GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2016

E1138(3/16)-3/16

Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to March 31, 2016 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2016 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of $620 million or $0.625 per common share for the three months ended March 31, 2016 compared to $700 million or $0.702 per common share for the same period in 2015.

Consolidated assets under administration at March 31, 2016 were approximately $1.2 trillion, a decrease of $26.0 billion from December 31, 2015.

Highlights – In Quarter

- Lifeco sales in the first quarter of 2016 of $48.0 billion were up 73% from the same quarter in 2015:
  - Canada sales were $3.3 billion, up 3%, primarily due to strong sales in Group and Individual Insurance.
  - Europe sales were $4.6 billion, up 60% compared to the first quarter of 2015, excluding the acquisition of Equitable Life's U.K. annuity business in 2015. The increase was primarily due to strong sales in the U.K., Ireland and Germany.
  - Great-West Financial sales were US$20.3 billion, up 154%, primarily due to higher large plan sales in Empower Retirement.
  - Putnam gross sales were US$9.0 billion, up 10% overall. Institutional sales increased 54% as the pipeline continues to remain strong, while mutual fund sales decreased by 12%, reflective of the decline in industry flows in the segments where Putnam operates.
- Lifeco maintained a strong ROE of 14.0%.
- Lifeco's capital position remained very strong. The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 236% at March 31, 2016.
- Lifeco declared a quarterly common dividend of $0.3460 per common share payable June 30, 2016.
- On March 9, 2016, Lifeco announced that it had reached an agreement to acquire Aviva Health Insurance Ireland Limited (Aviva Health), an Irish health insurance provider, and to increase its 49% interest in GloHealth Financial Services Limited (GloHealth) to 100% ownership. Aviva Health and GloHealth will combine to become one of the leading providers in the Irish health insurance market, servicing a customer base of more than 400,000 participants in Ireland. The transaction is expected to close in the third quarter of 2016.

OPERATING RESULTS

Consolidated net earnings of Lifeco include the net earnings of The Great-West Life Assurance Company (Great-West Life) and its operating subsidiaries, London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life); 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 first quarter of 2016 were $276 million compared to $299 million in the first quarter of 2015.

Total sales in the first quarter of 2016 of $3.3 billion increased compared to $3.2 billion in the first quarter of 2015, reflecting strong sales in both Group and Individual Insurance.

Total Canada segment assets under administration at March 31, 2016 were $167 billion compared to $166 billion at December 31, 2015.

UNITED STATES

Net earnings attributable to common shareholders for the first quarter of 2016 were $63 million, reflecting Great-West Financial net earnings of $88 million and a net loss of $25 million for Putnam, compared to $121 million in the first quarter of 2015.

Great-West Financial sales in the first quarter of 2016 were US$20.3 billion, up from US$8.0 billion in the first quarter of 2015, primarily due to an increase in Empower Retirement driven by large plan sales. Approximately 90% of the in-quarter sales increase related to one new client with over 200,000 participants.

Putnam assets under management as at March 31, 2016 were US$145.8 billion compared to US$148.4 billion at December 31, 2015, a decrease of 2%, primarily due to mutual fund net asset outflows. Net asset outflows for the first quarter of 2016 were US$1.7 billion compared to nominal net asset inflows for the same quarter in 2015, as in-quarter institutional net asset inflows of US$0.9 billion were more than offset by mutual fund net asset outflows of US$2.6 billion.

Total United States segment assets under administration at March 31, 2016 were $790 billion compared to $808 billion at December 31, 2015.

EUROPE

Net earnings attributable to common shareholders for the first quarter of 2016 were $287 million compared to $286 million in the first quarter of 2015.

Insurance & Annuities sales for the first quarter of 2016 were $4.6 billion, compared to $4.5 billion a year ago, which included the $1.6 billion acquisition of The Equitable Life Assurance Society's (Equitable Life) U.K. annuity business. Excluding the Equitable Life acquisition in 2015, sales increased by 60%, driven by higher fund management sales in Ireland, higher pension sales in Ireland and Germany and higher sales of retail payout annuities in the U.K. as well as the impact of currency movement.

Total Europe segment assets under administration at March 31, 2016 were $230 billion compared to $238 billion at December 31, 2015.

GREAT-WEST LIFECO INC.

LIFECO CORPORATE

Lifeco Corporate segment's net loss attributable to common shareholders of $6 million in the first quarter of 2016 was comparable to a net loss of $6 million in the first quarter of 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 June 30, 2016 to shareholders of record at the close of business June 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	June 2, 2016	June 30, 2016	$0.36875
Series G	June 2, 2016	June 30, 2016	$0.3250
Series H	June 2, 2016	June 30, 2016	$0.30313
Series I	June 2, 2016	June 30, 2016	$0.28125
Series L	June 2, 2016	June 30, 2016	$0.353125
Series M	June 2, 2016	June 30, 2016	$0.3625
Series N	June 2, 2016	June 30, 2016	$0.1360
Series O	June 2, 2016	June 30, 2016	$0.109823
Series P	June 2, 2016	June 30, 2016	$0.3375
Series Q	June 2, 2016	June 30, 2016	$0.321875
Series R	June 2, 2016	June 30, 2016	$0.3000
Series S	June 2, 2016	June 30, 2016	$0.328125

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

P. A. Mahon
President and Chief Executive Officer

May 5, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2016
DATED: MAY 5, 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 months ended March 31, 2016 and includes a comparison to the corresponding period in 2015, to the three months ended December 31, 2015, 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 March 31, 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		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits:			
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 7,015**	$ 6,162	$ 6,932
Policyholder deposits (segregated funds):			
Individual products	**3,689**	3,814	2,981
Group products	**2,238**	2,001	2,035
Premiums and deposits reported in the financial statements	**12,942**	11,977	11,948
Self-funded premium equivalents (Administrative services only contracts)(1)	**698**	665	662
Proprietary mutual funds and institutional deposits(1)	**16,354**	15,480	12,938
Total premiums and deposits(1)	**29,994**	28,122	25,548
Fee and other income	**1,254**	1,333	1,258
Paid or credited to policyholders(2)	**9,678**	5,532	9,889
Earnings			
Net earnings - common shareholders	**$ 620**	$ 683	$ 700
Per common share			
Basic earnings	**0.625**	0.688	0.702
Dividends paid	**0.346**	0.326	0.326
Book value	**19.29**	20.07	17.68
Return on common shareholders' equity(3)			
Net earnings	**14.0%**	14.7%	16.0%
Total assets per financial statements	**$ 390,245**	$ 399,935	$ 381,331
Proprietary mutual funds and institutional net assets(4)	**237,984**	252,480	238,650
Total assets under management(4)	**628,229**	652,415	619,981
Other assets under administration(5)	**558,290**	560,102	556,893
Total assets under administration	**$1,186,519**	$1,212,517	$1,176,874
Total equity	**$ 24,531**	$ 25,260	$ 22,888

(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 and investment 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 over 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 for the three month period ended March 31, 2016 were $620 million compared to $700 million a year ago and $683 million in the previous quarter. On a per share basis, this represents $0.625 per common share ($0.623 diluted) for the first quarter of 2016 compared to $0.702 per common share ($0.700 diluted) a year ago and $0.688 per common share ($0.686 diluted) in the previous quarter.

Net earnings - common shareholders

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Canada			
Individual Insurance	**$ 92**	$ 51	$ 77
Wealth Management	**101**	119	122
Group Insurance	**67**	74	109
Canada Corporate	**16**	18	(9)
	276	262	299
United States			
Financial Services	**90**	86	120
Asset Management	**(25)**	41	2
U.S. Corporate	**(2)**	(2)	(1)
	63	125	121
Europe			
Insurance & Annuities	**226**	234	216
Reinsurance	**63**	73	77
Europe Corporate	**(2)**	(4)	(7)
	287	303	286
Lifeco Corporate	**(6)**	(7)	(6)
Net earnings - common shareholders	**$ 620**	$ 683	$ 700

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

MARKET IMPACTS

Interest Rate Environment

Interest rates in countries where the Company operates decreased during the quarter, but did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates had no material impact on net earnings or on 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 March 31, 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 first quarter of 2016 were lower compared to the same period in 2015. The change in average market levels and market volatility during the quarter had a negative impact on net earnings of approximately $13 million ($8 million positive impact on earnings in the first quarter of 2015), relative to the Company's expectation, 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 negatively impacted by approximately $7 million ($7 million positive impact on earnings in the first quarter of 2015) related to seed money investments held in the Asset Management and Canada Corporate business units.

Comparing the first quarter of 2016 to the first quarter of 2015, average equity market levels were down by 14% in Canada (as measured by S&P TSX), by 5% in the U.S. (as measured by S&P 500), by 13% in broader Europe (as measured by Eurostoxx 50) and by 12% in the U.K. (as measured by FTSE 100), which impacted fee income. The major equity indices finished the first quarter of 2016 up 4% in Canada and 1% in the U.S.; however were down 8% in broader Europe and 1% in the U.K., compared to December 31, 2015.

Foreign Currency

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

During the first quarter of 2016, the average currency translation rate of the U.S. dollar, the British pound and the euro increased compared to the first quarter of 2015. The overall impact of currency movement on the Company’s net earnings for the three month period ended March 31, 2016 was an increase of $23 million compared to translation rates a year ago.

From December 31, 2015 to March 31, 2016, the market rates at the end of the reporting period used to translate U.S. dollar, British pound and euro assets and liabilities to the Canadian dollar decreased. The movements in end of period market rates resulted in unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of $975 million during the quarter 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 first quarter of 2016, the Company updated a number of assumptions resulting in a positive net earnings impact of $48 million, compared to $82 million for the same quarter last year and $97 million for the previous quarter. In Europe, net earnings were positively impacted by actuarial assumption changes of $39 million due to modeling refinements. In Canada, a number of smaller assumption changes contributed to the $9 million positive net earnings impact.

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		
	March 31 2016	Dec. 31 2015	March 31 2015
Canada			
Individual Insurance	**$ 1,236**	$ 1,304	$ 1,154
Wealth Management	**2,726**	2,804	2,811
Group Insurance	**2,074**	2,002	1,948
	6,036	6,110	5,913
United States			
Financial Services	**3,729**	5,087	2,730
Asset Management	**12,388**	10,869	10,232
	16,117	15,956	12,962
Europe			
Insurance & Annuities	**5,674**	4,497	5,160
Reinsurance	**2,167**	1,559	1,513
	7,841	6,056	6,673
Total premiums and deposits	**$ 29,994**	$ 28,122	$ 25,548

Sales

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015[(1)]
Canada	**$ 3,268**	$ 3,492	$ 3,183
United States[(1)]	**40,158**	31,630	20,123
Europe - Insurance & Annuities	**4,574**	3,917	4,456
Total sales	**$ 48,000**	$ 39,039	$ 27,762

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

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

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Investment income earned (net of investment properties expenses)	**$ 1,656**	$ 1,623	$ 1,475
Allowances for credit losses on loans and receivables	**(7)**	(1)	1
Net realized gains	**51**	78	87
Regular investment income	**1,700**	1,700	1,563
Investment expenses	**(27)**	(30)	(27)
Regular net investment income	**1,673**	1,670	1,536
Changes in fair value through profit or loss	**2,410**	(844)	2,953
Net investment income	**$ 4,083**	$ 826	$ 4,489

Net investment income in the first quarter of 2016, which includes changes in fair value through profit or loss, decreased by $406 million compared to the same quarter last year. The changes in fair values in the first quarter of 2016 were an increase of $2,410 million compared to an increase of $2,953 million for the first quarter of 2015, primarily due to a smaller decline in Canadian bond yields in the first quarter of 2016 compared to the same quarter last year.

Regular net investment income in the first quarter of 2016 of $1,673 million, which excludes changes in fair value through profit or loss, increased by $137 million compared to the same quarter last year. The increase was primarily due to the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar, partially offset by lower net realized gains. Net realized gains include gains on available-for-sale securities of $31 million for the first quarter of 2016 compared to $74 million for the same quarter last year.

Net investment income in the first quarter of 2016 increased by $3,257 million compared to the previous quarter, primarily due to net increases in fair values of $2,410 million in the first quarter of 2016 compared to net decreases of $844 million in the previous quarter. The net increase in fair values during the first quarter was primarily due to decreasing global bond yields, while the net decrease in fair values in the previous quarter was primarily due to increases in U.K. and U.S. government bond yields.

Credit Markets

In the first quarter of 2016, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $4 million ($3 million net recovery in the first quarter of 2015). 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 $14 million ($6 million net charge in the first quarter of 2015), primarily driven by upgrades to certain holdings related to the U.K. hospitality industry.

In late April 2016, a U.K. retailer, which is a tenant in properties that the Company has issued mortgages on, filed for administration (insolvency protection). The Company is assessing the impact on its holdings related to this retailer, however does not expect the impact to be material.

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		
	March 31 2016	Dec. 31 2015	March 31 2015
Canada			
Segregated funds, mutual funds and other	**$ 319**	$ 328	$ 319
ASO contracts	**43**	41	39
	362	369	358
United States			
Segregated funds, mutual funds and other	**571**	637	573
Europe			
Segregated funds, mutual funds and other	**321**	327	327
Total fee and other income	**$ 1,254**	$ 1,333	$ 1,258

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		
	March 31 2016	Dec. 31 2015	March 31 2015
Canada	**$ 3,301**	$ 2,799	$ 3,765
United States	**2,112**	1,084	1,121
Europe	**4,265**	1,649	5,003
Total	**$ 9,678**	$ 5,532	$ 9,889

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

For the three months ended March 31, 2016, consolidated amounts paid or credited to policyholders were $9.7 billion, including $6.5 billion of policyholder benefit payments and a $3.2 billion increase in contract liabilities. The decrease of $0.2 billion from the same period in 2015 consisted of a $1.2 billion decrease in changes in contract liabilities, mostly offset by a $1.0 billion increase in benefit payments. The decrease in the change in contract liabilities was primarily due to the acquisition of The Equitable Life Assurance Society's (Equitable Life) annuity business during the first quarter of 2015 and 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 and the impact of currency movement.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $4.1 billion. The increase consisted of a $3.4 billion increase 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. The increase also consisted of a $0.7 billion increase in benefit payments, primarily due to new and restructured reinsurance treaties.

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 first quarter of 2016, the Company had an effective income tax rate of 3%, down from 23% in the first quarter of 2015. The decrease in the effective income tax rate for the first quarter of 2016 was primarily due to a higher percentage of the Company's income consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions. During the first quarter of 2016, one-time items totaling $66 million decreased the effective income tax rate by 10%, primarily due to elections and settlements with tax authorities. The first quarter of 2015 included an increase in reserves for uncertain tax positions which increased the effective income tax rate in that period.

The first quarter 2016 effective income tax rate of 3% was lower than the fourth quarter 2015 rate of 8%. The decrease in the first quarter 2016 effective income tax rate was primarily due to the reasons discussed above. Reducing the fourth quarter 2015 effective income tax rate by 4% was a one-time true-up of a US$27 million tax benefit in the Asset Management business unit of the U.S. segment.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2016			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ **68,159**	$ **42,274**	$ **49,230**	$ **159,663**
Goodwill and intangible assets	**5,128**	**2,319**	**2,327**	**9,774**
Other assets	**3,103**	**4,556**	**20,148**	**27,807**
Segregated funds net assets	**70,470**	**34,275**	**88,256**	**193,001**
Total assets	**146,860**	**83,424**	**159,961**	**390,245**
Proprietary mutual funds and institutional net assets	**5,238**	**202,833**	**29,913**	**237,984**
Total assets under management	**152,098**	**286,257**	**189,874**	**628,229**
Other assets under administration	**15,231**	**503,156**	**39,903**	**558,290**
Total assets under administration	$ **167,329**	$ **789,413**	$ **229,777**	$ **1,186,519**

	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 March 31, 2016 decreased by $26.0 billion to $1.2 trillion compared to December 31, 2015, primarily due to the impact of currency movement as the Canadian dollar strengthened against the U.S. dollar, euro and British pound, partially offset by new business growth.

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 $114.1 billion or 71% of invested assets at March 31, 2016 and $114.9 billion or 71% at December 31, 2015. 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

	March 31, 2016		December 31, 2015	
AAA	**$ 35,663**	**31%**	$ 36,434	32%
AA	**21,694**	**19**	20,364	18
A	**34,757**	**31**	35,623	31
BBB	**20,629**	**18**	20,984	18
BB or lower	**1,398**	**1**	1,538	1
Total	**$ 114,141**	**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

	March 31, 2016				December 31, 2015	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 740**	**$ 1,245**	**$ 1,985**	**9%**	$ 1,962	9%
Multi-family residential	**2,918**	**2,791**	**5,709**	**27**	5,821	26
Commercial	**240**	**13,468**	**13,708**	**64**	14,238	65
Total	**$ 3,898**	**$ 17,504**	**$ 21,402**	**100%**	$ 22,021	100%

The total mortgage portfolio was $21.4 billion or 13% of invested assets at March 31, 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	March 31, 2016		December 31, 2015	
Ontario	**$ 960**	**49%**	$ 946	49%
Quebec	**412**	**21**	405	21
Alberta	**136**	**7**	136	7
British Columbia	**122**	**6**	123	6
Newfoundland	**107**	**5**	105	5
Saskatchewan	**84**	**4**	84	4
Nova Scotia	**62**	**3**	62	3
Manitoba	**55**	**3**	55	3
New Brunswick	**43**	**2**	42	2
Other	**4**	**—**	4	—
Total	**$ 1,985**	**100%**	$ 1,962	100%

During the three months ended March 31, 2016, single family mortgage originations, including renewals, were $187 million, of which 29% 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 is 22 years as at March 31, 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 March 31, 2016, the total actuarial provision for future credit losses in insurance contract liabilities was $3,462 million compared to $3,558 million at December 31, 2015, a decrease of $96 million primarily due to the impact of currency movement and credit rating activity, partially offset by normal business activity.

The aggregate of impairment provisions of $27 million ($24 million at December 31, 2015) and actuarial provisions for future credit losses in insurance contract liabilities of $3,462 million ($3,558 million at December 31, 2015) represents 2.4% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2016 (2.4% at December 31, 2015).

Energy Sector

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

	March 31, 2016				Dec. 31, 2015
	Canada	**U.S.**	**Europe**	**Total**	Total
Bonds[(2)(3)]	**$ 1,526**	**$ 2,070**	**$ 1,510**	**$ 5,106**	$ 5,216
Mortgages[(4)]	**2,200**	**313**	**51**	**2,564**	2,560
Investment properties	**292**	**—**	**—**	**292**	300
Total	**$ 4,018**	**$ 2,383**	**$ 1,561**	**$ 7,962**	$ 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 $5,013 million at March 31, 2016 and $5,177 million at December 31, 2015.
(3) Includes certain funds held by ceding insurers with a carrying value of $524 million and an amortized cost of $493 million.
(4) Includes $611 million of insured mortgages at March 31, 2016 and $613 million at December 31, 2015.

At March 31, 2016, the Company's holdings of energy sector related investments included direct exposure of bond holdings of $5.1 billion, 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 also holds indirect exposure to commercial mortgages and investment properties in the energy sector of $2.9 billion, or 1.7% 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 - Industrial/Other (30%), Multi-family (27%), Office (23%) and Retail (20%). Approximately 82% 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 commercial mortgages was less than 55% at March 31, 2016.

DERIVATIVE FINANCIAL INSTRUMENTS

During the first 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 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 March 31, 2016, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $73 million ($107 million at December 31, 2015) and pledged on derivative liabilities was $433 million ($671 million at December 31, 2015). Collateral pledged on derivative liabilities decreased in the first quarter of 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 three month period ended March 31, 2016, the outstanding notional amount of derivative contracts increased by $2.5 billion to $19.2 billion, primarily due to an increase of $2.2 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 $602 million at March 31, 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, euro and British pound.

LIABILITIES

Total liabilities

	March 31 2016	December 31 2015[1]
Insurance and investment contract liabilities	$ **157,468**	$ 160,745
Other general fund liabilities	**15,245**	15,736
Investment and insurance contracts on account of segregated fund policyholders	**193,001**	198,194
Total	$ **365,714**	$ 374,675

(1) Comparative figures have been reclassified as described in note 16 to the Company's March 31, 2016 condensed consolidated financial statements.

Total liabilities decreased by $9.0 billion to $365.7 billion at March 31, 2016 from December 31, 2015. Investment and insurance contracts on account of segregated fund policyholders decreased by $5.2 billion, primarily due to the impact of currency movement of $5.7 billion, partially offset by net deposits of $0.5 billion. Insurance and investment contract liabilities decreased by $3.3 billion, primarily due to the strengthening of the Canadian dollar against the U.S. dollar, euro and British pound, partially offset by the impact of fair value adjustments.

Segregated Fund and Variable Annuity Guarantees

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

The guaranteed minimum withdrawal benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At March 31, 2016, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $3,499 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

		March 31, 2016			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[(1)]
Canada	$ 29,503	$ —	$ 36	$ 189	$ 189
United States	11,199	18	—	49	67
Europe					
Insurance & Annuities	8,709	21	—	443	443
Reinsurance[(2)]	1,119	520	—	28	548
Total Europe	9,828	541	—	471	991
Total	**$ 50,530**	**$ 559**	**$ 36**	**$ 709**	**$ 1,247**

(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 March 31, 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 March 31, 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 $8 million in-quarter ($3 million for the first quarter of 2015) with the majority arising in the Reinsurance business unit in the Europe segment.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2016 was $9,681 million, which comprises $7,167 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. During the three months ended March 31, 2016, the Company repurchased and subsequently cancelled 624,181 common shares (2015 - 765,450) at an average cost per share of $34.32 (2015 - $34.23) 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 March 31, 2016, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.4 billion ($7.1 billion at December 31, 2015) and other available government bonds of $35.1 billion ($35.6 billion at December 31, 2015). Included in the cash, cash equivalents and short-term bonds at March 31, 2016 was approximately $0.8 billion ($0.9 billion at December 31, 2015) at the Lifeco holding company level. In addition, the Company maintains sufficient committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. For entities based in Europe, the local solvency capital regime has changed to the Solvency II basis, effective January 1, 2016. During 2016, the Company's regulated insurance and reinsurance European businesses will 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 March 31	
	2016	2015
Cash flows relating to the following activities:		
Operations	**$ 1,366**	$ 1,092
Financing	**(413)**	(380)
Investment	**(708)**	(104)
	245	608
Effects of changes in exchange rates on cash and cash equivalents	**(135)**	91
Increase (decrease) in cash and cash equivalents in the period	**110**	699
Cash and cash equivalents, beginning of period	**2,813**	2,498
Cash and cash equivalents, end of period	**$ 2,923**	$ 3,197

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 first quarter of 2016, cash and cash equivalents increased by $110 million from December 31, 2015. Cash flows provided by operations during the first quarter of 2016 were $1,366 million, an increase of $274 million compared to the first quarter of 2015. Cash flows used in financing were $413 million, primarily used for payments of dividends to the preferred and common shareholders of $374 million and a decrease to a line of credit of a subsidiary of $41 million. During the quarter, the Company increased the dividend to common shareholders from $0.326 per common share to $0.346 per common share. For the three months ended March 31, 2016, cash flows were used by the Company to acquire an additional $708 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 March 31, 2016 was 236% (238% at December 31, 2015). London Life's MCCSR ratio at March 31, 2016 was 218% (226% at December 31, 2015). Canada Life's MCCSR ratio at March 31, 2016 was 263% (260% at December 31, 2015). The MCCSR ratio does not take into account any impact from $0.8 billion of liquidity at the Lifeco holding company level at March 31, 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.

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

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy, risk profile and business plans. The Board of Directors reviews and approves the annual capital plan as well as capital transactions undertaken by management pursuant to the plan. 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 March 31, 2016, OSFI issued for public consultation the draft guideline: Life Insurance Capital Adequacy Test (LICAT). OSFI plans for the LICAT guideline to replace the MCCSR guideline in 2018. 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.

The Company has actively participated in the OSFI Quantitative Impact Studies over recent years relating to the LICAT draft guideline. The guideline has continued to evolve subsequent to the most recent Quantitative Impact Study completion and the Company continues to actively engage in development consultations. 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 consultation period and subsequent implementation planning.

OSFI will consider the comments received during the public consultation period in developing the final version of the LICAT guideline. OSFI also plans to conduct test runs to help inform the final calibration of the LICAT guideline. The Company will actively contribute to the OSFI test run process and will continue to advance its implementation planning for the future adoption of the LICAT.

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the Canadian and European segments (essentially Great-West Life), this allocation method tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in a debt-to-equity ratio in each business unit mirroring the consolidated Company.

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

Return on Equity[1]

	Mar. 31 2016	Dec. 31 2015	Mar. 31 2015
Canada	**20.0 %**	20.2 %	22.2 %
U.S. Financial Services[2]	**11.6 %**	13.0 %	16.0 %
U.S. Asset Management (Putnam)	**0.2 %**	1.4 %	(0.7)%
Europe	**16.4 %**	16.8 %	18.0 %
Lifeco Corporate	**(2.7)%**	(2.7)%	(5.1)%
Total Lifeco Net Earnings Basis	**14.0 %**	14.7 %	16.0 %

(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 14.0% at March 31, 2016, compared to 14.7% at December 31, 2015. The decline was caused by lower year-over-year in-quarter net earnings along with the increased average equity position caused by the weakening of the Canadian dollar over the trailing four quarters.

RATINGS

Lifeco maintains ratings from five independent ratings companies. In the first 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 first 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.

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		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 6,036**	$ 6,110	$ 5,913
Sales	**3,268**	3,492	3,183
Fee and other income	**362**	369	358
Net earnings - common shareholders	**276**	262	299
Total assets	**$ 146,860**	$ 145,895	$ 147,372
Proprietary mutual funds and institutional net assets	**5,238**	5,039	5,019
Total assets under management	**152,098**	150,934	152,391
Other assets under administration	**15,231**	15,390	15,164
Total assets under administration	**$ 167,329**	$ 166,324	$ 167,555

2016 DEVELOPMENTS

- Premiums and deposits for the three months ended March 31, 2016 were $6.0 billion, an increase of $123 million compared to the same quarter last year.
- Sales for the three months ended March 31, 2016 were $3.3 billion, a 3% increase from the same quarter in 2015, primarily due to strong sales in both Group and Individual Insurance, which increased 125% and 11%, respectively.
- Net earnings for the three months ended March 31, 2016 were $276 million, compared to $299 million for the same period last year. The decrease was primarily due to less favourable morbidity experience, the impact of lower equity market levels and lower contributions from investment experience, partially offset by lower income taxes.
- The Company continues to invest in its data and analytics capabilities with the view to generate insights that lead to greater efficiency and better customer outcomes. A Chief Data and Analytics Officer has recently been hired to lead this effort. The Company also plans to build its relationships with centres of excellence in this field and is currently concluding a partnership with the IVADO centre at the University of Montreal to collaborate on data projects.
- In April 2016, the International Association of Business Communicators awarded the Wealth Management marketing team with three of its top awards for the launch of the HelloLife™ retirement program. The Company claimed two Merit prizes for Internal Communication and Writing and won the Award of Excellence for Marketing, Advertising and Brand Communication.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 1,236**	$ 1,304	$ 1,154
Sales	**125**	137	113
Net earnings	**92**	51	77

Premiums and deposits

Individual Insurance premiums for the first quarter of 2016 increased by $82 million to $1,236 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $81 million to $1,153 million compared to the same quarter last year, primarily due to a 10% increase in participating life premiums. Living Benefits premiums of $83 million were comparable to same quarter last year.

Individual Insurance premiums for the first quarter of 2016 decreased by $68 million compared to the previous quarter, primarily due to lower participating life premiums.

Sales

Individual Insurance sales for the first quarter of 2016 increased by $12 million to $125 million compared to the same quarter last year. Participating life sales remained strong, up $9 million or 11%. Term Life insurance product sales increased by $3 million or 27% and Living Benefits sales increased by $1 million, while Universal Life insurance product sales were comparable to the same quarter last year.

Individual Insurance sales for the first quarter of 2016 decreased by $12 million compared to the previous quarter, primarily due to a 10% decrease in participating life sales.

Net earnings

Net earnings for the first quarter of 2016 increased by $15 million to $92 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes, partially offset by less favourable morbidity experience and lower contributions from investment experience. In addition, net earnings in 2016 were positively impacted by changes to certain income tax estimates.

Net earnings for the first quarter of 2016 increased by $41 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 less favourable morbidity experience. In addition, net earnings in 2016 were positively impacted by changes to certain income tax estimates.

For the first quarter of 2016, the net earnings attributable to the participating account decreased by $28 million to $5 million compared to the same quarter last year, primarily due to lower contributions from investment experience on participating surplus assets and higher new business strain.

The net earnings attributable to the participating account for the first quarter of 2016 decreased by $35 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes and higher new business strain.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 2,726**	$ 2,804	$ 2,811
Sales	**2,860**	3,220	2,944
Fee and other income	**307**	316	308
Net earnings	**101**	119	122

Premiums and deposits
Premiums and deposits for the first quarter of 2016 decreased by $85 million to $2,726 million compared to the same quarter last year. The decrease was primarily due to lower premiums and deposits related to individual investment funds, reflective of a decline in industry asset flows pertaining to segregated funds and mutual funds, partially offset by an increase in premiums and deposits related to group capital accumulation plan (GCAP) products.

Premiums and deposits for the first quarter of 2016 decreased by $78 million compared to the previous quarter. The decrease was primarily driven by lower premiums related to single premium group annuities (SPGAs), partially offset by higher premiums related to individual segregated fund products and GCAP products.

Sales
Sales for the first quarter of 2016 decreased by $84 million to $2,860 million compared to the same quarter last year. The decrease was primarily due to lower sales of individual investment funds, partially offset by higher sales of GCAP products and group investment only (IO) products.

Sales for the first quarter of 2016 decreased by $360 million compared to the previous quarter. The decrease was primarily driven by lower sales of individual investment funds, GCAP products and SPGAs, partially offset by higher sales of group IO products.

For the GCAP and proprietary individual investment fund business, net cash inflows for the first quarter of 2016 were $341 million compared to $250 million in the same quarter last year and $358 million in the previous quarter.

Fee and other income
Fee and other income of $307 million for the first quarter of 2016 was comparable to the same quarter last year. Growth in other income related to distribution arrangements was offset by lower fee income due to lower average assets under administration driven by lower average equity market levels.

Fee and other income for the first quarter of 2016 decreased by $9 million compared to the previous quarter, primarily due to lower average assets under administration driven by lower average equity market levels.

Net earnings
Net earnings for the first quarter of 2016 decreased by $21 million to $101 million compared to the same quarter last year. The decrease was primarily due to lower contributions from investment experience, lower net fee income and less favourable longevity experience.

Net earnings for the first quarter of 2016 decreased by $18 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes, partially offset by more favourable longevity experience.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 2,074**	$ 2,002	$ 1,948
Sales	**283**	135	126
Fee and other income	**43**	41	39
Net earnings	**67**	74	109

Premiums and deposits

Premiums and deposits for the first quarter of 2016 increased by $126 million to $2,074 million compared to the same quarter last year, primarily due to an increase in mid-size and large-case market premiums and deposits.

Premiums and deposits for the first quarter of 2016 increased by $72 million compared to the previous quarter, primarily due to an increase in large-case market premiums and deposits.

Sales

Sales for the first quarter of 2016 increased by $157 million, or 125%, to $283 million compared to the same quarter last year. The increase was primarily due to higher sales in the large-case market, along with increased creditor and small-case market sales.

Sales for the first quarter of 2016 increased by $148 million compared to the previous quarter, primarily due to higher sales in the large-case market, partially offset by lower sales in the mid-size case market.

Fee and other income

Fee and other income of $43 million for the first quarter of 2016 increased 10% over the same quarter last year and was comparable to the previous quarter.

Net earnings

Net earnings for the first quarter of 2016 decreased by $42 million to $67 million compared to the same quarter last year. The decrease was primarily due to less favourable long-term disability morbidity experience of $28 million, mostly related to large non-refund cases, as well as lower contributions from investment experience. The Company is implementing rate increases with respect to long-term disability contracts where appropriate, as contracts are renewed. In addition, net earnings for the first quarter 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 first quarter of 2016 decreased by $7 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes. The decrease was partially offset by more favourable morbidity experience, driven by both improved long-term disability experience and improved healthcare experience.

CANADA CORPORATE

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

For the first quarter of 2016, Canada Corporate had net earnings of $16 million compared to a net loss of $9 million for the same quarter last year. The change in net earnings was primarily due to changes to certain income tax estimates and higher net investment income, driven by higher fair value adjustments on investment properties held in Canada Corporate.

For the first quarter of 2016, Canada Corporate net earnings of $16 million were comparable to 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		
	March 31 2016	Dec. 31 2015	March 31 2015[1]
Premiums and deposits	**$ 16,117**	$ 15,956	$ 12,962
Sales[1]	**40,158**	31,630	20,123
Fee and other income	**571**	637	573
Net earnings - common shareholders	**63**	125	121
Net earnings - common shareholders (US$)	**47**	92	98
Total assets	**$ 83,424**	$ 86,775	$ 81,216
Proprietary mutual funds and institutional net assets	**202,833**	218,231	211,294
Total assets under management	**286,257**	305,006	292,510
Other assets under administration	**503,156**	503,125	494,200
Total assets under administration	**$ 789,413**	$ 808,131	$ 786,710

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

2016 DEVELOPMENTS

- Net earnings for the three months ended March 31, 2016 were US$47 million, a decrease of US$51 million compared to the same quarter last year, primarily due to lower contributions from investment experience, lower net fee income and higher operating expenses, partially offset by lower income taxes.

- Great-West Life & Annuity Insurance Capital, LP II has US$300 million of 7.153% subordinated debentures outstanding maturing in 2046, that have a first call date of May 16, 2016. The call option was not exercised, as the notification period concluded April 16, 2016. When companies within the Lifeco group make decisions on capital and capital instruments, they do so on a case-by-case basis for each specific capital instrument under consideration. All relevant variables are identified and evaluated including but not limited to the economic impact to the Company, the market conditions, legal structure and obligations, the use to be made of the proceeds, regulatory and rating agency considerations and the custom and practice in the market in which the securities were issued. Refer to Note 9 to the Company's condensed consolidated financial statements for the period ended March 31, 2016 for further discussion.
- 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). Great-West Financial is in the process of analyzing the rule against current business practices 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

- Sales for the three months ended March 31, 2016 were US$20.3 billion, an increase of US$12.3 billion compared to the same quarter last year, primarily due to higher large plan sales in Empower Retirement. Empower Retirement participant accounts have grown to over 8 million at March 31, 2016 from over 7.3 million at March 31, 2015.
- Premiums and deposits for the three months ended March 31, 2016 were US$2.7 billion, an increase of US$0.5 billion from the same quarter last year, primarily due to higher transfers from retail investment options in Empower Retirement.
- Net earnings for the three months ended March 31, 2016 were US$67 million, a decrease of US$30 million over the same quarter last year, primarily due to lower contributions from investment experience and higher operating expenses, partially offset by lower income taxes.
- 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 anticipates investing approximately US$150 million in total on this multi-year initiative, with over US$126 million already invested by March 31, 2016. In 2015, these costs decreased net earnings by US$34 million and are expected to decrease net earnings by approximately US$20 million in 2016. For the three months ended March 31, 2016, these costs have decreased net earnings by US$6 million.
- 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 three to four 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 over 350 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.
- At the 23rd Annual Mutual Fund Industry Awards, Empower Retirement, the second largest retirement services provider in the U.S., was named "Retirement Leader of the Year" for its contributions to the retirement industry.

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015(1)
Premiums and deposits	**$ 3,729**	$ 5,087	$ 2,730
Sales(1)	**27,770**	20,761	9,891
Fee and other income	**321**	349	295
Net earnings	**90**	86	120
Premiums and deposits (US$)	**$ 2,722**	$ 3,796	$ 2,202
Sales (US$)(1)	**20,270**	15,493	7,977
Fee and other income (US$)	**234**	260	238
Net earnings (US$)	**67**	63	97

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

Premiums and deposits

Premiums and deposits for the first quarter of 2016 increased by US$0.5 billion to US$2.7 billion compared to the same quarter last year, due to increases of US$460 million in Empower Retirement and US$60 million in Individual Markets. The increase in Empower Retirement was due to higher transfers from retail investment options. The increase in Individual Markets was primarily due to higher sales in the executive benefits line of business.

Premiums and deposits for the first quarter of 2016 decreased by US$1.1 billion compared to the previous quarter, primarily due to one large sale in Empower Retirement in the fourth quarter of 2015, which did not recur in 2016.

Sales

Sales in the first quarter of 2016 increased by US$12.3 billion to US$20.3 billion compared to the same quarter last year, due to an increase in Empower Retirement driven by large plan sales. Approximately 90% of the in-quarter sales increase related to one new client with over 200,000 participants.

Sales in the first quarter of 2016 increased by US$4.8 billion compared to the previous quarter, primarily due to an increase in Empower Retirement sales. The increase in Empower Retirement sales was primarily due to the same reason discussed for the in-quarter results.

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 first quarter of 2016 decreased by US$4 million to US$234 million compared to the same quarter last year, which reflects lower asset-based fees driven by lower average equity market levels and one-time adjustments to fee income, partially offset by growth in assets and participants.

Fee and other income for the first quarter of 2016 decreased by US$26 million compared to the previous quarter. The fourth quarter of 2015 included a one-time adjustment to fee income relating to variable asset-based fees of US$18 million. Excluding the impact of this item, fee and other income decreased US$8 million, primarily due to the same reasons discussed for the in-quarter results.

Net earnings

Net earnings for the first quarter of 2016 decreased by US$30 million to US$67 million compared to the same quarter last year, primarily due to lower contributions from investment experience and higher operating expenses, driven primarily by business growth. The decreases were partially offset by lower income taxes, driven by a management election to claim foreign tax credits. First quarter 2016 results include US$5 million of strategic and business development expenses related to Empower Retirement, compared to US$6 million for the first quarter of 2015.

Net earnings for the first quarter of 2016 increased by US$4 million compared to the previous quarter, primarily due to lower income taxes as discussed for the in-quarter results, partially offset by lower fee income related to asset-based fees driven by lower average equity market levels. The fourth quarter of 2015 included an adjustment to the contingent consideration related to the J.P. Morgan Retirement Plan Services acquisition that positively impacted net earnings and did not recur.

ASSET MANAGEMENT

2016 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at March 31, 2016 of US$145.8 billion decreased by US$13.4 billion compared to the same quarter last year, while average AUM of US$141.4 billion decreased by US$17.0 billion compared to the same quarter last year, primarily due to the cumulative impact of negative markets and net asset outflows.
- Sales for the three months ended March 31, 2016 were US$9.0 billion, an increase of US$0.8 billion compared to the same quarter last year.
- Fee income for the three months ended March 31, 2016 was US$183 million, a decrease of US$41 million compared to the same quarter last year.
- Five of Putnam's mutual funds received the 2016 Lipper Fund Awards to honour their consistent, strong risk-adjusted performance relative to their peers for periods of three years or more.
- At the 23rd Annual Mutual Fund Industry Awards, Putnam won the inaugural "Social Media Leader of the Year Award" for its industry leading social media platforms.

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Sales	**$ 12,388**	$ 10,869	$ 10,232
Fee income			
Investment management fees	**199**	218	213
Performance fees	**(5)**	14	3
Service fees	**42**	44	42
Underwriting & distribution fees	**14**	12	20
Fee income	**250**	288	278
Core net earnings (loss)(1)	**(17)**	23	15
Less: Financing and other expenses (after-tax)(1)	**(8)**	18	(13)
Reported net earnings (loss)	**(25)**	41	2
Sales (US$)	**$ 9,042**	$ 8,111	$ 8,252
Fee income (US$)			
Investment management fees (US$)	**145**	163	172
Performance fees (US$)	**(4)**	11	3
Service fees (US$)	**31**	33	34
Underwriting & distribution fees (US$)	**11**	9	15
Fee income (US$)	**183**	216	224
Core net earnings (loss) (US$)(1)	**(12)**	17	12
Less: Financing and other expenses (after-tax) (US$)(1)	**(6)**	14	(10)
Reported net earnings (loss) (US$)	**(18)**	31	2
Pre-tax operating margin (US$)(2)	**(12.3)%**	13.5%	9.2%
Average assets under management (US$)	**$ 141,391**	$ 151,216	$ 158,396

(1) Core net earnings (loss) (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization, and excludes the impact of corporate financing charges and allocations, 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 first quarter of 2016 increased by US$0.8 billion to US$9.0 billion compared to the same quarter last year, due to a US$1.4 billion increase in institutional sales, partially offset by a US$0.6 billion decrease in mutual fund sales.

Sales in the first quarter of 2016 increased by US$0.9 billion compared to the previous quarter, due to an increase in institutional and mutual fund sales of US$0.2 billion and US$0.7 billion, respectively.

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 first quarter of 2016 decreased by US$41 million to US$183 million compared to the same quarter last year. The decrease was primarily due to a decrease in investment management fees driven by lower average AUM, resulting from the cumulative impact of negative market performance over the twelve month period and net asset outflows.

Fee income for the first quarter of 2016 decreased by US$33 million compared to the previous quarter, primarily due to a decrease in investment management fees driven by lower average AUM and a decrease in performance fees due to the seasonality in which these fees are earned.

Net earnings
The core net loss (a non-IFRS financial measure) for the first quarter of 2016 was US$12 million compared to core net earnings of US$12 million for the same quarter last year. Core net earnings in the first quarter of 2015 included expense recoveries of US$5 million that did not recur. Excluding this expense recovery, core net earnings decreased by US$19 million, primarily due to lower net fee income and lower net investment income, driven by unrealized losses on seed capital, as well as one-time expenses of US$5 million primarily relating to a new lease agreement. The decreases were partially offset by lower income taxes, driven by a management election to claim foreign tax credits of US$3 million. In the first quarter of 2016, the reported net loss, including financing and other expenses, was US$18 million compared to net earnings of US$2 million for the same quarter last year. Financing and other expenses for the first quarter of 2016 decreased by US$4 million to US$6 million compared to the same quarter last year, primarily due to lower income taxes, driven by a management election to claim foreign tax credits of US$6 million.

The core net loss for the first quarter of 2016 was US$12 million compared to core net earnings of US$17 million for the previous quarter. The change in net earnings was primarily due to lower net fee income and lower net investment income driven by unrealized losses on seed capital, higher compensation costs and one-time expenses of US$5 million primarily relating to a new lease agreement, partially offset by lower income taxes as discussed for the in-quarter results. The reported net loss, including financing and other expenses, for the first quarter of 2016 was US$18 million compared to net earnings of US$31 million in the previous quarter. Financing and other expenses for the first quarter of 2016 were US$6 million compared to an expense recovery of US$14 million for the previous quarter. In the fourth quarter of 2015, financing and other expenses included the positive impact of adjustments to certain income tax estimates of US$27 million. Excluding these adjustments in the previous quarter, financing and other expenses decreased by US$7 million, primarily due to lower income taxes as discussed for the in-quarter results.

ASSETS UNDER MANAGEMENT

Assets under management ($US)	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Beginning assets	**$ 148,370**	$ 146,638	$ 157,572
Sales - Mutual funds	**4,959**	4,252	5,608
Redemptions - Mutual funds	**(7,569)**	(6,543)	(5,166)
Net asset flows - Mutual funds	**(2,610)**	(2,291)	442
Sales - Institutional	**4,083**	3,859	2,644
Redemptions - Institutional	**(3,176)**	(2,772)	(3,063)
Net asset flows - Institutional	**907**	1,087	(419)
Net asset flows - Total	**(1,703)**	(1,204)	23
Impact of market/performance	**(864)**	2,936	1,613
Ending assets	**$ 145,803**	$ 148,370	$ 159,208
Average assets under management			
Mutual funds	**72,522**	80,180	87,269
Institutional assets	**68,869**	71,036	71,127
Total average assets under management	**$ 141,391**	$ 151,216	$ 158,396

Average AUM for the three months ended March 31, 2016 was US$141.4 billion, a decrease of US$17.0 billion compared to the same quarter last year, primarily due to the cumulative impact of negative markets over the twelve month period as well as net asset outflows. Net asset outflows for the first quarter of 2016 were US$1.7 billion compared to nominal net asset inflows in the same quarter last year. In-quarter mutual fund net asset outflows were US$2.6 billion and institutional net asset inflows were US$0.9 billion.

Average AUM decreased by 6% compared to the previous quarter, primarily due to the impact of negative markets and net asset outflows in the first quarter of 2016.

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 first quarter of 2016, the net loss of US$2 million was comparable to both the same quarter last year and to the previous quarter.

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		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 7,841**	$ 6,056	$ 6,673
Fee and other income	**321**	327	327
Net earnings - common shareholders	**287**	303	286
Total assets	**$ 159,961**	$ 167,265	$ 152,743
Proprietary mutual funds and institutional net assets	**29,913**	29,210	22,337
Total assets under management	**189,874**	196,475	175,080
Other assets under administration	**39,903**	41,587	47,529
Total assets under administration	**$ 229,777**	$ 238,062	$ 222,609

2016 DEVELOPMENTS

- Net earnings for the first quarter of 2016 of $287 million were comparable to the same quarter last year.
- Premiums and deposits for the three months ended March 31, 2016 were $7.8 billion, an increase of $1.2 billion from the same quarter last year, primarily due to higher sales in Ireland, new and restructured reinsurance agreements and the impact of currency movement.
- In Europe, Solvency II regulations came into effect on January 1, 2016. All of the Company's regulated European-based subsidiaries are positioned to meet 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 will continue to focus on managing the potential capital volatility under the new regulations.
- On February 19, 2016, the Company successfully completed the transfer of approximately 31,000 annuity policies from Equitable Life, which was acquired in the first quarter of 2015.
- On March 9, 2016, the Company announced that it had reached an agreement to acquire Aviva Health Insurance Ireland Limited (Aviva Health), an Irish health insurance provider, and to increase its 49% interest in GloHealth Financial Services Limited (GloHealth) to 100% ownership. Aviva Health and GloHealth will combine to become one of the leading providers in the Irish health insurance market, servicing a customer base of more than 400,000 participants. The transaction is expected to close in the third quarter of 2016 and is subject to customary regulatory approvals.
- During the first quarter of 2016, Irish Life Investment Managers (ILIM) launched its new Multi-Asset Multi-Strategy Fund range to its network of Canadian Mutual Funds Dealer Association (MFDA) and Investment Industry Regulatory Organization of Canada (IIROC) advisors. Assets under management for ILIM have grown to €51.0 billion at March 31, 2016 from €48.5 billion at March 31, 2015.

- During the first quarter of 2016, the Company received a number of awards:
  - Irish Life was awarded the Life Sector overall winner in the 2016 Irish Brokers Association Annual Insurance Service Awards for the sixth year in a row.
  - Canada Life Group Insurance, in the U.K., retained the Number One Group Risk Provider position in the Swiss Re 'Group Watch' survey of 2016, for the third year in a row.
  - At the 2016 European Funds Trophy Awards, Canada Life Investments, a subsidiary of Canada Life in the U.K., was awarded "Best U.K. Asset Management Company (41-70 rated funds category)".

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 5,674**	$ 4,497	$ 5,160
Sales	**4,574**	3,917	4,456
Fee and other income	**316**	320	322
Net earnings	**226**	234	216

Premiums and deposits
Premiums and deposits for the first quarter of 2016 increased by $0.5 billion to $5.7 billion compared to the same quarter last year, which included the acquisition of Equitable Life's annuity business in the first quarter of 2015. Excluding the impact of the Equitable Life acquisition, premiums and deposits increased by $2.1 billion primarily due to higher fund management sales in Ireland, higher pension sales in Ireland and Germany and higher sales of retail payout annuities in the U.K., as well as the impact of currency movement.

Premiums and deposits for the first quarter of 2016 increased by $1.2 billion compared to the previous quarter, primarily due to higher fund management sales in Ireland and the impact of currency movement. These increases were partially offset by lower pension sales in Ireland and Germany, reflecting normal seasonal fluctuations, and lower sales of wealth management products in the U.K.

Sales
Sales for the first quarter of 2016 increased by $0.1 billion to $4.6 billion compared to the same quarter last year, which included the acquisition of Equitable Life's annuity business in the first quarter of 2015. Excluding the impact of the Equitable Life acquisition, sales increased by 60% due to the same reasons discussed for premiums and deposits for the in-quarter results.

Sales for the first quarter of 2016 increased by $0.7 billion from the previous quarter, due to the reasons discussed for premiums and deposits for the same period.

Fee and other income

Fee and other income for the first quarter of 2016 decreased by $6 million to $316 million compared to the same quarter last year. The decrease was primarily due to lower investment gain related fee income associated with a closed block of Irish unit-linked business, partially offset by the impact of currency movement. The fee income on this block of business is particularly sensitive to the market levels at the start and end of a reporting period.

Fee and other income for first quarter of 2016 decreased by $4 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Net earnings

Net earnings for the first quarter of 2016 increased by $10 million to $226 million compared to the same quarter last year. The increase was primarily due to higher new business volumes in U.K. payout annuities, higher contributions from investment experience and lower income taxes, including the impact of U.K. corporate tax rate changes on deferred tax balances. These increases were partially offset by lower contributions from actuarial liability basis changes and less favourable morbidity experience.

Net earnings for the first quarter of 2016 decreased by $8 million compared to the previous quarter. The decrease was primarily due to lower contributions from actuarial liability basis changes and less favourable morbidity experience. These decreases were partially offset by higher new business volumes in U.K. payout annuities and higher contributions from investment experience.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2016	Dec. 31 2015	March 31 2015
Premiums and deposits	**$ 2,167**	$ 1,559	$ 1,513
Fee and other income	**5**	7	5
Net earnings	**63**	73	77

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.

For the three months ended March 31, 2016, premiums and deposits increased by $0.7 billion to $2.2 billion compared to the same period last year. The increase was primarily due to new and restructured reinsurance agreements and the impact of currency movement.

Premiums and deposits for the first quarter of 2016 increased by $0.6 billion compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income

Fee and other income for the first quarter of 2016 of $5 million was comparable to the same quarter last year and the previous quarter.

Net earnings
Net earnings for the first quarter of 2016 decreased by $14 million to $63 million compared to the same quarter last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes and less favourable claims experience, partially offset by lower new business strain and the impact of currency movement.

Net earnings for the first quarter of 2016 decreased by $10 million compared to the previous quarter. The decrease was primarily due to lower contributions from insurance contract liability basis changes and less favourable claims experience.

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

In the first quarter of 2016, Europe Corporate had a net loss of $2 million compared to a net loss of $7 million for the same quarter last year. First quarter 2016 results include restructuring costs of $1 million relating to the integration of Legal & General International (Ireland) Limited (LGII), compared to $6 million of restructuring costs relating to the integration of Irish Life for the same quarter last year.

The net loss for the three months ended March 31, 2016 decreased from $4 million to $2 million in the current quarter, primarily due to lower restructuring costs relating to the integration of LGII.

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.

The net loss for the three months ended March 31, 2016 of $6 million was comparable to both the same quarter last year and to the previous quarter.

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 first 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 regards to future accounting policy changes that could impact the Company, 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		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[1]	**$ 12,352**	$ 8,321	$ 8,596	$ 4,224	$ 12,679	$ 10,723	$ 8,451	$ 10,070
Common shareholders								
Net earnings								
Total	**620**	683	720	659	700	657	687	615
Basic - per share	**0.625**	0.688	0.724	0.661	0.702	0.658	0.687	0.616
Diluted - per share	**0.623**	0.686	0.722	0.659	0.700	0.657	0.686	0.615

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

Lifeco's consolidated net earnings attributable to common shareholders were $620 million for the first quarter of 2016 compared to $700 million reported a year ago. On a per share basis, this represents $0.625 per common share ($0.623 diluted) for the first quarter of 2016 compared to $0.702 per common share ($0.700 diluted) a year ago.

Total revenue for the first quarter of 2016 was $12,352 million and comprises premium income of $7,015 million, regular net investment income of $1,673 million, a positive change in fair value through profit or loss on investment assets of $2,410 million and fee and other income of $1,254 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 three month period ended March 31, 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	Mar. 31 2016	Dec. 31 2015	Sept. 30 2015	June 30 2015	Mar. 31 2015
United States dollar					
Balance sheet	**$ 1.30**	$ 1.38	$ 1.34	$ 1.25	$ 1.27
Income and expenses	**$ 1.37**	$ 1.34	$ 1.31	$ 1.23	$ 1.24
British pound					
Balance sheet	**$ 1.87**	$ 2.04	$ 2.02	$ 1.96	$ 1.88
Income and expenses	**$ 1.96**	$ 2.03	$ 2.03	$ 1.89	$ 1.88
Euro					
Balance sheet	**$ 1.48**	$ 1.50	$ 1.50	$ 1.39	$ 1.36
Income and expenses	**$ 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.

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2016	December 31 2015	March 31 2015
Income			
Premium income			
Gross premiums written	**$ 7,926**	$ 7,117	$ 7,806
Ceded premiums	**(911)**	(955)	(874)
Total net premiums	**7,015**	6,162	6,932
Net investment income (note 4)			
Regular net investment income	**1,673**	1,670	1,536
Changes in fair value through profit or loss	**2,410**	(844)	2,953
Total net investment income	**4,083**	826	4,489
Fee and other income	**1,254**	1,333	1,258
	12,352	8,321	12,679
Benefits and expenses			
Policyholder benefits			
Gross	**6,642**	6,060	5,640
Ceded	**(472)**	(546)	(483)
Total net policyholder benefits	**6,170**	5,514	5,157
Policyholder dividends and experience refunds	**369**	321	381
Changes in insurance and investment contract liabilities	**3,139**	(303)	4,351
Total paid or credited to policyholders	**9,678**	5,532	9,889
Commissions	**566**	584	515
Operating and administrative expenses	**1,208**	1,175	1,078
Premium taxes	**92**	92	84
Financing charges (note 9)	**78**	73	77
Amortization of finite life intangible assets	**46**	37	36
Restructuring and acquisition expenses	**4**	7	7
Earnings before income taxes	**680**	821	993
Income taxes (note 14)	**24**	66	224
Net earnings before non-controlling interests	**656**	755	769
Attributable to non-controlling interests	**5**	41	37
Net earnings	**651**	714	732
Preferred share dividends	**31**	31	32
Net earnings - common shareholders	**$ 620**	$ 683	$ 700
Earnings per common share (note 11)			
Basic	**$ 0.625**	$ 0.688	$ 0.702
Diluted	**$ 0.623**	$ 0.686	$ 0.700

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2016	December 31 2015	March 31 2015
Net earnings	**$ 651**	$ 714	$ 732
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	**(984)**	291	733
Unrealized foreign exchange gains on euro debt designated as hedge of the net investment in foreign operations	**10**	—	20
Income tax expense	**(1)**	—	—
Unrealized gains (losses) on available-for-sale assets	**121**	(44)	130
Income tax (expense) benefit	**(24)**	10	(28)
Realized gains on available-for-sale assets	**(31)**	(3)	(73)
Income tax expense	**4**	—	12
Unrealized gains (losses) on cash flow hedges	**95**	(27)	(135)
Income tax (expense) benefit	**(36)**	10	51
Realized losses on cash flow hedges	**1**	—	1
Non-controlling interests	**6**	(52)	(42)
Income tax benefit	**3**	3	11
Total items that may be reclassified	**(836)**	188	680
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)	**(242)**	116	(223)
Income tax (expense) benefit	**62**	(19)	48
Non-controlling interests	**19**	5	7
Income tax expense	**(5)**	(1)	(1)
Total items that will not be reclassified	**(166)**	101	(169)
Total other comprehensive income (loss)	**(1,002)**	289	511
Comprehensive income (loss)	**$ (351)**	$ 1,003	$ 1,243

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2016	December 31 2015 (note 16)
Assets		
Cash and cash equivalents	**$ 2,923**	$ 2,813
Bonds (note 4)	**114,141**	114,943
Mortgage loans (note 4)	**21,402**	22,021
Stocks (note 4)	**7,827**	7,873
Investment properties (note 4)	**5,049**	5,237
Loans to policyholders	**8,321**	8,694
	159,663	161,581
Funds held by ceding insurers	**12,954**	15,512
Goodwill	**5,896**	5,913
Intangible assets	**3,878**	4,036
Derivative financial instruments	**602**	461
Owner occupied properties	**638**	653
Fixed assets	**296**	298
Other assets	**2,471**	2,643
Premiums in course of collection, accounts and interest receivable	**3,833**	3,553
Reinsurance assets (note 7)	**5,144**	5,131
Current income taxes	**99**	69
Deferred tax assets	**1,770**	1,891
Investments on account of segregated fund policyholders (note 8)	**193,001**	198,194
Total assets	**$ 390,245**	$ 399,935
Liabilities		
Insurance contract liabilities (note 7)	**$ 155,352**	$ 158,492
Investment contract liabilities (note 7)	**2,116**	2,253
Debentures and other debt instruments	**5,284**	5,395
Capital trust securities	**161**	161
Funds held under reinsurance contracts	**324**	356
Derivative financial instruments	**2,015**	2,624
Accounts payable	**1,983**	1,755
Other liabilities	**3,494**	3,367
Current income taxes	**514**	492
Deferred tax liabilities	**1,470**	1,586
Investment and insurance contracts on account of segregated fund policyholders (note 8)	**193,001**	198,194
Total liabilities	**365,714**	374,675
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,608**	2,611
Non-controlling interests in subsidiaries	**248**	195
Shareholders' equity		
Share capital (note 10)		
Preferred shares	**2,514**	2,514
Common shares	**7,167**	7,156
Accumulated surplus	**10,672**	10,431
Accumulated other comprehensive income	**1,216**	2,218
Contributed surplus	**106**	135
Total equity	**24,531**	25,260
Total liabilities and equity	**$ 390,245**	$ 399,935

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2016					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 9,670**	**$ 135**	**$ 10,431**	**$ 2,218**	**$ 2,806**	**$ 25,260**
Net earnings	**—**	**—**	**651**	**—**	**5**	**656**
Other comprehensive loss	**—**	**—**	**—**	**(1,002)**	**(23)**	**(1,025)**
	9,670	**135**	**11,082**	**1,216**	**2,788**	**24,891**
Dividends to shareholders						
Preferred shareholders (note 11)	**—**	**—**	**(31)**	**—**	**—**	**(31)**
Common shareholders	**—**	**—**	**(343)**	**—**	**—**	**(343)**
Shares exercised and issued under share-based payment plans (note 10)	**15**	**(45)**	**—**	**—**	**49**	**19**
Share-based payment plans expense	**—**	**16**	**—**	**—**	**—**	**16**
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	**(21)**	**—**	**—**	**—**	**—**	**(21)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	**17**	**—**	**(17)**	**—**	**—**	**—**
Dilution loss on non-controlling interests	**—**	**—**	**(19)**	**—**	**19**	**—**
Balance, end of period	**$ 9,681**	**$ 106**	**$ 10,672**	**$ 1,216**	**$ 2,856**	**$ 24,531**

	March 31, 2015					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,616	$ 126	$ 9,134	$ 378	$ 2,643	$ 21,897
Net earnings	—	—	732	—	37	769
Other comprehensive income	—	—	—	511	25	536
	9,616	126	9,866	889	2,705	23,202
Dividends to shareholders						
Preferred shareholders (note 11)	—	—	(32)	—	—	(32)
Common shareholders	—	—	(325)	—	—	(325)
Shares exercised and issued under share-based payment plans (note 10)	57	(43)	—	—	39	53
Share-based payment plans expense	—	16	—	—	—	16
Shares purchased and cancelled under Normal Course Issuer Bid (note 10)	(26)	—	—	—	—	(26)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 10)	21	—	(21)	—	—	—
Dilution gain on non-controlling interests	—	—	3	—	(3)	—
Balance, end of period	$ 9,668	$ 99	$ 9,491	$ 889	$ 2,741	$ 22,888

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2016	2015
Operations		
Earnings before income taxes	**$ 680**	$ 993
Income taxes paid, net of refunds received	**(58)**	(88)
Adjustments:		
Change in insurance and investment contract liabilities	**3,208**	2,851
Change in funds held by ceding insurers	**260**	272
Change in funds held under reinsurance contracts	**(5)**	(92)
Change in deferred acquisition costs	**10**	10
Change in reinsurance assets	**(131)**	11
Changes in fair value through profit or loss	**(2,410)**	(2,953)
Other	**(188)**	88
	1,366	1,092
Financing Activities		
Issue of common shares (note 10)	**15**	57
Purchased and cancelled common shares (note 10)	**(21)**	(26)
Decrease in line of credit of subsidiary	**(41)**	(43)
Increase (decrease) in debentures and other debt instruments	**8**	(11)
Dividends paid on common shares	**(343)**	(325)
Dividends paid on preferred shares	**(31)**	(32)
	(413)	(380)
Investment Activities		
Bond sales and maturities	**7,610**	9,837
Mortgage loan repayments	**662**	581
Stock sales	**1,125**	566
Investment property sales	**—**	4
Change in loans to policyholders	**19**	9
Investment in bonds	**(8,314)**	(9,937)
Investment in mortgage loans	**(752)**	(624)
Investment in stocks	**(984)**	(360)
Investment in investment properties	**(74)**	(180)
	(708)	(104)
Effect of changes in exchange rates on cash and cash equivalents	**(135)**	91
Increase in cash and cash equivalents	**110**	699
Cash and cash equivalents, beginning of period	**2,813**	2,498
Cash and cash equivalents, end of period	**$ 2,923**	$ 3,197
Supplementary cash flow information		
Interest income received	**$ 1,356**	$ 1,288
Interest paid	**$ 39**	$ 40
Dividend income received	**$ 77**	$ 60

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 months ended March 31, 2016 were approved by the Board of Directors on May 5, 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 March 31, 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.

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.

<u>Use of Significant Judgments, Estimates and Assumptions</u>
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 March 9, 2016, the Company announced that its indirect wholly owned Irish subsidiary, Irish Life Group Limited, reached agreements to acquire Aviva Health Insurance Ireland Limited (Aviva Health), an Irish health insurance company, and to increase its 49 percent interest in GloHealth Financial Services Limited (GloHealth) to 100 percent ownership. The Company also announced that Aviva Health and GloHealth will combine to become one of the leading providers in the Irish health insurance market. The transaction, which is subject to normal regulatory approvals, is expected to be completed in the third quarter of 2016. The transaction is not expected to have a material impact on the Company's financial results.

4. Portfolio Investments

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

	March 31, 2016		December 31, 2015	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss (1)	**$ 83,579**	**$ 83,579**	$ 83,688	$ 83,688
Classified fair value through profit or loss (1)	**2,709**	**2,709**	2,815	2,815
Available-for-sale	**11,376**	**11,376**	11,535	11,535
Loans and receivables	**16,477**	**18,207**	16,905	18,253
	114,141	**115,871**	114,943	116,291
Mortgage loans				
Residential	**7,694**	**8,113**	7,783	8,148
Commercial	**13,708**	**14,911**	14,238	15,298
	21,402	**23,024**	22,021	23,446
Stocks				
Designated fair value through profit or loss (1)	**6,696**	**6,696**	6,647	6,647
Available-for-sale	**50**	**50**	57	57
Available-for-sale, at cost (2)	**459**	**N/A**	534	N/A
Equity method	**622**	**623**	635	601
	7,827	**7,369**	7,873	7,305
Investment properties	**5,049**	**5,049**	5,237	5,237
Total	**$ 148,419**	**$ 151,313**	$ 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 period ended March 31, 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 financial statements are now recorded in Portfolio Investments.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2016	December 31 2015
Impaired amounts by classification		
Fair value through profit or loss	$ 311	$ 355
Available-for-sale	10	11
Loans and receivables	32	30
Total	$ 353	$ 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 $24 at March 31, 2016 and $20 at December 31, 2015.

(c) Net investment income comprises the following:

For the three months ended March 31, 2016	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income						
Investment income earned	$ 1,094	$ 237	$ 79	$ 83	$ 183	$ 1,676
Net realized gains						
Available-for-sale	30	—	1	—	—	31
Other classifications	11	9	—	—	—	20
Net allowances for credit losses on loans and receivables	—	(7)	—	—	—	(7)
Other income and expenses	—	—	—	(20)	(27)	(47)
	1,135	239	80	63	156	1,673
Changes in fair value on fair value through profit or loss assets						
Classified fair value through profit or loss	42	—	—	—	—	42
Designated fair value through profit or loss	2,254	—	152	—	(62)	2,344
Recorded at fair value through profit or loss	—	—	—	24	—	24
	2,296	—	152	24	(62)	2,410
Total	$ 3,431	$ 239	$ 232	$ 87	$ 94	$ 4,083

4. Portfolio Investments (cont'd)

For the three months ended March 31, 2015	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income						
Investment income earned	$ 1,017	$ 243	$ 62	$ 88	$ 90	$ 1,500
Net realized gains						
Available-for-sale	73	—	1	—	—	74
Other classifications	5	8	—	—	—	13
Net allowances for credit losses on loans and receivables	—	1	—	—	—	1
Other income and expenses	—	—	—	(25)	(27)	(52)
	1,095	252	63	63	63	1,536
Changes in fair value on fair value through profit or loss assets						
Classified fair value through profit or loss	45	—	—	—	—	45
Designated fair value through profit or loss	2,577	—	162	—	114	2,853
Recorded at fair value through profit or loss	—	—	—	55	—	55
	2,622	—	162	55	114	2,953
Total	$ 3,717	$ 252	$ 225	$ 118	$ 177	$ 4,489

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 March 31, 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 March 31, 2016 and December 31, 2015.

5. Financial Instruments Risk Management (cont'd)

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:

	March 31, 2016		December 31, 2015	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in insurance and investment contract liabilities	**$ (168)**	**$ 696**	$ (163)	$ 614
Increase (decrease) in net earnings	**$ 120**	**$ (498)**	$ 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:

	March 31, 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	**$ (55)**	**$ 137**	$ (53)	$ 139
Increase (decrease) in net earnings	**$ 47**	**$ (105)**	$ 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:

	March 31, 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	**$ (533)**	**$ 573**	$ (534)	$ 573
Increase (decrease) in net earnings	**$ 432**	**$ (457)**	$ 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:

	March 31, 2016			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 2,923	$ —	$ —	$ 2,923
Financial assets at fair value through profit or loss				
Bonds	—	86,287	1	86,288
Stocks	6,636	5	55	6,696
Total financial assets at fair value through profit or loss	6,636	86,292	56	92,984
Available-for-sale financial assets				
Bonds	—	11,376	—	11,376
Stocks	49	—	1	50
Total available-for-sale financial assets	49	11,376	1	11,426
Investment properties	—	—	5,049	5,049
Derivatives [1]	3	599	—	602
Other assets:				
Trading account assets	392	192	2	586
Other [2]	140	—	—	140
Total assets measured at fair value	$ 10,143	$ 98,459	$ 5,108	$ 113,710
Liabilities measured at fair value				
Derivatives [3]	$ 3	$ 2,012	$ —	$ 2,015
Investment contract liabilities	—	2,093	23	2,116
Other liabilities	140	—	—	140
Total liabilities measured at fair value	$ 143	$ 4,105	$ 23	$ 4,271

(1) Excludes collateral received of $73.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $361.

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)

Assets measured at fair value	Level 1	Level 2	Level 3	Total
	December 31, 2015			
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:

	March 31, 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	—	—	(3)	—	24	—	21	—
Included in other comprehensive income [1]	(1)	—	—	—	(286)	—	(287)	—
Purchases	—	—	2	—	74	1	77	—
Sales	—	—	(10)	—	—	(4)	(14)	—
Other	—	—	—	—	—	—	—	(4)
Transfers into Level 3 [2]	—	—	—	—	—	—	—	—
Transfers out of Level 3 [2]	(8)	(1)	—	—	—	—	(9)	—
Balance, end of period	$ 1	$ —	$ 55	$ 1	$ 5,049	$ 2	$ 5,108	$ 23
Total gains (losses) for the period included in net investment income	$ —	$ —	$ (3)	$ —	$ 24	$ —	$ 21	$ —
Change in unrealized gains (losses) for the period included in net earnings for assets held at March 31, 2016	$ —	$ —	$ (3)	$ —	$ 24	$ —	$ 21	$ —

(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 3.1% - 10.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.3% - 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 3.8%	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

	March 31, 2016		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 155,352**	**$ 5,144**	**$ 150,208**
Investment contract liabilities	**2,116**	**—**	**2,116**
Total	**$ 157,468**	**$ 5,144**	**$ 152,324**

	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

	March 31 2016	December 31 2015
Cash and cash equivalents	$ 11,992	$ 11,656
Bonds	42,433	42,160
Mortgage loans	2,615	2,596
Stocks and units in unit trusts	76,822	80,829
Mutual funds	49,022	50,101
Investment properties	10,647	10,839
	193,531	198,181
Accrued income	424	382
Other liabilities	(2,350)	(1,759)
Non-controlling mutual funds interest	1,396	1,390
Total	$ 193,001	$ 198,194

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

	For the three months ended March 31 2016	2015
Balance, beginning of year	$ 198,194	$ 174,966
Additions (deductions):		
Policyholder deposits	5,927	5,016
Net investment income	659	231
Net realized capital gains on investments	702	1,593
Net unrealized capital gains (losses) on investments	(1,374)	7,810
Unrealized gains (losses) due to changes in foreign exchange rates	(5,688)	2,331
Policyholder withdrawals	(5,446)	(4,742)
Segregated Fund investment in General Fund	16	(7)
General Fund investment in Segregated Fund	(1)	(1)
Net transfer from General Fund	6	25
Non-controlling mutual funds interest	6	211
Total	(5,193)	12,467
Balance, end of period	$ 193,001	$ 187,433

8. Segregated Funds (cont'd)

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

	March 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 120,317**	**$ 62,985**	**$ 11,541**	**$ 194,843**

[(1)] Excludes other liabilities, net of other assets, of $1,842.

	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 three months of 2016 certain foreign stock holdings valued at $2,646 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:

	March 31 2016	December 31 2015
Balance, beginning of year	**$ 11,765**	$ 10,390
Total gains (losses) included in segregated fund investment income	**(121)**	1,039
Purchases	**66**	944
Sales	**(169)**	(607)
Transfers out of Level 3	**—**	(1)
Balance, end of period	**$ 11,541**	$ 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 March 31, 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 March 31, 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 March 31	
	2016	2015
Operating charges:		
Interest on operating lines and short-term debt instruments	**$ 2**	$ 1
Financial charges:		
Interest on long-term debentures and other debt instruments	**66**	66
Interest on capital trust securities	**3**	3
Other	**7**	7
	76	76
Total	**$ 78**	$ 77

Subsequent to the quarter ended March 31, 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 three months ended March 31			
	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	**(624,181)**	**(21)**	(765,450)	(26)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**17**	—	21
Exercised and issued under stock option plan	**473,574**	**15**	1,670,744	57
Balance, end of period	**993,199,724**	**$ 7,167**	997,604,665	$ 7,154

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)

During the three months ended March 31, 2016, the Company repurchased and subsequently cancelled 624,181 common shares at a cost of $21 (765,450 during the three months ended March 31, 2015 under the previous normal course issuer bid at a cost of $26). 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 $17 and was recognized as a reduction to equity ($21 during the three months ended March 31, 2015 under the previous normal course issuer bid).

During the three months ended March 31, 2016, 473,574 common shares were exercised under the Company's stock plan with a carrying value of $15 (1,670,744 with a carrying value of $57 during the three months ended March 31, 2015).

11. Earnings per Common Share

	For the three months ended March 31	
	2016	2015
Earnings		
Net earnings	**$ 651**	$ 732
Preferred share dividends	**(31)**	(32)
Net earnings - common shareholders	**$ 620**	$ 700
Number of common shares		
Average number of common shares outstanding	**993,250,972**	996,852,230
Add: Potential exercise of outstanding stock options	**1,807,514**	2,279,239
Average number of common shares outstanding - diluted basis	**995,058,486**	999,131,469
Basic earnings per common share	**$ 0.625**	$ 0.702
Diluted earnings per common share	**$ 0.623**	$ 0.700
Dividends per common share	**$ 0.3460**	$ 0.3260

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.

12. Capital Management (cont'd)

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:

	March 31 2016	December 31 2015
Adjusted Net Tier 1 Capital	**$ 12,722**	$ 13,195
Net Tier 2 Capital	**2,770**	2,535
Total Capital Available	**$ 15,492**	$ 15,730
Total Capital Required	**$ 6,559**	$ 6,599
Tier 1 Ratio	**194%**	200%
Total Ratio	**236%**	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 March 31	
	2016	2015
Pension plans		
Service costs	**$ 52**	$ 50
Curtailment	**(13)**	—
Net interest cost	**6**	6
	45	56
Other post-employment benefits		
Service costs	**1**	1
Net interest cost	**3**	4
	4	5
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**49**	61
Pension plans - re-measurements		
Actuarial loss	**273**	537
Return on assets greater than assumed	**(6)**	(420)
Administrative expenses less than assumed	**(1)**	—
Change in the asset ceiling	**(26)**	85
Actuarial (gain) loss - investment in associate [(1)]	**(9)**	4
Pension plans re-measurement loss	**231**	206
Other post-employment benefits - re-measurements		
Actuarial loss	**11**	17
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	**242**	223
Total pension plans and other post-employment benefits expense including re-measurements	**$ 291**	$ 284

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

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

	March 31		December 31	
	2016	2015	2015	2014
Weighted average discount rate	**3.5%**	3.1%	3.8%	3.5%

14. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31			
	2016		2015	
Current income taxes	**$**	**54**	$	149
Deferred income taxes		**(30)**		75
Total income tax expense	**$**	**24**	$	224

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the three months ended March 31, 2016 was 3.5% compared to 13.3% for the full year 2015 and 22.6% for the three months ended March 31, 2015. 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 effective income tax rate for the three months ended March 31, 2016 is lower than the rate for the three months ended March 31, 2015 and the full year 2015 effective income tax rate primarily due to a higher percentage of the Company's income consisting of non-taxable investment income and income subject to lower rates of income tax in certain foreign jurisdictions, as well as the impact of 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 $1,373 at March 31, 2016 ($1,434 at December 31, 2015).

15. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2016

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,861	$ 1,380	$ 2,774	$ —	$ 7,015
Net investment income					
Regular net investment income	736	454	483	—	1,673
Changes in fair value through profit or loss	537	481	1,392	—	2,410
Total net investment income	1,273	935	1,875	—	4,083
Fee and other income	362	571	321	—	1,254
	4,496	2,886	4,970	—	12,352
Benefits and expenses					
Paid or credited to policyholders	3,301	2,112	4,265	—	9,678
Other [(1)]	817	686	359	4	1,866
Financing charges	29	37	12	—	78
Amortization of finite life intangible assets	16	22	8	—	46
Restructuring and acquisition expenses	—	3	1	—	4
Earnings (loss) before income taxes	333	26	325	(4)	680
Income taxes (recovery)	51	(40)	13	—	24
Net earnings (loss) before non-controlling interests	282	66	312	(4)	656
Non-controlling interests	5	1	(1)	—	5
Net earnings (loss)	277	65	313	(4)	651
Preferred share dividends	26	—	5	—	31
Net earnings (loss) before capital allocation	251	65	308	(4)	620
Impact of capital allocation	25	(2)	(21)	(2)	—
Net earnings (loss) - common shareholders	$ 276	$ 63	$ 287	$ (6)	$ 620

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

15. Segmented Information (cont'd)

For the three months ended March 31, 2015

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,667	$ 729	$ 3,536	$ —	$ 6,932
Net investment income					
Regular net investment income	629	395	513	(1)	1,536
Changes in fair value through profit or loss	1,376	232	1,345	—	2,953
Total net investment income	2,005	627	1,858	(1)	4,489
Fee and other income	358	573	327	—	1,258
	5,030	1,929	5,721	(1)	12,679
Benefits and expenses					
Paid or credited to policyholders	3,765	1,121	5,003	—	9,889
Other [(1)]	763	586	324	4	1,677
Financing charges	29	36	12	—	77
Amortization of finite life intangible assets	14	17	5	—	36
Restructuring and acquisition expenses	—	1	6	—	7
Earnings (loss) before income taxes	459	168	371	(5)	993
Income taxes (recovery)	123	44	58	(1)	224
Net earnings (loss) before non-controlling interests	336	124	313	(4)	769
Non-controlling interests	33	2	2	—	37
Net earnings (loss)	303	122	311	(4)	732
Preferred share dividends	26	—	6	—	32
Net earnings (loss) before capital allocation	277	122	305	(4)	700
Impact of capital allocation	22	(1)	(19)	(2)	—
Net earnings (loss) - common shareholders	$ 299	$ 121	$ 286	$ (6)	$ 700

(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.

GREAT-WEST
LIFECO INC.

This report is printed on papers containing at least 30 per cent post-consumer recycled fibre. When you are finished with this report, please consider recycling it. The report is also downloadable at www.greatwestlifeco.com.