GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2017

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Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to September 30, 2017 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 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 $581 million or $0.587 per common share for the third quarter of 2017 compared to $674 million or $0.682 per common share for the same quarter last year. Lifeco's net earnings for the third quarter of 2017 included property catastrophe reinsurance losses of $175 million after-tax relating to estimated claims resulting from the impact of Hurricanes Harvey, Irma and Maria which reduced earnings per common share by $0.177. Excluding this item, earnings were $756 million, up $82 million from a year ago, primarily due to higher fee income and lower expenses reflecting the impact of ongoing expense management initiatives.

For the nine months ended September 30, 2017, excluding the impact of restructuring costs of $156 million year-to-date, Lifeco's adjusted net earnings were $1,913 million or $1.934 per common share compared to $1,987 million or $2.004 per common share for the same period last year.

Consolidated assets under administration at September 30, 2017 were approximately $1.3 trillion, an increase of $46.1 billion from December 31, 2016.

Highlights – In Quarter

Fee income of $1.4 billion up 7%

- Fee and other income was $1.4 billion, up 7% from the third quarter of 2016, primarily as a result of increases in all segments driven by market performance and business growth.

Hurricane loss of $175 million

- The Company, through its subsidiary London Reinsurance Group Inc., offers property catastrophe coverage to reinsurance companies and as a result the Company is exposed to claims arising from major natural catastrophes. Included in the Company's net earnings for the third quarter of 2017 are losses of $175 million after-tax relating to estimated claims. The Company's loss estimate may change as additional information becomes available.

Lifeco recognized for commitment to sustainable practices

- Lifeco received an A- Carbon Disclosure Project (CDP) score which, for the first time, included global operations in addition to Canadian operations. Great-West Life, a Canadian subsidiary of the Company, continues to be the top ranked insurance company in Canada by the CDP. As well, GWL Realty Advisors (GWLRA), a Canadian subsidiary of the Company, has once again received a high ranking from the Global Real Estate Sustainability Benchmark (GRESB) for its commitment to sustainable environmental, social and governance practices. This year, GWLRA is ranked the number one real estate advisory company in Canada (up from number two last year).

Capital strength and financial flexibility maintained

- The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 233% at September 30, 2017.
- Lifeco declared a quarterly common dividend of $0.3670 per common share payable December 29, 2017.
- Adjusted Return on Equity (ROE), excluding the impact of restructuring costs, was 13.3%. The losses of $175 million related to estimated hurricane claims reduced ROE by 0.9%.

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 third quarter MD&A.

CANADA

- **Canada advances business transformation** – Following the realignment into two new business units, one focused on individual customers and the other on group customers, the Canadian operations made progress on the previously announced targeted annual expense reductions of $200 million pre-tax. As of September 30, 2017, the Company has achieved approximately $95 million pre-tax in annualized reductions; approximately $69 million related to the common shareholders' account and $26 million related to the participating accounts.

- **Q3 Canada segment net earnings of $296 million** – Net earnings attributable to common shareholders for the third quarter of 2017 were $296 million compared to $289 million in the third quarter of 2016, primarily due to growth in fee income and strong mortality results in both the Individual Customer and Group Customer businesses. For the nine months ended September 30, 2017, adjusted net earnings attributable to common shareholders, excluding restructuring costs of $126 million recorded in the second quarter of 2017, were $862 million compared to $892 million for the same period last year.

UNITED STATES

- **Q3 U.S. segment net earnings up 47%** – Net earnings attributable to common shareholders for the third quarter of 2017 were US$88 million, up 47%, compared to net earnings of US$60 million in the third quarter of 2016 primarily driven by growth in fee income and lower expenses for Empower Retirement. For the nine months ended September 30, 2017, net earnings attributable to common shareholders were US$192 million compared to US$147 million for the same period last year, an increase of 31%.

- **Fee and other income up 12%** – Fee and other income for the three months ended September 30, 2017 was US$485 million compared to US$432 million for the same quarter last year, an increase of 12%, due to higher fee income for both Empower Retirement and Putnam. The increase was driven by market performance and net cash inflows.

- **Putnam average assets up 9%** – Putnam average assets under management for the three months ended September 30, 2017 were US$165.2 billion compared to US$151.7 billion for the same quarter last year, an increase of 9%, primarily due to the cumulative impact of market performance and net asset inflows from the institutional business over the twelve month period. Putnam ending assets under management at September 30, 2017 were US$167.8 billion.

- **Improved Putnam mutual fund net cash flows** – Putnam's net cash outflows from mutual funds of US$221 million for the three months ended September 30, 2017 were a US$1.4 billion improvement from the same period last year and are in-line with improved industry flows for actively managed funds.

EUROPE

- **Q3 Europe segment net earnings excluding hurricane loss estimate up 15%** – Net earnings attributable to common shareholders for the third quarter of 2017, excluding the loss of $175 million related to estimated hurricane claims, were $359 million up from $313 million in the third quarter of 2016. The increase was driven by positive new business gains, favourable mortality experience and changes to certain tax estimates. For the nine months ended September 30, 2017, net earnings attributable to common shareholders, excluding the estimated hurricane loss in the third quarter of 2017 were $969 million up from $893 million for the same period last year.

- **Agreement reached to acquire the U.K. financial services provider Retirement Advantage** – On August 24, 2017, the Company, through its wholly-owned subsidiary The Canada Life Group (U.K.) Limited, reached an agreement to acquire U.K. financial services provider Retirement Advantage. Retirement Advantage has over 30,000 pension and equity release customers and over $3.3 billion of assets under management. The transaction is expected to close by the end of the first quarter of 2018.

- **Irish Life Health remains on track to deliver target expense reductions** – As of September 30, 2017, the Company has achieved €10 million pre-tax 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 three months. Irish Life has also achieved €7 million pre-tax annualized expense reductions in its retail division with a target of €8 million pre-tax by the end of 2017.

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 December 29, 2017 to shareholders of record at the close of business December 1, 2017.

GREAT-WEST LIFECO INC.

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

First Preferred Shares	Record Date	Payment Date	Amount, per share
Series F	December 1, 2017	December 29, 2017	$0.36875
Series G	December 1, 2017	December 29, 2017	$0.3250
Series H	December 1, 2017	December 29, 2017	$0.30313
Series I	December 1, 2017	December 29, 2017	$0.28125
Series L	December 1, 2017	December 29, 2017	$0.353125
Series M	December 1, 2017	December 29, 2017	$0.3625
Series N	December 1, 2017	December 29, 2017	$0.1360
Series O	December 1, 2017	December 29, 2017	$0.128675
Series P	December 1, 2017	December 29, 2017	$0.3375
Series Q	December 1, 2017	December 29, 2017	$0.321875
Series R	December 1, 2017	December 29, 2017	$0.3000
Series S	December 1, 2017	December 29, 2017	$0.328125
Series T	December 1, 2017	December 29, 2017	$0.321875

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

November 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED SEPTEMBER 30, 2017
DATED: NOVEMBER 2, 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 nine months ended September 30, 2017 and includes a comparison to the corresponding period in 2016, to the three months ended June 30, 2017, 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 September 30, 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", "adjusted net 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

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Premiums and deposits:					
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 8,304**	$ 7,772	$ 8,334	**$ 25,441**	$ 22,220
Policyholder deposits (segregated funds):					
Individual products	**3,641**	4,142	3,211	**11,680**	10,113
Group products	**1,634**	2,020	1,875	**5,839**	5,971
Premiums and deposits reported in the financial statements	**13,579**	13,934	13,420	**42,960**	38,304
Self-funded premium equivalents (Administrative services only contracts)(1)	**671**	720	655	**2,107**	2,060
Proprietary mutual funds and institutional deposits(1)	**14,272**	13,767	15,187	**45,425**	47,063
Total premiums and deposits(1)	**28,522**	28,421	29,262	**90,492**	87,427
Fee and other income	**1,365**	1,381	1,271	**4,051**	3,756
Net policyholder benefits, dividends and experience refunds	**6,849**	7,377	7,311	**22,769**	19,873
Earnings					
Net earnings - common shareholders	**$ 581**	$ 585	$ 674	**$ 1,757**	$ 1,965
Adjusted net earnings - common shareholders(5)	**582**	712	689	**1,913**	1,987
Per common share					
Basic earnings	**0.587**	0.591	0.682	**1.776**	1.982
Adjusted basic earnings(5)	**0.589**	0.719	0.697	**1.934**	2.004
Dividends paid	**0.367**	0.367	0.346	**1.101**	1.038
Book value	**19.92**	19.95	19.18		
Return on common shareholders' equity(2)					
Net earnings	**12.4%**	13.0%	13.8%		
Adjusted net earnings(5)	**13.3%**	13.9%	13.9%		
Total assets per financial statements	**$ 407,011**	$ 409,773	$ 401,489		
Proprietary mutual funds and institutional net assets(3)	**268,994**	271,686	256,544		
Total assets under management(3)	**676,005**	681,459	658,033		
Other assets under administration(4)	**618,532**	627,633	570,475		
Total assets under administration	**$ 1,294,537**	$ 1,309,092	$ 1,228,508		
Total equity	**$ 25,386**	$ 25,428	$ 24,256		

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

(3) 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.

(4) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration includes recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volume, size and trends.

(5) Net earnings attributable to common shareholders include the impact of restructuring costs. The third quarter of 2017 included restructuring costs of $1 million related to the Insurance & Annuities business unit. The second quarter of 2017 included restructuring costs of $127 million, $126 million related to the Canada segment and $1 million related to the Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million, $17 million related to the Insurance & Annuities business unit and $11 million relating to the Financial Services business unit. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit ($15 million year-to-date in 2016) and $2 million related to the Financial Services business units ($7 million year-to-date in 2016).

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders (net earnings) for the three month period ended September 30, 2017 were $581 million compared to $674 million a year ago and $585 million in the previous quarter. On a per share basis, this represents $0.587 per common share ($0.587 diluted) for the third quarter of 2017 compared to $0.682 per common share ($0.681 diluted) a year ago and $0.591 per common share ($0.590 diluted) in the previous quarter. Included in Lifeco's net earnings for the third quarter of 2017 were restructuring costs of $1 million related to the Company's retail business in Ireland. Lifeco's net earnings for the third quarter of 2017 also included a loss estimate of $175 million after-tax relating to estimated claims resulting from the impact of recent Atlantic hurricane activity which reduced earnings per common share by $0.177.

For the nine months ended September 30, 2017, Lifeco's net earnings were $1,757 million compared to $1,965 million a year ago. On a per share basis, this represents $1.776 per common share ($1.773 diluted) for 2017 compared to $1.982 per common share ($1.979 diluted) a year ago. Restructuring costs included in Lifeco's net earnings for the nine months ended September 30, 2017 of $156 million included $126 million related to the Canada segment operations, $19 million related to the Europe segment as well as $11 million related to the U.S. segment. Excluding these costs, adjusted net earnings for the nine months ended September 30, 2017 were $1,913 million or $1.934 per common share ($1.931 diluted).

Net earnings - common shareholders	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016[(1)]	**Sept. 30 2017**	Sept. 30 2016[(1)]
Canada					
Individual Customer[(1)]	**$ 141**	$ 140	$ 136	**$ 427**	$ 438
Group Customer[(1)]	**155**	189	143	**448**	410
Canada Corporate[(2)]	**—**	(144)	10	**(139)**	44
	296	185	289	**736**	892
United States					
Financial Services	**104**	88	89	**277**	253
Asset Management	**6**	(6)	(6)	**(16)**	(49)
U.S. Corporate[(2)]	**—**	—	(5)	**(13)**	(10)
	110	82	78	**248**	194
Europe					
Insurance & Annuities	**233**	239	251	**697**	702
Reinsurance	**(41)**	83	54	**123**	191
Europe Corporate[(2)]	**(8)**	(1)	8	**(26)**	—
	184	321	313	**794**	893
Lifeco Corporate	**(9)**	(3)	(6)	**(21)**	(14)
Net earnings - common shareholders	**$ 581**	$ 585	$ 674	**$ 1,757**	$ 1,965
Restructuring costs[(2)]	**1**	127	15	**156**	22
Adjusted net earnings - common shareholders	**$ 582**	$ 712	$ 689	**$ 1,913**	$ 1,987

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

(2) The Insurance & Annuities business unit included restructuring costs of $1 million the third quarter of 2017 ($1 million in the second quarter of 2017, $17 million in the first quarter of 2017 and $19 million year-to-date 2017). The Canada segment included restructuring costs of $126 million in the second quarter of 2017. The Financial Services business unit included restructuring costs of $11 million in the first quarter of 2017. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit ($15 million year-to-date in 2016) and $2 million related to the Financial Services business units ($7 million year-to-date in 2016).

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 increased 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.

Additional commentary regarding potential future changes in the range of interest rates scenarios to be tested is included in the "Actuarial Standards Update" section.

For a further description of the Company's sensitivity to interest rate fluctuations, refer to Financial Instruments Risk Management, note 5 to the Company's condensed consolidated financial statements for the period ended September 30, 2017.

Equity Markets
In the regions where the Company operates, average equity market levels in the third quarter of 2017 were up compared to the same period in 2016 and ended the quarter at higher market levels compared to June 30, 2017. Relative to the Company's expectation, the change in average market levels and market volatility had a negligible impact on net earnings during the third quarter of 2017 and a positive impact of $9 million year-to-date in 2017 ($8 million positive impact in the third quarter of 2016 and $10 million negative impact year-to-date in 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 $5 million in the third quarter of 2017 and $19 million year-to-date in 2017 ($8 million positive impact in the third quarter of 2016 and $4 million positive impact year-to-date in 2016), related to seed money investments held in the U.S. Asset Management and Canada Corporate business units.

Comparing the third quarter of 2017 to the third quarter of 2016, average equity market levels were up by 4% in Canada (as measured by S&P TSX), 14% in the U.S. (measured by S&P 500), 9% in the U.K. (measured by FTSE 100) and 17% in broader Europe (measured by Euro Stoxx 50). The major equity indices finished the third quarter of 2017 up by 3% in Canada, 4% in the U.S., 1% in the U.K. and up 4% in broader Europe compared to June 30, 2017.

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

The average currency translation rate for the third quarter of 2017 decreased for the British pound and the U.S. dollar and increased for the euro compared to the third quarter of 2016. The overall impact of currency movement on the Company’s net earnings for the three month period ended September 30, 2017 was a decrease of $7 million ($61 million year-to-date) compared to translation rates a year ago.

From June 30, 2017 to September 30, 2017, the market rates at the end of the reporting period used to translate the U.S. dollar, British pound and euro assets and liabilities to the Canadian dollar decreased. The movements in end-of-period market rates resulted in unrealized foreign exchange losses from the translation of foreign operations, including related hedging activities, of $350 million in-quarter ($789 million net unrealized loss year-to-date) recorded in other comprehensive income.

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

ACTUARIAL ASSUMPTION CHANGES

During the third quarter of 2017, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $134 million, compared to $171 million for the same quarter last year and $36 million for the previous quarter. In Europe, net earnings were positively impacted by $101 million, primarily due to updated annuitant mortality and economic assumptions, partially offset by updated mortality, policyholder behaviour and morbidity assumptions. In Canada, net earnings were positively impacted by $20 million, primarily due to updated economic assumptions, partially offset by updated policyholder behaviour assumptions. In the U.S., net earnings were positively impacted by $13 million, primarily due to updated mortality and economic assumptions.

For the nine months ended September 30, 2017, actuarial assumption changes resulted in a positive net earnings impact of $208 million, compared to $331 million for the same period last year.

ACTUARIAL STANDARDS UPDATE

In July 2017, the Canadian Actuarial Standards Board published the changes to the standards, effective for 2017 year-end reporting with early implementation allowed. The changes to the standards relate to prescribed mortality improvement rates and associated margins for adverse deviations, ultimate reinvestment rates, calibration criteria for stochastic risk-free interest rates and calibration criteria for equity investment returns, which are all used in the valuation of insurance contract liabilities. These changes were largely consistent with the draft standards that were published in May 2017. The Company continues to review the impacts of the changes and will implement the indicated changes in the fourth quarter of 2017.

The prescribed mortality improvement rates and associated margins for adverse deviation reflect recent mortality improvement trends in the Canadian population, revisions to the shape of expected future mortality improvements and the corresponding margins for adverse deviation including some recognition of diversification of risk. For business in Canada, the Company expects this would result in increases to annuity liabilities and decreases to life insurance liabilities. The overall change is not expected to be material. The Company is still evaluating the implications of this research and standard change on its business outside of Canada. However, the Company does not expect that this change will affect the measurement of the Company's U.K. annuity business as the annuity liabilities under the current model would already meet the proposed standard.

Decreases in ultimate reinvestment rates and revised calibration criteria for stochastic risk-free interest rates have been prescribed. While the Company is still reviewing the impacts, it anticipates an increase in liabilities. Initial estimates indicate the impact to net earnings to be less than $50 million.

Criteria have been added for the volatility of returns to the calibration criteria for equity investment returns. The Company's current models already meet these criteria; as a result, there will be no impact on net earnings.

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			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016[1]	**Sept. 30 2017**	Sept. 30 2016[1]
Canada					
Individual Customer[1]	**$ 2,499**	$ 2,640	$ 2,386	**$ 8,071**	$ 7,271
Group Customer[1]	**3,659**	3,941	3,668	**11,627**	10,709
	6,158	6,581	6,054	**19,698**	17,980
United States					
Financial Services	**3,140**	3,078	3,575	**9,816**	10,631
Asset Management	**10,404**	10,119	11,341	**34,483**	34,352
	13,544	13,197	14,916	**44,299**	44,983
Europe					
Insurance & Annuities	**5,983**	5,623	5,325	**16,761**	17,292
Reinsurance	**2,837**	3,020	2,967	**9,734**	7,172
	8,820	8,643	8,292	**26,495**	24,464
Total premiums and deposits	**$ 28,522**	$ 28,421	$ 29,262	**$ 90,492**	$ 87,427

Sales

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Canada	**$ 2,940**	$ 3,233	$ 3,117	**$ 9,836**	$ 9,062
United States	**21,173**	16,934	23,011	**62,459**	79,834
Europe - Insurance & Annuities	**5,362**	4,835	4,645	**14,613**	14,769
Total sales	**$ 29,475**	$ 25,002	$ 30,773	**$ 86,908**	$ 103,665

(1) Comparative figures have been reclassified to reflect presentation adjustments, related to 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			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Investment income earned (net of investment properties expenses)	**$ 1,545**	$ 1,587	$ 1,480	**$ 4,606**	$ 4,707
Allowances for credit losses on loans and receivables	**(3)**	6	1	**(1)**	(22)
Net realized gains	**5**	26	41	**61**	140
Regular investment income	**1,547**	1,619	1,522	**4,666**	4,825
Investment expenses	**(30)**	(28)	(26)	**(89)**	(80)
Regular net investment income	**1,517**	1,591	1,496	**4,577**	4,745
Changes in fair value through profit or loss	**(988)**	304	2,307	**51**	7,846
Net investment income	**$ 529**	$ 1,895	$ 3,803	**$ 4,628**	$ 12,591

Net investment income in the third quarter of 2017, which includes changes in fair value through profit or loss, decreased by $3,274 million compared to the same quarter last year. The changes in fair value in the third quarter of 2017 were a decrease of $988 million compared to an increase of $2,307 million for the third quarter of 2016, primarily due to an increase in bond yields in the third quarter of 2017 compared to a decline in bond yields in the same quarter last year.

Regular net investment income in the third quarter of 2017 of $1,517 million, which excludes changes in fair value through profit or loss, increased by $21 million compared to the same quarter last year. The increase was primarily due to higher interest on bond investments, partially offset by currency movement as the Canadian dollar strengthened against the U.S. dollar and British pound as well as lower net realized gains. Net realized gains include losses on available-for-sale securities of $3 million for the third quarter of 2017 compared to gains of $21 million for the same quarter last year.

For the nine months ended September 30, 2017, net investment income decreased by $7,963 million compared to the same period last year. The changes in fair value for the nine month period in 2017 were an increase of $51 million compared to an increase of $7,846 million during the same period in 2016. In the first nine months of this year, the movement of bond yields was mixed, with yield increases in Canada and the U.K. being offset by declines in the U.S., while bond yields declined in all regions during the same period last year.

Regular net investment income for the nine months ended September 30, 2017 decreased by $168 million compared to the same period last year. The decrease was primarily due to the impact of currency movement as the Canadian dollar strengthened against the British pound and lower net realized gains. Net realized gains include gains on available-for-sale securities of $17 million for the nine months ended September 30, 2017 compared to $70 million for the same period last year.

Net investment income in the third quarter of 2017 decreased by $1,366 million compared to the previous quarter, primarily due to a decrease in fair values of $988 million in the third quarter of 2017 compared to an increase of $304 million in the previous quarter. The net decrease in changes in fair value in the third quarter was primarily due to an increase in bond yields, while changes in bond yields in the previous quarter resulted in increases in fair values in Canada and the U.S. being offset by declines in the U.K.

Credit Markets
In the third quarter of 2017, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $1 million ($1 million net recovery in the third quarter of 2016). Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $6 million ($4 million net negative impact in the third quarter of 2016).

For the nine months ended September 30, 2017, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $2 million ($21 million net charge year-to-date in 2016). Prior year charges were primarily driven by impairment charges on mortgage loans as a result of the insolvency of British Home Stores (BHS), a U.K. retailer. Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which had a negligible impact on common shareholders' net earnings year-to-date ($10 million net positive impact year-to-date in 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			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Canada					
Segregated funds, mutual funds and other	**$ 371**	$ 355	$ 338	**$ 1,069**	$ 984
ASO contracts	**40**	44	39	**128**	124
	411	399	377	**1,197**	1,108
United States					
Segregated funds, mutual funds and other	**606**	636	566	**1,836**	1,692
Europe					
Segregated funds, mutual funds and other	**348**	346	328	**1,018**	956
Total fee and other income	**$ 1,365**	$ 1,381	$ 1,271	**$ 4,051**	$ 3,756

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.

NET POLICYHOLDER BENEFITS, DIVIDENDS AND EXPERIENCE REFUNDS

Net policyholder benefits, dividends and experience refunds	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Canada	**$ 2,209**	$ 2,329	$ 2,286	**$ 7,054**	$ 6,769
United States	**912**	1,078	1,021	**3,072**	2,958
Europe	**3,728**	3,970	4,004	**12,643**	10,146
Total	**$ 6,849**	$ 7,377	$ 7,311	**$ 22,769**	$ 19,873

Net policyholder benefits, dividends and experience refunds include life and health claims, policy surrenders, maturities, annuity payments, segregated fund guarantee payments, policyholder dividends and experience refund payments. The amounts do not include benefit payments for ASO contracts, segregated funds or mutual funds.

For the three months ended September 30, 2017, net policyholder benefits, dividends and experience refunds were $6.8 billion, a decrease of $0.5 billion from the same period in 2016. The decrease in benefit payments was primarily due to lower business volumes, partially offset by new and restructured treaties.

For the nine months ended September 30, 2017, net policyholder benefits, dividends and experience refunds were $22.8 billion, an increase of $2.9 billion from the same period in 2016. The increase in benefit payments was primarily due to new and restructured reinsurance treaties, partially offset by lower business volumes.

Compared to the previous quarter, net policyholder benefits, dividends and experience refunds decreased by $0.5 billion, primarily due to restructured reinsurance agreements and lower business volumes.

INCOME TAXES

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

In the third quarter of 2017, the Company had an effective income tax rate of 13%, comparable to the effective income tax rate in the third quarter of 2016. In the third quarter of 2017 the percentage of income consisting of non-taxable investment income and income subject to lower rates in foreign jurisdictions as well as the changes in certain tax estimates were comparable to the third quarter of 2016.

The Company had an effective income tax rate of 11% for the nine months ended September 30, 2017 compared to 9% for the same period last year. The increase in the Company's effective income tax rate was primarily due to changes in certain tax estimates as well as elections with tax authorities during the first quarter of 2016. The effective income tax rate for the nine months ended September 30, 2017, excluding restructuring costs, was 13%.

The third quarter 2017 effective income tax rate of 13% was higher than the second quarter 2017 rate of 8%, primarily due to a lower percentage of income subject to lower rates in foreign jurisdictions as well as changes in certain tax estimates.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2017			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	$ **71,317**	$ **43,583**	$ **48,464**	$ **163,364**
Goodwill and intangible assets	**5,400**	**2,226**	**2,461**	**10,087**
Other assets	**3,328**	**4,232**	**17,954**	**25,514**
Segregated funds net assets	**77,632**	**33,701**	**96,713**	**208,046**
Total assets	**157,677**	**83,742**	**165,592**	**407,011**
Proprietary mutual funds and institutional net assets	**6,513**	**225,481**	**37,000**	**268,994**
Total assets under management	**164,190**	**309,223**	**202,592**	**676,005**
Other assets under administration	**11,135**	**567,984**	**39,413**	**618,532**
Total assets under administration	$ **175,325**	$ **877,207**	$ **242,005**	$ **1,294,537**

	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 September 30, 2017 increased by $46.1 billion to $1.3 trillion compared to December 31, 2016, primarily due to positive market movement and new business growth, partially offset by the impact of currency movement primarily due to the strengthening of the Canadian dollar against the U.S. dollar. The decrease in Canada other assets under administration of $4.8 billion is primarily due to the transition of $5.5 billion of real estate assets from GWL Realty Advisors to British Columbia Investment Management Corporation (bcIMC) in the third quarter of 2017. The remaining bcIMC real estate assets of approximately $0.8 billion are expected to transition in the first quarter of 2018.

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 $116.7 billion or 71% of invested assets at September 30, 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

	September 30, 2017		December 31, 2016	
AAA	$ 24,083	21 %	$ 27,762	24%
AA	31,516	27	29,816	26
A	39,371	33	37,787	32
BBB	20,628	18	20,116	17
BB or lower	1,150	1	1,292	1
Total	$ 116,748	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

	September 30, 2017				December 31, 2016	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	$ 659	$ 1,447	$ 2,106	10%	$ 2,075	9%
Multi-family residential	3,275	3,115	6,390	29	5,987	28
Commercial	334	13,041	13,375	61	13,589	63
Total	$ 4,268	$ 17,603	$ 21,871	100%	$ 21,651	100%

The total mortgage portfolio was $21.9 billion or 13% of invested assets at September 30, 2017, compared to $21.7 billion or 13% of invested assets at December 31, 2016. Total insured loans were $4.3 billion or 20% of the mortgage portfolio.

Single family residential mortgages

Region	September 30, 2017		December 31, 2016	
Ontario	$ 1,029	50%	$ 1,005	49%
Quebec	451	22	436	21
Alberta	132	6	140	7
British Columbia	123	6	127	6
Newfoundland	113	5	113	5
Saskatchewan	91	4	86	4
Nova Scotia	64	3	65	3
Manitoba	50	2	53	3
New Brunswick	49	2	46	2
Other	4	—	4	—
Total	$ 2,106	100%	$ 2,075	100%

During the nine months ended September 30, 2017, single family mortgage originations, including renewals, were $422 million, of which 24% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value ratio 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 September 30, 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 September 30, 2017, the total actuarial provision for future credit losses in insurance contract liabilities was $2,842 million compared to $2,946 million at December 31, 2016, a decrease of $104 million, primarily due to the impact of basis changes and currency movement, partially offset by normal business activity.

The aggregate of impairment provisions of $34 million ($45 million at December 31, 2016) and actuarial provisions for future credit losses in insurance contract liabilities of $2,842 million ($2,946 million at December 31, 2016) represents 2.0% of bond and mortgage assets including funds held by ceding insurers at September 30, 2017 (2.0% at December 31, 2016).

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	September 30, 2017						December 31, 2016
	Multi-Family Residential	Retail & shopping centres	Office buildings	Industrial	Other	Total	Total
Mortgages	356	1,598	678	925	376	3,933	3,772
Investment properties	—	1,117	628	647	409	2,801	2,729
Total	$ 356	$ 2,715	$ 1,306	$ 1,572	$ 785	$ 6,734	$ 6,501

At September 30, 2017, the Company's holdings of property related investments in the U.K. were $6.7 billion ($6.5 billion at December 31, 2016), or 3.9% of invested assets including funds held by ceding insurers. Holdings in Central London were $2.1 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 2.7% of invested assets including funds held by ceding insurers. These holdings were well diversified across property type - Retail (40%), Industrial/Other (35%), Office (20%) and Multi-family (5%). The weighted average loan-to-value ratio of the mortgages was 53% and the weighted average debt-service coverage ratio was 2.3 at September 30, 2017. At September 30, 2017, the weighted average mortgage and property lease term exceeded 13 years.

DERIVATIVE FINANCIAL INSTRUMENTS

During the third 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 September 30, 2017, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $101 million ($159 million at December 31, 2016) and pledged on derivative liabilities was $383 million ($475 million at December 31, 2016). Collateral received on derivative assets declined as a result of a decrease in derivative assets, primarily driven by the impact of the strengthening British pound against the U.S. dollar on cross-currency swaps that pay British pounds and receive U.S. dollars. Collateral pledged on derivative liabilities decreased in 2017 as a result of a decrease in derivative liabilities, primarily driven by the impact of the strengthening Canadian dollar against the U.S. dollar on cross-currency swaps that pay U.S. and receive Canadian dollars.

During the nine month period ended September 30, 2017, the outstanding notional amount of derivative contracts increased by $2.8 billion to $20.0 billion. The increase was primarily due to an increase in forward settling to-be-announced security transactions and regular hedging activities, partially offset by the expiration and settlement of foreign exchange contracts that were cash flow hedges for the $1.0 billion of the Company's subordinated debentures redeemed June 21, 2017.

The Company’s exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $436 million at September 30, 2017 from $528 million at December 31, 2016. The decrease is primarily due to the strengthening of the British pound against the U.S. dollar on cross-currency swaps that pay British pounds and receive U.S. dollars and the expiration and settlement of foreign exchange contracts that paid euro and received British pounds.

LIABILITIES

Total liabilities	September 30 2017	December 31 2016
Insurance and investment contract liabilities	**$ 158,137**	$ 157,949
Other general fund liabilities	**15,442**	16,552
Investment and insurance contracts on account of segregated fund policyholders	**208,046**	200,403
Total	**$ 381,625**	$ 374,904

Total liabilities increased by $6.7 billion to $381.6 billion at September 30, 2017 from December 31, 2016. Insurance and investment contracts on account of segregated fund policyholders increased by $7.6 billion, primarily due to the combined impact of market value gains and investment income of $8.0 billion, the impact of currency movement of $0.1 billion and net deposits of $0.3 billion. Insurance and investment contract liabilities increased by $0.2 billion, primarily due to the impact of new business, partially offset by the strengthening of the Canadian dollar against the U.S. dollar and normal changes in the in-force business including fair value adjustments and the impact of changes in assumptions.

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 September 30, 2017, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $4,088 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

		September 30, 2017			
		Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total**[1]
Canada	$ 32,046	$ —	$ 18	$ 72	$ 72
United States	12,810	5	—	37	42
Europe					
Insurance & Annuities	9,122	3	—	458	458
Reinsurance[2]	1,094	315	—	11	326
Total Europe	10,216	318	—	469	784
Total	**$ 55,072**	**$ 323**	**$ 18**	**$ 578**	**$ 898**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 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 September 30, 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 $4 million in-quarter ($4 million for the third quarter of 2016) and $13 million year-to-date ($17 million year-to-date for 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 September 30, 2017, debentures and other debt instruments decreased by $588 million to $5,392 million compared to December 31, 2016.

During the first quarter of 2017, Irish Life Assurance plc (ILA), a subsidiary of the Company, redeemed its 5.25% €200 million subordinated debenture notes at their principal amount together with accrued interest.

On May 26, 2017, Great-West Lifeco Finance (Delaware) LP, a subsidiary of the Company, issued US$700 million principal amount 4.150% senior unsecured notes that are fully and unconditionally guaranteed by Lifeco, maturing on June 3, 2047.

On June 21, 2017, Great-West Lifeco Finance (Delaware) LP, a subsidiary of the Company, redeemed all $1.0 billion principal amount of its 5.691% subordinated debentures due June 21, 2067 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.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2017 was $9,976 million, which comprises $7,262 million of common shares, $2,464 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 nine months ended September 30, 2017, the Company repurchased and subsequently cancelled 780,709 common shares (2016 - 7,967,881) under its NCIB at an average cost per share of $35.00 (2016 - $33.54).

On May 18, 2017 the Company issued 8,000,000 Series T, 5.15% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after June 30, 2022 for $25.00 per share plus a premium if redeemed prior to June 30, 2026, in each case together with all declared and unpaid dividends up to but excluding the date of redemption.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company’s liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining adequate levels of liquid investments. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2017, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $6.7 billion ($7.9 billion at December 31, 2016) and other liquid assets and marketable securities of $91.7 billion ($91.6 billion at December 31, 2016). Included in the cash, cash equivalents and short-term bonds at September 30, 2017 was $0.9 billion ($1.1 billion at December 31, 2016) held 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 September 30		For the nine months ended September 30	
	2017	2016	**2017**	2016
Cash flows relating to the following activities:				
Operations	**$ 1,701**	$ 1,722	**$ 4,470**	4,865
Financing	**(467)**	(646)	**(1,403)**	(1,555)
Investment	**(1,462)**	(1,102)	**(3,151)**	(2,876)
	(228)	(26)	**(84)**	434
Effects of changes in exchange rates on cash and	**(64)**	18	**(69)**	(187)
Increase (decrease) in cash and cash equivalents in	**(292)**	(8)	**(153)**	247
Cash and cash equivalents, beginning of period	**3,398**	3,068	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,106**	$ 3,060	**$ 3,106**	3,060

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

In the third quarter of 2017, cash and cash equivalents decreased by $292 million from June 30, 2017. Cash flows provided by operations during the third quarter of 2017 were $1,701 million, a decrease of $21 million compared to the third quarter of 2016. Cash flows used in financing were $467 million, primarily used for the payment of dividends to common and preferred shareholders of $399 million and a decrease in line of credit of subsidiary of $93 million, partially offset by an increase in debentures and other debt instruments of $35 million. For the three months ended September 30, 2017, cash flows were used by the Company to acquire an additional $1,462 million of investment assets.

For the nine months ended September 30, 2017, cash and cash equivalents decreased by $153 million from December 31, 2016. Cash flows provided by operations were $4,470 million, a decrease of $395 million compared to the same period in 2016. Cash flows used in financing were $1,403 million, primarily used for payments of dividends to the preferred and common shareholders of $1,186 million, the net redemption of debt of $361 million and a decrease to a line of credit of a subsidiary of $147 million, partially offset by the issuance of common and preferred shares of $321 million. In the first quarter of 2017, the Company increased the quarterly dividend to common shareholders from $0.346 per common share to $0.367 per common share. For the nine months ended September 30, 2017, cash flows were used by the Company to acquire an additional $3,151 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 risk profiles 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.

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.

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the MCCSR ratio. The internal target range of the MCCSR ratio for Lifeco's major Canadian operating subsidiaries is 175% to 215% (on a consolidated basis).

Great-West Life's MCCSR ratio at September 30, 2017 was 233% (240% at December 31, 2016). London Life's MCCSR ratio at September 30, 2017 was 226% (217% at December 31, 2016). Canada Life's MCCSR ratio at September 30, 2017 was 272% (275% at December 31, 2016). The MCCSR ratio does not take into account any impact from $0.9 billion of liquidity at the Lifeco holding company level at September 30, 2017 ($1.1 billion at December 31, 2016).

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.

OSFI Regulatory Capital Initiatives

OSFI will replace the current MCCSR guideline with the Life Insurance Capital Adequacy Test (LICAT) guideline, a new regulatory capital framework for the Canadian insurance industry effective January 1, 2018. The first reporting period will be the first quarter of 2018. OSFI is completing assessments and plans to release the final 2018 LICAT guideline during the fourth quarter of 2017.

The Company continues to actively participate in dialogue with OSFI, the Canadian Life and Health Insurance Association and other industry participants on LICAT implementation. The Company continues implementation preparations and will be well-positioned for the new LICAT regulatory capital framework in 2018.

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which will replace IFRS 4 *Insurance Contracts,* effective for annual periods beginning after January 1, 2021. IFRS 17 includes, among other things, new requirements for the recognition and measurement of insurance contracts it issues and reinsurance contracts it holds. The new standard is expected to have a significant impact to insurers and is expected to lead to further review and possible amendments to the OSFI LICAT Guideline. Additional details on the new IFRS 17 standard are included in the "International Financial Reporting Standards" section.

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)]

	Sept. 30 2017	June 30 2017	March 31 2017
Canada	**17.9 %**	18.2 %	20.6 %
U.S. Financial Services[(2)]	**10.9 %**	10.5 %	10.0 %
U.S. Asset Management (Putnam)[(2)]	**(1.5)%**	(2.0)%	(2.5)%
Europe	**14.8 %**	16.8 %	16.9 %
Lifeco Corporate	**(5.1)%**	(3.8)%	(3.7)%
Total Lifeco Net Earnings Basis	**12.4 %**	13.0 %	13.6 %
Total Lifeco Adjusted Net Earnings Basis[(3)]	**13.3 %**	13.9 %	13.9 %

(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 third quarter of 2017 included restructuring costs of $1 million primarily related to the Insurance & Annuities business unit. The second quarter of 2017 included restructuring costs of $127 million related to the Canada segment and Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million related to the Insurance & Annuities and Financial Services business units. The fourth quarter of 2016 included restructuring costs of $22 million related to the U.S. Segment. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit ($1 million in the second quarter of 2016) and $2 million related to the Financial Services business units ($3 million in the second quarter of 2016).

The Company reported ROE based on net earnings of 12.4% at September 30, 2017, compared to 13.0% at June 30, 2017. Excluding the impact of restructuring costs, the Company reported ROE based on adjusted net earnings of 13.3% at September 30, 2017 down from 13.9% at June 30, 2017. Lifeco's net earnings for the third quarter of 2017 included a loss estimate of $175 million after-tax relating to estimated claims resulting from the impact of recent Atlantic hurricane activity which reduced ROE by 0.9%.

RATINGS

Lifeco maintains ratings from five independent ratings companies. In the third 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 third 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 Assurance (ILA) has an insurer financial strength rating of AA from Fitch Ratings. In Q2 2017, Standard & Poor's Ratings Services affirmed and subsequently withdrew its ILA ratings following the redemption of its subordinated debenture during the first quarter of 2017.

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 wealth income 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			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Premiums and deposits	**$ 6,158**	$ 6,581	$ 6,054	**$ 19,698**	$ 17,980
Sales	**2,940**	3,233	3,117	**9,836**	9,062
Fee and other income	**411**	399	377	**1,197**	1,108
Net earnings	**296**	185	289	**736**	892
Adjusted net earnings, excluding restructuring costs(1)	**296**	311	289	**862**	892
Total assets	**$ 157,677**	$ 157,175	$ 152,484		
Proprietary mutual funds and institutional net assets	**6,513**	6,344	5,625		
Total assets under management	**164,190**	163,519	158,109		
Other assets under administration	**11,135**	16,196	15,815		
Total assets under administration	**$ 175,325**	$ 179,715	$ 173,924		

(1) The second quarter of 2017 included restructuring costs of $126 million.

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. In conjunction with these changes, in April, the Company announced it expected to achieve $200 million pre-tax of annual expense reductions expected to be realized by the first quarter of 2019, approximately $160 million relating to the common shareholders' account and $40 million relating to the participating accounts. The expense reductions address costs across the Canadian operations and corporate functions primarily through a reduction in staff, exiting certain lease agreements and information system impairments.

  As of September 30, 2017, $95 million pre-tax of annualized expense reductions have been achieved compared to $46 million as of June 30, 2017. The $95 million of pre-tax annualized expense reductions are approximately $69 million related to the common shareholders' account and $26 million related to the participating accounts.

  As part of this effort, in the second quarter of 2017, the Company incurred a $215 million pre-tax restructuring charge, which included $172 million relating to the common shareholders' account and $43 million relating to the participating accounts. The restructuring charge has reduced 2017 net earnings attributable to the common shareholders by $126 million and net earnings attributable to the participating accounts by $32 million.

- On May 19, 2017, the Company, through its wholly-owned subsidiary Great-West Life, entered into an agreement to purchase Financial Horizons Group, a Canadian Managing General Agency ("MGA") that offers access to life and health insurance, employee benefits, pensions, investments, structured settlements, and risk management products and services to advisors throughout Canada. Effective July 31, 2017, regulatory approval was received and the transaction completed. While the revenue and net earnings from the Financial Horizons Group will not be material, it expands the Company's investment in distribution in Canada with an ownership stake in the growing independent MGA sector.

- During the third quarter of 2017, the Group Customer business area rolled out the next phase in the DrugSolutions program. The SMART (Sustainable, Managed And Reasonable Treatment) plan helps guide Great-West Life's decisions around drug coverage. Through the SMART plan, new or updated drugs are closely assessed before being included in drug plan coverage and an enhanced pre-authorization program strengthens the claims management process to help benefit plans remain sustainable while providing plan members with continued access to comprehensive coverage.

- GWL Realty Advisors ranked first in Canada in the Global Real Estate Sustainability Benchmark (GRESB) for 2017. After participating in the benchmark for only 3 years, GWL Realty Advisors has improved its ranking year over year to take the first spot in Canada and earn a green star ranking for the third consecutive year.

- During September 2017, a meeting was held with over 400 advisors to launch the Wealth Insurance Solutions Enterprise (WISE) distribution channel. WISE brings together the very successful Wealth and Estate Planning Group with the top former Gold Key advisors into one highly productive channel of advisors with a direct relationship with the Company.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016[1]	**Sept. 30 2017**	Sept. 30 2016[1]
Premiums and deposits	**$ 2,499**	$ 2,640	$ 2,386	**$ 8,071**	$ 7,271
Sales	**2,033**	2,293	1,984	**7,186**	6,438
Fee and other income	**236**	233	221	**694**	645
Net earnings	**141**	140	136	**427**	438

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

Premiums and deposits

Premiums and deposits for the third quarter of 2017 increased by \$0.1 billion to \$2.5 billion compared to the same quarter last year, due to an increase in both individual insurance premiums and individual wealth premiums. The increase in individual insurance premiums was primarily due to an increase in participating life premiums. The increase in individual wealth premiums was primarily due to higher deposits in investment funds.

For the nine months ended September 30, 2017, premiums and deposits increased by \$0.8 billion to \$8.1 billion compared to the same period last year, due to an increase in individual wealth premiums and deposits of \$0.4 billion and an increase in individual insurance premiums of \$0.4 billion. The increase in individual wealth premiums was primarily due to increases in segregated funds and proprietary mutual funds. The increase in individual insurance premiums was primarily due to the same reason discussed for the in-quarter results.

Premiums and deposits for the third quarter of 2017 decreased by \$0.1 billion compared to the previous quarter, primarily due to lower deposits for investment funds and a decrease in participating life premiums.

Sales

Sales for the third quarter of 2017 were up 2% compared to the same quarter last year as an increase in individual wealth sales of \$127 million was partially offset by a decrease in individual insurance sales of \$78 million. The increase in individual wealth sales was primarily due to an increase in sales for investment funds, while the decrease in individual insurance sales was primarily due to a decrease in participating life sales.

For the nine months ended September 30, 2017, sales increased by $0.7 billion to $7.2 billion compared to the same period last year, primarily due to an increase in individual wealth sales of $0.7 billion. The increase in individual wealth sales was primarily due to an increase in sales for investment funds.

Sales for the third quarter of 2017 decreased by $0.3 billion compared to the previous quarter, due to a decrease in individual wealth sales of $0.3 billion. The decrease in individual wealth sales was primarily due to a decrease in segregated funds sales.

For the individual wealth investment fund business, net cash inflows for the third quarter of 2017 were $141 million compared to net cash inflows of $77 million for the same quarter last year and net cash inflows of $116 million for the previous quarter. Net cash inflows for the nine months ended September 30, 2017 were $382 million compared to net cash inflows of $177 million for the same period last year.

Fee and other income

Fee and other income for the third quarter of 2017 increased by $15 million to $236 million compared to the same quarter last year, primarily due to higher average assets under management driven by higher average equity market levels, partially offset by lower margins.

For the nine months ended September 30, 2017, fee and other income increased by $49 million to $694 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2017 were comparable to the previous quarter.

Net earnings

Net earnings for the third quarter of 2017 increased by $5 million to $141 million compared to the same quarter last year. The increase was primarily due to higher net fee income, lower new business strain, favourable mortality experience and improved policyholder behavior experience. These increases were partially offset by lower contributions from insurance contract liability basis changes and lower contributions from investment experience.

For the nine months ended September 30, 2017, net earnings decreased by $11 million to $427 million compared to the same period last year. The decrease was primarily due to lower contributions from insurance contract liability basis changes, lower contributions from investment experience as well as less favourable morbidity and policyholder behaviour experience. These decreases were partially offset by higher net fee income, lower new business strain, lower expenses and favourable mortality experience.

Net earnings for the third quarter of 2017 were comparable to the previous quarter.

For the third quarter of 2017, net earnings attributable to the participating account were $19 million compared to a net loss of $3 million for the same quarter last year. The net earnings increase of $22 million was primarily driven by higher contributions from insurance contract liability basis changes, partially offset by higher new business strain.

For the nine months ended September 30, 2017, net earnings attributable to the participating account were $17 million compared to net earnings of $13 million for the same period last year. Excluding the impact of restructuring costs of $32 million recorded in the second quarter of 2017, net earnings increased $36 million, primarily due to higher contributions from insurance contract liability basis changes.

Compared to the previous quarter, excluding the impact of restructuring costs discussed for the year-to-date results, net earnings attributable to the participating account increased by $18 million, primarily due to higher contributions from insurance contract liability basis changes.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016(1)	**Sept. 30 2017**	Sept. 30 2016(1)
Premiums and deposits	**$ 3,659**	$ 3,941	$ 3,668	**$ 11,627**	$ 10,709
Sales	**907**	940	1,133	**2,650**	2,624
Fee and other income	**150**	154	144	**453**	427
Net earnings	**155**	189	143	**448**	410

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

Premiums and deposits
Premiums and deposits for the third quarter of 2017 of $3.7 billion are comparable to the same quarter last year.

For the nine months ended September 30, 2017, premiums and deposits increased by $0.9 billion to $11.6 billion compared to the same period last year, due to an increase in group wealth premiums and deposits of $0.6 billion and an increase in group insurance premiums and deposits of $0.3 billion. The increase in group wealth was due to increases in group capital accumulation plans (GCAP) and single premium group annuities (SPGA), while the increase in group insurance was primarily due to large case market premiums and deposits.

Premiums and deposits for the third quarter of 2017 decreased by $0.3 billion compared to the previous quarter primarily due to a decrease in segregated fund deposits.

Sales
Sales for the third quarter of 2017 decreased by $0.2 billion to $0.9 billion compared to the same period last year, due to a decrease in group wealth sales of $0.3 billion and an increase in group insurance sales of $0.1 billion. The decrease in group wealth sales was primarily due to lower sales of investment only products, while the increase in group insurance sales was primarily due to higher sales in the mid-size case and creditor markets.

For the nine months ended September 30, 2017, sales of $2.7 billion were comparable to the same period last year.

Sales for the third quarter of 2017 were comparable to the previous quarter.

For the group wealth segregated fund business, net cash inflows for the third quarter of 2017 were $72 million, compared to net cash outflows of $907 million for the same quarter last year and net cash inflows of $212 million for the previous quarter. The net cash outflows in the third quarter of 2016 included a $910 million withdrawal of a low margin GCAP plan. For the nine months ended September 30, 2017, net cash inflows were $565 million compared to net cash inflows of $275 million, excluding the impact of the GCAP plan withdrawal discussed for the in-quarter results, for the same period last year.

Fee and other income
Fee and other income for the third quarter of 2017 increased by $6 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 nine months ended September 30, 2017 increased by $26 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2017 decreased by $4 million compared to the previous quarter, primarily due to lower average assets under administration driven by lower average equity market levels, partially offset by positive net cash flows.

Net earnings
Net earnings for the third quarter of 2017 of $155 million increased by $12 million compared to the same quarter last year. The increase was primarily due to higher contributions from investment and mortality experience.

For the nine months ended September 30, 2017, net earnings increased by $38 million to $448 million compared to the same period last year. The increase was primarily due to improved long-term disability morbidity experience as well as a higher contribution from insurance contract liability basis changes, partially offset by lower contributions from investment experience.

Net earnings for the third quarter of 2017 decreased by $34 million compared to the previous quarter. The decrease was primarily due to less favourable long-term disability morbidity experience on a few large cases and less favourable impact of changes in certain tax estimates.

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

For the three months ended September 30, 2017, net earnings were nil compared to net earnings of $10 million for the same period last year. The change in net earnings was primarily due to lower net investment income and a less favourable impact from changes to certain income tax estimates, partially offset by higher fee income. Fee income in the third quarter of 2017 included a fee related to the transition of assets from GWL Realty Advisors to bcIMC.

Excluding the impact of restructuring costs of $126 million included in the second quarter of 2017 results, the adjusted net loss for the nine months ended September 30, 2017 was $13 million compared to net earnings of $44 million for the same period in 2016. The change was primarily due to lower net investment income, which included a gain on the sale of an investment property in 2016 and a less favourable impact from changes to certain income tax estimates.

Excluding the impact of restructuring costs discussed for the in-quarter results, net earnings were nil compared to an adjusted net loss of $18 million in the previous quarter, primarily due to higher fee income.

UNITED STATES
The United States operating results for Lifeco include the results of Great-West Financial, Putnam and the results of the insurance businesses in the United States branches of Great-West Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results.

Through its Financial Services business unit, and specifically the Empower Retirement brand, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and recordkeeping services, individual retirement accounts, fund management as well as investment and advisory services. The Company also provides life insurance, annuity and executive benefits products through its Individual Markets operations.

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

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

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

Selected consolidated financial information - United States					
	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016[1]	**Sept. 30 2017[1]**	Sept. 30 2016[1]
Premiums and deposits	**$ 13,544**	$ 13,197	$ 14,916	**$ 44,299**	$ 44,983
Sales	**21,173**	16,934	23,011	**62,459**	79,834
Fee and other income	**606**	636	566	**1,836**	1,692
Net earnings[1]	**110**	82	78	**248**	194
Net earnings (US$)[1]	**88**	62	60	**192**	147
Total assets	**$ 83,742**	$ 86,587	$ 86,824		
Proprietary mutual funds and institutional net assets	**225,481**	227,545	216,458		
Total assets under management	**309,223**	314,132	303,282		
Other assets under administration	**567,984**	572,289	514,616		
Total assets under administration	**$ 877,207**	$ 886,421	$ 817,898		

(1) The first quarter of 2017 included restructuring costs of $11 million (US$8 million) relating to the Financial Services business unit. The three and nine months ending September 30, 2016 included restructuring costs of $2 million (US$2 million) and $7 million (US$5 million) relating to the Financial Services business unit.

2017 DEVELOPMENTS

- 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. 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 in compliance with the components of the rule that were effective June 9, 2017 and is preparing to be fully compliant by January 1, 2018 if required. The DOL has proposed an extension of the full compliance date to July 1, 2019. The Company is monitoring the DOL’s decision whether to finalize an extension.
- The Company continues to monitor the potential for significant policy changes following the release of the Tax Reform Framework by the Trump Administration, House Ways and Means Committee and Senate Finance Committee; 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 participant accounts have grown to approximately 8.3 million at September 30, 2017 from 8 million at December 31, 2016. Empower has recently been named by retirement plan advisors as the top defined contribution plan provider in a new survey published by PlanAdviser.
- Empower Retirement grew to over $500 billion of assets under administration, up from $450 billion at December 31, 2016.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017[1]	June 30 2017	Sept. 30 2016[1]	**Sept. 30 2017[1]**	Sept. 30 2016[1]
Premiums and deposits	**$ 3,140**	$ 3,078	$ 3,575	**$ 9,816**	$ 10,631
Sales[1]	**10,769**	6,815	11,670	**27,976**	45,482
Fee and other income	**362**	388	335	**1,116**	979
Net earnings	**104**	88	89	**277**	253
Premiums and deposits (US$)	**$ 2,513**	$ 2,297	$ 2,729	**$ 7,536**	$ 8,030
Sales (US$)[1]	**8,615**	5,086	8,908	**21,574**	33,862
Fee and other income (US$)	**290**	290	256	**857**	741
Net earnings (US$)	**83**	66	68	**213**	191

(1) For the three and nine months ended September 30, 2017, sales included US$0.5 billion and $1.4 billion, respectively, relating to Putnam managed funds sold on the Empower Retirement platform ($0.5 billion and $1.0 billion for the three and nine months ended September 30, 2016).

Premiums and deposits

Premiums and deposits for the third quarter of 2017 of US$2.5 billion decreased by US$0.2 billion compared to the same quarter last year, primarily due to a decrease in Empower Retirement driven by lower deposits from retail and segregated fund investment options and lower sales.

For the nine months ended September 30, 2017, premiums and deposits decreased by US$0.5 billion to US$7.5 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results. The decrease was partially offset by higher sales in individual annuity and executive benefits lines of business for Individual Markets.

Premiums and deposits for the third quarter of 2017 increased by US$0.2 billion compared to the previous quarter, primarily due to an increase in the executive benefits line of business as a result of higher sales for Individual Markets and higher deposits from retail and segregated fund investment options in Empower Retirement. These increases were partially offset by lower sales related to assets under management in Empower Retirement.

Sales

Sales in the third quarter of 2017 decreased by US$0.3 billion to US$8.6 billion compared to the same quarter last year, primarily due to a decrease in sales in Empower Retirement and the executive benefits line of business for Individual Markets.

For the nine months ended September 30, 2017, sales decreased by US$12.3 billion to US$21.6 billion compared to the same period last year, primarily due to a decrease in Empower Retirement sales. The first quarter of 2016 included a very large plan sale. Large plan sales can be highly variable from period to period and tend to be lower margin.

Sales in the third quarter of 2017 increased by US$3.5 billion compared to the previous quarter, primarily due to an increase in Empower Retirement sales driven by higher large plan sales in the third quarter of 2017.

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 third quarter of 2017 increased by US$34 million to US$290 million compared to the same quarter last year, primarily due to higher asset-based fees driven by growth in these assets, positive net cash flows and higher average equity market levels.

For the nine months ended September 30, 2017, fee and other income increased by US$116 million to US$857 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

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

Net earnings
Net earnings for the third quarter of 2017 increased by US$15 million to US$83 million compared to the same quarter last year, primarily due to higher net fee income and lower expenses mostly driven by an expense recovery related to a change in the future obligations for an employee pension plan.

For the nine months ended September 30, 2017, net earnings increased by US$22 million to US$213 million compared to the same period 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$41 million, primarily due to the same reasons discussed for the in-quarter results.

Net earnings for the third quarter of 2017 increased by US$17 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes and the pension expense recovery discussed for the in-quarter results, 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 September 30, 2017, the Company has achieved approximately US$53 million pre-tax in annualized expense reductions. This resulted in a pre-tax expense reduction of approximately US$13 million in the third quarter of 2017.
- Putnam continues to sustain strong investment performance relative to its peers. As of September 30, 2017, approximately 75% and 90% of Putnam's fund assets performed at levels above the Lipper top quartile and Lipper median, respectively, on a one-year basis. Additionally, approximately 63% and 83% of Putnam's fund assets performed at levels above the Lipper top quartile and Lipper median, respectively, on a five-year basis.

- On September 20, 2017, Putnam launched three new mutual funds; Putnam PanAgora Managed Futures Strategy, Putnam PanAgora Market Neutral Fund and Putnam PanAgora Risk Parity Fund, offering alternative strategies designed to provide an array of modern portfolio construction tools to help navigate changing market conditions. These new funds are sub-advised by PanAgora Asset Management, a subsidiary of the Company. In broadening Putnam's slate of multi-asset solutions and alternative strategies, these new funds represent innovative investment strategies that can help clients solve problems.
- During the third quarter of 2017, Putnam was honoured at the Mutual Fund Service and Technology Awards as the winner of the Best Mobile Application for the mobile version of its FundVisualizer analysis tool, which enables advisors, brokers and other financial intermediaries to evaluate and compare mutual funds, exchange-traded funds and indexes using more than eighty performance and risk metrics.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Sales	**$ 10,404**	$ 10,119	$ 11,341	**$ 34,483**	$ 34,352
Fee income					
Investment management fees	**193**	203	194	**589**	581
Performance fees	**5**	(5)	(13)	**(13)**	(24)
Service fees	**36**	39	39	**113**	120
Underwriting & distribution fees	**10**	11	11	**31**	36
Fee income	**244**	248	231	**720**	713
Core net earnings (loss)[1]	**19**	9	9	**26**	(13)
Less: Financing and other expenses (after-tax)[1]	**(13)**	(15)	(15)	**(42)**	(36)
Reported net earnings (loss)	**6**	(6)	(6)	**(16)**	(49)
Sales (US$)	**$ 8,323**	$ 7,552	$ 8,657	**$ 26,451**	25,935
Fee income (US$)					
Investment management fees (US$)	**155**	151	148	**452**	439
Performance fees (US$)	**4**	(4)	(10)	**(10)**	(19)
Service fees (US$)	**28**	29	30	**86**	91
Underwriting & distribution fees (US$)	**8**	8	8	**24**	27
Fee income (US$)	**195**	184	176	**552**	538
Core net earnings (loss) (US$)[1]	**15**	7	7	**21**	(9)
Less: Financing and other expenses (after-tax) (US$)[1]	**(10)**	(11)	(12)	**(32)**	(28)
Reported net earnings (loss) (US$)	**5**	(4)	(5)	**(11)**	(37)
Pre-tax operating margin[2]	**12.0%**	7.4%	7.0%	**6.4%**	(2.5)%
Average assets under management (US$)	**$ 165,180**	$ 161,816	$ 151,740	**$ 161,497**	$ 146,702

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

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

Sales
Sales in the third quarter of 2017 decreased by US$0.3 billion to US$8.3 billion compared to the same quarter last year, due to a US$1.0 billion decrease in institutional sales, partially offset by a US$0.7 billion increase in mutual fund sales.

For the nine months ended September 30, 2017, sales increased by US$0.5 billion to US$26.5 billion compared to the same period last year, due to an increase in mutual fund sales of US$2.0 billion, partially offset by lower institutional sales of US$1.5 billion.

Sales in the third quarter of 2017 increased by US$0.8 billion compared to the previous quarter, due to a US$1.3 billion increase in institutional sales, partially offset by a US$0.5 billion decrease 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 assets under management (AUM) and may depend on financial markets, the relative performance of Putnam's investment products, the number of retail accounts and sales. Performance fees are generated on certain mutual funds and institutional portfolios and are generally based on a rolling 36 month performance period for mutual funds and a 12 month performance period for institutional portfolios. Performance fees on mutual funds are symmetric and as a result can be positive or negative.

Fee income for the third quarter of 2017 increased by US$19 million to US$195 million compared to the same quarter last year. US$12 million of this increase is from proceeds earned from the sale of a previously impaired investment product. The remaining increase was primarily driven by higher asset-based fees due to a higher average AUM.

For the nine months ended September 30, 2017, fee income increased by US$14 million to US$552 million compared to the same period last year. Excluding the impact of the sale of an investment product discussed for the in-quarter results, fee income increased US$2 million driven by higher investment management fees from higher average AUM, mostly offset by lower service fees reflecting a decrease in the number of accounts as well as lower underwriting and distribution fees.

Fee income for the third quarter of 2017 increased by US$11 million compared to the previous quarter. Excluding the impact of the sale of an investment product discussed for the in-quarter results, fee income decreased US$1 million as higher asset-based fees driven by higher average AUM were more than offset by lower performance fees due to the seasonality in which these fees are earned.

Net earnings
Core net earnings (a non-IFRS financial measure) for the third quarter of 2017 were US$15 million compared to core net earnings of US$7 million for the same quarter last year. Core net earnings for the third quarter of 2017 included the proceeds from the sale of a previously impaired investment product (US$7 million after-tax), while core net earnings in the third quarter of 2016 included a one-time expense recovery of US$8 million after-tax relating to a change in accounting estimate. Excluding these items, core net earnings increased by US$9 million, primarily due to lower expenses largely related to the expense reductions undertaken in the fourth quarter of 2016 as well as higher net fee income. In the third quarter of 2017, the reported net earnings, including financing and other expenses, was US$5 million compared to a reported net loss of US$5 million for the same quarter last year. Financing and other expenses for the third quarter of 2017 decreased by US$2.0 million compared to the same quarter last year, primarily due to lower net financing costs.

For the nine months ended September 30, 2017, core net earnings were US$21 million compared to a core net loss of US$9 million for the same period last year. The year-to-date core net earnings included the proceeds from the sale of a previously impaired investment product (US$7 million after tax), while 2016 year-to-date core net losses included the expense recovery as discussed for the in-quarter results. Excluding these items, core net earnings increased by US$31 million, primarily due to lower expenses largely related to the expense reductions undertaken in the fourth quarter of 2016 and higher net investment income driven by gains on seed capital. The reported net loss, including financing and other expenses, for the nine months ended September 30, 2017 was US$11 million compared to US$37 million for the same period last year. Financing and other expenses for the nine month period ended September 30, 2017 increased by US$4 million to US$32 million compared to the same period last year, primarily due to lower income taxes for the same period last year, driven by a management election to claim foreign tax credits of US$6 million in 2016.

Core net earnings for the third quarter of 2017 were US$15 million compared to core net earnings of US$7 million for the previous quarter. Excluding the impact of the sale of an impaired investment product as discussed for the in-quarter results, core net earnings increased by US$1 million, primarily due to higher net investment income, partially offset by higher expenses. The reported net earnings, including financing and other expenses for the third quarter of 2017 was US$5 million compared to a reported net loss of US$4 million in the previous quarter. Financing and other expenses for the third quarter of 2017 were US$10 million compared to US$11 million for the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Beginning assets	**$ 162,913**	$ 159,945	$ 147,650	**$ 152,122**	$ 148,370
Sales - Mutual funds	**4,404**	4,873	3,771	**14,484**	12,479
Redemptions - Mutual funds	**(4,625)**	(5,279)	(5,363)	**(15,857)**	(19,094)
Net asset flows - Mutual funds	**(221)**	(406)	(1,592)	**(1,373)**	(6,615)
Sales - Institutional	**3,919**	2,679	4,886	**11,967**	13,456
Redemptions - Institutional	**(3,601)**	(3,166)	(2,838)	**(10,077)**	(8,774)
Net asset flows - Institutional	**318**	(487)	2,048	**1,890**	4,682
Net asset flows - Total	**97**	(893)	456	**517**	(1,933)
Impact of market/performance	**4,788**	3,861	5,692	**15,159**	7,361
Ending assets	**$ 167,798**	$ 162,913	$ 153,798	**$ 167,798**	$ 153,798
Average assets under management					
Mutual funds	**75,900**	74,807	72,563	**74,802**	72,542
Institutional assets	**89,280**	87,009	79,177	**86,695**	74,160
Total average assets under management	**$ 165,180**	$ 161,816	$ 151,740	**$ 161,497**	$ 146,702

Average AUM for the three months ended September 30, 2017 was US$165.2 billion, an increase of US$13.4 billion or 9% compared to the same quarter last year, primarily due to the cumulative impact of positive markets and net asset inflows for the institutional business over the twelve month period. Net asset inflows for the third quarter of 2017 were US$0.1 billion compared to net asset inflows of US$0.5 billion in the same quarter last year. In-quarter institutional net asset inflows were US$0.3 billion and mutual fund net asset outflows were US$0.2 billion.

Average AUM for the nine months ended September 30, 2017 increased by US$14.8 billion to US$161.5 billion compared to the same period last year, primarily due to the cumulative impact of positive markets and net asset inflows. Net asset inflows for the nine months ended September 30, 2017 were US$0.5 billion compared to net asset outflows of US$1.9 billion for the same period last year. Year-to-date institutional net asset inflows of US$1.9 billion were partially offset by mutual fund net asset outflows of US$1.4 billion.

Average AUM for the three months ended September 30, 2017 increased by US$3.4 billion compared to the previous quarter, primarily due to the impact of positive markets in the quarter and net asset inflows.

UNITED STATES CORPORATE

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

In the third quarter of 2017, net earnings were nil compared to a net loss of US$3 million for the same quarter last year, primarily due to restructuring costs and a legal settlement related to discontinued operations in 2016.

For the nine months ended September 30, 2017, the net loss increased by US$3 million to US$10 million compared to the same period in 2016, primarily due to higher restructuring costs and expenses resulting from the Healthcare division sold in 2008, partially offset by the legal settlement related to discontinued operations in 2016. Results for the first nine months of 2017 included restructuring costs of US$8 million relating to Empower Retirement and the acquisition of the J.P. Morgan Retirement Plan Services (RPS) business as well as business strategy restructuring, compared to US$5 million for the same period last year.

The net earnings of nil for the three months ended September 30, 2017 were comparable to the previous quarter.

EUROPE

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

TRANSLATION OF FOREIGN CURRENCY

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

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

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2017[(1)]	June 30 2017[(1)]	Sept. 30 2016[(1)]	**Sept. 30 2017[(1)]**	Sept. 30 2016[(1)]
Premiums and deposits	**$ 8,820**	$ 8,643	$ 8,292	**$ 26,495**	$ 24,464
Fee and other income	**348**	346	328	**1,018**	956
Net earnings[(1)]	**184**	321	313	**794**	893
Total assets	**$ 165,592**	$ 166,011	$ 162,181		
Proprietary mutual funds and institutional net assets	**37,000**	37,797	34,461		
Total assets under management	**202,592**	203,808	196,642		
Other assets under administration	**39,413**	39,148	40,044		
Total assets under administration[(2)]	**$ 242,005**	$ 242,956	$ 236,686		

(1) The third quarter of 2017 included restructuring costs of $1 million related to the Insurance & Annuities business unit ($1 million in the second quarter of 2017, $17 million in the first quarter of 2017 and $19 million year-to-date 2017). The third quarter of 2016 included restructuring costs of $13 million ($15 million year-to-date in 2016) related to the Insurance & Annuities business unit.

(2) At September 30, 2017, total assets under administration excludes $7.9 billion of assets managed for other business units within the Lifeco group of companies ($7.9 billion at December 31, 2016).

2017 DEVELOPMENTS

- On August 24, 2017, the Company, through its wholly-owned subsidiary The Canada Life Group (U.K.) Limited, reached an agreement to acquire U.K. financial services provider Retirement Advantage. Retirement Advantage has over 30,000 pension and equity release customers, and more than £2 billion of assets under management including a £1.5 billion block of in-force annuities (as of June 30, 2017). The transaction is expected to close by the end of the first quarter of 2018 and is subject to customary regulatory approvals and certain closing conditions. The transaction is expected to be earnings accretive, although it is not expected to have a material impact on the Company's financial results.
- The Company, through its subsidiary London Reinsurance Group Inc., offers property catastrophe coverage to reinsurance companies and as a result the Company is exposed to claims arising from major weather events and other catastrophic events. The 2017 Atlantic hurricane season has been active and a number of storms have made landfall, leading to a high level of insured losses. Included in the Company’s net earnings for the third quarter of 2017 are losses of $175 million after-tax relating to estimated claims net of reinstatement premiums on these coverages. The Company’s loss estimate is based on currently available information and the exercise of judgment. The Company’s loss estimate may change as additional information becomes available.
- In the third quarter of 2017, the Company achieved an additional €2 million pre-tax of annualized synergies relating to the integration of the Irish Life Health operations (€10 million pre-tax achieved to date). The Company remains on track to achieve targeted annual cost savings of €16 million pre-tax within the next 3 months.
- The Company continued its efforts relating to the Irish Life business strategy to support growth in the retail division and remains on track to achieve targeted annual cost savings of €8 million pre-tax within the next 3 months. As of September 30, 2017, the Company achieved €7 million pre-tax in annualized cost reductions within the Irish Life retail division.

- Some market volatility continues following the U.K.'s formal notification in March 2017 of its intention to leave the European Union (EU). 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 has declined by 11% from the second quarter of 2016 to the third 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 negotiate and agree on their new relationship. The Company's other European businesses may also see some impacts arising from the market uncertainty in Europe continuing from Brexit, but the impacts are not currently expected to be significant.
- The Irish Life retail division achieved its highest ever customer satisfaction score, 87%, and entered the top quartile of companies for customer satisfaction based on a league table of over 700 companies across all business sectors in Ireland and the U.K.

  During the third quarter of 2017, at the Investment Life & Pensions Moneyfacts Awards, the Company received the following awards:
  - Canada Life Individual Onshore team won the Best Annuity Service and Best Investment Service award.
  - Canada Life Group Insurance won the Best Group Protection Provider award for the fourth year in a row.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Premiums and deposits[(1)]	**$ 5,983**	$ 5,623	$ 5,325	**$ 16,761**	$ 17,292
Sales[(1)]	**5,362**	4,835	4,645	**14,613**	14,769
Fee and other income	**344**	342	324	**1,005**	943
Net earnings	**233**	239	251	**697**	702

(1) For the three and nine months ended September 30, 2017, premiums and deposits and sales exclude $0.2 billion and $0.7 billion, respectively, of assets managed for other business units within the Lifeco group of companies ($0.2 billion for the three months ended June 30, 2017, $0.2 billion for the three months ended September 30, 2016 and $7.1 billion for the nine months ended September 30, 2016).

Premiums and deposits

Premiums and deposits for the third quarter of 2017 increased by $0.7 billion to $6.0 billion compared to the same quarter last year, primarily due to higher bulk annuity sales in the U.K. and higher pension sales in Ireland and Germany.

For the nine months ended September 30, 2017, premiums and deposits decreased by $0.5 billion to $16.8 billion compared to the same period last year, primarily due to lower fund management sales in Ireland and the impact of currency movement. This decrease was partially offset by higher bulk annuity and wealth management sales in the U.K. and higher pension sales in Ireland and Germany.

Premiums and deposits for the third quarter of 2017 increased by $0.4 billion compared to the previous quarter, primarily due to higher bulk annuity sales in the U.K. and Ireland as well as higher fund management sales in Ireland, partially offset by lower wealth management sales in the U.K.

Sales

Sales for the third quarter of 2017 increased by $0.7 billion to $5.4 billion compared to the same quarter last year and by $0.5 billion compared to the previous quarter, primarily due to the same reasons discussed for premiums and deposits for the respective periods.

For the nine months ended September 30, 2017, sales decreased by $0.2 billion to $14.6 billion compared to the same period last year, primarily due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income

Fee and other income for the third quarter of 2017 increased by $20 million to $344 million compared to the same quarter last year. The increase was primarily due to higher asset management fees in Ireland and Germany as well as from other income in Ireland, which can be highly variable from quarter to quarter.

For the nine months ended September 30, 2017, fee and other income increased by $62 million to $1,005 million compared to the same period last year. The increase was primarily due to higher asset management fees in Ireland and Germany as well as from other income in Ireland, partially offset by the impact of currency movement and lower surrender fees in the U.K.

Fee and other income of $344 million for the third quarter of 2017 was comparable to the previous quarter.

Net earnings

Net earnings for the third quarter of 2017 decreased by $18 million to $233 million compared to the same quarter last year, primarily due to lower contributions from investment experience.

Net earnings for the nine months ended September 30, 2017 decreased by $5 million to $697 million compared to the same period last year, primarily due to lower contributions from insurance contract liability basis changes and the impact of currency movement. This decrease was partially offset by a gain on the sale of the Company's Allianz Ireland holdings, higher contributions from investment experience, favourable mortality experience and the impact of higher new business volumes.

Net earnings for the third quarter of 2017 decreased by $6 million compared to the previous quarter. The decrease was due to lower contributions from investment experience and less favourable mortality experience, partially offset by the impact of higher contributions from insurance contract liability basis changes.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2017	June 30 2017	Sept. 30 2016	**Sept. 30 2017**	Sept. 30 2016
Premiums and deposits	**$ 2,837**	$ 3,020	$ 2,967	**$ 9,734**	$ 7,172
Fee and other income	**4**	4	4	**13**	13
Net earnings	**(41)**	83	54	**123**	191

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 third quarter of 2017 decreased from $3.0 billion to $2.8 billion compared to the same quarter last year, primarily due to currency movements.

For the nine months ended September 30, 2017, premiums and deposits increased by $2.6 billion to $9.7 billion compared to the same period last year, primarily due to new reinsurance agreements and higher volumes relating to existing business.

Premiums and deposits for the third quarter of 2017 decreased by $0.2 billion compared to the previous quarter, primarily due to the impact of currency movement.

Fee and other income

Fee and other income for the third quarter of 2017 of $4 million was comparable to the same period last year and to the previous quarter.

For the nine months ended September 30, 2017, fee and other income of $13 million was comparable to the same period last year.

Net earnings

Net earnings for the third quarter of 2017 decreased by $95 million to a net loss of $41 million compared to the same quarter last year. Included in this result is a loss of $175 million for estimated claims resulting from the impact of recent hurricanes. Excluding this estimated loss, net earnings were $134 million, an increase of $80 million over last year. The increase was primarily due to favourable mortality experience in the traditional life line of business, favourable new business gains and the favourable impact of changes to certain tax estimates, partially offset by lower contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2017, net earnings decreased by $68 million to $123 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Net earnings for the third quarter of 2017 decreased by $124 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

EUROPE CORPORATE

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

In the third quarter of 2017, Europe Corporate had a net loss of $8 million compared to net earnings of $8 million for the same quarter last year. Included in the third quarter 2017 results were restructuring costs of $1 million related to the Irish Life retail business compared to $13 million in the third quarter of 2016 related to the acquisition and integration of Aviva Health Insurance Ireland Limited and GloHealth Financial Services Limited (GloHealth). Third quarter 2016 results included a fair value gain of $24 million which resulted from the assumption of control of GloHealth.

For the nine months ended September 30, 2017, Europe Corporate had a net loss of $26 million compared to net earnings of nil for the same period last year, primarily due to higher restructuring costs, partially offset by higher earnings for the legacy international businesses. Included in the year-to-date results were $19 million of restructuring related to Irish Life Health and the Irish Life business strategy to support business growth in the retail division, compared to $15 million primarily related to Irish Life Health, for the same period last year. Year-to-date results for Europe Corporate in 2016 also included a fair value gain of $24 million discussed for the in-quarter results.

For the three months ended September 30, 2017, Europe Corporate had a net loss of $8 million compared to a net loss of $1 million for the previous quarter, primarily due to higher expenses.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2017, Lifeco Corporate had a net loss of $9 million compared to $6 million for the same period in 2016, primarily due to higher preferred share dividend payments and higher operating expenses, partially offset by lower income taxes. Included in the results for the third quarter of 2016 was the negative impact of changes to certain income tax estimates.

For the nine months ended September 30, 2017, Lifeco Corporate had a net loss of $21 million, an increase from a net loss of $14 million for the same period last year, primarily due to higher preferred share dividend payments, higher operating expenses and lower investment income, partially offset by lower income taxes as discussed for the in-quarter results.

The net loss for the three months ended September 30, 2017 increased from $3 million in the previous quarter to $9 million in the current quarter, primarily due to higher preferred share dividend payments, higher operating expenses and lower net investment income, partially offset by lower income taxes.

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 third 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.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. A company will recognize revenue when it transfers goods or services to a customer in the amount of consideration a company expects to receive from the customer. Revenue arising from insurance contracts, leases, and financial instruments are out of scope of the new standard. The Company is in the process of completing its analysis on the impacts of the new standard, and while it can conclude that there will not be material change in the timing of revenue recognition, the Company continues to evaluate the presentation of certain revenues and expenses including on a gross versus net basis. The Company will be adopting the standard on its effective date of January 1, 2018. The Company continues to monitor interpretations and developments related to the standard.

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 Interests 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 May 2017, the IASB issued IFRS 17 *Insurance Contracts*, which will replace IFRS 4 *Insurance Contracts*. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. The new standard is effective for annual periods beginning on or after January 1, 2021. The Company is evaluating the impact of the adoption of this standard and expects it to have a significant impact on insurers.

In June 2017, the IASB issued IFRIC 23 *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*, when there is uncertainty over income tax treatments. The interpretation is effective for periods beginning on or after January 1, 2019. The Company is evaluating the impact of the adoption of this interpretation.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 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 during the nine month period ended September 30, 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
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue[(1)]	**$ 10,198**	$ 11,048	$ 12,874	$ 7,814	$ 13,408	$ 12,807	$ 12,352	$ 8,321
Common shareholders								
Net earnings								
Total	**$ 581**	$ 585	$ 591	$ 676	$ 674	$ 671	$ 620	$ 683
Basic - per share	**0.587**	0.591	0.598	0.686	0.682	0.675	0.625	0.688
Diluted - per share	**0.587**	0.590	0.597	0.685	0.681	0.674	0.623	0.686
Adjusted net earnings [(2)]								
Total	**$ 582**	$ 712	$ 619	$ 698	$ 689	$ 675	$ 623	$ 683
Basic - per share	**0.589**	0.719	0.627	0.709	0.697	0.679	0.628	0.688
Diluted - per share	**0.588**	0.718	0.625	0.707	0.696	0.678	0.626	0.686

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

(2) The third quarter of 2017 included restructuring costs of $1 million primarily related to the Insurance & Annuities business unit. The second quarter of 2017 included restructuring costs of $127 million related to the Canada segment and Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million related to the Insurance & Annuities and Financial Services business units. The fourth quarter of 2016 included restructuring costs of $22 million related to the U.S. Segment. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit ($1 million in the second quarter of 2016) and $2 million related to the Financial Services business units ($3 million in the second quarter of 2016). The first quarter of 2016 included restructuring costs of $3 million related to the Insurance & Annuities and Financial Services business units.

Lifeco's consolidated net earnings attributable to common shareholders were $581 million for the third quarter of 2017 compared to $674 million reported a year ago. On a per share basis, this represents $0.587 per common share ($0.587 diluted) for the third quarter of 2017 compared to $0.682 per common share ($0.681 diluted) a year ago.

Total revenue for the third quarter of 2017 was $10,198 million and comprises premium income of $8,304 million, regular net investment income of $1,517 million, a negative change in fair value through profit or loss on investment assets of $988 million and fee and other income of $1,365 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**	**Sept. 30 2017**	June 30 2017	Mar. 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016	Mar. 31 2016
United States dollar							
Balance sheet	**$ 1.25**	$ 1.30	$ 1.33	$ 1.34	$ 1.31	$ 1.30	$ 1.30
Income and expenses	**$ 1.25**	$ 1.34	$ 1.32	$ 1.33	$ 1.31	$ 1.29	$ 1.37
British pound							
Balance sheet	**$ 1.67**	$ 1.69	$ 1.67	$ 1.66	$ 1.71	$ 1.72	$ 1.87
Income and expenses	**$ 1.64**	$ 1.72	$ 1.64	$ 1.66	$ 1.71	$ 1.85	$ 1.96
Euro							
Balance sheet	**$ 1.47**	$ 1.48	$ 1.42	$ 1.42	$ 1.47	$ 1.44	$ 1.48
Income and expenses	**$ 1.47**	$ 1.48	$ 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.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2017	June 30 2017	September 30 2016	**September 30 2017**	September 30 2016
Income					
Premium income					
Gross premiums written	**$ 9,346**	$ 8,792	$ 9,301	**$ 28,622**	$ 25,061
Ceded premiums	**(1,042)**	(1,020)	(967)	**(3,181)**	(2,841)
Total net premiums	**8,304**	7,772	8,334	**25,441**	22,220
Net investment income (note 4)					
Regular net investment income	**1,517**	1,591	1,496	**4,577**	4,745
Changes in fair value through profit or loss	**(988)**	304	2,307	**51**	7,846
Total net investment income	**529**	1,895	3,803	**4,628**	12,591
Fee and other income	**1,365**	1,381	1,271	**4,051**	3,756
	10,198	11,048	13,408	**34,120**	38,567
Benefits and expenses					
Policyholder benefits					
Gross	**7,051**	7,415	7,452	**23,061**	20,237
Ceded	**(548)**	(500)	(545)	**(1,658)**	(1,518)
Total net policyholder benefits	**6,503**	6,915	6,907	**21,403**	18,719
Policyholder dividends and experience refunds	**346**	462	404	**1,366**	1,154
Changes in insurance and investment contract liabilities	**718**	850	3,278	**2,887**	10,429
Total paid or credited to policyholders	**7,567**	8,227	10,589	**25,656**	30,302
Commissions	**521**	549	584	**1,823**	1,749
Operating and administrative expenses	**1,143**	1,185	1,180	**3,561**	3,549
Premium taxes	**118**	107	109	**348**	299
Financing charges (note 9)	**71**	79	74	**226**	227
Amortization of finite life intangible assets	**47**	47	43	**139**	133
Restructuring expenses (note 15)	**1**	216	19	**254**	28
Earnings before income taxes	**730**	638	810	**2,113**	2,280
Income taxes (note 16)	**93**	51	108	**240**	208
Net earnings before non-controlling interests	**637**	587	702	**1,873**	2,072
Attributable to non-controlling interests	**21**	(28)	(3)	**20**	15
Net earnings	**616**	615	705	**1,853**	2,057
Preferred share dividends	**35**	30	31	**96**	92
Net earnings - common shareholders	**$ 581**	$ 585	$ 674	**$ 1,757**	$ 1,965
Earnings per common share (note 12)					
Basic	**$ 0.587**	$ 0.591	$ 0.682	**$ 1.776**	$ 1.982
Diluted	**$ 0.587**	$ 0.590	$ 0.681	**$ 1.773**	$ 1.979

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2017	June 30 2017	September 30 2016	**September 30 2017**	September 30 2016
Net earnings	**$ 616**	$ 615	$ 705	**$ 1,853**	$ 2,057
Other comprehensive income (loss)					
Items that may be reclassified subsequently to Consolidated Statements of Earnings					
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(359)**	(365)	80	**(746)**	(1,412)
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**10**	(60)	(15)	**(50)**	15
Income tax (expense) benefit	**(1)**	8	2	**7**	(2)
Unrealized gains (losses) on available-for-sale assets	**(44)**	(41)	32	**(55)**	278
Income tax (expense) benefit	**11**	5	(4)	**10**	(50)
Realized (gains) losses on available-for-sale assets	**2**	(12)	(21)	**(18)**	(70)
Income tax expense (benefit)	**(1)**	2	2	**3**	9
Unrealized gains (losses) on cash flow hedges	**10**	(28)	(6)	**6**	69
Income tax (expense) benefit	**(3)**	10	2	**(2)**	(27)
Realized (gains) losses on cash flow hedges	**(9)**	411	1	**402**	2
Income tax expense (benefit)	**3**	(162)	(1)	**(159)**	(1)
Non-controlling interests	**49**	28	(1)	**71**	(16)
Income tax (expense) benefit	**(11)**	(6)	1	**(15)**	9
Total items that may be reclassified	**(343)**	(210)	72	**(546)**	(1,196)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	**137**	(96)	(239)	**24**	(701)
Income tax (expense) benefit	**(33)**	31	49	**(11)**	168
Non-controlling interests	**(16)**	11	7	**1**	40
Income tax (expense) benefit	**4**	(2)	(2)	**—**	(10)
Total items that will not be reclassified	**92**	(56)	(185)	**14**	(503)
Total other comprehensive income (loss)	**(251)**	(266)	(113)	**(532)**	(1,699)
Comprehensive income (loss)	**$ 365**	$ 349	$ 592	**$ 1,321**	$ 358

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2017	December 31 2016
Assets		
Cash and cash equivalents	**$ 3,106**	$ 3,259
Bonds (note 4)	**116,748**	116,773
Mortgage loans (note 4)	**21,871**	21,651
Stocks (note 4)	**8,707**	8,665
Investment properties (note 4)	**4,738**	4,340
Loans to policyholders	**8,194**	8,467
	163,364	163,155
Funds held by ceding insurers	**9,977**	10,781
Goodwill	**6,273**	5,977
Intangible assets	**3,814**	3,972
Derivative financial instruments	**436**	528
Owner occupied properties	**693**	649
Fixed assets	**295**	304
Other assets	**2,296**	2,263
Premiums in course of collection, accounts and interest receivable	**4,648**	4,311
Reinsurance assets (note 7)	**5,418**	5,627
Current income taxes	**77**	97
Deferred tax assets	**1,674**	1,845
Investments on account of segregated fund policyholders (note 8)	**208,046**	200,403
Total assets	**$ 407,011**	$ 399,912
Liabilities		
Insurance contract liabilities (note 7)	**$ 156,257**	$ 155,940
Investment contract liabilities (note 7)	**1,880**	2,009
Debentures and other debt instruments	**5,392**	5,980
Capital trust securities	**160**	161
Funds held under reinsurance contracts	**351**	320
Derivative financial instruments	**1,314**	2,012
Accounts payable	**2,610**	2,049
Other liabilities	**3,458**	3,836
Current income taxes	**528**	549
Deferred tax liabilities	**1,629**	1,645
Investment and insurance contracts on account of segregated fund policyholders (note 8)	**208,046**	200,403
Total liabilities	**381,625**	374,904
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,753**	2,782
Non-controlling interests in subsidiaries	**204**	224
Shareholders' equity		
Share capital (note 11)		
Preferred shares	**2,714**	2,514
Common shares	**7,262**	7,130
Accumulated surplus	**12,097**	11,465
Accumulated other comprehensive income	**227**	746
Contributed surplus	**129**	147
Total equity	**25,386**	25,008
Total liabilities and equity	**$ 407,011**	$ 399,912

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 30, 2017					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 9,644**	**$ 147**	**$ 11,465**	**$ 746**	**$ 3,006**	**$ 25,008**
Net earnings	**—**	**—**	**1,853**	**—**	**20**	**1,873**
Other comprehensive income (loss)	**—**	**—**	**—**	**(532)**	**(57)**	**(589)**
	9,644	**147**	**13,318**	**214**	**2,969**	**26,292**
Dividends to shareholders						
Preferred shareholders (note 12)	**—**	**—**	**(96)**	**—**	**—**	**(96)**
Common shareholders	**—**	**—**	**(1,090)**	**—**	**—**	**(1,090)**
Shares exercised and issued under share-based payment plans (note 11)	**137**	**(59)**	**—**	**—**	**45**	**123**
Share-based payment plans expense	**—**	**41**	**—**	**—**	**—**	**41**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(54)**	**(54)**
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	**(27)**	**—**	**—**	**—**	**—**	**(27)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	**22**	**—**	**(22)**	**—**	**—**	**—**
Issuance of preferred shares (note 11)	**200**	**—**	**—**	**—**	**—**	**200**
Preferred share issue costs (note 11)	**—**	**—**	**(3)**	**—**	**—**	**(3)**
Dilution gain on non-controlling interests	**—**	**—**	**3**	**—**	**(3)**	**—**
Disposal of investment in associate (note 4)	**—**	**—**	**(13)**	**13**	**—**	**—**
Balance, end of period	**$ 9,976**	**$ 129**	**$ 12,097**	**$ 227**	**$ 2,957**	**$ 25,386**

	September 30, 2016					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,670	$ 135	$ 10,416	$ 2,218	$ 2,821	$ 25,260
Net earnings	—	—	2,057	—	15	2,072
Other comprehensive income (loss)	—	—	—	(1,699)	(23)	(1,722)
	9,670	135	12,473	519	2,813	25,610
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(92)	—	—	(92)
Common shareholders	—	—	(1,029)	—	—	(1,029)
Shares exercised and issued under share-based payment plans (note 11)	21	(46)	—	—	49	24
Share-based payment plans expense	—	49	—	—	—	49
Equity settlement of Putnam share-based plans	—	—	—	—	(39)	(39)
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(267)	—	—	—	—	(267)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	210	—	(210)	—	—	—
Dilution loss on non-controlling interests	—	—	(2)	—	2	—
Balance, end of period	$ 9,634	$ 138	$ 11,140	$ 519	$ 2,825	$ 24,256

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2017	2016
Operations		
Earnings before income taxes	**$ 2,113**	$ 2,280
Income taxes paid, net of refunds received	**(279)**	(158)
Adjustments:		
Change in insurance and investment contract liabilities	**2,398**	10,359
Change in funds held by ceding insurers	**545**	481
Change in funds held under reinsurance contracts	**32**	32
Change in reinsurance assets	**331**	(99)
Changes in fair value through profit or loss	**(51)**	(7,846)
Other	**(619)**	(184)
	4,470	4,865
Financing Activities		
Issue of common shares (note 11)	**121**	21
Issue of preferred shares (note 11)	**200**	—
Share issue costs (note 11)	**(3)**	—
Purchased and cancelled common shares (note 11)	**(27)**	(267)
Issue of senior unsecured notes (note 10)	**925**	—
Repayment of subordinate debentures (note 10)	**(1,284)**	—
Decrease in line of credit of subsidiary	**(147)**	(197)
Increase (decrease) in debentures and other debt instruments	**(2)**	9
Dividends paid on common shares	**(1,090)**	(1,029)
Dividends paid on preferred shares	**(96)**	(92)
	(1,403)	(1,555)
Investment Activities		
Bond sales and maturities	**19,272**	21,880
Mortgage loan repayments	**2,054**	1,983
Stock sales	**2,645**	1,936
Investment property sales	**44**	373
Change in loans to policyholders	**(124)**	12
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(291)**	(33)
Investment in bonds	**(21,373)**	(23,852)
Investment in mortgage loans	**(2,663)**	(2,779)
Investment in stocks	**(2,413)**	(2,305)
Investment in investment properties	**(302)**	(91)
	(3,151)	(2,876)
Effect of changes in exchange rates on cash and cash equivalents	**(69)**	(187)
Increase (decrease) in cash and cash equivalents	**(153)**	247
Cash and cash equivalents, beginning of period	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,106**	$ 3,060
Supplementary cash flow information		
Interest income received	**$ 3,801**	$ 3,995
Interest paid	**195**	196
Dividend income received	**176**	184

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 and nine months ended September 30, 2017 were approved by the Board of Directors on November 2, 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 September 30, 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 Interests 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.

Future Accounting Policies

The Company actively monitors changes in IFRS, both proposed and released, by the IASB for potential impact on the Company. The following sets out standards released and updates to the Company's analysis since the year ended December 31, 2016:

New Standard	Summary of Future Changes
IFRS 15 - *Revenue from Contracts with Customers*	In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The Company will recognize revenue when it transfers goods or services to a customer in the amount of consideration the Company expects to receive from the customer. Revenue arising from insurance contracts, leases, and financial instruments are out of scope of the new standard. The Company is in the process of completing its analysis on the impacts of the new standard, and while it can conclude that there will not be material change in the timing of revenue recognition, the Company continues to evaluate the presentation of certain revenues and expenses including on a gross versus net basis. The Company will be adopting the standard on its effective date of January 1, 2018. The Company continues to monitor interpretations and developments related to the standard.
IFRS 17 - *Insurance Contracts*	In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which will replace IFRS 4, *Insurance Contracts*. IFRS 17 sets out the requirements for the recognition, measurement, presentation and disclosures of insurance contracts a company issues and reinsurance contracts it holds. The new standard is effective for annual periods beginning on or after January 1, 2021. The Company is evaluating the impact of the adoption of this standard and expects it to have a significant impact on insurers.
IFRIC 23 - *Uncertainty over Income Tax Treatments*	In June 2017, the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*, when there is uncertainty over income tax treatments. The interpretation is effective for periods beginning on or after January 1, 2019. The Company is evaluating the impact of the adoption of this interpretation.

There have been no other significant changes to the future accounting policies that could impact the Company, as disclosed in the December 31, 2016 consolidated annual audited financial statements.

Use of Significant Judgments, Estimates and Assumptions

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

(a) Financial Horizons Group

On July 31, 2017, the Company through its wholly-owned subsidiary Great-West Life completed the acquisition of all the common shares of Financial Horizons Group Inc. (FHG), a Canadian Managing General Agency that offers access to life and health insurance, employee benefits, pensions, investments, structured settlements and risk management products and services to advisors across Canada.

As at September 30, 2017, the initial valuation for the acquisition is incomplete pending the completion of a comprehensive valuation of the net assets acquired. The financial statements at September 30, 2017 reflect management's best estimates of the purchase price allocation, which includes provisional amounts. The comprehensive valuation of the fair value of the net assets acquired including intangible assets and completion of the purchase price allocation is anticipated to be finalized during the fourth quarter of 2017.

The revenue and net earnings of FHG was not significant to the results of the Company.

(b) Retirement Advantage

On August 24, 2017, the Company, through its indirect wholly-owned subsidiary The Canada Life Group (UK) Ltd., entered into an agreement to purchase Retirement Advantage, a financial services provider based in the United Kingdom that offers retirement and equity release services. The transaction is expected to close prior to the end of the first quarter of 2018. This is subject to regulatory approvals, and certain closing conditions. Net earnings from Retirement Advantage will not be material to the financial statements.

4. Portfolio Investments

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

	September 30, 2017		December 31, 2016	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 84,904**	**$ 84,904**	$ 85,739	$ 85,739
Classified fair value through profit or loss [1]	**1,834**	**1,834**	2,586	2,586
Available-for-sale	**12,613**	**12,613**	11,478	11,478
Loans and receivables	**17,397**	**18,865**	16,970	18,484
	116,748	**118,216**	116,773	118,287
Mortgage loans				
Residential	**8,496**	**8,673**	8,062	8,260
Commercial	**13,375**	**14,006**	13,589	14,290
	21,871	**22,679**	21,651	22,550
Stocks				
Designated fair value through profit or loss [1]	**7,871**	**7,871**	7,606	7,606
Available-for-sale	**55**	**55**	48	48
Available-for-sale, at cost [2]	**351**	**351**	391	391
Equity method [3]	**430**	**450**	620	610
	8,707	**8,727**	8,665	8,655
Investment properties	**4,738**	**4,738**	4,340	4,340
Total	**$ 152,064**	**$ 154,360**	$ 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 14). These actuarial losses were transferred within equity from accumulated other comprehensive income to accumulated surplus.

4. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2017	December 31 2016
Impaired amounts by classification		
Fair value through profit or loss	$ 241	$ 283
Available-for-sale	19	10
Loans and receivables	53	79
Total	$ 313	$ 372

The carrying amount of impaired investments includes $255 bonds, $46 mortgage loans and $12 stocks at September 30, 2017 ($315 bonds and $57 mortgage loans at December 31, 2016). The above carrying values for loans and receivables are net of allowances of $34 at September 30, 2017 and $43 at December 31, 2016.

(c) Net investment income comprises the following:

For the three months ended September 30, 2017	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,060	$ 220	$ 60	$ 79	$ 148	$ 1,567
Net realized gains (losses)						
Available-for-sale	(2)	—	(1)	—	—	(3)
Other classifications	1	7	—	—	—	8
Net allowances for credit losses on loans and receivables	(3)	—	—	—	—	(3)
Other income (expenses)	—	—	—	(22)	(30)	(52)
	1,056	227	59	57	118	1,517
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	(25)	—	—	—	—	(25)
Designated fair value through profit or loss	(1,054)	—	177	—	(136)	(1,013)
Recorded at fair value through profit or loss	—	—	—	50	—	50
	(1,079)	—	177	50	(136)	(988)
Total	$ (23)	$ 227	$ 236	$ 107	$ (18)	$ 529

4. Portfolio Investments (cont'd)

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

For the nine months ended September 30, 2017	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 3,211**	**$ 671**	**$ 195**	**$ 235**	**$ 357**	**$ 4,669**
Net realized gains (losses)						
Available-for-sale	**18**	**—**	**(1)**	**—**	**—**	**17**
Other classifications	**12**	**32**	**—**	**—**	**—**	**44**
Net allowances for credit losses on loans and receivables	**3**	**(4)**	**—**	**—**	**—**	**(1)**
Other income (expenses)	**—**	**—**	**—**	**(63)**	**(89)**	**(152)**
	3,244	**699**	**194**	**172**	**268**	**4,577**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**(22)**	**—**	**3**	**—**	**—**	**(19)**
Designated fair value through profit or loss	**(172)**	**—**	**273**	**—**	**(154)**	**(53)**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**123**	**—**	**123**
	(194)	**—**	**276**	**123**	**(154)**	**51**
Total	**$ 3,050**	**$ 699**	**$ 470**	**$ 295**	**$ 114**	**$ 4,628**

4. Portfolio Investments (cont'd)

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

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.

5. 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:

- At September 30, 2017 and December 31, 2016, the effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.
- At September 30, 2017 and December 31, 2016, the effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios results in interest rate changes to assets and liabilities that will offset each other with no impact to net earnings.

5. Financial Instruments Risk Management (cont'd)

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholders' net earnings of the Company of a 1% change in the Company's view of the range of interest rates to be covered by these provisions. The following provides information on the effect of an immediate 1% increase or 1% decrease in the interest rates at both the low and high end of the range of interest rates recognized in the provisions:

	September 30, 2017		December 31, 2016	
	1% increase	**1% decrease**	1% increase	1% decrease
Change in interest rates				
Increase (decrease) in insurance and investment contract liabilities	**$ (177)**	**$ 599**	$ (202)	$ 677
Increase (decrease) in net earnings	**$ 123**	**$ (427)**	$ 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. However, there may be additional market and liability impacts as a result of changes in the equity values that will cause the liabilities to fluctuate differently than the equity values.The following provides information on the expected impacts of a 10% increase or 10% decrease in equity values:

	September 30, 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	**$ (55)**	**$ 99**	$ (51)	$ 61
Increase (decrease) in net earnings	**$ 46**	**$ (78)**	$ 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:

	September 30, 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	**$ (527)**	**$ 574**	$ (504)	$ 552
Increase (decrease) in net earnings	**$ 427**	**$ (457)**	$ 407	$ (438)

6. Fair Value Measurement

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

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

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

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

6. Fair Value Measurement (cont'd)

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

	September 30, 2017			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,106	$ —	$ —	$ 3,106
Financial assets at fair value through profit or loss				
Bonds	—	86,677	61	86,738
Stocks	7,672	1	198	7,871
Total financial assets at fair value through profit or loss	7,672	86,678	259	94,609
Available-for-sale financial assets				
Bonds	—	12,613	—	12,613
Stocks	48	6	1	55
Total available-for-sale financial assets	48	12,619	1	12,668
Investment properties	—	—	4,738	4,738
Funds held by ceding insurers	123	7,813	—	7,936
Derivatives (1)	—	436	—	436
Other assets:				
Trading account assets	429	167	—	596
Other (2)	93	—	—	93
Total assets measured at fair value	$ 11,471	$ 107,713	$ 4,998	$ 124,182
Liabilities measured at fair value				
Derivatives (3)	$ 6	$ 1,308	$ —	$ 1,314
Investment contract liabilities	—	1,858	22	1,880
Other liabilities	93	—	—	93
Total liabilities measured at fair value	$ 99	$ 3,166	$ 22	$ 3,287

(1) Excludes collateral received from counterparties of $101.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged to counterparties of $331.

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

6. Fair Value Measurement (cont'd)

	December 31, 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.

6. Fair Value Measurement (cont'd)

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

	September 30, 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 (losses)								
Included in net earnings	—	—	2	—	123	—	125	—
Included in other comprehensive income (loss) [1]	2	—	(2)	—	17	—	17	—
Purchases	—	—	128	—	302	—	430	—
Sales	—	—	(14)	—	(44)	(1)	(59)	—
Other	—	—	—	—	—	—	—	2
Transfers into Level 3 [2]	59	—	4	—	—	—	63	—
Transfers out of Level 3 [2]	(1)	—	—	—	—	—	(1)	—
Balance, end of period	$ 61	$ —	$ 198	$ 1	$ 4,738	$ —	$ 4,998	$ 22
Total gains for the period included in net investment income	$ —	$ —	$ 2	$ —	$ 123	$ —	$ 125	$ —
Change in unrealized gains for the period included in earnings for assets held at September 30, 2017	$ —	$ —	$ 1	$ —	$ 104	$ —	$ 105	$ —

(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.

6. 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 2.6% -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% - 7.5%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.8%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

7. Insurance and Investment Contract Liabilities

	September 30, 2017		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 156,257**	**$ 5,418**	**$ 150,839**
Investment contract liabilities	**1,880**	**—**	**1,880**
Total	**$ 158,137**	**$ 5,418**	**$ 152,719**

	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

8. Segregated Funds

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

(a) Investments on account of segregated fund policyholders

	September 30 2017	December 31 2016
Cash and cash equivalents	**$ 13,026**	$ 12,487
Bonds	**41,683**	41,619
Mortgage loans	**2,663**	2,622
Stocks and units in unit trusts	**87,571**	81,033
Mutual funds	**52,745**	51,726
Investment properties	**11,685**	11,019
	209,373	200,506
Accrued income	**390**	359
Other liabilities	**(2,595)**	(2,009)
Non-controlling mutual funds interest	**878**	1,547
Total	**$ 208,046**	$ 200,403

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

	For the nine months ended September 30	
	2017	2016
Balance, beginning of year	**$ 200,403**	$ 198,194
Additions (deductions):		
Policyholder deposits	**17,519**	16,084
Net investment income	**1,273**	1,414
Net realized capital gains on investments	**4,074**	2,721
Net unrealized capital gains on investments	**2,667**	5,752
Unrealized gains (losses) due to changes in foreign exchange rates	**(93)**	(8,463)
Policyholder withdrawals	**(17,213)**	(16,673)
Change in Segregated Fund investment in General Fund	**(38)**	7
Change in General Fund investment in Segregated Fund	**(10)**	(10)
Net transfer from General Fund	**133**	11
Non-controlling mutual funds interest	**(669)**	125
Total	**7,643**	968
Balance, end of period	**$ 208,046**	$ 199,162

8. Segregated Funds (cont'd)

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

	September 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 131,923**	**$ 65,059**	**$ 12,707**	**$ 209,689**

(1) Excludes other liabilities, net of other assets, of $1,643.

	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 nine months of 2017 certain foreign stock holdings valued at $2,631 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:

	September 30 2017	December 31 2016
Balance, beginning of year	**$ 12,045**	$ 11,765
Total gains (losses) included in segregated fund investment income	**300**	(109)
Purchases	**661**	584
Sales	**(365)**	(370)
Transfers into Level 3	**79**	175
Transfers out of Level 3	**(13)**	—
Balance, end of period	**$ 12,707**	$ 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.

For further details on the Company's risk and guarantee exposure and the management of these risks, refer to the "Segregated Fund and Variable Annuity Guarantees" section of the Company's Management's Discussion and Analysis for the period ended September 30, 2017 and the "Risk Management and Control Practices" section of the Company's December 31, 2016 Management's Discussion and Analysis.

9. Financing Charges

Financing charges consist of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	**2017**	2016
Operating charges				
Interest on operating lines and short-term debt instruments	**$ 1**	$ 3	**$ 5**	$ 7
Financial charges				
Interest on long-term debentures and other debt instruments	**61**	62	**193**	192
Interest on capital trust securities	**3**	3	**8**	8
Other	**6**	6	**20**	20
	70	71	**221**	220
Total	**$ 71**	$ 74	**$ 226**	$ 227

10. Debentures and Other Debt Instruments

During the first quarter of 2017, Irish Life Assurance, an indirect wholly owned subsidiary of the Company, redeemed its 5.25% $284 (200 euro) subordinated debenture notes at their principal amount together with accrued interest.

On May 26, 2017, Great-West Lifeco Finance (Delaware) LP issued $925 (U.S. $700) principal amount 4.150% senior unsecured notes that are fully and unconditionally guaranteed by Lifeco, maturing on June 3, 2047.

On June 21, 2017, Great-West Lifeco Finance (Delaware) LP redeemed all $1,000 principal amount of its 5.691% subordinated debentures at a redemption price equal to 100% of the principal amount of the debentures, plus accrued interest up to but excluding the redemption date. The debentures were hedged using a cross-currency swap designated as a cash flow hedge. Upon redemption of the debentures, the gains on the debentures realized and the losses realized on the hedging instrument were recorded in the Consolidated Statements of Earnings with no impact on net earnings. The deferred income taxes related to this cash flow hedge resulted in a reduction to Other Comprehensive Income of $97 that had not previously been recorded.

11. Share Capital

(a) Common Shares

	For the nine months ended September 30			
	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	**(780,709)**	**(27)**	(7,967,881)	(267)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**22**	—	210
Exercised and issued under stock option plan	**3,956,524**	**137**	679,545	21
Balance, end of period	**989,574,150**	**$ 7,262**	986,061,995	$ 7,120

During the nine months ended September 30, 2017, 3,956,524 common shares were exercised under the Company's stock plan with a carrying value of $137, including $16 from contributed surplus transferred upon exercise (679,545 with a carrying value of $21, including $3 from contributed surplus transferred upon exercise during the nine months ended September 30, 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 nine months ended September 30, 2017, the Company repurchased and subsequently cancelled 780,709 common shares under the current normal course issuer bid at a cost of $27 (7,967,881 during the nine months ended September 30, 2016 under the previous normal course issuer bid at a cost of $267). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was $22 and was recognized as a reduction to equity during the nine months ended September 30, 2017 ($210 during the nine months ended September 30, 2016 under the previous normal course issuer bid).

(b) Preferred Shares

On May 18, 2017 the Company issued 8,000,000 Series T, 5.15% Non-Cumulative First Preferred Shares at $25.00 per share for gross proceeds of $200. The shares are redeemable at the option of the Company on or after June 30, 2022 for $25.00 per share plus a premium if redeemed prior to June 30, 2026, in each case together with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $3 were charged to accumulated surplus.

12. Earnings per Common Share

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	**2017**	2016
Earnings				
Net earnings	**$ 616**	$ 705	**$ 1,853**	$ 2,057
Preferred share dividends	**(35)**	(31)	**(96)**	(92)
Net earnings - common shareholders	**$ 581**	$ 674	**$ 1,757**	$ 1,965
Number of common shares				
Average number of common shares outstanding	**989,723,743**	987,748,045	**989,150,836**	991,265,943
Add: Potential exercise of outstanding stock options	**1,331,533**	1,255,802	**1,561,136**	1,678,289
Average number of common shares outstanding - diluted basis	**991,055,276**	989,003,847	**990,711,972**	992,944,232
Basic earnings per common share	**$ 0.587**	$ 0.682	**$ 1.776**	$ 1.982
Diluted earnings per common share	**$ 0.587**	$ 0.681	**$ 1.773**	$ 1.979
Dividends per common share	**$ 0.3670**	$ 0.3460	**$ 1.1010**	$ 1.0380

13. 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:

	September 30 2017	December 31 2016
Adjusted Net Tier 1 Capital	**$ 13,402**	$ 13,071
Net Tier 2 Capital	**2,703**	2,798
Total Capital Available	**$ 16,105**	$ 15,869
Total Capital Required	**$ 6,912**	$ 6,618
Tier 1 Ratio	**194%**	198%
Total Ratio	**233%**	240%

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

14. Pension Plans and Other Post-Employment Benefits

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

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	**2017**	2016
Pension plans				
Service costs	**$ 54**	$ 57	**$ 161**	$ 162
Net interest costs	**6**	5	**19**	16
Curtailments	**(20)**	—	**(22)**	(13)
	40	62	**158**	165
Other post-employment benefits				
Service costs	**1**	1	**2**	2
Net interest costs	**4**	4	**11**	12
	5	5	**13**	14
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**45**	67	**171**	179
Pension plans - re-measurements				
Actuarial loss (gain)	**(153)**	368	**72**	964
Return on assets greater (less) than assumed	**12**	(141)	**(101)**	(268)
Administrative expenses less than assumed	**(1)**	—	**(3)**	(2)
Change in the asset ceiling	**20**	(8)	**4**	(31)
Actuarial loss - investment in associate [1]	**—**	9	**1**	1
Pension plans re-measurement loss (gain)	**(122)**	228	**(27)**	664
Other post-employment benefits - re-measurements				
Actuarial loss (gain)	**(15)**	11	**3**	37
Pension plans and other post-employment benefits re-measurements - other comprehensive loss (income)	**(137)**	239	**(24)**	701
Total pension plans and other post-employment benefits expense (income) including re-measurements	**$ (92)**	$ 306	**$ 147**	$ 880

[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 4).

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

	September 30		June 30		December 31	
	2017	2016	2017	2016	2016	2015
Weighted average discount rate	**3.4%**	2.9%	3.2%	3.1%	3.4%	3.8%

15. Restructuring Expenses

Canadian Business Transformation

In the second quarter of 2017, the Company recorded a restructuring provision for the Canadian operations transformation plan of $215 pre-tax ($172 pre-tax in the shareholder account and $43 pre-tax in the participating accounts) with the charge recorded in restructuring expenses in the Consolidated Statements of Earnings. This restructuring is in respect of activities aimed at achieving planned expense reductions and an organizational realignment to respond to changing customer needs and expectations in Canada. The expense reductions address costs across the Canadian operations and corporate functions primarily through a reduction in staff, exiting of certain lease agreements and information system impairments. The restructuring charge in the participating accounts is comprised of $29 in London Life, $7 in Great-West Life and $7 in Canada Life.

At September 30, 2017, the Company has a restructuring provision of $144 remaining in other liabilities for this charge. The change in the restructuring provision for the Canadian Business Transformation is set out below:

Balance, beginning of year	**$ —**
Restructuring charge recorded in the second quarter of 2017	**215**
Amounts used	**(71)**
Balance, end of period	**$ 144**

16. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2017	2016	**2017**	2016
Current income taxes	**$ 60**	$ 1	**$ 298**	$ 174
Deferred income taxes	**33**	107	**(58)**	34
Total income tax expense	**$ 93**	$ 108	**$ 240**	$ 208

(b) Effective Income Tax Rate

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

The overall effective income tax rate for Lifeco for the three months ended September 30, 2017 was 12.7% compared to 13.3% for the three months ended September 30, 2016. The overall effective income tax rate for Lifeco for the nine months ended September 30, 2017 was 11.4% compared to 9.1% for the nine months ended September 30, 2016.

The effective income tax rate for the three months ended September 30, 2017 is comparable to the effective income tax rate in the third quarter of 2016.

The effective income tax rate for the nine months ended September 30, 2017 is higher than the effective income tax rate for the nine months ended September 30, 2016 primarily due to changes in certain tax estimates as well as elections with tax authorities during the first quarter of 2016.

(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 $1,298 at September 30, 2017 ($1,389 at December 31, 2016).

17. Segmented Information

Consolidated Net Earnings

For the three months ended September 30, 2017

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,231	$ 1,241	$ 3,832	$ —	$ 8,304
Net investment income					
Regular net investment income	640	458	418	1	1,517
Changes in fair value through profit or loss	(852)	11	(147)	—	(988)
Total net investment income	(212)	469	271	1	529
Fee and other income	411	606	348	—	1,365
	3,430	2,316	4,451	1	10,198
Benefits and expenses					
Paid or credited to policyholders	2,219	1,492	3,856	—	7,567
Other [(1)]	772	617	386	7	1,782
Financing charges	31	28	12	—	71
Amortization of finite life intangible assets	18	21	8	—	47
Restructuring expenses	—	—	1	—	1
Earnings (loss) before income taxes	390	158	188	(6)	730
Income taxes (recovery)	74	41	(20)	(2)	93
Net earnings (loss) before non-controlling interests	316	117	208	(4)	637
Non-controlling interests	19	2	—	—	21
Net earnings (loss)	297	115	208	(4)	616
Preferred share dividends	26	—	5	4	35
Net earnings (loss) before capital allocation	271	115	203	(8)	581
Impact of capital allocation	25	(5)	(19)	(1)	—
Net earnings (loss) - common shareholders	$ 296	$ 110	$ 184	$ (9)	$ 581

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

For the three months ended September 30, 2016

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

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

For the nine months ended September 30, 2017

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 9,715	$ 3,412	$ 12,314	$ —	$ 25,441
Net investment income					
Regular net investment income	1,895	1,364	1,316	2	4,577
Changes in fair value through profit or loss	(195)	387	(141)	—	51
Total net investment income	1,700	1,751	1,175	2	4,628
Fee and other income	1,197	1,836	1,018	—	4,051
	12,612	6,999	14,507	2	34,120
Benefits and expenses					
Paid or credited to policyholders	8,797	4,520	12,339	—	25,656
Other [(1)]	2,583	1,954	1,177	18	5,732
Financing charges	92	99	34	1	226
Amortization of finite life intangible assets	52	64	23	—	139
Restructuring expenses	215	17	22	—	254
Earnings (loss) before income taxes	873	345	912	(17)	2,113
Income taxes (recovery)	117	80	48	(5)	240
Net earnings (loss) before non-controlling interests	756	265	864	(12)	1,873
Non-controlling interests	17	4	(1)	—	20
Net earnings (loss)	739	261	865	(12)	1,853
Preferred share dividends	78	—	14	4	96
Net earnings (loss) before capital allocation	661	261	851	(16)	1,757
Impact of capital allocation	75	(13)	(57)	(5)	—
Net earnings (loss) - common shareholders	$ 736	$ 248	$ 794	$ (21)	$ 1,757

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

For the nine months ended September 30, 2016

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

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

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