GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2017

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Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to March 31, 2017 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2017 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco or the Company) today announced net earnings attributable to common shareholders of $591 million or $0.598 per common share compared to $620 million or $0.625 per common share for the same quarter last year. Included in Lifeco's net earnings for the first quarter of 2017 were restructuring costs of $28 million, primarily related to the Company's health and retail businesses in Ireland and the completion of integration activities for Empower Retirement. Excluding these costs, net earnings for the first quarter of 2017 were $619 million or $0.627 per common share and were comparable to the same quarter last year as good business performance was offset by currency headwinds, which impacted earnings by $44 million, primarily due to the decline in the British pound.

Consolidated assets under administration at March 31, 2017 were approximately $1.3 trillion, an increase of $47.4 billion from December 31, 2016.

Highlights – In Quarter

Lifeco reports premiums and deposits growth of 12%

- Lifeco premiums and deposits in the first quarter of 2017 were $33.5 billion, up 12% compared to the same quarter in 2016, reflecting higher premiums and deposits across all segments.

Capital position remains strong

- The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 239% at March 31, 2017.
- Lifeco declared a quarterly common dividend of $0.3670 per common share payable June 30, 2017.
- Return on Equity (ROE), excluding the impact of restructuring costs, was 13.9%.
- Irish Life Assurance plc, a subsidiary of the Company, redeemed its 5.25% 200 million euro-denominated subordinated debenture notes at their principal amount together with accrued interest during the quarter.

$1 billion hybrid subordinated debt redemption announced

- On April 24, 2017, Great-West Lifeco Finance (Delaware) LP, a subsidiary of the Company, announced its intention to redeem all $1 billion principal amount of its 5.691% subordinated debentures due June 21, 2067 on June 21, 2017 at a redemption price equal to 100% of the principal amount of the debentures, plus any accrued interest up to but excluding the redemption date.

SEGMENTED OPERATING RESULTS

For reporting purposes, Lifeco's 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. For more information, please refer to the Company's 2017 Q1 MD&A.

CANADA

- **Canada advances business transformation to drive future growth** - Lifeco recently realigned its Canadian operations into two new business units: one focused on individual customers and the other on group customers. As part of the realignment, a new strategic customer marketing function has been created to provide a more holistic customer experience through digital and innovative capabilities and services. In conjunction with this, on April 25, 2017, the Company announced it was undertaking $200 million pre-tax of annualized expense reductions expected to be complete by the first quarter of 2019. As part of this effort, the Company expects to incur $215 million of restructuring costs (allocated between participating and non-participating accounts) which are expected to reduce net earnings by $127 million in the second quarter of 2017.

- **Q1 Canada sales increased to $3.7 billion** - Sales in the first quarter of 2017 were $3.7 billion, up 12% from the first quarter of 2016. The increase reflects solid individual wealth sales which were up 14% compared to the first quarter of 2016, primarily due to strong segregated funds and mutual funds sales, and group wealth sales which were up 13% year over year. Individual insurance sales also increased significantly as participating life sales carried over from the fourth quarter 2016 activity.

- **Q1 Canada segment net earnings of $255 million** - Net earnings attributable to common shareholders for the first quarter of 2017 were $255 million compared to $276 million in the first quarter of 2016.

UNITED STATES

- **Empower Retirement integration complete, US$8 million of restructuring costs recorded** - Following the finalization of the Empower Retirement integration activities, Great-West Financial executed a restructuring action to right-size the cost structure and better position the business competitively with associated restructuring costs of US$8 million. Annualized synergies of US$34 million achieved through this initiative were mostly offset by the reinvestment in ongoing development as well as customer acquisition and retention.

- **Empower Retirement announces new product offering** - Empower Retirement, together with health services leader Optum, announced an innovative health savings account for retirement plan participants - The Empower Health Savings Account (HSA). Available this summer to employers, the Empower HSA will provide plan participants access to an online seamless financial-planning solution that integrates retirement savings with health care savings, helping them to prepare for health care expenses in retirement.

- **Putnam sales up 17% and average assets up 4%** - Putnam sales were US$10.6 billion, an increase of US$1.5 billion compared to the same period last year, reflecting a 31% increase in institutional asset sales and a 5% increase in mutual fund sales. Putnam average assets under management for the three months ended March 31, 2017 were US$157.4 billion compared to US$151.9 billion for the three months ended December 31, 2016, an increase of 4%, primarily due to market performance and net asset inflows. Putnam ending assets under management at March 31, 2017 were US$159.9 billion.

- **Q1 U.S. segment net earnings excluding restructuring costs up 6%** - Net earnings attributable to common shareholders for the first quarter of 2017 were US$50 million excluding restructuring costs, up 6%, compared to net earnings of US$47 million in the first quarter of 2016.

EUROPE

- **Q1 Europe segment net earnings up 7% excluding restructuring costs -** Net earnings attributable to common shareholders for the first quarter of 2017, excluding restructuring costs of $17 million, were $306 million compared to $287 million in the first quarter of 2016. Europe net earnings were negatively impacted by currency movement of $42 million in the quarter compared to the same period last year, primarily due to a weakening of the British pound against the Canadian dollar.

- **Q1 Europe sales up 6% in constant currency -** Total sales in the first quarter of 2017 were up 6% in constant currency reflecting strong annuity and wealth management sales in the U.K. and Ireland, partially offset by lower fund management sales. Reported sales of $4.4 billion, were down from $4.6 billion in the first quarter of 2016 due to currency movements.

- **Irish Life Health integration continues to progress -** As of March 31, 2017, the Company has achieved €5 million of annualized synergies to date relating to the integration of the Irish Life Health operations and remains on track to achieve targeted annual cost savings of €16 million pre-tax within the next 9 months.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3670 per share on the common shares of Lifeco payable June 30, 2017 to shareholders of record at the close of business June 2, 2017.

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, 2017	June 30, 2017	$0.36875
Series G	June 2, 2017	June 30, 2017	$0.3250
Series H	June 2, 2017	June 30, 2017	$0.30313
Series I	June 2, 2017	June 30, 2017	$0.28125
Series L	June 2, 2017	June 30, 2017	$0.353125
Series M	June 2, 2017	June 30, 2017	$0.3625
Series N	June 2, 2017	June 30, 2017	$0.1360
Series O	June 2, 2017	June 30, 2017	$0.110945
Series P	June 2, 2017	June 30, 2017	$0.3375
Series Q	June 2, 2017	June 30, 2017	$0.321875
Series R	June 2, 2017	June 30, 2017	$0.3000
Series S	June 2, 2017	June 30, 2017	$0.328125

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

P. A. Mahon
President and Chief Executive Officer

May 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2017
DATED: MAY 4, 2017

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, 2017 and includes a comparison to the corresponding period in 2016, to the three months ended December 31, 2016, and to the Company's financial condition as at December 31, 2016. 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, 2017. Also refer to the 2016 Annual MD&A and consolidated financial statements in the Company's 2016 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 2016 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 2017	Dec. 31 2016	March 31 2016
Premiums and deposits:			
Amounts reported in the financial statements			
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 9,365**	$ 8,905	$ 7,015
Policyholder deposits (segregated funds):			
Individual products	**3,897**	3,399	3,689
Group products	**2,185**	1,875	2,238
Premiums and deposits reported in the financial statements	**15,447**	14,179	12,942
Self-funded premium equivalents (Administrative services only contracts)(1)	**716**	691	698
Proprietary mutual funds and institutional deposits(1)	**17,386**	15,169	16,354
Total premiums and deposits(1)	**33,549**	30,039	29,994
Fee and other income	**1,305**	1,345	1,254
Net policyholder benefits, dividends and experience refunds	**8,543**	7,841	6,539
Earnings			
Net earnings - common shareholders	**$ 591**	$ 676	$ 620
Per common share			
Basic earnings	**0.598**	0.686	0.625
Dividends paid	**0.367**	0.346	0.346
Book value(2)	**19.99**	19.76	19.28
Return on common shareholders' equity(3)			
Net earnings	**13.6%**	13.8%	14.0%
Total assets per financial statements	**$ 405,632**	$ 399,912	$ 390,245
Proprietary mutual funds and institutional net assets(4)	**270,121**	259,215	237,984
Total assets under management(4)	**675,753**	659,127	628,229
Other assets under administration(5)	**620,064**	589,291	558,290
Total assets under administration	**$ 1,295,817**	$ 1,248,418	$ 1,186,519
Total equity	**$ 25,372**	$ 25,008	$ 24,531

(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) Certain comparative figures have been adjusted for presentation purposes.
(3) Return on common shareholders' equity is detailed within the "Capital Allocation Methodology" section.
(4) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight of the investment policies.
(5) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders (net earnings) for the three month period ended March 31, 2017 were $591 million compared to $620 million a year ago and $676 million in the previous quarter. On a per share basis, this represents $0.598 per common share ($0.597 diluted) for the first quarter of 2017 compared to $0.625 per common share ($0.623 diluted) a year ago and $0.686 per common share ($0.685 diluted) in the previous quarter. Included in Lifeco's net earnings for the first quarter of 2017 were restructuring costs of $28 million, which included $17 million related to the Company's health and retail businesses in Ireland and $11 million related to the completion of integration activities for Empower Retirement. Excluding these costs, net earnings for the first quarter of 2017 were $619 million or $0.627 per common share ($0.625 diluted).

Net earnings - common shareholders

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Canada			
Individual Customer[(1)]	**$ 146**	$ 179	$ 155
Group Customer[(1)]	**104**	154	105
Canada Corporate	**5**	(7)	16
	255	326	276
United States			
Financial Services	**85**	80	90
Asset Management	**(16)**	(3)	(25)
U.S. Corporate	**(13)**	(22)	(2)
	56	55	63
Europe			
Insurance & Annuities	**225**	225	226
Reinsurance	**81**	86	63
Europe Corporate	**(17)**	(4)	(2)
	289	307	287
Lifeco Corporate	**(9)**	(12)	(6)
Net earnings - common shareholders	**$ 591**	$ 676	$ 620
Adjusted net earnings, excluding restructuring costs - common shareholders[(2)]	**$ 619**	$ 696	$ 620

(1) Comparative figures have been reclassified to reflect presentation adjustments, reflecting the realignment of the Canada segment operations into two business units.

(2) The first quarter of 2017 included restructuring costs of $28 million; including $17 million relating to the Insurance & Annuities business unit and $11 million relating to the Financial Services business unit. The fourth quarter of 2016 included restructuring costs of $20 million relating to a realignment of the Asset Management business unit.

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 mostly decreased during the quarter. The net change in interest rates did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates had no material impact on net earnings 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 4 to the Company's condensed consolidated financial statements for the period ended March 31, 2017 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 2017 were up compared to the same period in 2016 and ended the quarter at higher market levels compared to December 31, 2016. Relative to the Company's expectation, the change in average market levels and market volatility had a positive impact on net earnings of approximately $5 million during the first quarter of 2017 ($13 million negative impact in the first quarter of 2016), related to asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company. In addition, net earnings were positively impacted by approximately $9 million in the first quarter of 2017 ($7 million negative impact in the first quarter of 2016), related to seed money investments held in the Asset Management and Canada Corporate business units.

Comparing the first quarter of 2017 to the first quarter of 2016, average equity market levels were up by 21% in Canada (as measured by S&P TSX), 19% in the U.S. (measured by S&P 500), 21% in the U.K. (measured by FTSE 100) and 12% in broader Europe (measured by Eurostoxx 50). The major equity indices finished the first quarter of 2017 up by 2% in Canada, 6% in the U.S., 3% in the U.K. and 6% in broader Europe, compared to December 31, 2016.

Foreign Currency

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

The average currency translation rate for the first quarter of 2017 decreased for the U.S. dollar, British pound, and euro compared to the first quarter of 2016. The overall impact of currency movement on the Company’s net earnings for the three month period ended March 31, 2017 was a decrease of $44 million compared to translation rates a year ago.

From December 31, 2016 to March 31, 2017, the market rates at the end of the reporting period used to translate the U.S. dollar assets and liabilities to the Canadian dollar decreased. For the British pound, the March 31, 2017 end-of-period market rate increased compared to December 31, 2016, while the euro was consistent. 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 $22 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 2017, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $38 million, compared to $48 million for the same quarter last year and $115 million for the previous quarter. In Europe, net earnings were positively impacted by $38 million primarily due to updated annuitant mortality assumptions. In the U.S. and Canada, the impact of actuarial assumption changes was negligible.

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 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 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 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 2017	Dec. 31 2016	March 31 2016
Canada			
Individual Customer[1]	**$ 2,932**	$ 2,769	$ 2,510
Group Customer[1]	**4,027**	3,912	3,526
	6,959	6,681	6,036
United States			
Financial Services	**3,598**	3,525	3,729
Asset Management	**13,960**	11,119	12,388
	17,558	14,644	16,117
Europe			
Insurance & Annuities	**5,155**	4,984	5,674
Reinsurance	**3,877**	3,730	2,167
	9,032	8,714	7,841
Total premiums and deposits	**$ 33,549**	$ 30,039	$ 29,994

Sales

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Canada	**$ 3,663**	$ 3,871	$ 3,268
United States	**24,352**	18,384	40,158
Europe - Insurance & Annuities	**4,416**	4,410	4,574
Total sales	**$ 32,431**	$ 26,665	$ 48,000

(1) Comparative figures have been reclassified to reflect presentation adjustments, reflecting the realignment of the Canada segment operations into two 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 2017	Dec. 31 2016	March 31 2016
Investment income earned (net of investment properties expenses)	**$ 1,474**	$ 1,522	$ 1,656
Allowances for credit losses on loans and receivables	**(4)**	(13)	(7)
Net realized gains	**30**	25	51
Regular investment income	**1,500**	1,534	1,700
Investment expenses	**(31)**	(27)	(27)
Regular net investment income	**1,469**	1,507	1,673
Changes in fair value through profit or loss	**735**	(3,943)	2,410
Net investment income	**$ 2,204**	$ (2,436)	$ 4,083

Net investment income in the first quarter of 2017, which includes changes in fair value through profit or loss, decreased by $1,879 million compared to the same quarter last year. The changes in fair value in the first quarter of 2017 were an increase of $735 million compared to an increase of $2,410 million for the first quarter of 2016, primarily due to a smaller decline in bond yields in the first quarter of 2017 compared to the same quarter last year.

Regular net investment income in the first quarter of 2017 of $1,469 million, which excludes changes in fair value through profit or loss, decreased by $204 million compared to the same quarter last year. The decrease was primarily due to currency movement as the Canadian dollar strengthened against the British pound and U.S. dollar. Net realized gains include gains on available-for-sale securities of $8 million for the first quarter of 2017 compared to $31 million for the same quarter last year.

Net investment income in the first quarter of 2017 increased by $4,640 million compared to the previous quarter, primarily due to an increase in fair values of $735 million in the first quarter of 2017 compared to a decrease of $3,943 million in the previous quarter. The net increase in fair values during the first quarter was primarily due to a decrease in bond yields, while the net decrease in fair values in the previous quarter was primarily due to an increase in bond yields.

Credit Markets

In the first quarter of 2017, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders’ net earnings by $1 million ($4 million net charge in the first quarter of 2016). 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 $3 million ($14 million net recovery in the first quarter of 2016).

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 2017	Dec. 31 2016	March 31 2016
Canada			
Segregated funds, mutual funds and other	**$ 343**	$ 345	$ 319
ASO contracts	**44**	41	43
	387	386	362
United States			
Segregated funds, mutual funds and other	**594**	619	571
Europe			
Segregated funds, mutual funds and other	**324**	340	321
Total fee and other income	**$ 1,305**	$ 1,345	$ 1,254

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 2017	Dec. 31 2016	March 31 2016
Canada	**$ 3,245**	$ 1,444	$ 3,301
United States	**1,552**	387	2,112
Europe	**5,065**	2,542	4,265
Total	**$ 9,862**	$ 4,373	$ 9,678

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

For the three months ended March 31, 2017, consolidated amounts paid or credited to policyholders were $9.9 billion, including $8.6 billion of policyholder benefit payments and a $1.3 billion increase in contract liabilities. The increase of $0.2 billion from the same period in 2016 consisted of a $2.0 billion increase in benefit payments, mostly offset by a $1.8 billion decrease in changes in contract liabilities. The decrease in changes in contract liabilities was primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe. The increase in benefit payments was primarily due to new and restructured reinsurance treaties, partially offset by the impact of currency movement.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $5.5 billion. The increase consisted of a $4.8 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, partially offset by the impact of currency movement.

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 2017, the Company had an effective income tax rate of 13%, up from 3% in the first quarter of 2016. The effective income tax rate for the first quarter of 2017 increased due to a lower percentage of income subject to lower rates in foreign jurisdictions as well as changes in certain tax estimates. 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 2017 effective income tax rate of 13% was lower than the fourth quarter 2016 rate of 18%, 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.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2017			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ **71,039**	$ **44,974**	$ **48,431**	$ **164,444**
Goodwill and intangible assets	**5,128**	**2,369**	**2,431**	**9,928**
Other assets	**3,277**	**4,790**	**18,527**	**26,594**
Segregated funds net assets	**76,858**	**35,728**	**92,080**	**204,666**
Total assets	**156,302**	**87,861**	**161,469**	**405,632**
Proprietary mutual funds and institutional net assets	**6,163**	**228,245**	**35,713**	**270,121**
Total assets under management	**162,465**	**316,106**	**197,182**	**675,753**
Other assets under administration	**16,011**	**564,835**	**39,218**	**620,064**
Total assets under administration	$ **178,476**	$ **880,941**	$ **236,400**	$ **1,295,817**

	December 31, 2016			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 70,311	$ 44,904	$ 47,940	$ 163,155
Goodwill and intangible assets	5,133	2,388	2,428	9,949
Other assets	3,171	4,537	18,697	26,405
Segregated funds net assets	74,909	35,414	90,080	200,403
Total assets	153,524	87,243	159,145	399,912
Proprietary mutual funds and institutional net assets	5,852	219,699	33,664	259,215
Total assets under management	159,376	306,942	192,809	659,127
Other assets under administration	15,911	534,428	38,952	589,291
Total assets under administration	$ 175,287	$ 841,370	$ 231,761	$ 1,248,418

Total assets under administration at March 31, 2017 increased by $47.4 billion to $1.3 trillion compared to December 31, 2016, primarily due to the impact of positive market movement and new business growth, partially offset by the impact of currency movement.

INVESTED ASSETS

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

Bond portfolio – It is the Company's policy to acquire only investment grade bonds subject to prudent and well-defined investment policies. The total bond portfolio, including short-term investments, was $117.8 billion or 72% of invested assets at March 31, 2017 and $116.8 billion or 72% at December 31, 2016. 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, 2017		December 31, 2016	
AAA	**$ 25,599**	**22 %**	$ 27,762	24%
AA	**31,178**	**26**	29,816	26
A	**38,957**	**33**	37,787	32
BBB	**20,837**	**18**	20,116	17
BB or lower	**1,270**	**1**	1,292	1
Total	**$ 117,841**	**100 %**	$ 116,773	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, 2017				December 31, 2016	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	**$ 697**	**$ 1,393**	**$ 2,090**	**9%**	$ 2,075	9%
Multi-family residential	**3,088**	**3,197**	**6,285**	**29**	5,987	28
Commercial	**256**	**13,396**	**13,652**	**62**	13,589	63
Total	**$ 4,041**	**$ 17,986**	**$ 22,027**	**100%**	$ 21,651	100%

The total mortgage portfolio was $22.0 billion or 13% of invested assets at March 31, 2017, compared to $21.7 billion or 13% of invested assets at December 31, 2016. Total insured loans were $4.0 billion or 18% of the mortgage portfolio.

Single family residential mortgages

Region	March 31, 2017		December 31, 2016	
Ontario	**$ 1,010**	**49%**	$ 1,005	49%
Quebec	**445**	**21**	436	21
Alberta	**139**	**7**	140	7
British Columbia	**126**	**6**	127	6
Newfoundland	**113**	**5**	113	5
Saskatchewan	**86**	**4**	86	4
Nova Scotia	**66**	**3**	65	3
Manitoba	**53**	**3**	53	3
New Brunswick	**47**	**2**	46	2
Other	**5**	**—**	4	—
Total	**$ 2,090**	**100%**	$ 2,075	100%

During the three months ended March 31, 2017, single family mortgage originations, including renewals, were $117 million, of which 26% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfil their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at March 31, 2017.

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, 2017, the total actuarial provision for future credit losses in insurance contract liabilities was $2,986 million compared to $2,946 million at December 31, 2016, an increase of $40 million, primarily due to normal business activity.

The aggregate of impairment provisions of $48 million ($45 million at December 31, 2016) and actuarial provisions for future credit losses in insurance contract liabilities of $2,986 million ($2,946 million at December 31, 2016) represents 2.0% of bond and mortgage assets, including funds held by ceding insurers, at March 31, 2017 (2.0% at December 31, 2016).

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	March 31, 2017						December 31, 2016
	Multi-Family Residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Other**	**Total**	Total
Mortgages	**356**	**1,473**	**684**	**928**	**388**	**3,829**	3,772
Investment properties	**—**	**1,094**	**626**	**612**	**420**	**2,752**	2,729
Total	**$ 356**	**$ 2,567**	**$ 1,310**	**$ 1,540**	**$ 808**	**$ 6,581**	$ 6,501

At March 31, 2017, the Company's holdings of property related investments in the U.K. were $6.6 billion ($6.5 billion at December 31, 2016), or 3.8% of invested assets including funds held by ceding insurers. Holdings in Central London were $2.0 billion ($1.9 billion at December 31, 2016) or 1.2% of invested assets including funds held by ceding insurers, while holdings in other regions of the U.K. were $4.6 billion ($4.6 billion at December 31, 2016) or 2.6% of invested assets including funds held by ceding insurers. These holdings were well diversified across property type - Retail (39%), Industrial/Other (36%), Office (20%) and Multi-family (5%). The weighted average loan-to-value ratio of the mortgages was 54% and the weighted average debt-service coverage ratio was 2.2 at March 31, 2017. At March 31, 2017, the weighted average mortgage and property lease term exceeded 13 years.

DERIVATIVE FINANCIAL INSTRUMENTS

During the first quarter of 2017, there were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of an early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At March 31, 2017, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $132 million ($159 million at December 31, 2016) and pledged on derivative liabilities was $467 million ($475 million at December 31, 2016).

During the three month period ended March 31, 2017, the outstanding notional amount of derivative contracts increased by $3.3 billion to $20.5 billion, primarily due to an increase in forward settling to-be-announced security transactions.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $476 million at March 31, 2017 from $528 million at December 31, 2016. The decrease is primarily due to the expiration and settlement of foreign exchange contracts that paid euro and received British pounds.

LIABILITIES

Total liabilities

	March 31 2017	December 31 2016
Insurance and investment contract liabilities	**$ 159,319**	$ 157,949
Other general fund liabilities	**16,275**	16,552
Investment and insurance contracts on account of segregated fund policyholders	**204,666**	200,403
Total	**$ 380,260**	$ 374,904

Total liabilities increased by $5.4 billion to $380.3 billion at March 31, 2017 from December 31, 2016. Investment and insurance contracts on account of segregated fund policyholders increased by $4.3 billion, primarily due to the combined impact of market value gains and investment income of $4.9 billion and net deposits of $0.2 billion, partially offset by the impact of currency movement of $0.1 billion. Insurance and investment contract liabilities increased by $1.4 billion. The increase was primarily due to new business, partially offset by restructured reinsurance treaties. The positive impact of fair value adjustments offset the normal release of liabilities.

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.

Certain guaranteed minimum withdrawal benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At March 31, 2017, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $4,061 million ($3,917 million at December 31, 2016). 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, 2017			
		Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total[1]
Canada	$ 32,043	$ —	$ 14	$ 45	$ 45
United States	12,857	6	—	40	46
Europe					
Insurance & Annuities	8,882	6	—	374	374
Reinsurance[2]	1,160	374	—	18	392
Total Europe	10,042	380	—	392	766
Total	**$ 54,942**	**$ 386**	**$ 14**	**$ 477**	**$ 857**

(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, 2017.
(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, 2017. 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 $6 million in-quarter ($8 million for the first quarter of 2016) with the majority arising in the Reinsurance business unit in the Europe segment.

LIFECO CAPITAL STRUCTURE

In establishing the appropriate mix of capital required to support the operations of the Company and its subsidiaries, management utilizes a variety of debt, equity and other hybrid instruments giving consideration to both the short and long-term capital needs of the Company.

DEBENTURES AND OTHER DEBT INSTRUMENTS

At March 31, 2017, debentures and other debt instruments decreased by $292 million to $5,688 million compared to December 31, 2016, primarily due to Irish Life Assurance plc (ILA), a subsidiary of the Company, redeeming its 5.25% €200 million subordinated debenture notes at their principal amount together with accrued interest during the quarter.

Subsequent to the period ended March 31, 2017, Great-West Lifeco Finance (Delaware) LP, a subsidiary of the Company, announced its intention to redeem all $1 billion principal amount of its 5.691% subordinated debentures due June 21, 2067 on June 21, 2017 at a redemption price equal to 100% of the principal amount of the debentures, plus any accrued interest up to but excluding the redemption date. This redemption will have no impact on the MCCSR ratio as the debenture is not held within the Company's Office of the Superintendent of Financial Institutions (OSFI) regulated entities.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2017 was $9,768 million, which comprises $7,254 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 9, 2017 for one year to purchase and cancel up to 20,000,000 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. During the three months ended March 31, 2017, the Company repurchased and subsequently cancelled 12,698 common shares (2016 - 624,181) at an average cost per share of $37.10 (2016 - $34.32) 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, 2017, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.2 billion ($7.9 billion at December 31, 2016) and other liquid assets and marketable securities of $92.4 billion ($91.6 billion at December 31, 2016). Included in the cash, cash equivalents and short-term bonds at March 31, 2017 was $1.1 billion ($1.1 billion at December 31, 2016) at the Lifeco holding company level. In addition, the Company maintains committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows	**For the three months ended March 31**	
	2017	2016
Cash flows relating to the following activities:		
Operations	**$ 1,477**	$ 1,366
Financing	**(568)**	(413)
Investment	**(1,118)**	(708)
	(209)	245
Effects of changes in exchange rates on cash and cash equivalents	**(8)**	(135)
Increase (decrease) in cash and cash equivalents in the period	**(217)**	110
Cash and cash equivalents, beginning of period	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,042**	$ 2,923

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 2017, cash and cash equivalents decreased by $217 million from December 31, 2016. Cash flows provided by operations during the first quarter of 2017 were $1,477 million, an increase of $111 million compared to the first quarter of 2016. Cash flows used in financing were $568 million, primarily used for the payment of dividends to common shareholders of $363 million and the redemption of debt of $284 million, partially offset by the issuance of common shares of $110 million. In the first quarter of 2017, the Company increased the quarterly dividend to common shareholders from $0.346 per common share $0.367 per common share. For the three months ended March 31, 2017, cash flows were used by the Company to acquire an additional $1,118 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS
Commitments/contractual obligations have not changed materially from December 31, 2016.

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, 2017 was 239% (240% at December 31, 2016). London Life's MCCSR ratio at March 31, 2017 was 226% (217% at December 31, 2016). Canada Life's MCCSR ratio at March 31, 2017 was 275% (275% at December 31, 2016). The MCCSR ratio does not take into account any impact from $1.1 billion of liquidity at the Lifeco holding company level at March 31, 2017 ($1.1 billion at December 31, 2016).

The MCCSR of 239% at Great-West Life included minus 4 points for the redemption of the perpetual capital notes at Irish Life Assurance plc. In the fourth quarter of 2016, there was a new €200 million debenture relating to the issuance of €500 million bonds issued by Great-West Lifeco that increased the MCCSR for Great-West Life and Canada Life. The debenture replaced the redeemed perpetual capital note at Irish Life Assurance plc. The net MCCSR impact of the debenture in the fourth quarter of 2016, combined with the redemption in the first quarter of 2017 is nil.

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

The Board of Directors reviews and approves an annual capital plan as well as capital transactions undertaken by management pursuant to the plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy, risk profile and business plans. The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. In addition to undertaking capital transactions, the Company uses and provides traditional and structured reinsurance to support capital and risk management.

OSFI Regulatory Capital Initiatives

On September 12, 2016 OSFI issued the Life Insurance Capital Adequacy Test (LICAT) guideline, a new regulatory capital framework for the Canadian insurance industry. The LICAT guideline will replace the MCCSR guideline effective January 1, 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. OSFI is conducting assessments of the new guideline, which will help to inform further amendments to the LICAT guideline during 2017. The Company actively participates in the OSFI assessments and is evaluating the impact of LICAT on its business.

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 assessment period and subsequent implementation phase.

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

CAPITAL ALLOCATION METHODOLOGY

The Company has a capital allocation methodology, which allocates financing costs in proportion to allocated capital. For the 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)	**March 31 2017**	Dec. 31 2016	March 31 2016
Canada	**20.6 %**	19.9 %	20.0 %
U.S. Financial Services(2)	**10.0 %**	10.6 %	11.6 %
U.S. Asset Management (Putnam)(2)	**(2.5)%**	(2.9)%	0.2 %
Europe	**16.9 %**	17.1 %	16.4 %
Lifeco Corporate	**(3.7)%**	(5.2)%	(2.7)%
Total Lifeco Net Earnings Basis	**13.6 %**	13.8 %	14.0 %
Total Lifeco Adjusted Net Earnings Basis, excluding restructuring costs(3)	**13.9 %**	14.0 %	14.0 %

(1) Return on Equity is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.

(2) U.S. Financial Services includes U.S. Corporate. For December 31, 2016, restructuring costs relating to Putnam of $20 million were included in U.S. Asset Management (Putnam).

(3) The first quarter of 2017 included restructuring costs of $28 million relating to the Insurance & Annuities and Financial Services business units. The fourth quarter of 2016 included restructuring costs of $20 million relating to a realignment of the Asset Management business unit. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit.

The Company reported ROE based on net earnings of 13.6% at March 31, 2017, compared to 13.8% at December 31, 2016. Excluding the impact of restructuring costs, the Company reported ROE based on adjusted net earnings of 13.9% at March 31, 2017.

RATINGS

Lifeco maintains ratings from five independent ratings companies. In the first quarter of 2017, 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 European markets. 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 2017.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Great-West Life & Annuity Insurance
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 is part of the group ratings for Standard & Poor's Rating Services; however, is not part of the group ratings for Fitch Ratings. ILA has an insurer financial strength rating of AA from Fitch Ratings and a long-term credit rating of A+ from Standard & Poor's Ratings Services. The ILA €200 million perpetual capital notes assumed on the acquisition of Irish Life are rated A by Fitch Ratings and A- by Standard & Poor's Ratings Services, unchanged from the fourth quarter of 2016. Subsequent to March 31, 2017, following the redemption of the ILA subordinated debt, Standard & Poor's Ratings Services affirmed and subsequently withdrew its ILA ratings.

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 two primary business units included in this segment. Through the Individual Customer business unit, the Company provides life, disability and critical illness insurance products as well as accumulation and annuity products to individual clients. Through the Group Customer business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor and direct marketing insurance as well as accumulation and annuity products and other specialty products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits	**$ 6,959**	$ 6,681	$ 6,036
Sales	**3,663**	3,871	3,268
Fee and other income	**387**	386	362
Net earnings	**255**	326	276
Total assets	**$ 156,302**	$ 153,524	$ 146,860
Proprietary mutual funds and institutional net assets	**6,163**	5,852	5,238
Total assets under management	**162,465**	159,376	152,098
Other assets under administration	**16,011**	15,911	15,231
Total assets under administration	**$ 178,476**	$ 175,287	$ 167,329

2017 DEVELOPMENTS

- In 2017, Great-West Life, London Life and Canada Life realigned their Canadian operations into two new business units: one focused on individual customers and the other on group customers. As part of the realignment, a new strategic customer marketing function has been created to provide a more holistic customer experience through digital and innovative capabilities and services. In conjunction with this, subsequent to March 31, 2017, the Company announced it was undertaking $200 million pre-tax of annualized expense reductions expected to be complete by the first quarter of 2019. As part of this effort, the Company expects to incur $215 million of restructuring costs which are expected to reduce net earnings by $127 million in the second quarter of 2017.
- On January 1, 2017, Individual Customer launched updated participating whole life, term and universal life insurance products that comply with the new tax exempt legislation effective January 2017.
- During the first quarter of 2017, in recognition of the ongoing work the Company has completed relating to changes in regulation, the Company established the Advice Channel Regulatory Strategy Program, focused on working with industry associations to help shape regulatory policy, coordinating with external stakeholders to ensure there is a commitment to customer-focused practices and working with internal stakeholders to ensure all of the Company's strategies, policies and practices put the customer first.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits[1]	**$ 2,932**	$ 2,769	$ 2,510
Sales[1]	**2,860**	2,648	2,392
Fee and other income[1]	**225**	225	209
Net earnings[1]	**146**	179	155

(1) Comparative figures have been reclassified to reflect presentation adjustments, reflecting the realignment of the Canada segment operations into two business units.

Premiums and deposits
Premiums and deposits for the first quarter of 2017 increased by $0.4 billion to $2.9 billion compared to the same quarter last year, due to an increase in individual wealth premiums and deposits of $0.2 billion and an increase in individual insurance premiums of $0.2 billion. Individual insurance premiums increased primarily due to a 22% increase in participating life premiums.

Premiums and deposits for the first quarter of 2017 increased by $0.2 billion compared to the previous quarter, primarily due to higher deposits for individual investment funds driven by registered retirement savings plan seasonality impacts.

Sales
Sales for the first quarter of 2017 increased by $0.5 billion to $2.9 billion compared to the same quarter last year, due to an increase in individual wealth sales of $0.3 billion and an increase in individual insurance sales of $0.2 billion. The increase in individual insurance sales was primarily due to a 149% increase in participating life sales and a 100% increase in Universal Life insurance product sales. Higher individual insurance sales were primarily driven by the transition rules associated with the new tax exempt legislation effective January 1, 2017, which allow for insurance applied for under the old regime to be issued and delivered by March 31, 2017, under certain circumstances.

Sales for the first quarter of 2017 increased by $0.2 billion compared to the previous quarter, primarily due to the same reason discussed for premiums and deposits for the same period.

For the individual wealth investment fund business, net cash inflows for the first quarter of 2017 were $125 million compared to $120 million for the same quarter last year and $99 million for the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2017 increased by $16 million compared to the same quarter last year, primarily due to higher average assets under administration driven by higher average equity market levels, partially offset by lower margins.

Fee and other income of $225 million for the first quarter of 2017 was comparable to the previous quarter.

Net earnings
Net earnings for the first quarter of 2017 decreased by $9 million to $146 million compared to the same quarter last year. The decrease was primarily due to unfavourable individual insurance policyholder behaviour experience, lower contributions from investment experience and lower contributions from insurance contract liability basis changes. These decreases were partially offset by lower new business strain, higher net fee income and favourable mortality experience.

Net earnings for the first quarter of 2017 decreased by $33 million compared to the previous quarter. The decrease was primarily due to lower contributions from investment experience and less favourable mortality and individual insurance policyholder behaviour experience. These decreases were partially offset by lower new business strain and favourable morbidity experience.

For the first quarter of 2017, net earnings attributable to the participating account increased by $24 million to $29 million compared to the same quarter last year, primarily due to lower new business strain.

Net earnings attributable to the participating account for the first quarter of 2017 decreased by $149 million compared to the previous quarter, primarily due to lower contributions from insurance contract liability basis changes, partially offset by lower new business strain.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits[1]	**$ 4,027**	$ 3,912	$ 3,526
Sales[1]	**803**	1,223	876
Fee and other income[1]	**149**	147	141
Net earnings[1]	**104**	154	105

[1] Comparative figures have been reclassified to reflect presentation adjustments, reflecting the realignment of the Canada segment operations into two business units.

Premiums and deposits
Premiums and deposits for the first quarter of 2017 increased by $0.5 billion to $4.0 billion compared to the same quarter last year, primarily due to an increase in group wealth premiums and deposits of $0.3 billion and an increase in group insurance premiums and deposits of $0.2 billion. The increase in group wealth was primarily due to an increase in group capital accumulation plans (GCAP) while the increase in group insurance was primarily due to an increase in large case market premiums and deposits.

Premiums and deposits for the first quarter of 2017 increased by $0.1 billion compared to the previous quarter, primarily due to an increase in premiums and deposits for the group insurance large case market and GCAP products, mostly offset by lower premiums and deposits related to single premium group annuities (SPGAs).

Sales
Sales for the first quarter of 2017 decreased by $0.1 billion to $0.8 billion compared to the same period last year, primarily due to a decrease in group insurance sales of $0.2 billion partially offset by an increase in group wealth sales of $0.1 billion. The decrease in group insurance sales was primarily due to lower sales in the large case and creditor markets while the increase in group wealth sales was primarily due to higher sales of SPGA products. Sales of creditor products and large cases can be highly variable from quarter to quarter.

Sales for the first quarter of 2017 decreased by $0.4 billion compared to the previous quarter, primarily due to lower sales of SPGAs.

For the group wealth segregated fund business, net cash inflows for the first quarter of 2017 were $282 million, compared to net cash inflows of $217 million for the same quarter last year and $133 million for the previous quarter.

Fee and other income

Fee and other income for the first quarter of 2017 increased by $8 million compared to the same quarter last year, primarily due to higher average assets under administration driven by higher average equity market levels, partially offset by lower margins.

Fee and other income for the first quarter of 2017 was comparable to the previous quarter.

Net earnings

Net earnings for the first quarter of 2017 of $104 million were comparable to the same quarter last year. Less favourable mortality experience and lower contributions from insurance contract liability basis changes were mostly offset by more favourable non-refund long-term disability morbidity experience.

Net earnings for the first quarter of 2017 decreased by $50 million compared to the previous quarter. The decrease was primarily due to less favourable insurance mortality experience, lower new business volumes, higher expenses and lower contributions from insurance contract liability basis changes, partially offset by more favourable longevity experience for wealth products.

CANADA CORPORATE

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

Net earnings for the first quarter of 2017 decreased by $11 million to $5 million compared to the same quarter last year, primarily due to lower investment income.

Net earnings for the first quarter of 2017 increased by $12 million compared to the previous quarter, primarily due to the favourable impact of changes to certain income tax estimates and lower allocated financing charges.

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 2017	Dec. 31 2016	March 31 2016
Premiums and deposits	**$ 17,558**	$ 14,644	$ 16,117
Sales	**24,352**	18,384	40,158
Fee and other income	**594**	619	571
Net earnings	**56**	55	63
Net earnings (US$)	**42**	41	47
Total assets	**$ 87,861**	$ 87,243	$ 83,424
Proprietary mutual funds and institutional net assets	**228,245**	219,699	202,833
Total assets under management	**316,106**	306,942	286,257
Other assets under administration	**564,835**	534,428	503,156
Total assets under administration	**$ 880,941**	$ 841,370	$ 789,413

2017 DEVELOPMENTS

- Net earnings for the three months ended March 31, 2017 were US$42 million, a decrease of US$5 million compared to the same quarter last year. Included in net earnings for the three months ended March 31, 2017 were restructuring costs of US$8 million primarily resulting from Great-West Financial executing a restructuring action to right-size the cost structure and better position the business competitively following the finalization of the Empower Retirement integration activities.
- On April 6, 2016, the U.S. Department of Labor ("DOL") 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 was generally required by April 10, 2017 (certain parts by January 1, 2018). On April 4, 2017, the DOL extended the general compliance date for the rule from April 10, 2017 to June 9, 2017 (with no extension of the January 1, 2018 date). The Company has analyzed the rule against current business practices, particularly in its Empower Retirement and Individual Markets businesses. The rule requires 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. The Company is continuing with its implementation plan for compliance with the new June 9, 2017 effective date.
- The Company continues to monitor the potential for significant policy changes following the 2016 U.S. elections, including corporate tax reform which would have an impact on the Company's deferred tax assets and liabilities as well as the effective tax rate in subsequent periods.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2017 DEVELOPMENTS

- Empower Retirement has completed its program activities related to integrating the J.P. Morgan Retirement Plan Services (RPS) business, improving the client-facing experience as well as streamlining back-office processing. The Company expects that these enhancements will increase market share by driving future sales and improving the retention of participants and assets. Empower Retirement participant accounts have grown to approximately 8.2 million at March 31, 2017 from 8 million at December 31, 2016. The Company has invested US$159 million in total on this multi-year initiative. For the three months ended March 31, 2017, these costs, which were primarily restructuring costs, decreased net earnings by US$9 million (US$6 million decrease for the three months ended March 31, 2016).

  Annualized synergies 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 600 professionals based in India and scale-driven cost improvements were US$34 million. The impact of these synergies has been mostly offset by the reinvestment in ongoing development as well as customer acquisition and retention.

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits	**$ 3,598**	$ 3,525	$ 3,729
Sales[(1)]	**10,392**	7,265	27,770
Fee and other income	**366**	383	321
Net earnings	**85**	80	90
Premiums and deposits (US$)	**$ 2,726**	$ 2,650	$ 2,722
Sales (US$)[(1)]	**7,873**	5,462	20,270
Fee and other income (US$)	**277**	288	234
Net earnings (US$)	**64**	59	67

(1) For the three months ended March 31, 2017, sales included US$0.5 billion relating to Putnam managed funds sold on the Empower Retirement platform.

Premiums and deposits

Premiums and deposits for the first quarter of 2017 of US$2.7 billion were comparable to the same quarter last year.

Premiums and deposits for the first quarter of 2017 increased by US$0.1 billion compared to the previous quarter, primarily due to higher sales in the executive benefits line of business for Individual Markets.

Sales

Sales in the first quarter of 2017 decreased by US$12.4 billion to US$7.9 billion compared to the same quarter last year, primarily due to a decrease in Empower Retirement sales driven by one large plan sale in the first quarter of 2016, which did not recur. Large plan sales can be highly variable from period to period and tend to be lower margin.

Sales in the first quarter of 2017 increased by US$2.4 billion compared to the previous quarter, primarily due to higher Empower Retirement large plan sales.

Fee and other income
Fee income is derived primarily from assets under management, assets under administration, shareholder servicing fees, administration and recordkeeping 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 2017 increased by US$43 million to US$277 million compared to the same quarter last year, primarily due to growth in participants and higher average equity markets.

Fee and other income for the first quarter of 2017 increased US$22 million compared to the previous quarter, when adjusted for reclassification adjustments of US$33 million, primarily due to growth in participants and higher average equity markets.

Net earnings
Net earnings for the first quarter of 2017 decreased by US$3 million to US$64 million compared to the same quarter last year. Net earnings for the first quarter of 2016 included the positive impact of a management election to claim foreign tax credits of US$19 million. Excluding this item, net earnings increased by US$16 million, primarily due to higher net fee income and higher contributions from investment experience. First quarter 2017 results included US$3 million of strategic and business development expenses related to Empower Retirement, compared to US$5 million for the first quarter of 2016.

Net earnings for the first quarter of 2017 increased by US$5 million compared to the previous quarter, primarily due to lower operating expenses, partially offset by lower contributions from investment experience.

ASSET MANAGEMENT

2017 DEVELOPMENTS

- During the fourth quarter of 2016, Putnam announced that it was undertaking US$65 million pre-tax in expense reductions and was realigning its resources to better position itself for current and future opportunities. These expense reductions are being addressed through a reduction of staff, elimination of certain non-core business programs and vendor consolidation. As of March 31, 2017, the Company has achieved more than US$50 million in annualized reductions. This resulted in an expense reduction of US$13 million in the first quarter of 2017. As part of this effort, Putnam has reduced its staff by nearly eight percent, primarily operations and technology professionals, but also a small number of investment management professionals.
- Putnam continues to sustain strong investment performance relative to its peers. As of March 31, 2017, approximately 71% and 83% of Putnam's fund assets performed at levels above the Lipper top quartile and Lipper median, respectively, on a one-year basis. Additionally, approximately 72% of Putnam's fund assets performed at levels above the Lipper median on a five-year basis.
- For the sixth consecutive year, Putnam has been named the winner of DALBAR's Total Client Experience award recognizing overall mutual fund customer service quality. Additionally, Putnam has been acknowledged for outstanding service by the National Quality Review, earning a 5-Star performance rating in processing operations.

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Sales	**$ 13,960**	$ 11,119	$ 12,388
Fee income			
Investment management fees	**193**	194	199
Performance fees	**(13)**	(6)	(5)
Service fees	**38**	37	42
Underwriting & distribution fees	**10**	11	14
Fee income	**228**	236	250
Core net earnings (loss)(1)(2)	**(2)**	(4)	(17)
Less: Financing and other expenses (after-tax)(1)	**(14)**	1	(8)
Reported net earnings (loss)(2)	**(16)**	(3)	(25)
Sales (US$)	**$ 10,576**	$ 8,360	$ 9,042
Fee income (US$)			
Investment management fees (US$)	**146**	146	145
Performance fees (US$)	**(10)**	(4)	(4)
Service fees (US$)	**29**	28	31
Underwriting & distribution fees (US$)	**8**	8	11
Fee income (US$)	**173**	178	183
Core net earnings (loss) (US$)(1)(2)	**(1)**	(3)	(12)
Less: Financing and other expenses (after-tax) (US$)(1)	**(11)**	1	(6)
Reported net earnings (loss) (US$)(2)	**(12)**	(2)	(18)
Pre-tax operating margin(2)(3)	**(1.1)%**	(0.1)%	(12.3)%
Average assets under management (US$)	**$ 157,432**	$ 151,903	$ 141,391

(1) Core net earnings (loss) (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization, and excludes the impact of certain corporate financing charges and allocations, fair value adjustments related to stock-based compensation, certain tax adjustments and other non-recurring transactions.
(2) For the three months ended December 31, 2016, core and reported net earnings excluded restructuring expenses of $20 million (US$15 million), which were included in U.S. Corporate.
(3) 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 2017 increased by US$1.5 billion, or 17%, to US$10.6 billion compared to the same quarter last year, due to a US$1.3 billion increase in institutional sales and a US$0.2 billion increase in mutual fund sales.

Sales in the first quarter of 2017 increased by US$2.2 billion, or 27%, compared to the previous quarter, primarily due to a US$1.6 billion increase in institutional sales and a US$0.6 billion increase in mutual fund sales.

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

Fee income for the first quarter of 2017 decreased by US$10 million to US$173 million compared to the same quarter last year. The decrease was primarily due to lower performance fees on mutual funds, lower underwriting and distribution fees as well as lower service fees reflecting a decrease in the number of accounts.

Fee income for the first quarter of 2017 decreased by US$5 million compared to the previous quarter, primarily due to decreased performance fees due to the seasonality in which these fees were earned.

Net earnings
The core net loss (a non-IFRS financial measure) for the first quarter of 2017 was US$1 million compared to a core net loss of US$12 million for the same quarter last year. The decrease in the net loss was primarily due to lower expenses of US$8 million after-tax (US$13 million pre-tax) related to the expense reductions undertaken in the fourth quarter of 2016, as well as higher net investment income, driven by gains on seed capital, partially offset by lower net fee income. In the first quarter of 2017, the reported net loss, including financing and other expenses, was US$12 million compared to a reported net loss of US$18 million for the same quarter last year. Financing and other expenses for the first quarter of 2017 increased by US$5 million compared to the same quarter last year, primarily due to lower income taxes for the same quarter last year, driven by a management election to claim foreign tax credits of US$6 million.

The core net loss for the first quarter of 2017 was US$1 million compared to a core net loss of US$3 million for the previous quarter, which excluded restructuring costs of US$15 million. The decrease in the net loss was primarily due to higher net investment income driven by gains on seed capital, partially offset by an expense recovery during the fourth quarter of 2016 that did not recur. The reported net loss, including financing and other expenses for the first quarter of 2017 was US$12 million compared to a reported net loss of US$2 million in the previous quarter. Financing and other expenses for the first quarter of 2017 were US$11 million compared to an expense recovery of US$1 million for the previous quarter, primarily due to the positive impact of adjustments to certain income tax estimates of US$11 million in the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Beginning assets	**$ 152,122**	$ 153,798	$ 148,370
Sales - Mutual funds	**5,207**	4,636	4,959
Redemptions - Mutual funds	**(5,953)**	(5,560)	(7,569)
Net asset flows - Mutual funds	**(746)**	(924)	(2,610)
Sales - Institutional	**5,369**	3,724	4,083
Redemptions - Institutional	**(3,310)**	(4,251)	(3,176)
Net asset flows - Institutional	**2,059**	(527)	907
Net asset flows - Total	**1,313**	(1,451)	(1,703)
Impact of market/performance	**6,510**	(225)	(864)
Ending assets	**$ 159,945**	$ 152,122	$ 145,803
Average assets under management			
Mutual funds	**73,682**	71,679	72,522
Institutional assets	**83,750**	80,224	68,869
Total average assets under management	**$ 157,432**	$ 151,903	$ 141,391

Average AUM for the three months ended March 31, 2017 was US$157.4 billion, an increase of US$16.0 billion or 11% compared to the same quarter last year, primarily due to the cumulative impact of positive markets and net asset inflows from the institutional business over the twelve month period. Net asset inflows for the first quarter of 2017 were US$1.3 billion compared to net asset outflows of US$1.7 billion in the same quarter last year. In-quarter institutional net asset inflows were US$2.1 billion and mutual fund net asset outflows were US$0.8 billion.

Average AUM for the three months ended March 31, 2017 increased by US$5.5 billion or 4% compared to the previous quarter, primarily due to the same reasons discussed for in the in-quarter results.

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 2017, the net loss increased by US$8 million to US$10 million compared to the same quarter last year, primarily due to higher restructuring costs and expenses related to discontinued operations resulting from the Healthcare division sold in 2008. First quarter 2017 results included restructuring costs of US$8 million relating to Empower Retirement and the acquisition of RPS as well as business strategy restructuring, compared to US$2 million for the same quarter last year.

The net loss for the three months ended March 31, 2017 decreased by US$6 million to US$10 million compared to the previous quarter, primarily due to lower restructuring costs, partially offset by expenses related to discontinued operations discussed for the in-quarter results. Fourth quarter 2016 results included restructuring costs of US$15 million related to Putnam that did not recur.

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 2017	Dec. 31 2016	March 31 2016
Premiums and deposits	**$ 9,032**	$ 8,714	$ 7,841
Fee and other income	**324**	340	321
Net earnings	**289**	307	287
Total assets	**$ 161,469**	$ 159,145	$ 159,961
Proprietary mutual funds and institutional net assets	**35,713**	33,664	29,913
Total assets under management	**197,182**	192,809	189,874
Other assets under administration	**39,218**	38,952	39,903
Total assets under administration[1]	**$ 236,400**	$ 231,761	$ 229,777

(1) At March 31, 2017, total assets under administration excludes $8.1 billion of assets managed for other business units within the Lifeco group of companies ($7.9 billion at December 31, 2016).

2017 DEVELOPMENTS

- Net earnings for the first quarter of 2017, were $289 million, an increase of $2 million compared to the same quarter last year. Strong business performance and a gain on the sale of the Company's holdings of Allianz Ireland were offset by the negative impact of currency movement of $42 million and restructuring costs of $17 million.
- In the first quarter of 2017, restructuring costs of $9 million or €6 million associated with the integration of Irish Life Health have been incurred, which resulted from the acquisitions of Aviva Health Insurance Ireland Limited and GloHealth Financial Services Limited. In the first quarter of 2017, the Company achieved €1 million of annualized synergies relating to the integration of the Irish Life Health operations and €5 million of annualized synergies have been achieved to date. The Company remains on track to achieve targeted annual cost savings of €16 million pre-tax within the next 9 months.
- In the first quarter of 2017, restructuring costs of $8 million or €6 million were recognized relating to the Irish Life retail business with expected annualized pre-tax savings of €8 million to be achieved by the end of 2017 (of which €2 million have been achieved to date).

- Some market volatility remains following the U.K.'s formal notification in March 2017 of its intention to leave the European Union (EU), the April 18, 2017 announcement of a U.K. general election on June 8, 2017 and the results of the first round of the French Presidential election. The most notable impact following the Brexit vote on the Company's financial results has been the weakening of the British pound. The average currency translation rate for the Company's British pound net earnings have declined by 16% from the first quarter of 2016 to the first quarter of 2017. The Company will continue to work closely with customers, business partners and regulators over the next few years as the U.K. and the EU enter a period of negotiation and agree on their new relationship. The Company's other European businesses may also see some impacts arising from the market uncertainty in Europe from Brexit, but the impacts are not currently expected to be significant.
- In March 2017, the Company completed the sale of its 30.43% ownership of Allianz Ireland to a subsidiary of Allianz SE. The sale was approved by the shareholders of Allianz Irish Life Holdings plc and sanctioned by the High Court in Ireland. Consideration received for the sale was €145 million and resulted in a €15 million gain on disposal.
- On February 8, 2017, Irish Life Assurance plc, a subsidiary of the Company, redeemed its 5.25% €200 million subordinated debenture notes at their principal amount together with accrued interest.
- During the first quarter of 2017, the Company received a number of awards:
    - Canada Life Group Insurance in the U.K. won the "Best Group Protection Provider" award at the 2017 Corporate Adviser Awards for the fourth consecutive year.
    - At the Accenture Digital Media Awards, Irish Life Corporate Business won "Best in Financial Services".
    - Irish Life won the "Best Investment Fund Provider" at the 2017 Longboat Analytics Financial Services Awards.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits[(1)]	**$ 5,155**	$ 4,984	$ 5,674
Sales[(1)]	**4,416**	4,410	4,574
Fee and other income	**319**	333	316
Net earnings	**225**	225	226

(1) For the three months ended March 31, 2017, premiums and deposits and sales exclude $0.3 billion of assets managed for other business units within the Lifeco group of companies ($0.4 billion for the three months ended December 31, 2016 and nil for the three months ended March 31, 2016).

Premiums and deposits

Premiums and deposits for the first quarter of 2017 decreased by $0.5 billion to $5.2 billion compared to the same quarter last year. The decrease was primarily due to lower fund management sales in Ireland and the impact of currency movement, partially offset by higher payout annuity and wealth management sales in the U.K., Ireland and Germany. The Company continues to develop its presence in the U.K. bulk payout annuity market, where trustees insure pension annuities in payment, and this contributed to the sales for the period.

Premiums and deposits for the first quarter of 2017 increased by $0.2 billion compared to the previous quarter, primarily due to higher payout annuity sales in the U.K. partially offset by lower fund management sales in Ireland.

Sales
Sales for the first quarter of 2017 decreased by $0.2 billion to $4.4 billion compared to the same quarter last year. Excluding the negative impact of currency movement, sales increased for the first quarter of 2017 compared to the same quarter last year, primarily due to higher annuity and wealth management sales in the U.K. and Ireland, partially offset by lower fund management sales.

Sales for the first quarter of 2017 of $4.4 billion were comparable to the previous quarter.

Fee and other income
Fee and other income for the first quarter of 2017 increased by $3 million to $319 million compared to the same quarter last year. The increase was primarily due to higher asset management fees and higher other income, which can be highly variable from quarter to quarter, mostly offset by currency movement.

Fee and other income for first quarter of 2017 decreased by $14 million compared to the previous quarter, primarily due to the impact of currency movement and lower investment gain-related fee income associated with a closed block of Irish unit-linked business. The fee income on the closed block of Irish unit-linked business is particularly sensitive to market levels at the start and end of a reporting period.

Net earnings
Net earnings for the first quarter of 2017 decreased by $1 million to $225 million compared to the same quarter last year. Lower contributions from investment experience and the negative impact of currency movement were mostly offset by more favourable mortality experience, the impact of higher new business volumes relating to payout annuities sales and a gain on the sale of the Company's Allianz Ireland holdings. In addition, net earnings in the first quarter of 2016 were favourably impacted by lower income taxes, which included the impact of U.K. corporate tax rate changes on deferred tax balances.

Net earnings for the first quarter of 2017 of $225 million were comparable to the fourth quarter 2016. Improved morbidity experience in Ireland, the impact of higher new business volumes and a gain relating to Allianz Ireland sale discussed for the in-quarter results were mostly offset by lower contributions from insurance contract liability basis changes.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2017	Dec. 31 2016	March 31 2016
Premiums and deposits	**$ 3,877**	$ 3,730	$ 2,167
Fee and other income	**5**	7	5
Net earnings	**81**	86	63

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 not directly correlated to premiums received.

Premiums and deposits for the first quarter of 2017 increased from $2.2 billion to $3.9 billion compared to the same quarter last year, primarily due to new and restructured reinsurance agreements and higher volumes relating to existing business.

Premiums and deposits for the first quarter of 2017 increased by $0.1 billion compared to the previous quarter, primarily due to new and restructured reinsurance agreements and higher volumes relating to existing business.

Fee and other income

Fee and other income for the first quarter of 2017 of $5 million was comparable to the same period last year.

Fee and other income for the first quarter of 2017 decreased by $2 million compared to the prior quarter, primarily due to a one-time fee in the fourth quarter of 2016 related to the completion of a reinsurance agreement.

Net earnings

Net earnings for the first quarter of 2017 increased by $18 million to $81 million compared to the same quarter last year. The increase was primarily due to favourable mortality experience in the life and payout annuity lines of business, partially offset by the impact of currency movement.

Net earnings for the first quarter of 2017 decreased by $5 million compared to the previous quarter. The decrease was primarily due to lower new business volumes partially offset by higher contributions from insurance contract liability basis changes.

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 2017, Europe Corporate had a net loss of $17 million compared to a net loss of $2 million for the same quarter last year. First quarter 2017 results included restructuring costs of $17 million related to Irish Life Health and the Irish Life business strategy to support business growth in the retail division, compared to $1 million related to the integration of Legal & General International (Ireland) Limited for the same quarter last year.

For the three months ended March 31, 2017, Europe Corporate had a net loss of $17 million compared to a net loss of $4 million for the previous quarter, primarily due to the impact of higher restructuring costs discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended March 31, 2017, Lifeco Corporate had a net loss of $9 million compared to $6 million for the same period in 2016, primarily due to higher operating expenses.

The net loss for the three months ended March 31, 2017 decreased from $12 million in the previous quarter to $9 million in the current quarter, primarily due to higher net investment income and lower financing charges.

RISK MANAGEMENT AND CONTROL PRACTICES

The Company's Enterprise Risk Management (ERM) Framework facilitates the alignment of business strategy with risk appetite, informs and improves the deployment of capital; and supports the identification, mitigation and management of exposure to possible operational surprises, losses and risks. The Company's Risk Function is responsible for the Risk Appetite Framework (RAF), the supporting risk policies and risk limit structure, and provides independent risk oversight across the Company's operations. The Board of Directors is ultimately responsible for the Company's risk governance and associated risk policies. These include the ERM Policy, which establishes the guiding principles of risk management, and the RAF, which reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives. During the first quarter of 2017, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2016 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 2017, 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 International Financial Reporting Standards (IFRS) for IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes* and *Annual Improvements 2014 - 2016 Cycle* for the amendment to IFRS 12 *Disclosure of Interest in Other Entities,* effective January 1, 2017. 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 2016 Annual MD&A.

OTHER INFORMATION

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 controls during the three month period ended March 31, 2017 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, 2016.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	2017	2016				2015		
	Q1[(2)]	Q4[(3)]	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[(1)]	**$ 12,874**	$ 7,814	$ 13,408	$ 12,807	$ 12,352	$ 8,321	$ 8,596	$ 4,224
Common shareholders								
Net earnings								
Total	**591**	676	674	671	620	683	720	659
Basic - per share	**0.598**	0.686	0.682	0.675	0.625	0.688	0.724	0.661
Diluted - per share	**0.597**	0.685	0.681	0.674	0.623	0.686	0.722	0.659

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

(2) Net earnings for the first quarter of 2017 included restructuring costs relating to the Insurance & Annuities and Financial Services business units. Excluding the impact of these restructuring costs, net earnings for the first quarter of 2017 were $619 million or $0.627 per common share ($0.625 diluted).

(3) Net earnings for the fourth quarter of 2016 included restructuring costs relating to a realignment of the Asset Management business unit. Excluding the impact of these restructuring costs, net earnings for the fourth quarter of 2016 were $696 million or $0.707 per common share ($0.706 diluted).

Lifeco's consolidated net earnings attributable to common shareholders were $591 million for the first quarter of 2017 compared to $620 million reported a year ago. On a per share basis, this represents $0.598 per common share ($0.597 diluted) for the first quarter of 2017 compared to $0.625 per common share ($0.623 diluted) a year ago.

Total revenue for the first quarter of 2017 was $12,874 million and comprises premium income of $9,365 million, regular net investment income of $1,469 million, a positive change in fair value through profit or loss on investment assets of $735 million and fee and other income of $1,305 million.

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 2017**	Dec. 31 2016	Sept. 30 2016	June 30 2016	Mar. 31 2016
United States dollar					
Balance sheet	**$ 1.33**	$ 1.34	$ 1.31	$ 1.30	$ 1.30
Income and expenses	**$ 1.32**	$ 1.33	$ 1.31	$ 1.29	$ 1.37
British pound					
Balance sheet	**$ 1.67**	$ 1.66	$ 1.71	$ 1.72	$ 1.87
Income and expenses	**$ 1.64**	$ 1.66	$ 1.71	$ 1.85	$ 1.96
Euro					
Balance sheet	**$ 1.42**	$ 1.42	$ 1.47	$ 1.44	$ 1.48
Income and expenses	**$ 1.41**	$ 1.44	$ 1.46	$ 1.46	$ 1.51

Additional information relating to Lifeco, including Lifeco's most recent consolidated financial statements, CEO/CFO certification and Annual Information Form are available at www.sedar.com.

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2017	December 31 2016	March 31 2016
Income			
Premium income			
Gross premiums written	**$ 10,484**	$ 9,989	$ 7,926
Ceded premiums	**(1,119)**	(1,084)	(911)
Total net premiums	**9,365**	8,905	7,015
Net investment income (note 3)			
Regular net investment income	**1,469**	1,507	1,673
Changes in fair value through profit or loss	**735**	(3,943)	2,410
Total net investment income (loss)	**2,204**	(2,436)	4,083
Fee and other income	**1,305**	1,345	1,254
	12,874	7,814	12,352
Benefits and expenses			
Policyholder benefits			
Gross	**8,595**	8,078	6,642
Ceded	**(610)**	(585)	(472)
Total net policyholder benefits	**7,985**	7,493	6,170
Policyholder dividends and experience refunds	**558**	348	369
Changes in insurance and investment contract liabilities	**1,319**	(3,468)	3,139
Total paid or credited to policyholders	**9,862**	4,373	9,678
Commissions	**753**	853	566
Operating and administrative expenses	**1,233**	1,250	1,208
Premium taxes	**123**	112	92
Financing charges (note 8)	**76**	75	78
Amortization of finite life intangible assets	**45**	44	46
Restructuring and acquisition expenses	**37**	35	4
Earnings before income taxes	**745**	1,072	680
Income taxes (note 13)	**96**	188	24
Net earnings before non-controlling interests	**649**	884	656
Attributable to non-controlling interests	**27**	177	5
Net earnings	**622**	707	651
Preferred share dividends	**31**	31	31
Net earnings - common shareholders	**$ 591**	$ 676	$ 620
Earnings per common share (note 10)			
Basic	**$ 0.598**	$ 0.686	$ 0.625
Diluted	**$ 0.597**	$ 0.685	$ 0.623

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2017	December 31 2016	March 31 2016
Net earnings	**$ 622**	$ 707	$ 651
Other comprehensive income (loss)			
Items that may be reclassified subsequently to Consolidated Statements of Earnings			
Unrealized foreign exchange losses on translation of foreign operations	**(22)**	(73)	(984)
Unrealized foreign exchange gains on euro debt designated as hedge of the net investment in foreign operations	**—**	27	10
Income tax expense	**—**	(4)	(1)
Unrealized gains (losses) on available-for-sale assets	**30**	(163)	121
Income tax (expense) benefit	**(6)**	40	(24)
Realized gains on available-for-sale assets	**(8)**	(10)	(31)
Income tax expense	**2**	3	4
Unrealized gains on cash flow hedges	**24**	38	95
Income tax expense	**(9)**	(13)	(36)
Realized losses on cash flow hedges	**—**	—	1
Non-controlling interests	**(6)**	64	6
Income tax (expense) benefit	**2**	(19)	3
Total items that may be reclassified	**7**	(110)	(836)
Items that will not be reclassified to Consolidated Statements of Earnings			
Re-measurements on defined benefit pension and other post-employment benefit plans (note 12)	**(17)**	470	(242)
Income tax (expense) benefit	**(9)**	(108)	62
Non-controlling interests	**6**	(34)	19
Income tax (expense) benefit	**(2)**	9	(5)
Total items that will not be reclassified	**(22)**	337	(166)
Total other comprehensive income (loss)	**(15)**	227	(1,002)
Comprehensive income (loss)	**$ 607**	$ 934	$ (351)

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2017	December 31 2016
Assets		
Cash and cash equivalents	**$ 3,042**	$ 3,259
Bonds (note 3)	**117,841**	116,773
Mortgage loans (note 3)	**22,027**	21,651
Stocks (note 3)	**8,677**	8,665
Investment properties (note 3)	**4,421**	4,340
Loans to policyholders	**8,436**	8,467
	164,444	163,155
Funds held by ceding insurers	**10,496**	10,781
Goodwill	**5,976**	5,977
Intangible assets	**3,952**	3,972
Derivative financial instruments	**476**	528
Owner occupied properties	**648**	649
Fixed assets	**298**	304
Other assets	**2,384**	2,263
Premiums in course of collection, accounts and interest receivable	**4,776**	4,311
Reinsurance assets (note 6)	**5,579**	5,627
Current income taxes	**103**	97
Deferred tax assets	**1,834**	1,845
Investments on account of segregated fund policyholders (note 7)	**204,666**	200,403
Total assets	**$ 405,632**	$ 399,912
Liabilities		
Insurance contract liabilities (note 6)	**$ 157,319**	$ 155,940
Investment contract liabilities (note 6)	**2,000**	2,009
Debentures and other debt instruments	**5,688**	5,980
Capital trust securities	**161**	161
Funds held under reinsurance contracts	**326**	320
Derivative financial instruments	**1,880**	2,012
Accounts payable	**2,375**	2,049
Other liabilities	**3,620**	3,836
Current income taxes	**573**	549
Deferred tax liabilities	**1,652**	1,645
Investment and insurance contracts on account of segregated fund policyholders (note 7)	**204,666**	200,403
Total liabilities	**380,260**	374,904
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,810**	2,782
Non-controlling interests in subsidiaries	**263**	224
Shareholders' equity		
Share capital (note 9)		
Preferred shares	**2,514**	2,514
Common shares	**7,254**	7,130
Accumulated surplus	**11,674**	11,465
Accumulated other comprehensive income	**744**	746
Contributed surplus	**113**	147
Total equity	**25,372**	25,008
Total liabilities and equity	**$ 405,632**	$ 399,912

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2017					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	**$ 9,644**	**$ 147**	**$ 11,465**	**$ 746**	**$ 3,006**	**$ 25,008**
Net earnings	**—**	**—**	**622**	**—**	**27**	**649**
Other comprehensive loss	**—**	**—**	**—**	**(15)**	**—**	**(15)**
	9,644	**147**	**12,087**	**731**	**3,033**	**25,642**
Dividends to shareholders						
Preferred shareholders (note 10)	**—**	**—**	**(31)**	**—**	**—**	**(31)**
Common shareholders	**—**	**—**	**(363)**	**—**	**—**	**(363)**
Shares exercised and issued under share-based payment plans (note 9)	**124**	**(55)**	**—**	**—**	**43**	**112**
Share-based payment plans expense	**—**	**21**	**—**	**—**	**—**	**21**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(9)**	**(9)**
Dilution loss on non-controlling interests	**—**	**—**	**(6)**	**—**	**6**	**—**
Disposal of investment in associate (note 3)	**—**	**—**	**(13)**	**13**	**—**	**—**
Balance, end of period	**$ 9,768**	**$ 113**	**$ 11,674**	**$ 744**	**$ 3,073**	**$ 25,372**

	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	$ 10,416	$ 2,218	$ 2,821	$ 25,260
Net earnings	—	—	651	—	5	656
Other comprehensive loss	—	—	—	(1,002)	(23)	(1,025)
	9,670	135	11,067	1,216	2,803	24,891
Dividends to shareholders						
Preferred shareholders (note 10)	—	—	(31)	—	—	(31)
Common shareholders	—	—	(343)	—	—	(343)
Shares exercised and issued under share-based payment plans (note 9)	15	(45)	—	—	49	19
Share-based payment plans expense	—	16	—	—	—	16
Shares purchased and cancelled under Normal Course Issuer Bid (note 9)	(21)	—	—	—	—	(21)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 9)	17	—	(17)	—	—	—
Dilution loss on non-controlling interests	—	—	(19)	—	19	—
Balance, end of period	$ 9,681	$ 106	$ 10,657	$ 1,216	$ 2,871	$ 24,531

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2017	2016
Operations		
Earnings before income taxes	**$ 745**	$ 680
Income taxes paid, net of refunds received	**(90)**	(58)
Adjustments:		
Change in insurance and investment contract liabilities	**1,652**	3,208
Change in funds held by ceding insurers	**225**	260
Change in funds held under reinsurance contracts	**4**	(5)
Change in reinsurance assets	**46**	(131)
Changes in fair value through profit or loss	**(735)**	(2,410)
Other	**(370)**	(178)
	1,477	1,366
Financing Activities		
Issue of common shares (note 9)	**110**	15
Purchased and cancelled common shares (note 9)	**—**	(21)
Decrease in line of credit of subsidiary	**—**	(41)
Increase (decrease) in debentures and other debt instruments (note 8)	**(284)**	8
Dividends paid on common shares	**(363)**	(343)
Dividends paid on preferred shares	**(31)**	(31)
	(568)	(413)
Investment Activities		
Bond sales and maturities	**7,826**	7,610
Mortgage loan repayments	**563**	662
Stock sales	**753**	1,125
Change in loans to policyholders	**(13)**	19
Investment in bonds	**(8,677)**	(8,314)
Investment in mortgage loans	**(961)**	(752)
Investment in stocks	**(576)**	(984)
Investment in investment properties	**(33)**	(74)
	(1,118)	(708)
Effect of changes in exchange rates on cash and cash equivalents	**(8)**	(135)
Increase (decrease) in cash and cash equivalents	**(217)**	110
Cash and cash equivalents, beginning of period	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,042**	$ 2,923
Supplementary cash flow information		
Interest income received	**$ 1,278**	$ 1,356
Interest paid	**$ 40**	$ 39
Dividend income received	**$ 58**	$ 77

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 Corporation of Canada group of companies and its direct parent is Power Financial Corporation (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 operating subsidiaries including 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, 2017 were approved by the Board of Directors on May 4, 2017.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2016 consolidated annual audited financial statements and notes thereto.

The financial statements of the Company at March 31, 2017 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 annual audited financial statements for the year ended December 31, 2016 except as described below.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes* and *Annual Improvements 2014 - 2016 Cycle* for the amendment to IFRS 12 *Disclosure of Interest in Other Entities,* effective January 1, 2017. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

There have been no significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2016 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, 2016 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. Portfolio Investments

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

	March 31, 2017		December 31, 2016	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [(1)]	**$ 85,817**	**$ 85,817**	$ 85,739	$ 85,739
Classified fair value through profit or loss [(1)]	**2,077**	**2,077**	2,586	2,586
Available-for-sale	**12,733**	**12,733**	11,478	11,478
Loans and receivables	**17,214**	**18,921**	16,970	18,484
	117,841	**119,548**	116,773	118,287
Mortgage loans				
Residential	**8,375**	**8,646**	8,062	8,260
Commercial	**13,652**	**14,507**	13,589	14,290
	22,027	**23,153**	21,651	22,550
Stocks				
Designated fair value through profit or loss [(1)]	**7,820**	**7,820**	7,606	7,606
Available-for-sale	**47**	**47**	48	48
Available-for-sale, at cost [(2)]	**376**	**376**	391	391
Equity method [(3)]	**434**	**435**	620	610
	8,677	**8,678**	8,665	8,655
Investment properties	**4,421**	**4,421**	4,340	4,340
Total	**$ 152,966**	**$ 155,800**	$ 151,429	$ 153,832

(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.

(3) During the first quarter of 2017, the investment in Allianz Ireland, an investment previously held through the Company's indirect wholly owned subsidiary Irish Life Group Limited with a carrying value of $192, was disposed of by the Company resulting in a gain of $16 recorded in net investment income. The carrying value of the investment reflected $13 of actuarial losses from the associate's pension plan (note 12). These actuarial losses were transferred within equity from accumulated other comprehensive income to accumulated surplus.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2017	December 31 2016
Impaired amounts by classification		
Fair value through profit or loss	$ 267	$ 283
Available-for-sale	12	10
Loans and receivables	80	79
Total	$ 359	$ 372

The carrying amount of impaired investments includes $302 bonds, $53 mortgage loans and $4 stocks at March 31, 2017 ($315 bonds and $57 mortgage loans at December 31, 2016). The above carrying values for loans and receivables are net of allowances of $47 at March 31, 2017 and $43 at December 31, 2016.

(c) Net investment income comprises the following:

For the three months ended March 31, 2017	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,034	$ 223	$ 66	$ 81	$ 91	$ 1,495
Net realized gains						
Available-for-sale	8	—	—	—	—	8
Other classifications	9	13	—	—	—	22
Net allowances for credit losses on loans and receivables	—	(4)	—	—	—	(4)
Other income and expenses	—	—	—	(21)	(31)	(52)
	1,051	232	66	60	60	1,469
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	11	—	—	—	—	11
Designated fair value through profit or loss	529	—	158	—	5	692
Recorded at fair value through profit or loss	—	—	—	32	—	32
	540	—	158	32	5	735
Total	$ 1,591	$ 232	$ 224	$ 92	$ 65	$ 2,204

3. Portfolio Investments (cont'd)

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

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, distributions from private equity and equity income from the investment in IGM Financial Inc. (IGM) and Allianz Ireland, which was disposed of during the first quarter of 2017. 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.

4. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, management, monitoring and reporting 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 2016 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, 2016 consolidated annual audited financial statements and the "Risk Management and Control Practices" section in the Company's December 31, 2016 Management's Discussion and Analysis.

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

(a) Credit Risk

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

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2016.

(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. The Company's debt obligations are denominated in Canadian dollars, euros and U.S. 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, 2017 and December 31, 2016.
- 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, 2017 and December 31, 2016.

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, 2017		December 31, 2016	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in insurance and investment contract liabilities	**$ (197)**	**$ 615**	$ (202)	$ 677
Increase (decrease) in net earnings	**$ 145**	**$ (445)**	$ 149	$ (491)

(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, 2017		December 31, 2016	
	10% increase	**10% decrease**	10% increase	10% decrease
Change in equity values				
Increase (decrease) in non-participating insurance and investment contract liabilities	**$ (52)**	**$ 58**	$ (51)	$ 61
Increase (decrease) in net earnings	**$ 42**	**$ (46)**	$ 43	$ (50)

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, 2017		December 31, 2016	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in best estimate return assumptions				
Increase (decrease) in non-participating insurance contract liabilities	**$ (519)**	**$ 566**	$ (504)	$ 552
Increase (decrease) in net earnings	**$ 418**	**$ (448)**	$ 407	$ (438)

5. Fair Value Measurement

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

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

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

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

5. 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, 2017			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,042	$ —	$ —	$ 3,042
Financial assets at fair value through profit or loss				
Bonds	—	87,835	59	87,894
Stocks	7,687	1	132	7,820
Total financial assets at fair value through profit or loss	7,687	87,836	191	95,714
Available-for-sale financial assets				
Bonds	—	12,733	—	12,733
Stocks	46	—	1	47
Total available-for-sale financial assets	46	12,733	1	12,780
Investment properties	—	—	4,421	4,421
Funds held by ceding insurers	154	8,313	—	8,467
Derivatives (1)	1	475	—	476
Other assets:				
Trading account assets	362	213	1	576
Other (2)	126	—	—	126
Total assets measured at fair value	$ 11,418	$ 109,570	$ 4,614	$ 125,602
Liabilities measured at fair value				
Derivatives (3)	$ 1	$ 1,879	$ —	$ 1,880
Investment contract liabilities	—	1,977	23	2,000
Other liabilities	126	—	—	126
Total liabilities measured at fair value	$ 127	$ 3,856	$ 23	$ 4,006

(1) Excludes collateral received from counterparties of $131.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged to counterparties of $418.

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

5. Fair Value Measurement (cont'd)

	December 31, 2016			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,259	$ —	$ —	$ 3,259
Financial assets at fair value through profit or loss				
Bonds	—	88,324	1	88,325
Stocks	7,520	6	80	7,606
Total financial assets at fair value through profit or loss	7,520	88,330	81	95,931
Available-for-sale financial assets				
Bonds	—	11,478	—	11,478
Stocks	47	—	1	48
Total available-for-sale financial assets	47	11,478	1	11,526
Investment properties	—	—	4,340	4,340
Funds held by ceding insurers	214	8,391	—	8,605
Derivatives (1)	3	525	—	528
Other assets:				
Trading account assets	302	213	1	516
Total assets measured at fair value	$ 11,345	$ 108,937	$ 4,423	$ 124,705
Liabilities measured at fair value				
Derivatives (2)	$ 1	$ 2,011	$ —	$ 2,012
Investment contract liabilities	—	1,989	20	2,009
Total liabilities measured at fair value	$ 1	$ 4,000	$ 20	$ 4,021

(1) Excludes collateral received from counterparties of $149.
(2) Excludes collateral pledged to counterparties of $425.

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

5. 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, 2017							
	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	**$ 1**	**$ —**	**$ 80**	**$ 1**	**$ 4,340**	**$ 1**	**$ 4,423**	**$ 20**
Total gains								
Included in net earnings	**—**	**—**	**2**	**—**	**32**	**—**	**34**	**—**
Included in other comprehensive income (1)	**—**	**—**	**—**	**—**	**16**	**—**	**16**	**—**
Purchases	**—**	**—**	**54**	**—**	**33**	**—**	**87**	**—**
Sales	**—**	**—**	**(8)**	**—**	**—**	**—**	**(8)**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3**
Transfers into Level 3 (2)	**59**	**—**	**4**	**—**	**—**	**—**	**63**	**—**
Transfers out of Level 3 (2)	**(1)**	**—**	**—**	**—**	**—**	**—**	**(1)**	**—**
Balance, end of period	**$ 59**	**$ —**	**$ 132**	**$ 1**	**$ 4,421**	**$ 1**	**$ 4,614**	**$ 23**
Total gains for the period included in net investment income	**$ —**	**$ —**	**$ 2**	**$ —**	**$ 32**	**$ —**	**$ 34**	**$ —**
Change in unrealized gains for the period included in net earnings for assets held at March 31, 2017	**$ —**	**$ —**	**$ 2**	**$ —**	**$ 29**	**$ —**	**$ 31**	**$ —**

(1) Amount of other comprehensive income for investment properties represents the unrealized gains (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.

5. Fair Value Measurement (cont'd)

	December 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								
Included in net earnings	—	—	2	—	61	—	63	—
Included in other comprehensive income (loss) [1]	—	—	—	—	(633)	—	(633)	—
Purchases	—	—	50	—	102	—	152	—
Sales	—	—	(38)	—	(427)	(5)	(470)	—
Other	—	—	—	—	—	—	—	(7)
Transfers into Level 3 [2]	—	—	—	—	—	1	1	—
Transfers out of Level 3 [2]	(9)	(1)	—	—	—	—	(10)	—
Balance, end of year	$ 1	$ —	$ 80	$ 1	$ 4,340	$ 1	$ 4,423	$ 20
Total gains for the year included in net investment income	$ —	$ —	$ 2	$ —	$ 61	$ —	$ 63	$ —
Change in unrealized gains for the year included in earnings for assets held at December 31, 2016	$ —	$ —	$ 3	$ —	$ 1	$ —	$ 4	$ —

(1) Amount of other comprehensive income for investment properties represents the unrealized gains (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.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 2.9% - 10.3%	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 4.8% - 7.8%	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 3.0%	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.

6. Insurance and Investment Contract Liabilities

	March 31, 2017		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 157,319**	**$ 5,579**	**$ 151,740**
Investment contract liabilities	**2,000**	**—**	**2,000**
Total	**$ 159,319**	**$ 5,579**	**$ 153,740**

	December 31, 2016		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 155,940	$ 5,627	$ 150,313
Investment contract liabilities	2,009	—	2,009
Total	$ 157,949	$ 5,627	$ 152,322

7. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	March 31 2017	December 31 2016
Cash and cash equivalents	**$ 12,540**	$ 12,487
Bonds	**41,801**	41,619
Mortgage loans	**2,662**	2,622
Stocks and units in unit trusts	**84,271**	81,033
Mutual funds	**53,040**	51,726
Investment properties	**11,256**	11,019
	205,570	200,506
Accrued income	**393**	359
Other liabilities	**(2,124)**	(2,009)
Non-controlling mutual funds interest	**827**	1,547
Total	**$ 204,666**	$ 200,403

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

	For the three months ended March 31	
	2017	2016
Balance, beginning of year	**$ 200,403**	$ 198,194
Additions (deductions):		
Policyholder deposits	**6,082**	5,927
Net investment income	**215**	659
Net realized capital gains on investments	**1,235**	702
Net unrealized capital gains (losses) on investments	**3,461**	(1,374)
Unrealized losses due to changes in foreign exchange rates	**(52)**	(5,688)
Policyholder withdrawals	**(5,928)**	(5,446)
Segregated Fund investment in General Fund	**(35)**	16
General Fund investment in Segregated Fund	**(2)**	(1)
Net transfer from General Fund	**7**	6
Non-controlling mutual funds interest	**(720)**	6
Total	**4,263**	(5,193)
Balance, end of period	**$ 204,666**	$ 193,001

7. Segregated Funds (cont'd)

(c) Investments on account of segregated fund policyholders by fair value hierarchy level (note 5)

	March 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 131,541**	**$ 62,152**	**$ 12,290**	**$ 205,983**

[1] Excludes other liabilities, net of other assets, of $1,317.

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	$ 125,829	$ 63,804	$ 12,045	$ 201,678

[1] Excludes other liabilities, net of other assets, of $1,275.

During the first three months of 2017 certain foreign stock holdings valued at $2,611 have been transferred from Level 2 to Level 1 ($18 were transferred from Level 2 to Level 1 at December 31, 2016) 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 2017	December 31 2016
Balance, beginning of year	**$ 12,045**	$ 11,765
Total gains (losses) included in segregated fund investment income	**9**	(109)
Purchases	**233**	584
Sales	**(72)**	(370)
Transfers into Level 3	**75**	175
Balance, end of period	**$ 12,290**	$ 12,045

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 out of Level 3 during the period ended March 31, 2017.

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, 2017 and the "Risk Management and Control Practices" section of the Company's December 31, 2016 Management's Discussion and Analysis.

8. Financing Charges

Financing charges consist of the following:

	For the three months ended March 31	
	2017	2016
Operating charges		
Interest on operating lines and short-term debt instruments	**$ 2**	$ 2
Financial charges		
Interest on long-term debentures and other debt instruments	**64**	66
Interest on capital trust securities	**3**	3
Other	**7**	7
	74	76
Total	**$ 76**	$ 78

During the first quarter of 2017, Irish Life Assurance, an indirect wholly owned subsidiary of the Company, redeemed its 5.25% 200 euro subordinated debenture notes at their principal amount together with accrued interest.

Subsequent Event

Subsequent to the first quarter of 2017, Great-West Lifeco Finance (Delaware) LP announced its intention to redeem all $1,000 principal amount of its 5.691% subordinated debentures due June 21, 2067 on June 21, 2017 at a redemption price equal to 100% of the principal amount of the debentures, plus any accrued interest up to but excluding the redemption date.

9. Share Capital

Common Shares

	For the three months ended March 31			
	2017		2016	
	Number	**Carrying value**	Number	Carrying value
Common shares				
Balance, beginning of year	**986,398,335**	**$ 7,130**	993,350,331	$ 7,156
Purchased and cancelled under Normal Course Issuer Bid	**(12,698)**	**—**	(624,181)	(21)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**—**	—	17
Exercised and issued under stock option plan	**3,552,684**	**124**	473,574	15
Balance, end of period	**989,938,321**	**$ 7,254**	993,199,724	$ 7,167

During the three months ended March 31, 2017, 3,552,684 common shares were exercised under the Company's stock plan with a carrying value of $124, including $14 from contributed surplus transferred upon exercise (473,574 with a carrying value of $15 during the three months ended March 31, 2016).

On January 5, 2017, the Company announced a normal course issuer bid commencing January 9, 2017 and terminating January 8, 2018 to purchase for cancellation up to but not more than 20,000,000 of its common shares at market prices.

During the three months ended March 31, 2017, the Company repurchased and subsequently cancelled 12,698 common shares under the current normal course issuer bid at cost of less than $1 (624,181 during the three months ended March 31, 2016 under the previous normal course issuer bid at a cost of $21). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. Excess paid over the average carrying value is recognized as a reduction to equity and was less than $1 during the three months ended March 31, 2017 ($17 during the three months ended March 31, 2016 under the previous normal course issuer bid).

10. Earnings per Common Share

	For the three months ended March 31	
	2017	2016
Earnings		
Net earnings	**$ 622**	$ 651
Preferred share dividends	**(31)**	(31)
Net earnings - common shareholders	**$ 591**	$ 620
Number of common shares		
Average number of common shares outstanding	**987,690,025**	993,250,972
Add: Potential exercise of outstanding stock options	**2,137,788**	1,807,514
Average number of common shares outstanding - diluted basis	**989,827,813**	995,058,486
Basic earnings per common share	**$ 0.598**	$ 0.625
Diluted earnings per common share	**$ 0.597**	$ 0.623
Dividends per common share	**$ 0.3670**	$ 0.3460

11. Capital Management

(a) Policies and Objectives

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

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

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

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all external 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 (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements. For this purpose, various additions or deductions from capital are mandated by the guidelines issued by OSFI. The following provides a summary of the Minimum Continuing Capital and Surplus Requirements information and ratios for Great-West Life:

	March 31 2017	December 31 2016
Adjusted Net Tier 1 Capital	**$ 13,452**	$ 13,071
Net Tier 2 Capital	**2,665**	2,798
Total Capital Available	**$ 16,117**	$ 15,869
Total Capital Required	**$ 6,742**	$ 6,618
Tier 1 Ratio	**200%**	198%
Total Ratio	**239%**	240%

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

12. 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	
	2017	2016
Pension plans		
Service costs	**$ 51**	$ 52
Net interest cost	**6**	6
Curtailment	**—**	(13)
	57	45
Other post-employment benefits		
Service costs	**1**	1
Net interest cost	**3**	3
	4	4
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**61**	49
Pension plans - re-measurements		
Actuarial loss	**103**	273
Return on assets greater than assumed	**(83)**	(6)
Administrative expenses less than assumed	**(1)**	(1)
Change in the asset ceiling	**(12)**	(26)
Actuarial loss (gain) - investment in associate [(1)]	**1**	(9)
Pension plans re-measurement loss	**8**	231
Other post-employment benefits - re-measurements		
Actuarial loss	**9**	11
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	**17**	242
Total pension plans and other post-employment benefits expense including re-measurements	**$ 78**	$ 291

(1) This includes the Company's share of pension plan re-measurements for an investment in an associate accounted for under the equity method. During the first quarter of 2017, the Company transferred actuarial losses of $13 from accumulated other comprehensive income to accumulated surplus. These losses were for accumulated pension plan re-measurements for an investment in an associate that was disposed of (note 3).

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

	March 31		December 31	
	2017	2016	2016	2015
Weighted average discount rate	**3.3%**	3.5%	3.4%	3.8%

13. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31			
	2017		2016	
Current income taxes	**$**	**104**	$	54
Deferred income taxes		**(8)**		(30)
Total income tax expense	**$**	**96**	$	24

(b) Effective Income Tax Rate

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

The overall effective income tax rate for Lifeco for the three months ended March 31, 2017 was 12.9% compared to 3.5% for the three months ended March 31, 2016.

The effective income tax rate for the three months ended March 31, 2017 is higher than the effective income tax rate for the same period last year due to elections and settlements with tax authorities during the first quarter of 2016 as well as lower earnings in low-tax jurisdictions in the first quarter of 2017.

(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 $1,386 at March 31, 2017 ($1,389 at December 31, 2016).

14. Segmented Information

Consolidated Net Earnings

For the three months ended March 31, 2017

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,295	$ 1,229	$ 4,841	$ —	$ 9,365
Net investment income					
Regular net investment income	613	455	402	(1)	1,469
Changes in fair value through profit or loss	375	102	258	—	735
Total net investment income (loss)	988	557	660	(1)	2,204
Fee and other income	387	594	324	—	1,305
	4,670	2,380	5,825	(1)	12,874
Benefits and expenses					
Paid or credited to policyholders	3,245	1,552	5,065	—	9,862
Other [(1)]	1,028	686	386	9	2,109
Financing charges	30	34	12	—	76
Amortization of finite life intangible assets	17	21	7	—	45
Restructuring and acquisition expenses	—	17	20	—	37
Earnings (loss) before income taxes	350	70	335	(10)	745
Income taxes (recovery)	65	11	23	(3)	96
Net earnings (loss) before non-controlling interests	285	59	312	(7)	649
Non-controlling interests	29	(1)	(1)	—	27
Net earnings (loss)	256	60	313	(7)	622
Preferred share dividends	26	—	5	—	31
Net earnings (loss) before capital allocation	230	60	308	(7)	591
Impact of capital allocation	25	(4)	(19)	(2)	—
Net earnings (loss) - common shareholders	$ 255	$ 56	$ 289	$ (9)	$ 591

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

14. Segmented Information (cont'd)

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. Subsequent Event

Canadian Business Transformation

Subsequent to the first quarter of 2017, the Company's Board of Directors approved certain restructuring initiatives in the Company's Canadian operations to support its transformation plan. In the second quarter of 2017, the Company will record a restructuring charge of $215 pre-tax ($172 pre-tax in the shareholder account and $43 pre-tax in the participating account). This charge will reflect planned expense reductions and an organizational realignment to respond to changing customer needs and expectations in Canada. The expense reductions will address costs across the Canadian operations and corporate functions primarily through a reduction in staff, exiting of certain lease agreements and information system impairments.

GREAT-WEST LIFECO INC.

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