	3,054
Europe	**5,328**	4,407	2,476	**14,000**	7,064
Total	**$ 10,589**	$ 10,035	$ 5,833	**$ 30,302**	$ 17,310

Amounts paid or credited to policyholders include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends, experience refund payments and changes in insurance and investment contract liabilities. The changes in contract liabilities include the impact of changes in the fair values 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, segregated funds or mutual funds.

For the three months ended September 30, 2016, consolidated amounts paid or credited to policyholders were $10.6 billion, including $7.3 billion of policyholder benefit payments and a $3.3 billion increase in contract liabilities. The increase of $4.8 billion from the same period in 2015 consisted of a $3.1 billion increase in changes in contract liabilities and a $1.7 billion increase in benefit payments. The increase in changes 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. The increase in benefit payments was primarily due to new and restructured reinsurance treaties, partially offset by the impact of currency movement.

For the nine months ended September 30, 2016, consolidated amounts paid or credited to policyholders were $30.3 billion, including $19.9 billion of policyholder benefit payments and a $10.4 billion increase in contract liabilities. The increase of $13.0 billion from the same period in 2015 consisted of a $9.3 billion increase in changes in contract liabilities and a $3.7 billion increase in benefit payments. The increase in changes 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. The increase was partially offset by the acquisition of The Equitable Life Assurance Society's annuity business, which increased contract liabilities in the first quarter of 2015. The increase in benefit payments was primarily due to new and restructured reinsurance treaties and the impact of currency movement.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $0.6 billion. The increase consisted of a $1.3 billion increase in benefit payments primarily due to higher business volumes. The increase was partially offset by a $0.7 billion decrease in changes 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.

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 third quarter of 2016, the Company had an effective income tax rate of 13%, up from 10% in the third quarter of 2015. The effective income tax rate in the third quarter of 2016 was less favourably impacted by income taxed outside of Canada as well as changes in certain tax estimates.

The Company had an effective income tax rate of 9% for the nine months ended September 30, 2016 compared to 15% for the same period last year. The decrease in the Company's effective income tax rate was primarily due to changes in certain tax estimates. One-time items that arose in the first quarter of 2016, and totaled $66 million, decreased the effective income tax rate for the first nine months of 2016 by 3%, primarily due to elections and settlements with tax authorities.

The third quarter of 2016 effective income tax rate of 13% was higher than the second quarter of 2016 rate of 10%, primarily due to the same items discussed for the in-quarter results.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2016			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ 70,468	$ 44,658	$ 49,121	$ 164,247
Goodwill and intangible assets	5,132	2,330	2,447	9,909
Other assets	3,215	4,761	20,195	28,171
Segregated funds net assets	73,669	35,075	90,418	199,162
Total assets	152,484	86,824	162,181	401,489
Proprietary mutual funds and institutional net assets	5,625	216,458	34,461	256,544
Total assets under management	158,109	303,282	196,642	658,033
Other assets under administration	15,815	514,616	40,044	570,475
Total assets under administration	$ 173,924	$ 817,898	$ 236,686	$ 1,228,508

	December 31, 2015			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 67,701	$ 43,809	$ 50,071	$ 161,581
Goodwill and intangible assets	5,132	2,465	2,352	9,949
Other assets	2,793	4,535	22,883	30,211
Segregated funds net assets	70,269	35,966	91,959	198,194
Total assets	145,895	86,775	167,265	399,935
Proprietary mutual funds and institutional net assets	5,039	218,231	29,210	252,480
Total assets under management	150,934	305,006	196,475	652,415
Other assets under administration	15,390	503,125	41,587	560,102
Total assets under administration	$ 166,324	$ 808,131	$ 238,062	$ 1,212,517

Total assets under administration at September 30, 2016 increased by $16.0 billion to $1.2 trillion compared to December 31, 2015, primarily due to the impact of positive market movement and new business growth, mostly offset by 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 $117.7 billion or 72% of invested assets at September 30, 2016 and $114.9 billion or 71% at December 31, 2015. During the second quarter of 2016, the rating of U.K. government and government related bonds changed from AAA to AA as a direct result of rating agency activity in response to the U.K. vote to leave the EU, resulting in a shift between rating categories. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher.

Bond portfolio quality

	September 30, 2016		December 31, 2015	
AAA	**$ 26,846**	**23 %**	$ 36,434	32%
AA	**30,724**	**26**	20,364	18
A	**37,811**	**32**	35,623	31
BBB	**21,051**	**18**	20,984	18
BB or lower	**1,300**	**1**	1,538	1
Total	**$ 117,732**	**100 %**	$ 114,943	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

	September 30, 2016				December 31, 2015	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 718**	**$ 1,339**	**$ 2,057**	**9%**	$ 1,962	9%
Multi-family residential	**2,957**	**3,061**	**6,018**	**28**	5,821	26
Commercial	**273**	**13,440**	**13,713**	**63**	14,238	65
Total	**$ 3,948**	**$ 17,840**	**$ 21,788**	**100%**	$ 22,021	100%

The total mortgage portfolio was $21.8 billion or 13% of invested assets at September 30, 2016, compared to $22.0 billion or 14% of invested assets at December 31, 2015. Total insured loans were $3.9 billion or 18% of the mortgage portfolio.

Single family residential mortgages

Region	September 30, 2016		December 31, 2015	
Ontario	**$ 996**	**49%**	$ 946	49%
Quebec	**433**	**21**	405	21
Alberta	**138**	**7**	136	7
British Columbia	**127**	**6**	123	6
Newfoundland	**110**	**5**	105	5
Saskatchewan	**86**	**4**	84	4
Nova Scotia	**66**	**3**	62	3
Manitoba	**53**	**3**	55	3
New Brunswick	**44**	**2**	42	2
Other	**4**	**—**	4	—
Total	**$ 2,057**	**100%**	$ 1,962	100%

During the nine months ended September 30, 2016, single family mortgage originations, including renewals, were $604 million, of which 27% 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 fulfil 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 was 22 years as at September 30, 2016.

Provision for future credit losses

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

At September 30, 2016, the total actuarial provision for future credit losses in insurance contract liabilities was $3,430 million compared to $3,558 million at December 31, 2015, a decrease of $128 million, primarily due to the impact of currency movement and assumption changes, partially offset by normal business activity.

The aggregate of impairment provisions of $33 million ($24 million at December 31, 2015) and actuarial provisions for future credit losses in insurance contract liabilities of $3,430 million ($3,558 million at December 31, 2015) represents 2.3% of bond and mortgage assets, including funds held by ceding insurers, at September 30, 2016 (2.4% at December 31, 2015).

Energy Sector Related Exposures

Holdings of Energy Sector[(1)] related Bonds, Mortgages and Investment Properties

	September 30, 2016				December 31, 2015
	Canada	**U.S.**	**Europe**	**Total**	Total
Bonds[(2)(3)]	**$ 1,630**	**$ 2,203**	**$ 1,415**	**$ 5,248**	$ 5,216
Mortgages[(4)]	**2,137**	**354**	**46**	**2,537**	2,560
Investment properties	**291**	**—**	**—**	**291**	300
Total	**$ 4,058**	**$ 2,557**	**$ 1,461**	**$ 8,076**	$ 8,076

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 7(a)(ii) in the Company's December 31, 2015 annual consolidated financial statements.
(2) Amortized cost of these bonds is $4,900 million at September 30, 2016 and $5,177 million at December 31, 2015.
(3) Includes certain funds held by ceding insurers with a carrying value of $384 million and an amortized cost of $343 million at September 30, 2016.
(4) Includes $637 million of insured mortgages at September 30, 2016 and $613 million at December 31, 2015.

At September 30, 2016, the Company's holdings of energy sector related investments included direct exposure of bond holdings of $5.2 billion ($5.2 billion at December 31, 2015), or 3.0% of invested assets, including funds held by ceding insurers. The Company's energy sector related bond holdings were well diversified across multiple sub-sectors and were high quality with approximately 97% rated investment grade. Approximately half of the portfolio was invested in Midstream and Refining entities and half in Integrated, Independent and Oil Field Services entities.

In addition, the Company holds indirect exposure to mortgages and investment properties in the energy sector of $2.8 billion, or 1.6% of invested assets, including funds held by ceding insurers. These holdings were concentrated in certain geographic regions where the economy is more dependent upon the energy sector and were well diversified across property type - Multi-family (30%), Industrial/Other (27%), Office (23%) and Retail (20%). Approximately 80% of the portfolio was concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the mortgages was 59% at September 30, 2016.

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	September 30, 2016						December 31, 2015
	Multi-Family Residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Other**	**Total**	Total
Mortgages	**379**	**1,453**	**724**	**952**	**325**	**3,833**	4,520
Investment properties	**—**	**1,141**	**645**	**644**	**428**	**2,858**	3,411
Total	**$ 379**	**$ 2,594**	**$ 1,369**	**$ 1,596**	**$ 753**	**$ 6,691**	$ 7,931

At September 30, 2016, the Company's holdings of property related investments in the United Kingdom were $6.7 billion ($7.9 billion at December 31, 2015), or 3.8% of invested assets including funds held by ceding insurers. The $1.2 billion decrease from December 31, 2015 was primarily due to the impact of currency movement, as the Canadian dollar strengthened against the British pound. Holdings in Central London were $1.9 billion ($2.1 billion at December 31, 2015) or 1.1% of invested assets including funds held by ceding insurers, while holdings in other regions of the United Kingdom were $4.8 billion ($5.8 billion at December 31, 2015) or 2.7% of invested assets including funds held by ceding insurers. These holdings were well diversified across property type - Retail (39%), Industrial/Other (35%), Office (20%) and Multi-family (6%). The weighted average loan-to-value ratio of the mortgages was 55% and the weighted average debt-service coverage ratio was 2.0 at September 30, 2016. At September 30, 2016, the weighted average mortgage and property lease term exceeded 14 years.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third quarter of 2016, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company’s derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company’s ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At September 30, 2016, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $132 million ($107 million at December 31, 2015) and pledged on derivative liabilities was $520 million ($671 million at December 31, 2015). Collateral pledged on derivative liabilities decreased in 2016 as a result of a decrease in derivative liabilities, primarily driven by the impact of the strengthening Canadian dollar against the U.S. dollar on cross-currency swap fair values.

During the nine month period ended September 30, 2016, the outstanding notional amount of derivative contracts increased by $4.1 billion to $20.8 billion, primarily due to an increase of $3.4 billion in forward settling to-be-announced security transactions and regular hedging activities.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $625 million at September 30, 2016 from $461 million at December 31, 2015. Market values increased on cross-currency swaps as the end of period rates for the Canadian dollar strengthened against the U.S. dollar and British pound.

LIABILITIES

Total liabilities

	September 30 2016	December 31 2015(1)
Insurance and investment contract liabilities	**$ 161,700**	$ 160,745
Other general fund liabilities	**16,371**	15,736
Investment and insurance contracts on account of segregated fund policyholders	**199,162**	198,194
Total	**$ 377,233**	$ 374,675

(1) Comparative figures have been reclassified as described in note 16 to the Company's September 30, 2016 condensed consolidated financial statements.

Total liabilities increased by $2.6 billion to $377.2 billion at September 30, 2016 from December 31, 2015. Insurance and investment contract liabilities increased by $1.0 billion. The increase was primarily due to the impact of fair value adjustments and new business, partially offset by the strengthening of the Canadian dollar against the British pound, U.S. dollar and euro. Investment and insurance contracts on account of segregated fund policyholders increased by $1.0 billion, primarily due to the combined impact of market value gains and investment income of $9.9 billion, mostly offset by the impact of currency movement of $8.5 billion and net withdrawals of $0.6 billion.

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 offer levels of death and maturity guarantees. At September 30, 2016, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,782 million ($3,488 million at December 31, 2015). 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

		September 30, 2016 Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total(1)**
Canada	$ 31,012	$ —	$ 14	$ 50	$ 50
United States	11,968	8	—	44	52
Europe					
Insurance & Annuities	8,959	28	—	390	390
Reinsurance(2)	1,133	517	—	21	538
Total Europe	10,092	545	—	411	928
Total	**$ 53,072**	**$ 553**	**$ 14**	**$ 505**	**$ 1,030**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 2016.
(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 September 30, 2016. 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 $4 million in-quarter ($5 million for the third quarter of 2015) and $17 million year-to-date ($11 million year-to-date for 2015) with the majority arising in the Reinsurance business unit in the Europe segment.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2016 was $9,634 million, which comprises $7,120 million of common shares, $2,264 million of non-cumulative First Preferred Shares, $213 million of 5-year rate reset First Preferred Shares and $37 million of floating rate First Preferred Shares.

The Company commenced a normal course issuer bid (NCIB) on January 8, 2016 for one year 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 granted under the Company's Stock Option Plan. The NCIB was amended effective February 23, 2016 to purchase up to 20,000,000 common shares. The amended NCIB will continue to January 7, 2017.

On June 17, 2016, the Company announced that it intends to purchase for cancellation, up to 5,809,000 of its common shares pursuant to private agreements between the Company and several arm's length third-party sellers. These purchases will be made pursuant to issuer bid exemption orders issued by the Ontario Securities Commission. Any purchases of common shares made by way of private agreements under the orders will be at a discount to the prevailing market price of the common shares on the Toronto Stock Exchange at the time of purchase, may be made in one or more trades from time to time, and will otherwise comply with the terms of the orders. The total number of common shares which may be purchased under private agreements may not exceed 6,666,666, being one-third of the total number of common shares which may be purchased under the Company's normal course issuer bid, and any purchases must occur on or before January 7, 2017. All common shares purchased by way of private agreement made pursuant to the orders will be included in the total number of common shares which may be purchased under the Company's normal course issuer bid. As of September 30, 2016, the Company had entered into private agreements for the repurchase of 1,600,000 of its common shares.

During the nine months ended September 30, 2016, the Company repurchased and subsequently cancelled 7,967,881 common shares (2015 - 5,936,420) at an average cost per share of $33.54 (2015 - $35.21) under its NCIB.

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 September 30, 2016, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $8.6 billion ($7.1 billion at December 31, 2015) and other available government bonds of $34.3 billion ($35.6 billion at December 31, 2015). Included in the cash, cash equivalents and short-term bonds at September 30, 2016 was approximately $0.7 billion ($0.9 billion at December 31, 2015) at the Lifeco holding company level. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

As a holding company, the Company's ability to pay dividends 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 has changed to the Solvency II basis, effective January 1, 2016. During 2016, the Company's regulated European insurance and reinsurance businesses continue to develop internal risk models and undertake steps to manage the potential capital volatility under the new regulations in cooperation with the European regulators.

CASH FLOWS

Cash flows	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	**2016**	2015
Cash flows relating to the following activities:				
Operations	**$ 1,722**	$ 1,564	**$ 4,865**	$ 4,060
Financing	**(646)**	(618)	**(1,555)**	(1,489)
Investment	**(1,102)**	(78)	**(2,876)**	(1,622)
	(26)	868	**434**	949
Effects of changes in exchange rates on cash and cash equivalents	**18**	157	**(187)**	266
Increase (decrease) in cash and cash equivalents in the period	**(8)**	1,025	**247**	1,215
Cash and cash equivalents, beginning of period	**3,068**	2,688	**2,813**	2,498
Cash and cash equivalents, end of period	**$ 3,060**	$ 3,713	**$ 3,060**	$ 3,713

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

In the third quarter of 2016, cash and cash equivalents decreased by $8 million from June 30, 2016. Cash flows provided by operations during the third quarter of 2016 were $1,722 million, an increase of $158 million compared to the third quarter of 2015. Cash flows used in financing were $646 million, primarily used for payments of dividends to the preferred and common shareholders of $373 million and a decrease to a line of credit of a subsidiary of $104 million. For the three months ended September 30, 2016, cash flows were used by the Company to acquire an additional $1,102 million of investment assets.

For the nine months ended September 30, 2016, cash and cash equivalents increased by $247 million from December 31, 2015. Cash flows provided by operations were $4,865 million, an increase of $805 million compared to the same period in 2015. Cash flows used in financing were $1,555 million, primarily used for payments of dividends to the preferred and common shareholders of $1,121 million and a decrease to a line of credit of a subsidiary of $197 million. In the first quarter of 2016, the Company increased the quarterly dividend to common shareholders from $0.326 per common share to $0.346 per common share. For the nine months ended September 30, 2016, cash flows were used by the Company to acquire an additional $2,876 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

As reported in the 2015 Annual MD&A, during the first quarter of 2016, one of the Company's subsidiaries entered into an office lease agreement for 15 years commencing in 2018, which replaces an existing lease. The incremental annual lease payments relating to this agreement are not material.

Other than the item noted above, commitments/contractual obligations have not changed materially from December 31, 2015.

CAPITAL MANAGEMENT AND ADEQUACY

At the holding company level, the Company monitors the amount of consolidated capital available and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements, as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements and strategic plans. The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, 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 September 30, 2016 was 227% (238% at December 31, 2015). London Life's MCCSR ratio at September 30, 2016 was 206% (226% at December 31, 2015). Canada Life's MCCSR ratio at September 30, 2016 was 254% (260% at December 31, 2015). The MCCSR ratio does not take into account any impact from $0.7 billion of liquidity at the Lifeco holding company level at September 30, 2016 ($0.9 billion at December 31, 2015).

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.

The Board of Directors reviews and approves an annual capital plan as well as capital transactions undertaken by management pursuant to the 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 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. In addition to undertaking capital transactions, the Company uses and provides traditional and structured reinsurance to support capital and risk management.

OSFI Regulatory Capital Initiatives

On September 12, 2016 OSFI issued the Life Insurance Capital Adequacy Test (LICAT) guideline. Effective January 1, 2018, OSFI plans for the LICAT guideline to replace the MCCSR guideline. OSFI has stated that the LICAT guideline is not expected to increase the amount of capital in the industry compared to the current MCCSR guideline. Since OSFI developed the LICAT guideline to better align risk measures with the economic realities of the life insurance business, capital distribution and impact by risk and by company may change. OSFI plans to conduct Test Runs of the new guideline in 2016 and 2017, which will help to inform the final calibration of the LICAT guideline.

The Company participated in the OSFI Quantitative Impact Studies over recent years relating to the LICAT draft guideline and will participate in the OSFI Test Runs and any further assessments. The Company will continue ongoing dialogue with OSFI, The Canadian Institute of Actuaries, The Canadian Life and Health Insurance Association and other industry participants during the testing period and subsequent implementation phase.

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.

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canada and Europe 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]	**Sept. 30 2016**	June 30 2016	Dec. 31 2015
Canada	**19.0 %**	19.7 %	20.2 %
U.S. Financial Services[2]	**11.0 %**	11.7 %	13.0 %
U.S. Asset Management (Putnam)	**(0.3)%**	(0.4)%	1.4 %
Europe	**16.9 %**	16.4 %	16.8 %
Lifeco Corporate	**(3.6)%**	(2.2)%	(2.7)%
Total Lifeco Net Earnings Basis	**13.8 %**	14.0 %	14.7 %

(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.

The Company reported ROE based on net earnings of 13.8% at September 30, 2016, compared to 14.0% at June 30, 2016.

RATINGS

Lifeco maintains ratings from five independent ratings companies. In the third quarter of 2016, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continued to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and 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 third quarter of 2016.

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	Issuer Rating	A (high)	AA			
	Financial Strength		AA	AA	AA	NR
	Senior Debt	A (high)				
	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 has an insurer financial strength rating of AA from Fitch Ratings and a long-term credit rating of A+ from Standard & Poor's Ratings Services. The ILA €200 million perpetual capital notes assumed on the acquisition of Irish Life are rated A by Fitch Ratings and A- by Standard & Poor's Ratings Services, unchanged from the second quarter of 2016.

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, together with an allocation of a portion of Lifeco's corporate results. There are three primary business units included in this segment. Through the Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through the Wealth Management business unit, the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through the Group Insurance business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor and direct marketing insurance as well as specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 6,054**	$ 5,890	$ 5,672	**$ 17,980**	$ 17,454
Sales	**3,117**	2,677	2,944	**9,062**	9,143
Fee and other income	**377**	369	366	**1,108**	1,090
Net earnings	**289**	327	326	**892**	933
Total assets	**$ 152,484**	$ 149,913	$ 143,933		
Proprietary mutual funds and institutional net assets	**5,625**	5,378	4,896		
Total assets under management	**158,109**	155,291	148,829		
Other assets under administration	**15,815**	15,537	14,955		
Total assets under administration	**$ 173,924**	$ 170,828	$ 163,784		

2016 DEVELOPMENTS

- Premiums and deposits for the three months ended September 30, 2016 were $6.1 billion, an increase of $0.4 billion compared to the same quarter last year.
- Sales for the three months ended September 30, 2016 were $3.1 billion, a 6% increase from the same quarter in 2015, driven by higher Group Wealth Management and Individual Insurance sales.
- Net earnings for the three months ended September 30, 2016 were $289 million compared to $326 million for the same period last year. The decrease was primarily due to less favourable morbidity experience and higher income taxes, partially offset by higher contributions from investment experience.
- On September 15, 2016, Great-West Life launched a pilot for Wayfinder™, a new online application that allows Group Retirement Services members to create customized financial plans. Wayfinder uses innovative tools to allow members to connect directly with online financial coaches and to import data from external financial institutions to create a complete picture of their financial status.
- During the third quarter of 2016, Quadrus Group of Funds launched a new mutual fund series allowing for negotiated advisory compensation across all plan types.
- During the third quarter of 2016, Lifeco's Canadian operations earned a position on The Carbon Disclosure Project's (CDP) 2016 Climate A List, for the third consecutive year, placing the Company in the top 10% of companies globally.
- During the third quarter of 2016, GWL Realty Advisors achieved a "Green Star" ranking for a second consecutive year, from the 2016 Global Real Estate Sustainability Benchmark survey.
- In October 2016, Power Financial Corporation (Lifeco's parent company), together with Great-West Life and IGM Financial Inc. (an affiliate) announced a corporate partnership to sponsor a new fund, Portag3 Ventures, aimed at helping entrepreneurs focused on the Canadian financial technology sector.
- During the third quarter of 2016, the Company’s HelloLife™ Planner won the 2016 Internet Advertising Competition Award for “Best Insurance Interactive Application”.
- In October 2016, Great-West Life was recognized as one of Canada's Best Brands for 2017 by a survey conducted by Canadian Business Magazine.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 1,298**	$ 1,294	$ 1,220	**$ 3,828**	$ 3,590
Sales	**164**	155	142	**444**	393
Net earnings	**70**	80	91	**242**	256

Premiums and deposits

Individual Insurance premiums for the third quarter of 2016 increased by $78 million to $1,298 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $76 million to $1,214 million compared to the same quarter last year, primarily due to an 8% increase in participating life premiums. Living Benefits premiums of $84 million were comparable to same quarter last year.

For the nine months ended September 30, 2016, Individual Insurance premiums increased by $238 million to $3,828 million compared to the same period last year. Individual Life premiums increased by $235 million to $3,577 million compared to the same period last year, primarily due to a 9% increase in participating life premiums. Living Benefits premiums of $251 million were comparable to the same period last year.

Individual Insurance premiums for the third quarter of 2016 were comparable to the previous quarter.

Sales

Individual Insurance sales for the third quarter of 2016 increased by $22 million to $164 million compared to the same quarter last year. Individual Life sales increased $21 million, driven by a 15% increase in participating life sales and a 45% increase in Universal Life insurance product sales. Living Benefits product sales were comparable to the same quarter last year.

For the nine months ended September 30, 2016, Individual Insurance sales increased by $51 million to $444 million compared to the same period last year. Individual Life sales increased $48 million, driven by a 14% increase in participating life sales and a 10% increase in Universal Life and Term Life insurance product sales. Living Benefits product sales increased $3 million or 13% compared to the same period last year.

Individual Insurance sales for the third quarter of 2016 increased by $9 million compared to the previous quarter, primarily due to a 6% increase in participating life sales and a 14% increase in Universal Life insurance product sales.

Net earnings

Net earnings for the third quarter of 2016 decreased by $21 million to $70 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, higher new business strain as well as less favourable morbidity and policyholder behaviour experience, partially offset by higher contributions from investment experience.

For the nine months ended September 30, 2016, net earnings decreased by $14 million to $242 million compared to the same period last year, primarily for the same reasons discussed for the in-quarter results.

Net earnings for the third quarter of 2016 decreased by $10 million compared to the previous quarter. The decrease was primarily due to higher new business strain and less favourable morbidity experience, partially offset by higher contributions from insurance contract liability basis changes.

For the third quarter of 2016, net earnings attributable to the participating account decreased by $25 million to a net loss of $3 million compared to the same quarter last year, primarily due to lower contributions from investment experience on participating account surplus assets and higher expenses, partially offset by lower new business strain. In addition, net earnings in 2015 were more favourably impacted by changes to certain income tax estimates.

For the nine months ended September 30, 2016, net earnings attributable to the participating account decreased by $58 million to $13 million compared to the same period last year. The decrease was primarily due to lower contributions from investment experience on participating account surplus assets, higher expenses and higher new business strain.

Net earnings attributable to the participating account for the third quarter of 2016 decreased by $14 million compared to the previous quarter, primarily due to higher expenses, partially offset by lower new business strain.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 2,716**	$ 2,496	$ 2,504	**$ 7,938**	$ 8,028
Sales	**2,863**	2,403	2,551	**8,126**	8,252
Fee and other income	**326**	315	310	**948**	931
Net earnings	**99**	104	116	**304**	360

Premiums and deposits
Premiums and deposits for the third quarter of 2016 increased by $212 million to $2,716 million compared to the same quarter last year. The increase was primarily due to higher premiums and deposits related to single premium group annuities (SPGAs) and group capital accumulation plans (GCAP), partially offset by lower premiums and deposits related to individual investment funds, reflective of a decline in industry asset cash flows pertaining to segregated funds and mutual funds.

Premiums and deposits for the nine months ended September 30, 2016 decreased by $90 million to $7,938 million. The decrease was primarily due to lower premiums and deposits related to individual investment funds, partially offset by an increase in premiums and deposits related to SPGAs and GCAP products.

Premiums and deposits for the third quarter of 2016 increased by $220 million compared to the previous quarter. The increase was primarily due to higher premiums and deposits related to SPGAs, partially offset by lower premiums and deposits related to GCAP products.

Sales
Sales for the third quarter of 2016 increased by $312 million to $2,863 million compared to the same quarter last year. For the nine months ended September 30, 2016, sales decreased by $126 million to $8,126 million compared to the same period last year. Changes in sales for both the three and nine month periods were due to the same reasons discussed for premiums and deposits for the respective periods.

Sales for the third quarter of 2016 increased by $460 million compared to the previous quarter, primarily due to higher sales of SPGAs and GCAP products, partially offset by lower sales of individual investment funds.

For the GCAP and proprietary individual investment fund business, net cash outflows for the third quarter of 2016 were $784 million, which included a $910 million withdrawal of a low margin GCAP plan. Excluding the impact of the GCAP plan withdrawal, net cash inflows were $126 million for the third quarter of 2016, compared to net cash inflows of $21 million for the same quarter last year and $65 million for the previous quarter. Excluding the GCAP plan withdrawal discussed for the in-quarter results, net cash inflows for the nine months ended September 30, 2016 were $532 million compared to net cash inflows of $430 million in the same period last year.

Fee and other income

Fee and other income for the third quarter of 2016 increased by $16 million to $326 million compared to the same quarter last year. The increase was primarily due to growth in other income related to distribution arrangements and higher average assets under administration driven by higher average equity market levels, partially offset by lower margins.

For the nine months ended September 30, 2016, fee and other income increased by $17 million to $948 million compared to the same period last year, primarily due to growth in other income related to distribution arrangements, mostly offset by lower fee income due to lower margins.

Fee and other income for the third quarter of 2016 increased by $11 million compared to the previous quarter, primarily due to higher average assets under administration driven by higher average equity market levels.

Net earnings

Net earnings for the third quarter of 2016 decreased by $17 million to $99 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes and higher operating expenses, partially offset by higher net fee income.

For the nine months ended September 30, 2016, net earnings decreased by $56 million to $304 million compared to the same period last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, less favourable longevity experience, higher operating expenses and lower net fee income.

Net earnings for the third quarter of 2016 decreased by $5 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes and investment experience, partially offset by higher net fee income.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 2,040**	$ 2,100	$ 1,948	**$ 6,214**	$ 5,836
Sales	**90**	119	251	**492**	498
Fee and other income	**39**	42	38	**124**	116
Net earnings	**110**	125	153	**302**	358

Premiums and deposits

Premiums and deposits for the third quarter of 2016 increased by $92 million to $2,040 million compared to the same quarter last year, primarily due to an increase in mid-size and large case market premiums and deposits.

For the nine months ended September 30, 2016, premiums and deposits increased by $378 million to $6,214 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2016 decreased by $60 million compared to the previous quarter, primarily due to a seasonal decrease in ASO deposits.

Sales

Sales for the third quarter of 2016 decreased by $161 million to $90 million compared to the same period last year, primarily due to lower sales in the large case market and lower creditor sales. Sales of creditor products and large case sales can be highly variable from quarter to quarter.

For the nine months ended September 30, 2016, sales decreased by $6 million to $492 million compared to the same period last year. The decrease was primarily due to lower sales in the large case market and lower creditor sales, mostly offset by higher sales in the small and mid-size case markets.

Sales for the third quarter of 2016 decreased by $29 million compared to the previous quarter, primarily due to lower sales across most market segments.

Fee and other income

Fee and other income of $39 million for the third quarter of 2016 was comparable to both the same quarter last year and to the previous quarter.

Fee and other income of $124 million for the nine months ended September 30, 2016 was comparable to the same period last year.

Net earnings

Net earnings for the third quarter of 2016 decreased by $43 million to $110 million compared to the same quarter last year. The decrease was primarily due to higher income taxes and less favourable non-refund long-term disability morbidity experience, partially offset by higher contributions from insurance contract liability basis changes and improved pooled refund and ASO health morbidity. Net earnings for the third quarter of 2015 were more favourably impacted by changes to certain income tax estimates.

For the nine months ended September 30, 2016, net earnings decreased by $56 million to $302 million compared to the same period last year. The decrease was primarily due to less favourable long-term disability morbidity experience, mostly related to large non-refund cases, and higher income taxes discussed for the in-quarter results, partially offset by higher contributions from insurance contract liability basis changes. The Company continues to implement rate increases with respect to long-term disability contracts, where appropriate, when contracts are renewed. In addition, net earnings for the first nine months of 2015 were positively impacted by a claims process change that resulted in one-time additional claim terminations, which did not recur in 2016.

Net earnings for the third quarter of 2016 decreased by $15 million compared to the previous quarter, primarily due to higher income taxes, as net earnings for the second quarter of 2016 were more favourably impacted by changes to certain income tax estimates, as well as lower contributions from investment experience. These items were partially offset by improved health and long-term disability morbidity experience for refund cases and higher contributions from insurance contract liability basis changes.

CANADA CORPORATE

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

Net earnings for the third quarter of 2016 increased by $44 million to $10 million compared to the same quarter last year, primarily due to the favourable impact of changes to certain income tax estimates.

For the nine months ended September 30, 2016, net earnings were $44 million compared to a net loss of $41 million for the same period in 2015. The change in net earnings was primarily due to lower income taxes discussed for the in-quarter results and higher net investment income, which included a gain on sale of an investment property during the previous quarter.

Net earnings for the third quarter of 2016 decreased by $8 million compared to the previous quarter, primarily due to lower net investment income, which included a gain on sale of an investment property during the previous quarter.

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 its Individual Markets operations.

Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distribution 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 the 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 nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 14,916**	$ 13,950	$ 13,719	**$ 44,983**	$ 37,692
Sales	**23,011**	16,665	25,831	**79,834**	64,085
Fee and other income	**566**	555	591	**1,692**	1,741
Net earnings	**78**	53	96	**194**	284
Net earnings (US$)	**60**	40	73	**147**	226
Total assets	**$ 86,824**	$ 84,780	$ 83,600		
Proprietary mutual funds and institutional net assets	**216,458**	205,830	206,579		
Total assets under management	**303,282**	290,610	290,179		
Other assets under administration	**514,616**	495,366	468,712		
Total assets under administration	**$ 817,898**	$ 785,976	$ 758,891		

2016 DEVELOPMENTS

- Net earnings for the three months ended September 30, 2016 were US$60 million, a decrease of US$13 million compared to the same quarter last year. The decrease was primarily due to lower net fee income, partially offset by lower income taxes.
- On April 6, 2016, the U.S. Department of Labor issued a new rule redefining and expanding who is a fiduciary by reason of providing investment advice to a retirement plan or holder of an individual retirement account. Compliance with the rule will generally be required by April 10, 2017 (certain parts by January 1, 2018). The Company continues to analyze the rule against current business practices, primarily in its Empower Retirement and Individual Markets businesses. The rule may require changes to certain aspects of product and service delivery but management does not expect that it will prevent Great-West Financial or Putnam from executing on their overall business strategy and growth objectives.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2016 DEVELOPMENTS

- Premiums and deposits for the three months ended September 30, 2016 of US$2.7 billion were comparable to the same period last year.
- Sales for the three months ended September 30, 2016 were US$8.9 billion, a decrease of US$3.0 billion compared to the same quarter last year, primarily due to lower very large plan sales.
- Net earnings for the three months ended September 30, 2016 were US$68 million, a decrease of US$13 million from the same quarter last year, primarily due to higher operating expenses, driven primarily by business growth, and lower contributions from investment experience. The decrease was partially offset by higher net fee income.
- Empower Retirement continues to incur strategic and business development expenses as it focuses on enhancements, which will improve the client-facing experience as well as streamline the back-office processing over the next several years. The Company originally anticipated investing approximately US$150 million in total on this multi-year initiative and has invested US$147 million by September 30, 2016. The Company expects the remaining investment to complete integration activities to be approximately US$5 million to US$10 million. In 2015, these costs decreased net earnings by US$34 million and it is expected that these costs will decrease net earnings by approximately US$20 million to US$25 million in 2016. For the three and nine months ended September 30, 2016, these costs have decreased net earnings by US$6 million and US$19 million, respectively.
- The Company has set an annual cost-savings target of US$40 million to US$50 million pre-tax. Integration activities are expected to be completed by the second quarter of 2017 with the annual reduction of operating costs fully reflected upon the completion of the business transformation in the next two to three years. These synergies are expected to be achieved through efficiencies from the conversion of business onto a single back-office platform, increased utilization of Great-West Global, which launched in the third quarter of 2015, with 529 professionals based in India, as well as scale-driven cost improvements. Ongoing operations will include amortization expense from system and infrastructure enhancements. The Company expects that these enhancements will increase market share by driving future sales and improving the retention of participants and assets. Empower Retirement participant accounts have grown to over 8 million at September 30, 2016 from 7.5 million at September 30, 2015.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 3,575**	$ 3,327	$ 3,477	**$ 10,631**	$ 8,711
Sales	**11,670**	6,042	15,589	**45,482**	35,104
Fee and other income	**335**	323	306	**979**	898
Net earnings	**89**	74	106	**253**	298
Premiums and deposits (US$)	**$ 2,729**	$ 2,579	$ 2,655	**$ 8,030**	$ 6,892
Sales (US$)	**8,908**	4,684	11,900	**33,862**	27,702
Fee and other income (US$)	**256**	251	233	**741**	713
Net earnings (US$)	**68**	56	81	**191**	236

Premiums and deposits
Premiums and deposits for the third quarter of 2016 of US$2.7 billion were comparable to the same quarter last year.

For the nine months ended September 30, 2016, premiums and deposits increased by US$1.1 billion to US$8.0 billion compared to the same period last year, primarily due to an increase in Empower Retirement. The increase in Empower Retirement was due to higher contributions from existing participants and transfers from retail investment options.

Premiums and deposits for the third quarter of 2016 increased by US$0.1 billion compared to the previous quarter, reflecting higher sales in the executive benefits line of business for Individual Markets.

Sales
Sales in the third quarter of 2016 decreased by US$3.0 billion to US$8.9 billion compared to the same quarter last year, due to a decrease of US$3.4 billion in Empower Retirement sales, partially offset by an increase of US$0.4 billion in Individual Markets. The decrease in Empower Retirement sales was primarily due to lower very large plan sales, which can be highly variable from quarter to quarter and tend to be lower margin. The increase in Individual Markets was primarily due to higher sales in the executive benefits line of business.

For the nine months ended September 30, 2016, sales increased by US$6.2 billion to US$33.9 billion compared to the same period last year, due to an increase of US$5.8 billion in Empower Retirement as well as an increase of US$0.4 billion in Individual Markets. The increase in Empower Retirement sales was primarily due to higher large plan sales driven by two large plan sales in 2016, while 2015 included one large plan sale. The increase in Individual Markets was primarily due to the same reason discussed for the in-quarter results.

Sales in the third quarter of 2016 increased by US$4.2 billion compared to the previous quarter. The increase was primarily due to an increase in Empower Retirement sales, driven by higher large plan sales reflecting one large plan sale in the third quarter of 2016.

Fee and other income
Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and record-keeping services and investment advisory services. Generally, fees are earned based on assets under management, assets under administration or the number of plans and participants for which services are provided.

Fee and other income for the third quarter of 2016 increased by US$23 million to US$256 million compared to the same quarter last year, primarily due to higher-asset based fees, driven by growth in these assets, due to positive net cash flows and higher average equity market levels.

For the nine months ended September 30, 2016, fee and other income increased by US$28 million to US$741 million compared to the same period last year, primarily due to higher-asset based fees, driven by growth in these assets, due to positive net cash flows, as well as higher administrative fees.

Fee and other income for the third quarter of 2016 increased by US$5 million compared to the previous quarter. The increase was primarily due to higher-asset based fees, driven by growth in these assets, due to positive net cash flows and higher average equity market levels, partially offset by lower administrative fees.

Net earnings

Net earnings for the third quarter of 2016 decreased by US$13 million to US$68 million compared to the same quarter last year, primarily due to higher operating expenses, driven primarily by business growth, and lower contributions from investment experience, partially offset by higher net fee income. Third quarter 2016 results included US$5 million of strategic and business development expenses related to Empower Retirement, compared to US$7 million for the third quarter of 2015.

For the nine months ended September 30, 2016, net earnings decreased by US$45 million to US$191 million compared to the same period last year. The decrease was primarily due to higher operating expenses, driven primarily by business growth, lower contributions from investment experience and less favourable mortality experience. These decreases were partially offset by lower income taxes, driven by a management election to claim foreign tax credits that positively impacted net earnings in the first quarter of 2016, and higher net fee income. Included in the year-to-date net earnings were US$14 million of strategic and development expenses related to Empower Retirement, compared to US$21 million for the same period in 2015.

Net earnings for the third quarter of 2016 increased by US$12 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes and lower income taxes, partially offset by lower contributions from investment experience.

ASSET MANAGEMENT

2016 DEVELOPMENTS

- Sales for the three months ended September 30, 2016 were US$8.7 billion, an increase of US$0.8 billion compared to the same quarter last year, driven by growth in the institutional asset business, partially offset by a decrease in mutual fund sales.
- Putnam's ending assets under management (AUM) at September 30, 2016 of US$153.8 billion increased by US$7.2 billion compared to the same quarter last year, primarily due to the cumulative impact of positive markets and institutional net asset inflows, partially offset by mutual fund net asset outflows. Average AUM of US$151.7 billion decreased by US$1.6 billion compared to the same quarter last year, primarily due to net asset outflows.
- Fee income for the three months ended September 30, 2016 was US$176 million, a decrease of US$41 million compared to the same quarter last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2016, approximately 68% of Putnam's fund assets performed at levels above the Lipper median on a five-year basis.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Sales	**$ 11,341**	$ 10,623	$ 10,242	**$ 34,352**	$ 28,981
Fee income					
Investment management fees	**194**	188	219	**581**	646
Performance fees	**(13)**	(6)	5	**(24)**	14
Service fees	**39**	39	45	**120**	129
Underwriting & distribution fees	**11**	11	16	**36**	54
Fee income	**231**	232	285	**713**	843
Core net earnings (loss)(1)	**9**	(5)	8	**(13)**	33
Less: Financing and other expenses (after-tax)(1)	**(15)**	(13)	(16)	**(36)**	(42)
Reported net earnings (loss)	**(6)**	(18)	(8)	**(49)**	(9)
Sales (US$)	**$ 8,657**	$ 8,236	$ 7,818	**$ 25,935**	22,986
Fee income (US$)					
Investment management fees (US$)	**148**	146	167	**439**	513
Performance fees (US$)	**(10)**	(5)	4	**(19)**	12
Service fees (US$)	**30**	30	34	**91**	102
Underwriting & distribution fees (US$)	**8**	8	12	**27**	42
Fee income (US$)	**176**	179	217	**538**	669
Core net earnings (loss) (US$)(1)	**7**	(4)	6	**(9)**	26
Less: Financing and other expenses (after-tax) (US$)(1)	**(12)**	(10)	(12)	**(28)**	(32)
Reported net earnings (loss) (US$)	**(5)**	(14)	(6)	**(37)**	(6)
Pre-tax operating margin(2)	**7%**	(2.7)%	5.2%	**(2.5)%**	6.9%
Average assets under management (US$)	**$ 151,740**	$ 146,728	$ 153,341	**$ 146,702**	$ 157,332

(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 certain corporate financing charges and allocations, fair value adjustments related to stock-based compensation, certain tax adjustments and other non-recurring transactions.

(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 third quarter of 2016 increased by US$0.8 billion to US$8.7 billion compared to the same quarter last year, due to a US$1.3 billion increase in institutional sales, partially offset by a US$0.5 billion decrease in mutual fund sales.

For the nine months ended September 30, 2016, sales increased by US$2.9 billion to US$25.9 billion compared to the same period last year, due to higher institutional sales of US$4.8 billion, partially offset by a decrease in mutual fund sales of US$1.9 billion.

Sales in the third quarter of 2016 increased by US$0.4 billion compared to the previous quarter, primarily due to an increase in institutional sales.

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 third quarter of 2016 decreased by US$41 million to US$176 million compared to the same quarter last year. The decrease was primarily due to lower asset-based fees reflecting lower average AUM, driven by a reduction in mutual funds, reflective of the decline in industry flows in the segments where Putnam operates, and lower performance fees on mutual funds.

For the nine months ended September 30, 2016, fee income decreased by US$131 million to US$538 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee income for the third quarter of 2016 was comparable to the previous quarter as higher asset-based fees driven by higher average AUM were offset by a decrease in performance fees.

Net earnings
Core net earnings (a non-IFRS financial measure) for the third quarter of 2016 were US$7 million compared to core net earnings of US$6 million for the same quarter last year. Core net earnings for the third quarter of 2016 included a one-time expense recovery of US$8 million relating to the amortization of certain sales-based commissions due to a change in an accounting estimate. Excluding this expense recovery, core net earnings decreased by US$7 million, primarily due to lower net fee income, partially offset by higher net investment income, driven by unrealized gains on seed capital, and lower compensation costs. In the third quarter of 2016, the reported net loss, including financing and other expenses, was US$5 million compared to US$6 million for the same quarter last year. Financing and other expenses for the third quarter of 2016 were comparable to the same quarter last year.

For the nine months ended September 30, 2016, the core net loss was US$9 million compared to core net earnings of US$26 million for the same period last year. Included in the year-to-date core net loss was the expense recovery discussed for the in-quarter results and one-time expenses of US$5 million primarily relating to a new lease agreement entered in the first quarter of 2016, while core net earnings in the previous year included expense recoveries of US$5 million that did not recur. Excluding these items, core net earnings decreased by US$33 million. The decrease was primarily due to lower net fee income, partially offset by lower compensation costs and income taxes, driven by a management election to claim foreign tax credits of US$3 million. The reported net loss, including financing and other expenses, for the nine months ended September 30, 2016 was US$37 million compared to US$6 million for the same period last year. Financing and other expenses for the nine month period ended September 30, 2016 decreased by US$4 million to US$28 million compared to the same period last year, primarily due to lower income taxes, driven by a management election to claim foreign tax credits of US$6 million.

Core net earnings for the third quarter of 2016 were US$7 million compared to a net loss of US$4 million for the previous quarter. Core net earnings for the third quarter of 2016 included the expense recovery of US$8 million discussed for the in-quarter results. Excluding this item, core net earnings increased by US$3 million, primarily due to an increase in net investment income, driven by unrealized gains on seed capital, and lower operating expenses, partially offset by lower net fee income. The reported net loss, including financing and other expenses, for the third quarter of 2016 was US$5 million compared to US$14 million in the previous quarter. Financing and other expenses for the third quarter of 2016 were US$12 million compared to US$10 million for the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Beginning assets	**$ 147,650**	$ 145,803	$ 156,348	**$ 148,370**	$ 157,572
Sales - Mutual funds	**3,771**	3,749	4,233	**12,479**	14,341
Redemptions - Mutual funds	**(5,363)**	(6,162)	(5,518)	**(19,094)**	(16,192)
Net asset flows - Mutual funds	**(1,592)**	(2,413)	(1,285)	**(6,615)**	(1,851)
Sales - Institutional	**4,886**	4,487	3,585	**13,456**	8,645
Redemptions - Institutional	**(2,838)**	(2,760)	(2,164)	**(8,774)**	(8,449)
Net asset flows - Institutional	**2,048**	1,727	1,421	**4,682**	196
Net asset flows - Total	**456**	(686)	136	**(1,933)**	(1,655)
Impact of market/performance	**5,692**	2,533	(9,846)	**7,361**	(9,279)
Ending assets	**$ 153,798**	$ 147,650	$ 146,638	**$ 153,798**	$ 146,638
Average assets under management					
Mutual funds	**72,563**	72,540	83,584	**72,542**	86,225
Institutional assets	**79,177**	74,188	69,757	**74,160**	71,107
Total average assets under management	**$ 151,740**	$ 146,728	$ 153,341	**$ 146,702**	$ 157,332

Average AUM for the three months ended September 30, 2016 was US$151.7 billion, a decrease of US$1.6 billion compared to the same quarter last year, primarily due to the cumulative impact of net asset outflows over the twelve month period. Net asset inflows for the third quarter of 2016 were US$0.5 billion compared to US$0.1 billion in the same quarter last year. In-quarter institutional net asset inflows were US$2.1 billion and mutual fund net asset outflows were US$1.6 billion, reflective of the decline in industry flows in the segments where Putnam operates.

Average AUM for the nine months ended September 30, 2016 decreased by US$10.6 billion to US$146.7 billion compared to the same period last year, primarily due to the same reason discussed for the in-quarter results. Net asset outflows for the nine months ended September 30, 2016 were US$1.9 billion compared to US$1.7 billion for the same period last year. Year-to-date mutual fund net asset outflows were US$6.6 billion and institutional net asset inflows were US$4.7 billion.

Average AUM increased by US$5.0 billion compared to the previous quarter, primarily due to the impact of positive markets in the third quarter of 2016 and net asset inflows.

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 third quarter of 2016, the net loss increased by US$1 million to US$3 million compared to the same quarter last year, primarily due to a legal settlement related to discontinued operations. Third quarter 2016 results included restructuring costs of US$1 million, compared to US$2 million for the same quarter last year.

For the nine months ended September 30, 2016, the net loss increased by US$3 million to US$7 million compared to the same period in 2015, primarily due to the same reason discussed for the in-quarter results. Included in the year-to-date net loss was restructuring costs of US$5 million, compared to US$4 million for the same period in 2015.

The net loss for the three months ended September 30, 2016 increased by US$1 million to US$3 million, primarily due to the legal settlement discussed for the in-quarter results, partially offset by lower restructuring expenses.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, together with an allocation of a portion of Lifeco's corporate results. Insurance & Annuities provides 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. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

TRANSLATION OF FOREIGN CURRENCY

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

Currency translation impact is a non-IFRS financial measure that highlights the impact of changes in currency translation rates on IFRS results. This measure provides useful information as it facilitates the 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 nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 8,292**	$ 8,331	$ 9,841	**$ 24,464**	$ 21,707
Fee and other income	**328**	307	284	**956**	894
Net earnings	**313**	293	296	**893**	871
Total assets	**$ 162,181**	$ 155,558	$ 162,402		
Proprietary mutual funds and institutional net assets	**34,461**	32,480	27,575		
Total assets under management	**196,642**	188,038	189,977		
Other assets under administration	**40,044**	38,975	41,146		
Total assets under administration[(1)]	**$ 236,686**	$ 227,013	$ 231,123		

(1) At September 30, 2016, total assets under administration excludes $7.2 billion of assets managed for other business units within the Lifeco group of companies ($7.0 billion at June 30, 2016).

2016 DEVELOPMENTS

- Net earnings for the third quarter of 2016 were $313 million, an increase of $17 million compared to the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes and investment experience, partially offset by less favourable mortality experience and the impact of currency movement.
- Premiums and deposits for the three months ended September 30, 2016 were $8.3 billion, a decrease of $1.5 billion compared to the same quarter last year, which included $3.5 billion related to a large sale to an institutional client during the third quarter of 2015. Excluding this large sale, premiums and deposits were up $2.0 billion driven by new and restructured reinsurance agreements and higher fund management sales in Ireland, partially offset by the impact of currency movement.
- Market uncertainty and volatility continues following the U.K.'s June 23, 2016 vote to leave the European Union, most notably resulting in a weaker British pound. The Company remains committed to its operations in the U.K. which are strong and are primarily domestic businesses with well-diversified investment portfolios. Customer needs for insurance, wealth and annuity products remain as before and the Company is well placed to continue to serve these customers. The Company will continue to work closely with customers, business partners and regulators over the next few years as the U.K. and the EU enter a period of negotiation and agree on their new relationship.
- Following the U.K. vote to leave the EU, there has been significant uncertainty surrounding the potential impact on U.K. property values. In early July 2016, a number of fund managers of U.K. property funds, including the Company, temporarily suspended redemptions. The temporary suspension of Canada Life and Irish Life U.K. property life and pension funds (the Funds) set by the Company was to protect the interests of all investors given the uncertainty associated with property values and liquidity of the Funds. The Company has lifted the suspension of redemptions on the Funds, as fund liquidity has improved to a level that the Company expects can meet redemption requests and ongoing liquidity requirements.
- In Europe, Solvency II regulations came into effect on January 1, 2016. All of the Company's regulated European-based subsidiaries are meeting the new requirements. Solvency II encompasses both a new capital regime and a new governance/supervisory approach. The new governance regime focuses on more active and risk-focused Board of Directors involvement, which fits well with the Company's existing philosophy and culture. The capital regime has moved from a factor-based approach to a more risk-based methodology which is more sensitive to interest rate movements than the previous regime. In 2016, the Company continues to focus on managing capital volatility under the new regulations. Transitional measures and other measures approved by the regulators for long-term guaranteed business act to reduce the impact of current market volatility on Solvency II regulatory capital.
- On August 1, 2016, the Company completed the acquisition of Aviva Health Insurance Ireland Limited (Aviva Health), an Irish health insurance company, and assumed control of GloHealth Financial Services Limited (GloHealth), where the Company previously had a 49% ownership. Upon assumption of control of GloHealth, the Company recorded a gain of $24 million, to reflect the fair value of the GloHealth investment. The Company will operate its new Irish health insurance business under the Irish Life Health brand. The Company has set annual cost savings targets of €16 million pre-tax to be achieved through operating efficiencies from the combination of the businesses. Integration activities, with an expected cost of €16 million pre-tax, are anticipated to be completed in the next 18 to 24 months. From the date of acquisition to September 30, 2016, these costs have decreased net earnings by €8 million and synergies achieved have been €1 million.
- The Company, through its subsidiary London Reinsurance Group Inc., offers property catastrophe coverage to reinsurance companies and as a result may be exposed to claims coming from very major weather events. Current preliminary estimates of industry insured losses arising from Hurricane Matthew range from US$4 billion to US$9 billion. The Company does not expect to incur significant claims from this hurricane; however, it will take some time before the Company receives accurate claims estimates.

- During the third quarter of 2016, the Company received a number of awards:
    - Canada Life International, a subsidiary of Canada Life in the U.K., received a number of awards at the International Adviser International Life Awards 2016, including "Best Overall Product Range", “Readers' Choice Award" for "Best International Life Company UK Offshore" for U.K. Offshore international life insurers, for the third year in a row and "Best Offshore Protection Provider".
    - The Investments Life and Pensions Moneyfacts 2016 awards in the U.K. named Canada Life “Best Group Protection Provider” for the third year in a row, the “Service Beyond the Call of Duty" award for the second year in a row and "Best Annuity Service Winner".
    - Canada Life Group Insurance in the U.K. retained first position overall for the fifth year within the ORC International survey. This survey is used as a benchmark for group insurers' performance and it surveys both Employee Benefits Consultants and non-specialist financial advisors on an insurer’s performance throughout the year.
    - The International Fund and Product Awards 2016 named Canada Life "Best International Life Group (UK)" for the fourth year in a row and "Best International Portfolio Bond".
    - The 2016 Health Insurance Awards named Canada Life "Best Group Risk Provider" for the fourth year in a row.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits[(1)]	**$ 5,325**	$ 6,293	$ 8,354	**$ 17,292**	$ 17,630
Sales[(1)]	**4,645**	5,550	7,716	**14,769**	15,568
Fee and other income	**324**	303	278	**943**	877
Net earnings	**251**	225	229	**702**	652

(1) For the three and nine months ended September 30, 2016, premiums and deposits and sales exclude $0.2 billion and $7.1 billion, respectively, of assets managed for other business units within the Lifeco group of companies ($6.9 billion for the three and six months ended June 30, 2016).

Premiums and deposits
Premiums and deposits for the third quarter of 2016 decreased by $3.0 billion to $5.3 billion compared to the same quarter last year, which included $3.5 billion related to a large sale to an institutional client in the third quarter of 2015. Excluding the impact of the large sale in 2015, premiums and deposits were up $0.5 billion, driven by higher fund management sales and higher payout annuity sales, partially offset by the impact of currency movement. The Company continues to develop its presence in the bulk annuity market, where trustees insure pension annuities in payment, and this contributed to sales growth in the period.

For the nine months ended September 30, 2016, premiums and deposits decreased by $0.3 billion to $17.3 billion compared to the same period last year, which included two large sales in 2015. Excluding the impact of these two large sales, premiums and deposits increased by $4.8 billion, primarily due to higher fund management sales and higher sales of payout annuities, partially offset by the impact of currency movement.

Premiums and deposits for the third quarter of 2016 decreased by $1.0 billion compared to the previous quarter, primarily due to lower fund management sales in Ireland and the impact of currency movement, partially offset by higher sales of payout annuities.

Sales

Sales for the third quarter of 2016 decreased by $3.1 billion to $4.6 billion compared to the same quarter last year. For the nine months ended September 30, 2016, sales decreased to $14.8 billion from $15.6 billion compared to the same period last year. Decreases in both the three month and nine month periods were due to the same reasons discussed for premiums and deposits for the respective periods.

Sales for the third quarter of 2016 decreased by $0.9 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 third quarter of 2016 increased by $46 million to $324 million compared to the same quarter last year. The increase was primarily due to higher investment gain related fee income associated with a closed block of Irish unit-linked business and from other income, which can be highly variable from quarter to quarter, partially offset by the impact of currency movement. The fee income on the closed block of Irish unit-linked business is particularly sensitive to the market levels at the start and end of a reporting period.

For the nine months ended September 30, 2016, fee and other income increased by $66 million to $943 million compared to the same period last year. The increase was due to higher investment gain related fee income associated with a closed block of Irish unit-linked business and from other income, which can be highly variable from period to period, as well as the impact of currency movement.

Fee and other income for third quarter of 2016 increased by $21 million compared to the previous quarter, primarily due to other variable income.

Net earnings

Net earnings for the third quarter of 2016 increased by $22 million to $251 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and investment experience, partially offset by less favourable morbidity experience and the impact of currency movement.

Net earnings for the nine months ended September 30, 2016 increased by $50 million to $702 million compared to the same period last year. The increase was primarily due to higher contributions from insurance contract liability basis changes, favourable mortality experience and lower income taxes, including the impact of U.K. corporate tax rate changes on deferred tax balances in the first quarter of 2016. These increases were partially offset by less favourable morbidity experience and the impact of currency movement.

Net earnings for the third quarter of 2016 increased by $26 million compared to the previous quarter. The increase was primarily due to higher contributions from investment experience and insurance contract liability basis changes, partially offset by the impact of currency movement.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2016	June 30 2016	Sept. 30 2015	**Sept. 30 2016**	Sept. 30 2015
Premiums and deposits	**$ 2,967**	$ 2,038	$ 1,487	**$ 7,172**	$ 4,077
Fee and other income	**4**	4	6	**13**	17
Net earnings	**54**	74	71	**191**	240

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

Premiums and deposits for the third quarter of 2016 increased from $1.5 billion to $3.0 billion compared to the same quarter last year, primarily due to new and restructured reinsurance agreements.

For the nine months ended September 30, 2016, premiums and deposits increased by $3.1 billion to $7.2 billion compared to the same period last year. The increase was primarily due to the same reason discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2016 increased by $0.9 billion compared to the previous quarter, primarily due to higher business volumes.

Fee and other income
Fee and other income for the third quarter of 2016 decreased by $2 million to $4 million compared to the same period last year. Certain life treaties were restructured in 2015 and result in lower fee income on an ongoing basis.

For the nine months ended September 30, 2016, fee and other income decreased by $4 million to $13 million compared to the same period last year, primarily for the same reason discussed for the in-quarter results.

Fee income for the third quarter of 2016 of $4 million was comparable to the prior quarter.

Net earnings
Net earnings for the third quarter of 2016 decreased by $17 million to $54 million compared to the same quarter last year. The decrease was primarily due to less favourable mortality experience for the traditional life business and higher new business strain, partially offset by higher contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2016, net earnings decreased by $49 million to $191 million compared to the same period last year. The decrease was primarily due to the same reasons discussed for the in-quarter results. In addition, net earnings in 2015 were positively impacted by changes to certain income tax estimates, which did not recur in 2016.

Net earnings for the third quarter of 2016 decreased by $20 million compared to the previous quarter. The decrease was primarily due to less favourable mortality experience and higher new business strain.

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 third quarter of 2016, Europe Corporate had net earnings of $8 million compared to a net loss of $4 million for the same quarter last year. Following the transaction to assume control of GloHealth during the quarter, the Company reported a gain to reflect the fair value of the GloHealth investment, which increased net earnings by $24 million. Excluding this item, the net loss increased by $12 million, primarily due to restructuring and acquisition costs relating to Aviva Health and GloHealth.

For the nine months ended September 30, 2016, Europe Corporate had net earnings of nil compared to a net loss of $21 million for the same period last year, primarily due to the fair value gain related to GloHealth discussed for the in-quarter results. Excluding this item, the net loss increased by $3 million. Included in the year-to-date results were $15 million of restructuring and acquisition costs primarily relating to Aviva Health and GloHealth, compared to $18 million of Irish Life and Legal & General International (Ireland) Limited restructuring and acquisition costs in 2015.

For the three months ended September 30, 2016, Europe Corporate had net earnings of $8 million compared to a net loss of $6 million for the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2016, Lifeco Corporate had a net loss of $6 million compared to net earnings of $2 million for the same period in 2015, primarily due to the impact of changes to certain income tax estimates.

For the nine months ended September 30, 2016, Lifeco Corporate had a net loss of $14 million, an increase from a net loss of $9 million for the same period last year, primarily due to the impact of changes to certain income tax estimates and higher operating expenses.

The net loss for the three months ended September 30, 2016 increased from $2 million in the previous quarter to $6 million in the current quarter, primarily due to the impact of changes to certain income tax estimates.

RISK MANAGEMENT AND CONTROL PRACTICES

The Board of Directors is ultimately responsible for the Company's governance principles and policies. These include the Enterprise Risk Management Policy, which establishes the guiding principles of risk management, and the Risk Appetite Framework, which reflects the aggregate levels and types of risk that the Company is willing to tolerate in its business activities and operations. During the third quarter of 2016, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2015 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2016, 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 IFRS 11 *Joint Arrangements,* IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, IAS 1 *Presentation of Financial Statements,* IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates and Joint Ventures* and *Annual Improvements 2012 - 2014 Cycle* effective January 1, 2016. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

In September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment "Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*" provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9, *Financial Instruments* (IFRS 9) standard before the new proposed insurance contract standard is effective. The two options are as follows:

- *Deferral Approach* - provides the option to defer implementation of IFRS 9 until the year 2021 or the effective date of the new insurance contract standard, whichever is earlier; or
- *Overlay Approach* - provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating whether it qualifies for the amendment and the impacts of adopting the amendment.

In regards to future accounting policy changes that could impact the Company, other than the amendment to IFRS 4 noted above, there have been no significant changes from the disclosure included in the Company's 2015 Annual MD&A.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2016**			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue[(1)]	**$ 13,408**	$ 12,807	$12,352	$ 8,321	$ 8,596	$ 4,224	$ 12,679	$ 10,723
Common shareholders								
Net earnings								
Total	**674**	671	620	683	720	659	700	657
Basic - per share	**0.682**	0.675	0.625	0.688	0.724	0.661	0.702	0.658
Diluted - per share	**0.681**	0.674	0.623	0.686	0.722	0.659	0.700	0.657

(1) Revenue includes the changes in fair value through profit or loss on investment assets.

Lifeco's consolidated net earnings attributable to common shareholders were $674 million for the third quarter of 2016 compared to $720 million reported a year ago. On a per share basis, this represents $0.682 per common share ($0.681 diluted) for the third quarter of 2016 compared to $0.724 per common share ($0.722 diluted) a year ago.

Total revenue for the third quarter of 2016 was $13,408 million and comprises premium income of $8,334 million, regular net investment income of $1,496 million, positive changes in fair value through profit or loss on investment assets of $2,307 million and fee and other income of $1,271 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 nine month period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions have not changed materially from December 31, 2015.

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**	**Sept. 30 2016**	June 30 2016	Mar. 31 2016	Dec. 31 2015	Sept. 30 2015	June 30 2015	Mar. 31 2015
United States dollar							
Balance sheet	**$ 1.31**	$ 1.30	$ 1.30	$ 1.38	$ 1.34	$ 1.25	$ 1.27
Income and expenses	**$ 1.31**	$ 1.29	$ 1.37	$ 1.34	$ 1.31	$ 1.23	$ 1.24
British pound							
Balance sheet	**$ 1.71**	$ 1.72	$ 1.87	$ 2.04	$ 2.02	$ 1.96	$ 1.88
Income and expenses	**$ 1.71**	$ 1.85	$ 1.96	$ 2.03	$ 2.03	$ 1.89	$ 1.88
Euro							
Balance sheet	**$ 1.47**	$ 1.44	$ 1.48	$ 1.50	$ 1.50	$ 1.39	$ 1.36
Income and expenses	**$ 1.46**	$ 1.46	$ 1.51	$ 1.46	$ 1.46	$ 1.36	$ 1.40

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 nine months ended	
	September 30 2016	June 30 2016	September 30 2015	**September 30 2016**	September 30 2015
Income					
Premium income					
Gross premiums written	**$ 9,301**	$ 7,834	$ 6,796	**$ 25,061**	$ 21,012
Ceded premiums	**(967)**	(963)	(905)	**(2,841)**	(2,673)
Total net premiums	**8,334**	6,871	5,891	**22,220**	18,339
Net investment income (note 4)					
Regular net investment income	**1,496**	1,576	1,546	**4,745**	4,601
Changes in fair value through profit or loss	**2,307**	3,129	(82)	**7,846**	(1,166)
Total net investment income	**3,803**	4,705	1,464	**12,591**	3,435
Fee and other income	**1,271**	1,231	1,241	**3,756**	3,725
	13,408	12,807	8,596	**38,567**	25,499
Benefits and expenses					
Policyholder benefits					
Gross	**7,452**	6,143	5,726	**20,237**	16,493
Ceded	**(545)**	(501)	(481)	**(1,518)**	(1,454)
Total net policyholder benefits	**6,907**	5,642	5,245	**18,719**	15,039
Policyholder dividends and experience refunds	**404**	381	401	**1,154**	1,156
Changes in insurance and investment contract liabilities	**3,278**	4,012	187	**10,429**	1,115
Total paid or credited to policyholders	**10,589**	10,035	5,833	**30,302**	17,310
Commissions	**584**	599	565	**1,749**	1,634
Operating and administrative expenses	**1,180**	1,161	1,132	**3,549**	3,291
Premium taxes	**109**	98	83	**299**	247
Financing charges (note 9)	**74**	75	78	**227**	230
Amortization of finite life intangible assets	**43**	44	36	**133**	109
Restructuring and acquisition expenses	**19**	5	7	**28**	28
Earnings before income taxes	**810**	790	862	**2,280**	2,650
Income taxes (note 14)	**108**	76	84	**208**	394
Net earnings before non-controlling interests	**702**	714	778	**2,072**	2,256
Attributable to non-controlling interests	**(3)**	13	26	**15**	82
Net earnings	**705**	701	752	**2,057**	2,174
Preferred share dividends	**31**	30	32	**92**	95
Net earnings - common shareholders	**$ 674**	$ 671	$ 720	**$ 1,965**	$ 2,079
Earnings per common share (note 11)					
Basic	**$ 0.682**	$ 0.675	$ 0.724	**$ 1.982**	$ 2.086
Diluted	**$ 0.681**	$ 0.674	$ 0.722	**$ 1.979**	$ 2.081

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2016	June 30 2016	September 30 2015	**September 30 2016**	September 30 2015
Net earnings	**$ 705**	$ 701	$ 752	**$ 2,057**	$ 2,174
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	**80**	(508)	888	**(1,412)**	1,767
Unrealized foreign exchange gains (losses) on euro debt designated as hedge of the net investment in foreign operations	**(15)**	20	(55)	**15**	(50)
Income tax (expense) benefit	**2**	(3)	8	**(2)**	9
Unrealized gains on available-for-sale assets	**32**	125	35	**278**	24
Income tax expense	**(4)**	(22)	(5)	**(50)**	(3)
Realized gains on available-for-sale assets	**(21)**	(18)	(8)	**(70)**	(101)
Income tax expense	**2**	3	2	**9**	17
Unrealized gains (losses) on cash flow hedges	**(6)**	(20)	(118)	**69**	(224)
Income tax (expense) benefit	**2**	7	45	**(27)**	85
Realized losses on cash flow hedges	**1**	—	1	**2**	2
Income tax benefit	**(1)**	—	(1)	**(1)**	(1)
Non-controlling interests	**(1)**	(21)	2	**(16)**	(5)
Income tax (expense) benefit	**1**	5	(1)	**9**	—
Total items that may be reclassified	**72**	(432)	793	**(1,196)**	1,520
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)	**(239)**	(220)	(51)	**(701)**	51
Income tax (expense) benefit	**49**	57	16	**168**	(13)
Non-controlling interests	**7**	14	2	**40**	(10)
Income tax (expense) benefit	**(2)**	(3)	(1)	**(10)**	3
Total items that will not be reclassified	**(185)**	(152)	(34)	**(503)**	31
Total other comprehensive income (loss)	**(113)**	(584)	759	**(1,699)**	1,551
Comprehensive income	**$ 592**	$ 117	$ 1,511	**$ 358**	$ 3,725

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2016	December 31 2015
		(note 16)
Assets		
Cash and cash equivalents	**$ 3,060**	$ 2,813
Bonds (note 4)	**117,732**	114,943
Mortgage loans (note 4)	**21,788**	22,021
Stocks (note 4)	**8,847**	7,873
Investment properties (note 4)	**4,448**	5,237
Loans to policyholders	**8,372**	8,694
	164,247	161,581
Funds held by ceding insurers	**12,558**	15,512
Goodwill	**6,022**	5,913
Intangible assets	**3,887**	4,036
Derivative financial instruments	**625**	461
Owner occupied properties	**633**	653
Fixed assets	**312**	298
Other assets	**2,481**	2,643
Premiums in course of collection, accounts and interest receivable	**4,313**	3,553
Reinsurance assets (note 7)	**5,304**	5,131
Current income taxes	**113**	69
Deferred tax assets	**1,832**	1,891
Investments on account of segregated fund policyholders (note 8)	**199,162**	198,194
Total assets	**$ 401,489**	$ 399,935
Liabilities		
Insurance contract liabilities (note 7)	**$ 159,609**	$ 158,492
Investment contract liabilities (note 7)	**2,091**	2,253
Debentures and other debt instruments	**5,126**	5,395
Capital trust securities	**161**	161
Funds held under reinsurance contracts	**338**	356
Derivative financial instruments	**2,078**	2,624
Accounts payable	**2,525**	1,755
Other liabilities	**4,110**	3,367
Current income taxes	**550**	492
Deferred tax liabilities	**1,483**	1,586
Investment and insurance contracts on account of segregated fund policyholders (note 8)	**199,162**	198,194
Total liabilities	**377,233**	374,675
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,630**	2,626
Non-controlling interests in subsidiaries	**195**	195
Shareholders' equity		
Share capital (note 10)		
Preferred shares	**2,514**	2,514
Common shares	**7,120**	7,156
Accumulated surplus	**11,140**	10,416
Accumulated other comprehensive income	**519**	2,218
Contributed surplus	**138**	135
Total equity	**24,256**	25,260
Total liabilities and equity	**$ 401,489**	$ 399,935

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

September 30, 2016 (note 16)

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	**$ 9,670**	**$ 135**	**$ 10,416**	**$ 2,218**	**$ 2,821**	**$ 25,260**
Net earnings	**—**	**—**	**2,057**	**—**	**15**	**2,072**
Other comprehensive loss	**—**	**—**	**—**	**(1,699)**	**(23)**	**(1,722)**
	9,670	**135**	**12,473**	**519**	**2,813**	**25,610**
Dividends to shareholders						
Preferred shareholders (note 11)	**—**	**—**	**(92)**	**—**	**—**	**(92)**
Common shareholders	**—**	**—**	**(1,029)**	**—**	**—**	**(1,029)**
Shares exercised and issued under share-based payment plans (note 10)	**21**	**(46)**	**—**	**—**	**49**	**24**
Share-based payment plans expense	**—**	**49**	**—**	**—**	**—**	**49**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(39)**	**(39)**
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	**(267)**	**—**	**—**	**—**	**—**	**(267)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	**210**	**—**	**(210)**	**—**	**—**	**—**
Dilution loss on non-controlling interests	**—**	**—**	**(2)**	**—**	**2**	**—**
Balance, end of period	**$ 9,634**	**$ 138**	**$ 11,140**	**$ 519**	**$ 2,825**	**$ 24,256**

September 30, 2015 (note 16)

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,616	$ 126	$ 9,119	$ 378	$ 2,658	$ 21,897
Net earnings	—	—	2,174	—	82	2,256
Other comprehensive income	—	—	—	1,551	12	1,563
	9,616	126	11,293	1,929	2,752	25,716
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(95)	—	—	(95)
Common shareholders	—	—	(974)	—	—	(974)
Shares exercised and issued under share-based payment plans (note 10)	83	(47)	—	—	39	75
Share-based payment plans expense	—	44	—	—	—	44
Equity settlement of Putnam share-based plans	—	—	—	—	(23)	(23)
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	(209)	—	—	—	—	(209)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	167	—	(167)	—	—	—
Dilution loss on non-controlling interests	—	—	(3)	—	3	—
Balance, end of period	$ 9,657	$ 123	$ 10,054	$ 1,929	$ 2,771	$ 24,534

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2016	2015
Operations		
Earnings before income taxes	**$ 2,280**	$ 2,650
Income taxes paid, net of refunds received	**(158)**	(295)
Adjustments:		
Change in insurance and investment contract liabilities	**10,359**	(550)
Change in funds held by ceding insurers	**481**	789
Change in funds held under reinsurance contracts	**32**	(163)
Change in deferred acquisition costs	**36**	30
Change in reinsurance assets	**(99)**	73
Changes in fair value through profit or loss	**(7,846)**	1,166
Other	**(220)**	360
	4,865	4,060
Financing Activities		
Issue of common shares (note 10)	**21**	83
Purchased and cancelled common shares (note 10)	**(267)**	(209)
Decrease in line of credit of subsidiary	**(197)**	(291)
Increase (decrease) in debentures and other debt instruments	**9**	(3)
Dividends paid on common shares	**(1,029)**	(974)
Dividends paid on preferred shares	**(92)**	(95)
	(1,555)	(1,489)
Investment Activities		
Bond sales and maturities	**21,880**	22,397
Mortgage loan repayments	**1,983**	1,979
Stock sales	**1,936**	1,423
Investment property sales	**373**	199
Change in loans to policyholders	**12**	(48)
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(33)**	(4)
Investment in bonds	**(23,852)**	(23,559)
Investment in mortgage loans	**(2,779)**	(1,969)
Investment in stocks	**(2,305)**	(1,776)
Investment in investment properties	**(91)**	(264)
	(2,876)	(1,622)
Effect of changes in exchange rates on cash and cash equivalents	**(187)**	266
Increase in cash and cash equivalents	**247**	1,215
Cash and cash equivalents, beginning of period	**2,813**	2,498
Cash and cash equivalents, end of period	**$ 3,060**	$ 3,713
Supplementary cash flow information		
Interest income received	**$ 3,995**	$ 3,749
Interest paid	**$ 196**	$ 197
Dividend income received	**$ 184**	$ 175

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 nine months ended September 30, 2016 were approved by the Board of Directors on November 3, 2016.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2015 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at September 30, 2016 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2015 except as described below.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IFRS 11 *Joint Arrangements*, IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets*, IAS 1 *Presentation of Financial Statements*, IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates and Joint Ventures* and *Annual Improvements 2012 - 2014 Cycle* effective January 1, 2016. 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 September 2016, the IASB issued an amendment to IFRS 4, *Insurance Contracts* (IFRS 4). The amendment “Applying IFRS 9, *Financial Instruments* with IFRS 4, *Insurance Contracts*” provides qualifying insurance companies with two options to address the potential volatility associated with implementing the IFRS 9, *Financial Instruments* (IFRS 9) standard before the new proposed insurance contract standard is effective. The two options are as follows:

- *Deferral Approach* - provides the option to defer implementation of IFRS 9 until the year 2021 or the effective date of the new insurance contract standard, whichever is earlier, or
- *Overlay Approach* - provides the option to recognize the volatility that could arise when IFRS 9 is applied within other comprehensive income, rather than profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating whether it qualifies for the amendment and the impacts of adopting the amendment.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2015 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, 2015 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. Management judgment is required when setting credit ratings for instruments that do not have a third-party credit rating.

3. Business Acquisitions

On August 1, 2016, the Company, through an indirect wholly owned Irish subsidiary, Irish Life Group Limited (Irish Life), completed the acquisition of Aviva Health Insurance Ireland Limited (Aviva Health), an Irish health insurance company, and assumed control of GloHealth Financial Services Limited (GloHealth), where Irish Life previously held 49%. The fair value of the 49% equity interest in GloHealth at acquisition was $32 which includes a fair value increase of $24 recorded in net investment income for the period ended September 30, 2016. The Company now holds 100% of the equity interest of GloHealth.

As at September 30, 2016, the accounting for the acquisition has not been finalized pending the completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 2016 reflect management's best estimate of the purchase price allocation. The comprehensive evaluation of the net assets acquired and completion of the purchase price allocation is anticipated to be finalized during the fourth quarter of 2016. As a result, the excess of the purchase price over the fair value of net assets acquired representing goodwill may be adjusted in future periods.

The initial amounts assigned to the assets acquired, goodwill, liabilities assumed and contingent consideration on August 1, 2016 reported as at September 30, 2016 for both Aviva Health and GloHealth are as follows:

Assets acquired and goodwill		
Cash and cash equivalents	**$**	**84**
Invested assets		**122**
Reinsurance assets		**240**
Other assets		**291**
Goodwill		**126**
Total assets acquired and goodwill	**$**	**863**
Liabilities assumed and contingent consideration		
Insurance contract liabilities	**$**	**358**
Other liabilities		**313**
Contingent consideration		**36**
Total liabilities assumed and contingent consideration	**$**	**707**

Aviva Health was rebranded as Irish Life Health, the combined operations of Aviva Health and GloHealth contributed $38 in revenue and incurred net losses of $7 from the date of acquisition to September 30, 2016. These amounts are included in the Consolidated Statements of Earnings and Comprehensive Income.

During the nine months ended September 30, 2016, the Company incurred $15 of acquisition and restructuring expenses related to the acquisitions.

4. Portfolio Investments

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

	September 30, 2016		December 31, 2015	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 86,153**	**$ 86,153**	$ 83,688	$ 83,688
Classified fair value through profit or loss [1]	**2,459**	**2,459**	2,815	2,815
Available-for-sale	**12,754**	**12,754**	11,535	11,535
Loans and receivables	**16,366**	**18,756**	16,905	18,253
	117,732	**120,122**	114,943	116,291
Mortgage loans				
Residential	**8,075**	**8,553**	7,783	8,148
Commercial	**13,713**	**14,969**	14,238	15,298
	21,788	**23,522**	22,021	23,446
Stocks				
Designated fair value through profit or loss [1]	**7,722**	**7,722**	6,647	6,647
Available-for-sale	**49**	**49**	57	57
Available-for-sale, at cost [2]	**458**	**N/A**	534	N/A
Equity method	**618**	**585**	635	601
	8,847	**8,356**	7,873	7,305
Investment properties	**4,448**	**4,448**	5,237	5,237
Total	**$ 152,815**	**$ 156,448**	$ 150,074	$ 152,279

[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.

During the first quarter of 2016, the Company completed the transfer of annuity policies from The Equitable Life Assurance Society (Equitable Life) acquired during 2015. As a result, the related assets presented as Funds Held by Ceding Insurers in the December 31, 2015 consolidated annual audited financial statements are now recorded in Portfolio Investments.

4. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2016	December 31 2015
Impaired amounts by classification		
Fair value through profit or loss	$ 292	$ 355
Available-for-sale	10	11
Loans and receivables	43	30
Total	$ 345	$ 396

The carrying amount of impaired investments includes bonds, stocks and mortgage loans. The above carrying values for loans and receivables are net of allowances of $31 at September 30, 2016 and $20 at December 31, 2015.

(c) Net investment income comprises the following:

For the three months ended September 30, 2016	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,024	$ 229	$ 57	$ 76	$ 115	$ 1,501
Net realized gains						
Available-for-sale	21	—	—	—	—	21
Other classifications	13	7	—	—	—	20
Net allowances for credit losses on loans and receivables	—	1	—	—	—	1
Other income and expenses	—	—	—	(21)	(26)	(47)
	1,058	237	57	55	89	1,496
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	5	—	—	—	—	5
Designated fair value through profit or loss	1,842	—	348	—	33	2,223
Recorded at fair value through profit or loss	—	—	—	79	—	79
	1,847	—	348	79	33	2,307
Total	$ 2,905	$ 237	$ 405	$ 134	$ 122	$ 3,803

4. Portfolio Investments (cont'd)

For the three months ended September 30, 2015	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,095	$ 242	$ 58	$ 89	$ 95	$ 1,579
Net realized gains						
Available-for-sale	8	—	—	—	—	8
Other classifications	3	8	—	—	—	11
Net allowances for credit losses on loans and receivables	—	—	—	—	—	—
Other income and expenses	—	—	—	(24)	(28)	(52)
	1,106	250	58	65	67	1,546
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(4)	—	—	—	—	(4)
Designated fair value through profit or loss	238	—	(375)	—	(7)	(144)
Recorded at fair value through profit or loss	—	—	—	66	—	66
	234	—	(375)	66	(7)	(82)
Total	$ 1,340	$ 250	$ (317)	$ 131	$ 60	$ 1,464

For the nine months ended September 30, 2016	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 3,192**	**$ 696**	**$ 198**	**$ 248**	**$ 436**	**$ 4,770**
Net realized gains						
Available-for-sale	**70**	**—**	**—**	**—**	**—**	**70**
Other classifications	**28**	**42**	**—**	**—**	**—**	**70**
Net allowances for credit losses on loans and receivables	**—**	**(22)**	**—**	**—**	**—**	**(22)**
Other income and expenses	**—**	**—**	**—**	**(63)**	**(80)**	**(143)**
	3,290	**716**	**198**	**185**	**356**	**4,745**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**71**	**—**	**—**	**—**	**—**	**71**
Designated fair value through profit or loss	**7,267**	**—**	**661**	**—**	**(194)**	**7,734**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**41**	**—**	**41**
	7,338	**—**	**661**	**41**	**(194)**	**7,846**
Total	**$ 10,628**	**$ 716**	**$ 859**	**$ 226**	**$ 162**	**$ 12,591**

4. Portfolio Investments (cont'd)

For the nine months ended September 30, 2015	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 3,147	$ 723	$ 180	$ 264	$ 306	$ 4,620
Net realized gains						
Available-for-sale	101	—	1	—	—	102
Other classifications	10	23	—	—	—	33
Net allowances for credit losses on loans and receivables	—	1	—	—	—	1
Other income and expenses	—	—	—	(75)	(80)	(155)
	3,258	747	181	189	226	4,601
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	15	—	—	—	—	15
Designated fair value through profit or loss	(1,151)	—	(347)	—	115	(1,383)
Recorded at fair value through profit or loss	—	—	—	202	—	202
	(1,136)	—	(347)	202	115	(1,166)
Total	$ 2,122	$ 747	$ (166)	$ 391	$ 341	$ 3,435

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. (IGM) 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. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

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 market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks. The Company's approach to risk management has not substantially changed from that described in the Company's 2015 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, 2015 consolidated audited financial statements.

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

(a) Credit Risk

Credit risk is the risk of 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, 2015.

(b) Liquidity Risk

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

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

(c) Market Risk

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

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

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

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

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. 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 at September 30, 2016 and December 31, 2015.
- 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 at September 30, 2016 and December 31, 2015.

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 following provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions:

	September 30, 2016		December 31, 2015	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in insurance and investment contract liabilities	**$ (205)**	**$ 766**	$ (163)	$ 614
Increase (decrease) in net earnings	**$ 168**	**$ (538)**	$ 109	$ (430)

(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. The following provides information on the expected impacts of a 10% increase or 10% decrease in equity values:

	September 30, 2016		December 31, 2015	
	10% increase	**10% decrease**	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (58)**	**$ 61**	$ (53)	$ 139
Increase (decrease) in net earnings	**$ 48**	**$ (49)**	$ 45	$ (108)

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. The following provides information on the expected impacts of a 1% increase or 1% decrease in the best estimate assumptions:

	September 30, 2016		December 31, 2015	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (535)**	**$ 576**	$ (534)	$ 573
Increase (decrease) in net earnings	**$ 435**	**$ (461)**	$ 433	$ (457)

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 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:

	September 30, 2016			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,060	$ —	$ —	$ 3,060
Financial assets at fair value through profit or loss				
Bonds	—	88,611	1	88,612
Stocks	7,627	6	89	7,722
Total financial assets at fair value through profit or loss	7,627	88,617	90	96,334
Available-for-sale financial assets				
Bonds	—	12,754	—	12,754
Stocks	48	—	1	49
Total available-for-sale financial assets	48	12,754	1	12,803
Investment properties	—	—	4,448	4,448
Derivatives [1]	—	625	—	625
Other assets:				
Trading account assets	361	212	1	574
Other [2]	130	—	—	130
Total assets measured at fair value	$ 11,226	$ 102,208	$ 4,540	$ 117,974
Liabilities measured at fair value				
Derivatives [3]	$ 2	$ 2,076	$ —	$ 2,078
Investment contract liabilities	—	2,070	21	2,091
Other liabilities	130	—	—	130
Total liabilities measured at fair value	$ 132	$ 4,146	$ 21	$ 4,299

[1] Excludes collateral received of $129.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged of $429.

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, 2015			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,813	$ —	$ —	$ 2,813
Financial assets at fair value through profit or loss				
Bonds	—	86,493	10	86,503
Stocks	6,573	8	66	6,647
Total financial assets at fair value through profit or loss	6,573	86,501	76	93,150
Available-for-sale financial assets				
Bonds	—	11,534	1	11,535
Stocks	56	—	1	57
Total available-for-sale financial assets	56	11,534	2	11,592
Investment properties	—	—	5,237	5,237
Derivatives [1]	4	457	—	461
Other assets:				
Trading account assets	381	204	5	590
Total assets measured at fair value	$ 9,827	$ 98,696	$ 5,320	$ 113,843
Liabilities measured at fair value				
Derivatives [2]	$ 3	$ 2,621	$ —	$ 2,624
Investment contract liabilities	—	2,226	27	2,253
Total liabilities measured at fair value	$ 3	$ 4,847	$ 27	$ 4,877

[1] Excludes collateral received of $107.
[2] Excludes collateral pledged of $608.

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:

	September 30, 2016							
	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	**$ 10**	**$ 1**	**$ 66**	**$ 1**	**$ 5,237**	**$ 5**	**$ 5,320**	**$ 27**
Total gains (losses)								
Included in net earnings	**—**	**—**	**(1)**	**—**	**41**	**—**	**40**	**—**
Included in other comprehensive income [1]	**(1)**	**—**	**—**	**—**	**(548)**	**—**	**(549)**	**—**
Purchases	**—**	**—**	**40**	**—**	**91**	**1**	**132**	**—**
Sales	**—**	**—**	**(16)**	**—**	**(373)**	**(5)**	**(394)**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(6)**
Transfers into Level 3 [2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3 [2]	**(8)**	**(1)**	**—**	**—**	**—**	**—**	**(9)**	**—**
Balance, end of period	**$ 1**	**$ —**	**$ 89**	**$ 1**	**$ 4,448**	**$ 1**	**$ 4,540**	**$ 21**
Total gains (losses) for the period included in net investment income	**$ —**	**$ —**	**$ (1)**	**$ —**	**$ 41**	**$ —**	**$ 40**	**$ —**
Change in unrealized losses for the period included in net earnings for assets held at September 30, 2016	**$ —**	**$ —**	**$ —**	**$ —**	**$ (18)**	**$ —**	**$ (18)**	**$ —**

(1) Other comprehensive income for investment properties represents the unrealized losses 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, 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	—	7	—	249	—	261	—
Included in other comprehensive income (1)	—	—	—	—	379	—	379	—
Purchases	—	—	50	—	278	5	333	—
Sales	—	—	(4)	—	(282)	—	(286)	—
Repayments	(47)	—	—	—	—	—	(47)	—
Other	—	—	—	—	—	—	—	(1)
Transfers into Level 3 (2)	—	—	—	—	—	—	—	—
Transfers out of Level 3 (2)	(34)	—	(4)	—	—	—	(38)	—
Balance, end of year	$ 10	$ 1	$ 66	$ 1	$ 5,237	$ 5	$ 5,320	$ 27
Total gains for the year included in net investment income	$ 5	$ —	$ 7	$ —	$ 249	$ —	$ 261	$ —
Change in unrealized gains for the year included in earnings for assets held at December 31, 2015	$ 5	$ —	$ 7	$ —	$ 243	$ —	$ 255	$ —

(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)

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 2.9% - 10.5%	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 4.6%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

7. Insurance and Investment Contract Liabilities

	September 30, 2016		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 159,609**	**$ 5,304**	**$ 154,305**
Investment contract liabilities	**2,091**	**—**	**2,091**
Total	**$ 161,700**	**$ 5,304**	**$ 156,396**

	December 31, 2015		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 158,492	$ 5,131	$ 153,361
Investment contract liabilities	2,253	—	2,253
Total	$ 160,745	$ 5,131	$ 155,614

8. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	September 30 2016	December 31 2015
Cash and cash equivalents	$ 12,652	$ 11,656
Bonds	43,908	42,160
Mortgage loans	2,661	2,596
Stocks and units in unit trusts	79,114	80,829
Mutual funds	50,816	50,101
Investment properties	10,763	10,839
	199,914	198,181
Accrued income	393	382
Other liabilities	(2,660)	(1,759)
Non-controlling mutual funds interest	1,515	1,390
Total	$ 199,162	$ 198,194

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

	For the nine months ended September 30	
	2016	2015
Balance, beginning of year	$ 198,194	$ 174,966
Additions (deductions):		
Policyholder deposits	16,084	15,777
Net investment income	1,414	1,242
Net realized capital gains on investments	2,721	4,362
Net unrealized capital gains (losses) on investments	5,752	(6,027)
Unrealized gains (losses) due to changes in foreign exchange rates	(8,463)	11,495
Policyholder withdrawals	(16,673)	(16,579)
Business acquisitions	—	5,465
Segregated Fund investment in General Fund	7	41
General Fund investment in Segregated Fund	(10)	(9)
Net transfer from General Fund	11	46
Non-controlling mutual funds interest	125	244
Total	968	16,057
Balance, end of period	$ 199,162	$ 191,023

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

	September 30, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 125,598**	**$ 63,616**	**$ 11,656**	**$ 200,870**

[(1)] Excludes other liabilities, net of other assets, of $1,708.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [(1)]	$ 120,283	$ 67,333	$ 11,765	$ 199,381

[(1)] Excludes other liabilities, net of other assets, of $1,187.

During the first nine months of 2016 certain foreign stock holdings valued at $2,610 have been transferred from Level 2 to Level 1 ($412 were transferred from Level 1 to Level 2 at December 31, 2015) 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:

	September 30 2016	December 31 2015
Balance, beginning of year	**$ 11,765**	$ 10,390
Total gains (losses) included in segregated fund investment income	**(69)**	1,039
Purchases	**269**	944
Sales	**(309)**	(607)
Transfers out of Level 3	**—**	(1)
Balance, end of period	**$ 11,656**	$ 11,765

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. There were no transfers into Level 3 during the period ended September 30, 2016.

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 September 30, 2016 and the "Risk Management and Control Practices" section of the Company's December 31, 2015 Management's Discussion and Analysis.

9. Financing Charges

Financing charges consist of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	**2016**	2015
Operating charges				
Interest on operating lines and short-term debt instruments	**$ 3**	$ 1	**$ 7**	$ 4
Financial charges				
Interest on long-term debentures and other debt instruments	**62**	67	**192**	198
Interest on capital trust securities	**3**	3	**8**	8
Other	**6**	7	**20**	20
	71	77	**220**	226
Total	**$ 74**	$ 78	**$ 227**	$ 230

During the second quarter of 2016, Great-West Life & Annuity Insurance Capital, LP II, a subsidiary, elected to not call its U.S. $300 7.153% junior subordinated debentures with a first par call date of May 16, 2016 and a final maturity date of May 16, 2046. Beginning May 16, 2016, the debentures will pay a floating rate of interest set at 3-month LIBOR plus 2.538%. Great-West Financial also entered into an interest rate swap transaction whereby it will pay a fixed 4.68% rate of interest and will receive a floating 3-month LIBOR plus 2.538% rate of interest on the notional principal amount.

10. Share Capital

Common Shares

	For the nine months ended September 30			
	2016		2015	
	Number	**Carrying Value**	Number	Carrying Value
Common shares				
Balance, beginning of year	**993,350,331**	**$ 7,156**	996,699,371	$ 7,102
Purchased and cancelled under Normal Course Issuer Bid	**(7,967,881)**	**(267)**	(5,936,420)	(209)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**210**	—	167
Exercised and issued under stock option plan	**679,545**	**21**	2,437,176	83
Balance, end of period	**986,061,995**	**$ 7,120**	993,200,127	$ 7,143

On January 5, 2016, the Company announced a normal course issuer bid commencing January 8, 2016 and terminating January 7, 2017 to purchase for cancellation up to but not more than 8,000,000 of its common shares at market prices. On February 22, 2016, the Company announced an amendment to the current normal course issuer bid allowing the Company to purchase up to 20,000,000 of its common shares at market prices. The amended normal course issuer bid was effective February 23, 2016 and will continue until January 7, 2017.

10. Share Capital (cont'd)

On June 17, 2016, the Company announced that it intends to purchase for cancellation, up to 5,809,000 of its common shares pursuant to private agreements between the Company and several arm's length third-party sellers. These purchases will be made pursuant to issuer bid exemption orders issued by the Ontario Securities Commission. Any purchases of common shares made by way of private agreements under the orders will be at a discount to the prevailing market price of the common shares on the Toronto Stock Exchange at the time of purchase, may be made in one or more trades from time to time, and will otherwise comply with the terms of the orders. The total number of common shares which may be purchased under private agreements may not exceed 6,666,666, being one-third of the total number of common shares which may be purchased under the Company's normal course issuer bid, and any purchases must occur on or before January 7, 2017. All common shares purchased by way of private agreement made pursuant to the orders will be included in the total number of common shares which may be purchased under the Company's normal course issuer bid. As of September 30, 2016, the Company had entered into private agreements for the repurchase of 1,600,000 of its common shares.

During the nine months ended September 30, 2016, the Company repurchased and subsequently cancelled 7,967,881 common shares at a cost of $267 under the current normal course issuer bid, which includes shares repurchased under private agreements (5,936,420 during the nine months ended September 30, 2015 under the previous normal course issuer bid at a cost of $209). 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 $210 and was recognized as a reduction to equity ($167 during the nine months ended September 30, 2015 under the previous normal course issuer bid).

During the nine months ended September 30, 2016, 679,545 common shares were exercised under the Company's stock plan with a carrying value of $21 (2,437,176 with a carrying value of $83 during the nine months ended September 30, 2015).

11. Earnings per Common Share

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	**2016**	2015
Earnings				
Net earnings	**$ 705**	$ 752	**$ 2,057**	$ 2,174
Preferred share dividends	**(31)**	(32)	**(92)**	(95)
Net earnings - common shareholders	**$ 674**	$ 720	**$ 1,965**	$ 2,079
Number of common shares				
Average number of common shares outstanding	**987,748,045**	995,016,404	**991,265,943**	996,406,683
Add: Potential exercise of outstanding stock options	**1,255,802**	2,021,404	**1,678,289**	2,344,201
Average number of common shares outstanding - diluted basis	**989,003,847**	997,037,808	**992,944,232**	998,750,884
Basic earnings per common share	**$ 0.682**	$ 0.724	**$ 1.982**	$ 2.086
Diluted earnings per common share	**$ 0.681**	$ 0.722	**$ 1.979**	$ 2.081
Dividends per common share	**$ 0.3460**	$ 0.3260	**$ 1.0380**	$ 0.9780

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:

	September 30 2016	December 31 2015
Adjusted Net Tier 1 Capital	**$ 12,482**	$ 13,195
Net Tier 2 Capital	**2,803**	2,535
Total Capital Available	**$ 15,285**	$ 15,730
Total Capital Required	**$ 6,748**	$ 6,599
Tier 1 Ratio	**185%**	200%
Total Ratio	**227%**	238%

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions.

13. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	**2016**	2015
Pension plans				
Service costs	**$ 57**	$ 51	**$ 162**	$ 153
Net interest cost	**5**	6	**16**	19
Curtailment	**—**	—	**(13)**	—
	62	57	**165**	172
Other post-employment benefits				
Service costs	**1**	1	**2**	2
Net interest cost	**4**	3	**12**	11
	5	4	**14**	13
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**67**	61	**179**	185
Pension plans - re-measurements				
Actuarial loss (gain)	**368**	(118)	**964**	(152)
Return on assets less (greater) than assumed	**(141)**	212	**(268)**	28
Administrative expenses less (greater) than assumed	**—**	—	**(2)**	1
Change in the asset ceiling	**(8)**	(49)	**(31)**	63
Actuarial loss - investment in associate (1)	**9**	7	**1**	13
Pension plans re-measurement loss (income)	**228**	52	**664**	(47)
Other post-employment benefits - re-measurements				
Actuarial loss (gain)	**11**	(1)	**37**	(4)
Pension plans and other post-employment benefits re-measurements - other comprehensive loss (income)	**239**	51	**701**	(51)
Total pension plans and other post - employment benefits expense including re-measurements	**$ 306**	$ 112	**$ 880**	$ 134

(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 discount rate used to re-measure the defined benefit obligation for pension plans and other post-employment benefits at the following dates:

	September 30		June 30		December 31	
	2016	2015	2016	2015	2015	2014
Weighted average discount rate	**2.9%**	3.8%	3.1%	3.7%	3.8%	3.5%

14. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	**2016**	2015
Current income taxes	**$ 1**	$ 61	**$ 174**	$ 241
Deferred income taxes	**107**	23	**34**	153
Total income tax expense	**$ 108**	$ 84	**$ 208**	$ 394

(b) Effective Income Tax Rate

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 certain foreign jurisdictions.

The overall effective income tax rate for Lifeco for the three months ended September 30, 2016 was 13.3% compared to 9.7% for the three months ended September 30, 2015. The overall effective income tax rate for Lifeco for the nine months ended September 30, 2016 was 9.1% compared to 14.9% for the nine months ended September 30, 2015.

The effective income tax rate for the three months ended September 30, 2016 is higher than the effective income tax rate for the same period last year primarily due to lower earnings in low-tax jurisdictions.

The effective income tax rate for the nine months ended September 30, 2016 is lower than the effective income tax rate for the nine months ended September 30, 2015 primarily due to changes in certain tax estimates including items that arose in the first quarter of 2016 due to elections and settlements with tax authorities.

(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 where 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 $1,345 at September 30, 2016 ($1,434 at December 31, 2015).

15. Segmented Information

Consolidated Net Earnings

For the three months ended September 30, 2016

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,117	$ 1,493	$ 3,724	$ —	$ 8,334
Net investment income					
Regular net investment income	631	427	438	—	1,496
Changes in fair value through profit or loss	579	93	1,635	—	2,307
Total net investment income	1,210	520	2,073	—	3,803
Fee and other income	377	566	328	—	1,271
	4,704	2,579	6,125	—	13,408
Benefits and expenses					
Paid or credited to policyholders	3,485	1,776	5,328	—	10,589
Other [(1)]	839	656	374	4	1,873
Financing charges	31	34	11	(2)	74
Amortization of finite life intangible assets	16	19	8	—	43
Restructuring and acquisition expenses	—	4	15	—	19
Earnings (loss) before income taxes	333	90	389	(2)	810
Income taxes	45	10	51	2	108
Net earnings (loss) before non-controlling interests	288	80	338	(4)	702
Non-controlling interests	(3)	—	—	—	(3)
Net earnings (loss)	291	80	338	(4)	705
Preferred share dividends	26	—	5	—	31
Net earnings (loss) before capital allocation	265	80	333	(4)	674
Impact of capital allocation	24	(2)	(20)	(2)	—
Net earnings (loss) - common shareholders	$ 289	$ 78	$ 313	$ (6)	$ 674

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

15. Segmented Information (cont'd)

For the three months ended September 30, 2015

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,774	$ 1,076	$ 2,041	$ —	$ 5,891
Net investment income					
Regular net investment income	599	420	523	4	1,546
Changes in fair value through profit or loss	(546)	122	342	—	(82)
Total net investment income	53	542	865	4	1,464
Fee and other income	366	591	284	—	1,241
	3,193	2,209	3,190	4	8,596
Benefits and expenses					
Paid or credited to policyholders	1,967	1,390	2,476	—	5,833
Other [(1)]	786	641	349	4	1,780
Financing charges	29	36	13	—	78
Amortization of finite life intangible assets	14	17	5	—	36
Restructuring and acquisition expenses	—	4	3	—	7
Earnings before income taxes	397	121	344	—	862
Income taxes (recovery)	45	19	24	(4)	84
Net earnings before non-controlling interests	352	102	320	4	778
Non-controlling interests	22	4	—	—	26
Net earnings	330	98	320	4	752
Preferred share dividends	26	—	6	—	32
Net earnings before capital allocation	304	98	314	4	720
Impact of capital allocation	22	(2)	(18)	(2)	—
Net earnings - common shareholders	$ 326	$ 96	$ 296	$ 2	$ 720

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

15. Segmented Information (cont'd)

For the nine months ended September 30, 2016

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 8,874	$ 4,140	$ 9,206	$ —	$ 22,220
Net investment income					
Regular net investment income	2,032	1,301	1,408	4	4,745
Changes in fair value through profit or loss	2,056	1,100	4,690	—	7,846
Total net investment income	4,088	2,401	6,098	4	12,591
Fee and other income	1,108	1,692	956	—	3,756
	14,070	8,233	16,260	4	38,567
Benefits and expenses					
Paid or credited to policyholders	10,418	5,884	14,000	—	30,302
Other [1]	2,489	1,987	1,107	14	5,597
Financing charges	86	106	34	1	227
Amortization of finite life intangible assets	49	61	23	—	133
Restructuring and acquisition expenses	—	11	17	—	28
Earnings (loss) before income taxes	1,028	184	1,079	(11)	2,280
Income taxes (recovery)	119	(18)	110	(3)	208
Net earnings (loss) before non-controlling interests	909	202	969	(8)	2,072
Non-controlling interests	13	2	—	—	15
Net earnings (loss)	896	200	969	(8)	2,057
Preferred share dividends	78	—	14	—	92
Net earnings (loss) before capital allocation	818	200	955	(8)	1,965
Impact of capital allocation	74	(6)	(62)	(6)	—
Net earnings (loss) - common shareholders	$ 892	$ 194	$ 893	$ (14)	$ 1,965

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

For the nine months ended September 30, 2015

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 8,280	$ 2,710	$ 7,349	$ —	$ 18,339
Net investment income					
Regular net investment income	1,858	1,205	1,534	4	4,601
Changes in fair value through profit or loss	(351)	(212)	(603)	—	(1,166)
Total net investment income	1,507	993	931	4	3,435
Fee and other income	1,090	1,741	894	—	3,725
	10,877	5,444	9,174	4	25,499
Benefits and expenses					
Paid or credited to policyholders	7,192	3,054	7,064	—	17,310
Other [1]	2,324	1,841	995	12	5,172
Financing charges	87	107	35	1	230
Amortization of finite life intangible assets	43	52	14	—	109
Restructuring and acquisition expenses	—	8	20	—	28
Earnings (loss) before income taxes	1,231	382	1,046	(9)	2,650
Income taxes (recovery)	215	85	100	(6)	394
Net earnings (loss) before non-controlling interests	1,016	297	946	(3)	2,256
Non-controlling interests	71	8	3	—	82
Net earnings (loss)	945	289	943	(3)	2,174
Preferred share dividends	78	—	17	—	95
Net earnings (loss) before capital allocation	867	289	926	(3)	2,079
Impact of capital allocation	66	(5)	(55)	(6)	—
Net earnings (loss) - common shareholders	$ 933	$ 284	$ 871	$ (9)	$ 2,079

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

16. Comparative Figures

The Company corrected the classification of $73 of deferred tax liabilities to investment contract liabilities to conform to the current period presentation. The reclassifications had no impact on the net earnings of the Company.

The Company also corrected an error that resulted from the misallocation of certain commissions in prior periods. This adjustment was applied retrospectively which resulted in an increase to non-controlling interests of $15 and a decrease to accumulated surplus of $15. The adjustment had no impact on net earnings presented in these financial statements.

GREAT-WEST LIFECO INC.

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