GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Second Quarter Results

For the period ended June 30, 2017

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Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to June 30, 2017 Six Months Results

The condensed consolidated interim unaudited financial statements including notes at June 30, 2017 were approved by the Board of Directors at a meeting held today in Toronto.

Great-West Lifeco Inc. (Lifeco or the Company) today announced net earnings attributable to common shareholders of $585 million or $0.591 per common share. Included in Lifeco's net earnings for the second quarter of 2017 were restructuring costs of $127 million, primarily related to the realignment of the Canada segment operations. Excluding these costs, adjusted net earnings for the second quarter of 2017 were $712 million or $0.719 per common share, up 6% compared to $671 million or $0.675 per common share for the same quarter last year. The increase in adjusted net earnings reflects strong business results and the impact of ongoing expense management initiatives.

For the six months ended June 30, 2017, excluding the impact of restructuring costs, Lifeco’s adjusted net earnings were $1,331 million or $1.345 per common share compared to $1,291 million or $1.300 per common share for the same period last year.

Consolidated assets under administration at June 30, 2017 were over $1.3 trillion, an increase of $60.7 billion from December 31, 2016.

Highlights – In Quarter

Fee income of $1.4 billion up 12%

- Fee and other income was $1.4 billion, up 12% from the second quarter of 2016, primarily as a result of increases in all segments driven by market performance and business growth.

Capital strength and financial flexibility maintained

- The Great-West Life Assurance Company reported a Minimum Continuing Capital Surplus Requirements (MCCSR) ratio of 239% at June 30, 2017.
- Lifeco declared a quarterly common dividend of $0.3670 per common share payable September 29, 2017.
- Adjusted Return on Equity (ROE), excluding the impact of restructuring costs, was 13.9%.

Completed offering of US$700 million of senior notes and redeemed $1.0 billion hybrid subordinated debenture

- On May 26, 2017, 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, 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.

Completed offering of $200 million of Preferred Shares

- On May 18, 2017 Lifeco issued 8,000,000 Series T, 5.15% Non-Cumulative First Preferred Shares at $25.00 per share for gross proceeds of $200 million.

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 second quarter MD&A.

CANADA

- **Canada progresses 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 June 30, 2017, the Company has achieved approximately $46 million pre-tax in annualized reductions, which resulted in expense reductions of $18 million pre-tax for the first half of 2017, approximately $14 million relating to the common shareholders' account and $4 million relating to the participating accounts. As part of this effort, the Company incurred a $215 million pre-tax restructuring charge, which impacted net earnings attributable to the common shareholders by $126 million.

- **Q2 Canada sales up 21%** – Sales in the second quarter of 2017 were $3.2 billion, up 21% from the second quarter of 2016. The increase reflects strong sales in individual and group investment funds and single premium group annuities as well as higher group insurance sales.

- **Q2 Canada segment adjusted net earnings of $311 million** – Adjusted net earnings attributable to common shareholders for the second quarter of 2017 were $311 million compared to $327 million in the second quarter of 2016, primarily due to lower contributions from investment experience which were partially offset by strong core business results including higher fee income and more favourable morbidity and mortality experience. For the six months ended June 30, 2017, adjusted net earnings attributable to common shareholders were $566 million compared to $603 million for the same period last year.

- **Great-West Life completes acquisition of Financial Horizons Group, the leading MGA in the Canadian market** – Subsequent to the second quarter of 2017, the Company, through its subsidiary Great-West Life, completed the acquisition of 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.

UNITED STATES

- **Q2 U.S. segment net earnings up 55%** – Net earnings attributable to common shareholders for the second quarter of 2017 were US$62 million, up 55%, compared to net earnings of US$40 million in the second quarter of 2016 driven by growth in fee income and lower expenses for both Empower Retirement and Putnam. For the six months ended June 30, 2017, net earnings attributable to common shareholders were US$104 million compared to US$87 million for the same period last year.

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- **Q2 sales for Great-West Financial up 9%** – Sales in the second quarter of 2017 were US$5.1 billion, up 9% from the second quarter of 2016 primarily due to higher Empower Retirement sales.

- **Putnam average assets up 10%** – Putnam average assets under management for the three months ended June 30, 2017 were US$161.8 billion compared to US$146.7 billion for the same quarter last year, an increase of 10%, 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 June 30, 2017 were US$162.9 billion.

- **Improved Putnam mutual fund net cash flows –** Putnam's net cash outflows from mutual funds of US$406 million for the three months ended June 30, 2017 were a US$2.0 billion improvement from the same period last year.

EUROPE

- **Q2 Europe segment net earnings up 10%** – Net earnings attributable to common shareholders for the second quarter of 2017 were $321 million compared to $293 million in the second quarter of 2016 driven by strong investment performance and earnings growth across all regions in local currency. For the six months ended June 30, 2017, net earnings attributable to common shareholders were $610 million compared to $580 million for the same period last year.

- **Irish Life Health remains on track to deliver target expense reductions** – As of June 30, 2017, the Company has achieved €8 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 six months. Irish Life has also achieved €5 million pre-tax annualized expense reductions in its retail division with a target of €8 million pre-tax by the end of 2017.

- **Europe assets under management up 8%** – Assets under management as of June 30, 2017 were $203.8 million, up 8% from the second quarter of 2016 and contributed to Europe fee and other income increasing 13% over the same period.

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

P. A. Mahon
President and Chief Executive Officer

August 2, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2017
DATED: AUGUST 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 six months ended June 30, 2017 and includes a comparison to the corresponding period in 2016, to the three months ended March 31, 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 June 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", "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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Premiums and deposits:					
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 7,772**	$ 9,365	$ 6,871	**$ 17,137**	$ 13,886
Policyholder deposits (segregated funds):					
Individual products	**4,142**	3,897	3,213	**8,039**	6,902
Group products	**2,020**	2,185	1,858	**4,205**	4,096
Premiums and deposits reported in the financial statements	**13,934**	15,447	11,942	**29,381**	24,884
Self-funded premium equivalents (Administrative services only contracts)(1)	**720**	716	707	**1,436**	1,405
Proprietary mutual funds and institutional deposits(1)	**13,767**	17,386	15,522	**31,153**	31,876
Total premiums and deposits(1)	**28,421**	33,549	28,171	**61,970**	58,165
Fee and other income	**1,381**	1,305	1,231	**2,686**	2,485
Net policyholder benefits, dividends and experience refunds	**7,377**	8,543	6,023	**15,920**	12,562
Earnings					
Net earnings - common shareholders	**$ 585**	$ 591	$ 671	**$ 1,176**	$ 1,291
Adjusted net earnings, excluding restructuring costs - common shareholders(6)	**712**	619	671	**1,331**	1,291
Per common share					
Basic earnings	**0.591**	0.598	0.675	**1.189**	1.300
Adjusted basic earnings, excluding restructuring costs(6)	**0.719**	0.627	0.675	**1.345**	1.300
Dividends paid	**0.367**	0.367	0.346	**0.734**	0.692
Book value(2)	**19.95**	19.99	19.02		
Return on common shareholders' equity(3)					
Net earnings	**13.0%**	13.6%	14.0%		
Adjusted net earnings, excluding restructuring costs(6)	**13.9%**	13.9%	14.0%		
Total assets per financial statements	**$ 409,773**	$ 405,632	$ 390,251		
Proprietary mutual funds and institutional net assets(4)	**271,686**	270,121	243,688		
Total assets under management(4)	**681,459**	675,753	633,939		
Other assets under administration(5)	**627,633**	620,064	549,878		
Total assets under administration	**$1,309,092**	$1,295,817	$1,183,817		
Total equity	**$ 25,428**	$ 25,372	$ 24,201		

(1) In addition to premiums and deposits reported in the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). This measure provides useful information as it is an indicator of top line growth.

(2) Certain comparative figures have been adjusted for presentation purposes.

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

(4) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight of the investment policies.

(5) Other assets under administration (a non-IFRS financial measure) includes assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration 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.

(6) Net earnings attributable to common shareholders include the impact of restructuring costs. The second quarter of 2017 included restructuring costs of $127 million, $126 million related to the Canada segment operations and $1 million related to the Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million, $17 million relating to the Insurance & Annuities business unit and $11 million relating to the Financial Services business unit.

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 June 30, 2017 were $585 million compared to $671 million a year ago and $591 million in the previous quarter. On a per share basis, this represents $0.591 per common share ($0.590 diluted) for the second quarter of 2017 compared to $0.675 per common share ($0.674 diluted) a year ago and $0.598 per common share ($0.597 diluted) in the previous quarter. Included in Lifeco's net earnings for the second quarter of 2017 were restructuring costs of $127 million, which included $126 million related to the Canada segment operations and $1 million related to the Company's retail business in Ireland. Excluding these costs, adjusted net earnings for the second quarter of 2017 were $712 million or $0.719 per common share ($0.718 diluted).

For the six months ended June 30, 2017, Lifeco's net earnings were $1,176 million compared to $1,291 million a year ago. On a per share basis, this represents $1.189 per common share ($1.187 diluted) for 2017 compared to $1.300 per common share ($1.298 diluted) a year ago. Included in Lifeco's net earnings for the six months ended June 30, 2017 were restructuring costs of $155 million, which included $126 million related to the Canada segment operations, $18 million related to the Company's health and retail businesses in Ireland and $11 million related to the completion of integration activities for Empower Retirement. Excluding these costs, adjusted net earnings for the second quarter of 2017 were $1,331 million or $1.345 per common share ($1.343 diluted).

Net earnings - common shareholders	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016[1]	**June 30 2017**	June 30 2016[1]
Canada					
Individual Customer[1]	**$ 140**	$ 146	$ 147	**$ 286**	$ 302
Group Customer[1]	**189**	104	162	**293**	267
Canada Corporate[2]	**(144)**	5	18	**(139)**	34
	185	255	327	**440**	603
United States					
Financial Services	**88**	85	74	**173**	164
Asset Management	**(6)**	(16)	(18)	**(22)**	(43)
U.S. Corporate[2]	**—**	(13)	(3)	**(13)**	(5)
	82	56	53	**138**	116
Europe					
Insurance & Annuities	**239**	225	225	**464**	451
Reinsurance	**83**	81	74	**164**	137
Europe Corporate[2]	**(1)**	(17)	(6)	**(18)**	(8)
	321	289	293	**610**	580
Lifeco Corporate	**(3)**	(9)	(2)	**(12)**	(8)
Net earnings - common shareholders	**$ 585**	$ 591	$ 671	**$ 1,176**	$ 1,291
Adjusted net earnings, excluding restructuring costs - common shareholders[2]	**$ 712**	$ 619	$ 671	**$ 1,331**	$ 1,291

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

(2) Net earnings attributable to common shareholders include the impact of restructuring costs. The second quarter of 2017 included restructuring costs of $127 million, $126 million related to the Canada segment operations and $1 million related to the Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million, $17 million relating to the Insurance & Annuities business unit and $11 million relating to the Financial Services business unit.

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

MARKET IMPACTS

Interest Rate Environment
Interest rates in countries where the Company operates mostly 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.

Refer to note 5 to the Company's condensed consolidated financial statements for the period ended June 30, 2017 for a further description of the Company's sensitivity to interest rate fluctuations.

Equity Markets
In the regions where the Company operates, average equity market levels in the second quarter of 2017 were up compared to the same period in 2016; however, market levels ended the quarter mixed compared to March 31, 2017. Relative to the Company's expectation, the change in average market levels and market volatility had a positive impact on net earnings of approximately $4 million during the second quarter of 2017 and a positive impact of $9 million year-to-date in 2017 ($5 million negative impact in the second quarter of 2016 and $18 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 second quarter of 2017 and positively impacted by $14 million year-to-date in 2017 ($3 million positive impact in the second quarter of 2016 and $4 million negative 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 second quarter of 2017 to the second quarter of 2016, average equity market levels were up by 12% in Canada (as measured by S&P TSX), 16% in the U.S. (measured by S&P 500), 19% in the U.K. (measured by FTSE 100) and 19% in broader Europe (measured by Euro Stoxx 50). The major equity indices finished the second quarter of 2017 down by 2% in Canada and in broader Europe, flat in the U.K. and up 3% in the U.S., compared to March 31, 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 second quarter of 2017 decreased for the British pound and increased for the U.S. dollar and euro, compared to the second quarter of 2016. The overall impact of currency movement on the Company’s net earnings for the three month period ended June 30, 2017 was a decrease of $10 million ($54 million year-to-date) compared to translation rates a year ago.

From March 31, 2017 to June 30, 2017, the market rates at the end of the reporting period used to translate the U.S. dollar assets and liabilities to the Canadian dollar decreased. For the British pound and euro, the June 30, 2017 end-of-period rates increased compared to March 31, 2017. 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 $417 million in-quarter ($439 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 second quarter of 2017, the Company updated a number of actuarial assumptions resulting in a positive net earnings impact of $36 million, compared to $112 million for the same quarter last year and $38 million for the previous quarter. In Europe, net earnings were positively impacted by $29 million primarily due to the impact of updated annuitant mortality and economic assumptions, partially offset by the impact of updated mortality assumptions, modeling refinements and updated expense assumptions. In Canada, net earnings were positively impacted by $7 million primarily due to the impact of updated mortality assumptions and modeling refinements, partially offset by the impact of updated economic assumptions.

For the six months ended June 30, 2017, actuarial assumption changes resulted in a positive net earnings impact of $74 million, compared to $160 million for the same period in 2016.

ACTUARIAL STANDARDS UPDATE

In May 2017, the Canadian Actuarial Standards Board published initial communications of draft standards. The comment period has closed, and the Company's current expectation is that the final standards will be published later in 2017 with an effective date of October 15, 2017. These draft 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.

The proposed 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 are in excess of the proposed criteria.

Decreases in ultimate reinvestment rates and revised calibration criteria for stochastic risk-free interest rates have been proposed. While the Company is still reviewing the impacts of the proposal, it anticipates an increase in liabilities, primarily in the Canadian segment, where the Company is exposed to low interest rates on reinvestments in longer durations. Initial estimates indicate the impact to net earnings to be less than $50 million.

It is also proposed to add criteria for the volatility of returns to the calibration criteria for equity investment returns. The Company’s current models already meet the proposed criteria; as a result, the Company does not expect any impacts 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 six months ended	
	June 30 2017	March 31 2017	June 30 2016[1]	**June 30 2017**	June 30 2016[1]
Canada					
Individual Customer[1]	**$ 2,640**	$ 2,932	$ 2,375	**$ 5,572**	$ 4,885
Group Customer[1]	**3,941**	4,027	3,515	**7,968**	7,041
	6,581	6,959	5,890	**13,540**	11,926
United States					
Financial Services	**3,078**	3,598	3,327	**6,676**	7,056
Asset Management	**10,119**	13,960	10,623	**24,079**	23,011
	13,197	17,558	13,950	**30,755**	30,067
Europe					
Insurance & Annuities	**5,623**	5,155	6,293	**10,778**	11,967
Reinsurance	**3,020**	3,877	2,038	**6,897**	4,205
	8,643	9,032	8,331	**17,675**	16,172
Total premiums and deposits	**$ 28,421**	$ 33,549	$ 28,171	**$ 61,970**	$ 58,165

Sales

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Canada	**$ 3,233**	$ 3,663	$ 2,677	**$ 6,896**	$ 5,945
United States	**16,934**	24,352	16,665	**41,286**	56,823
Europe - Insurance & Annuities	**4,835**	4,416	5,550	**9,251**	10,124
Total sales	**$ 25,002**	$ 32,431	$ 24,892	**$ 57,433**	$ 72,892

(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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Investment income earned (net of investment properties expenses)	**$ 1,587**	$ 1,474	$ 1,571	**$ 3,061**	$ 3,227
Allowances for credit losses on loans and receivables	**6**	(4)	(16)	**2**	(23)
Net realized gains	**26**	30	48	**56**	99
Regular investment income	**1,619**	1,500	1,603	**3,119**	3,303
Investment expenses	**(28)**	(31)	(27)	**(59)**	(54)
Regular net investment income	**1,591**	1,469	1,576	**3,060**	3,249
Changes in fair value through profit or loss	**304**	735	3,129	**1,039**	5,539
Net investment income	**$ 1,895**	$ 2,204	$ 4,705	**$ 4,099**	$ 8,788

Net investment income in the second quarter of 2017, which includes changes in fair value through profit or loss, decreased by $2,810 million compared to the same quarter last year. The changes in fair value in the second quarter of 2017 were an increase of $304 million compared to an increase of $3,129 million for the second quarter of 2016. The movement of bond yields was mixed in the current quarter resulting in increases in fair values in Canada and the U.S. being partly offset by declines in the U.K.; while in the second quarter of 2016, bond yields declined in all regions.

Regular net investment income in the second quarter of 2017 of $1,591 million, which excludes changes in fair value through profit or loss, increased by $15 million compared to the same quarter last year. The increase was primarily due to currency movement driven by the U.S. dollar strengthening against the Canadian dollar, partially offset by the Canadian dollar strengthening against the British pound. Net realized gains include gains on available-for-sale securities of $12 million for the second quarter of 2017 compared to $18 million for the same quarter last year.

For the six months ended June 30, 2017, net investment income decreased by $4,689 million compared to the same period last year. The changes in fair value for the six month period in 2017 were an increase of $1,039 million compared to an increase of $5,539 million during the same period in 2016. In the first half of this year, the movement of bond yields was mixed, resulting in increases in fair values in Canada and the U.S. being partly offset by declines in the U.K.; while in the previous year, bond yields declined in all regions.

Regular net investment income for the six months ended June 30, 2017 decreased by $189 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. Net realized gains include gains on available-for-sale securities of $20 million for the six months ended June 30, 2017, compared to $49 million for the same period last year.

Net investment income in the second quarter of 2017 decreased by $309 million compared to the previous quarter, primarily due to an increase in fair values of $304 million in the second quarter of 2017 compared to an increase of $735 million in the previous quarter. The net decrease in changes in fair value in the second quarter was primarily due to U.K. bond yields increasing in the second quarter, compared to decreasing bond yields in the first quarter.

Credit Markets
In the second quarter of 2017, the Company experienced net recoveries on impaired investments, including dispositions, which had a negligible impact on common shareholders' net earnings ($18 million net charge in the second quarter of 2016). Prior year in-quarter 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 decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $3 million (negligible impact in the second quarter of 2016).

For the six months ended June 30, 2017, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $1 million ($22 million net charge year-to-date in 2016). Prior year charges were primarily driven by the reasons discussed for the in-quarter results. Changes in credit ratings in the Company's bond portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $6 million year-to-date ($14 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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Canada					
Segregated funds, mutual funds and other	**$ 355**	$ 343	$ 327	**$ 698**	$ 646
ASO contracts	**44**	44	42	**88**	85
	399	387	369	**786**	731
United States					
Segregated funds, mutual funds and other	**636**	594	555	**1,230**	1,126
Europe					
Segregated funds, mutual funds and other	**346**	324	307	**670**	628
Total fee and other income	**$ 1,381**	$ 1,305	$ 1,231	**$ 2,686**	$ 2,485

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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Canada	**$ 2,329**	$ 2,516	$ 2,241	**$ 4,845**	$ 4,483
United States	**1,078**	1,082	887	**2,160**	1,937
Europe	**3,970**	4,945	2,895	**8,915**	6,142
Total	**$ 7,377**	$ 8,543	$ 6,023	**$ 15,920**	$ 12,562

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 June 30, 2017, net policyholder benefits, dividends and experience refunds were $7.4 billion, an increase of $1.4 billion from the same period in 2016. The increase in benefit payments was primarily due to new and restructured reinsurance treaties, higher business volumes and the impact of currency movement.

For the six months ended June 30, 2017, net policyholder benefits, dividends and experience refunds were $15.9 billion, an increase of $3.4 billion from the same period in 2016. The increase in benefit payments was primarily due to new and restructured reinsurance treaties and higher business volumes.

Compared to the previous quarter, net policyholder benefits, dividends and experience refunds decreased by $1.2 billion, primarily due to restructured reinsurance agreements and lower volumes relating to existing business.

INCOME TAXES

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

In the second quarter of 2017, the Company had an effective income tax rate of 8%, down from 10% in the second quarter of 2016. The effective income tax rate for the second quarter of 2017 decreased due to a higher percentage of income consisting of non-taxable investment income and income subject to lower rates in foreign jurisdictions, partially offset by changes in certain tax estimates. The effective income tax rate for the second quarter of 2017, excluding restructuring costs, was 13%.

The Company had an effective income tax rate of 11% for the six months ended June 30, 2017 compared to 7% 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 six months ended June 30, 2017, excluding restructuring costs, was 13%.

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

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	June 30, 2017			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 71,826**	**$ 44,588**	**$ 49,037**	**$ 165,451**
Goodwill and intangible assets	**5,108**	**2,318**	**2,466**	**9,892**
Other assets	**3,016**	**4,457**	**18,421**	**25,894**
Segregated funds net assets	**77,225**	**35,224**	**96,087**	**208,536**
Total assets	**157,175**	**86,587**	**166,011**	**409,773**
Proprietary mutual funds and institutional net assets	**6,344**	**227,545**	**37,797**	**271,686**
Total assets under management	**163,519**	**314,132**	**203,808**	**681,459**
Other assets under administration	**16,196**	**572,289**	**39,148**	**627,633**
Total assets under administration	**$ 179,715**	**$ 886,421**	**$ 242,956**	**$ 1,309,092**

	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 June 30, 2017 increased by $60.7 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.

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 $118.2 billion or 71% of invested assets at June 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

	June 30, 2017		December 31, 2016	
AAA	$ 24,610	21 %	$ 27,762	24%
AA	31,483	26	29,816	26
A	40,128	34	37,787	32
BBB	20,737	18	20,116	17
BB or lower	1,257	1	1,292	1
Total	$ 118,215	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

	June 30, 2017				December 31, 2016	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	$ 679	$ 1,421	$ 2,100	9%	$ 2,075	9%
Multi-family residential	3,202	3,275	6,477	29	5,987	28
Commercial	338	13,386	13,724	62	13,589	63
Total	$ 4,219	$ 18,082	$ 22,301	100%	$ 21,651	100%

The total mortgage portfolio was $22.3 billion or 13% of invested assets at June 30, 2017, compared to $21.7 billion or 13% of invested assets at December 31, 2016. Total insured loans were $4.2 billion or 19% of the mortgage portfolio.

Single family residential mortgages

Region	June 30, 2017		December 31, 2016	
Ontario	$ 1,016	49%	$ 1,005	49%
Quebec	449	22	436	21
Alberta	137	7	140	7
British Columbia	126	6	127	6
Newfoundland	112	5	113	5
Saskatchewan	89	4	86	4
Nova Scotia	66	3	65	3
Manitoba	52	2	53	3
New Brunswick	48	2	46	2
Other	5	—	4	—
Total	$ 2,100	100%	$ 2,075	100%

During the six months ended June 30, 2017, single family mortgage originations, including renewals, were $253 million, of which 26% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfil their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum of 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio was 21 years as at June 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 June 30, 2017, the total actuarial provision for future credit losses in insurance contract liabilities was $2,996 million compared to $2,946 million at December 31, 2016, an increase of $50 million, primarily due to normal business activity, partially offset by the impact of changes in actuarial assumptions and management actions.

The aggregate of impairment provisions of $46 million ($45 million at December 31, 2016) and actuarial provisions for future credit losses in insurance contract liabilities of $2,996 million ($2,946 million at December 31, 2016) represents 2.0% of bond and mortgage assets, including funds held by ceding insurers, at June 30, 2017 (2.0% at December 31, 2016).

United Kingdom Property Related Exposures

Holdings of United Kingdom Mortgages and Investment Properties

	June 30, 2017						December 31, 2016
	Multi-Family Residential	**Retail & shopping centres**	**Office buildings**	**Industrial**	**Other**	**Total**	Total
Mortgages	**360**	**1,624**	**690**	**937**	**382**	**3,993**	3,772
Investment properties	**—**	**1,120**	**632**	**630**	**420**	**2,802**	2,729
Total	**$ 360**	**$ 2,744**	**$ 1,322**	**$ 1,567**	**$ 802**	**$ 6,795**	$ 6,501

At June 30, 2017, the Company's holdings of property related investments in the U.K. were $6.8 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 $2.2 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 2.2 at June 30, 2017. At June 30, 2017, the weighted average mortgage and property lease term was 13 years.

DERIVATIVE FINANCIAL INSTRUMENTS

During the second 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 June 30, 2017, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $133 million ($159 million at December 31, 2016) and pledged on derivative liabilities was $447 million ($475 million at December 31, 2016).

During the six month period ended June 30, 2017, the outstanding notional amount of derivative contracts increased by $2.9 billion to $20.1 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 $463 million at June 30, 2017 from $528 million at December 31, 2016. The decrease was primarily due to the expiration and settlement of foreign exchange contracts that paid euro and received British pounds.

LIABILITIES

Total liabilities

	June 30 2017	December 31 2016
Insurance and investment contract liabilities	**$ 159,750**	$ 157,949
Other general fund liabilities	**16,059**	16,552
Investment and insurance contracts on account of segregated fund policyholders	**208,536**	200,403
Total	**$ 384,345**	$ 374,904

Total liabilities increased by $9.4 billion to $384.3 billion at June 30, 2017 from December 31, 2016. Insurance and investment contracts on account of segregated fund policyholders increased by $8.1 billion, primarily due to the combined impact of market value gains and investment income of $5.9 billion, the impact of currency movement of $2.1 billion and net deposits of $0.9 billion. Insurance and investment contract liabilities increased by $1.8 billion, primarily due to the impact of new business, partially offset by the impact of changes in assumptions, restructured reinsurance treaties and the strengthening of the Canadian dollar against the U.S. dollar.

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 June 30, 2017, the amount of GMWB products in-force in Canada, the U.S., Ireland and Germany were $4,103 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

		June 30, 2017			
		Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total**[1]
Canada	$ 31,967	$ —	$ 19	$ 73	$ 73
United States	12,956	6	—	39	45
Europe					
Insurance & Annuities	9,167	7	—	441	441
Reinsurance[2]	1,129	367	—	15	382
Total Europe	10,296	374	—	456	823
Total	**$ 55,219**	**$ 380**	**$ 19**	**$ 568**	**$ 941**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 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 June 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 $3 million in-quarter ($5 million for the second quarter of 2016) and $9 million year-to-date ($13 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 June 30, 2017, debentures and other debt instruments decreased by $449 million to $5,531 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 June 30, 2017 was $9,975 million, which comprises $7,261 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 six months ended June 30, 2017, the Company repurchased and subsequently cancelled 341,683 common shares (2016 - 2,831,181) under its NCIB at an average cost per share of $35.54 (2016 - $34.27).

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 June 30, 2017, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.0 billion ($7.9 billion at December 31, 2016) and other liquid assets and marketable securities of $92.6 billion ($91.6 billion at December 31, 2016). Included in the cash, cash equivalents and short-term bonds at June 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 June 30		For the six months ended June 30	
	2017	2016	**2017**	2016
Cash flows relating to the following activities:				
Operations	**$ 1,292**	$ 1,777	**$ 2,769**	3,143
Financing	**(368)**	(496)	**(936)**	(909)
Investment	**(571)**	(1,066)	**(1,689)**	(1,774)
	353	215	**144**	460
Effects of changes in exchange rates on cash and	**3**	(70)	**(5)**	(205)
Increase (decrease) in cash and cash equivalents in	**356**	145	**139**	255
Cash and cash equivalents, beginning of period	**3,042**	2,923	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,398**	$ 3,068	**$ 3,398**	3,068

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 second quarter of 2017, cash and cash equivalents increased by $356 million from March 31, 2017. Cash flows provided by operations during the second quarter of 2017 were $1,292 million, a decrease of $485 million compared to the second quarter of 2016. Cash flows used in financing were $368 million, primarily used for the payment of dividends to common shareholders of $363 million, the net redemption of debt of $112 million discussed in the Debentures and Other Debt Instruments section and a decrease in line of credit of subsidiary of $54 million, partially offset by the issuance of preferred shares of $200 million. For the three months ended June 30, 2017, cash flows were used by the Company to acquire an additional $571 million of investment assets.

For the six months ended June 30, 2017, cash and cash equivalents increased by $139 million from December 31, 2016. Cash flows provided by operations were $2,769 million, a decrease of $374 million compared to the same period in 2016. Cash flows used in financing were $936 million, primarily used for payments of dividends to the preferred and common shareholders of $787 million, the net redemption of debt of $396 million and a decrease to a line of credit of a subsidiary of $54 million, partially offset by the issuance of common and preferred shares of $318 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 six months ended June 30, 2017, cash flows were used by the Company to acquire an additional $1,689 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 June 30, 2017 was 239% (240% at December 31, 2016). London Life's MCCSR ratio at June 30, 2017 was 228% (217% at December 31, 2016). Canada Life's MCCSR ratio at June 30, 2017 was 277% (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 June 30, 2017 ($1.1 billion at December 31, 2016).

The MCCSR of 239% at Great-West Life included minus 4 points for the redemption of the perpetual capital notes at Irish Life Assurance plc as compared to December 31, 2017. In the fourth quarter of 2016, there was a new €200 million debenture relating to the issuance of €500 million bonds issued by Great-West Lifeco that increased the MCCSR for Great-West Life and Canada Life. The debenture replaced the redeemed perpetual capital note at Irish Life Assurance plc. The net MCCSR impact of the debenture in the fourth quarter of 2016, combined with the redemption in the first quarter of 2017 is nil.

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

OSFI Regulatory Capital Initiatives

On September 12, 2016 OSFI issued the Life Insurance Capital Adequacy Test (LICAT) guideline, a new regulatory capital framework for the Canadian insurance industry. The LICAT guideline will replace the MCCSR guideline effective January 1, 2018. In the second quarter of 2017, OSFI made further refinements to the September 2016 version of the LICAT guideline, and released a revised version for public consultation on June 23, 2017. OSFI is continuing its assessments of the new guideline, which will help to inform further amendments to the LICAT guideline. The Company continues to actively participate in the OSFI assessments and is evaluating the impact of LICAT on its business.

The Company will continue ongoing dialogue with OSFI, The Canadian Institute of Actuaries, The Canadian Life and Health Insurance Association and other industry participants during the assessment period and subsequent implementation phase.

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, the 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)]

	June 30 2017	March 31 2017	Dec. 31 2016
Canada	**18.2 %**	20.6 %	19.9 %
U.S. Financial Services[(2)]	**10.5 %**	10.0 %	10.6 %
U.S. Asset Management (Putnam)[(2)]	**(2.0)%**	(2.5)%	(2.9)%
Europe	**16.8 %**	16.9 %	17.1 %
Lifeco Corporate	**(3.8)%**	(3.7)%	(5.2)%
Total Lifeco Net Earnings Basis	**13.0 %**	13.6 %	13.8 %
Total Lifeco Adjusted Net Earnings Basis, excluding restructuring costs[(3)]	**13.9 %**	13.9 %	14.0 %

(1) Return on Equity is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters.
(2) U.S. Financial Services includes U.S. Corporate. For December 31, 2016, restructuring costs relating to Putnam of $20 million were included in U.S. Asset Management (Putnam).
(3) The second quarter of 2017 included restructuring costs of $127 million relating to the Canada segment and Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million relating to the Insurance & Annuities and Financial Services business units. The fourth quarter of 2016 included restructuring costs of $20 million relating to the U.S. Asset Management business unit. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit.

The Company reported ROE based on net earnings of 13.0% at June 30, 2017, compared to 13.6% at March 31, 2017. Excluding the impact of restructuring costs, the Company reported ROE based on adjusted net earnings of 13.9% at June 30, 2017, which was comparable to 13.9% at March 31, 2017.

RATINGS

Lifeco maintains ratings from five independent ratings companies. In the second 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 second 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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Premiums and deposits	**$ 6,581**	$ 6,959	$ 5,890	**$ 13,540**	$ 11,926
Sales	**3,233**	3,663	2,677	**6,896**	5,945
Fee and other income	**399**	387	369	**786**	731
Net earnings	**185**	255	327	**440**	603
Adjusted net earnings, excluding restructuring costs(1)	**311**	255	327	**566**	603
Total assets	**$ 157,175**	$ 156,302	$ 149,913		
Proprietary mutual funds and institutional net assets	**6,344**	6,163	5,378		
Total assets under management	**163,519**	162,465	155,291		
Other assets under administration	**16,196**	16,011	15,537		
Total assets under administration	**$ 179,715**	$ 178,476	$ 170,828		

(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. As part of the realignment, a new strategic customer marketing function has been created to provide a more holistic customer experience through digital and innovative capabilities and services. In conjunction with these changes, in April, the Company announced it expected to achieve $200 million pre-tax of annual expense reductions expected to be complete by the first quarter of 2019, approximately $160 million relating to the common shareholders' account and $40 million relating to the participating accounts. As of June 30, 2017, the Company has achieved approximately $46 million pre-tax in annualized reductions, approximately $31 million relating to the common shareholders' account and $15 million relating to the participating accounts. This resulted in pre-tax expense reductions of $18 million for the first half of 2017, approximately $14 million relating to the common shareholders' account and $4 million relating to the participating accounts. As part of this effort, 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. During the second quarter of 2017, the restructuring charge has reduced 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. Subsequent to the second quarter of 2017, regulatory approval has been received and the transaction was completed effective July 31, 2017. 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.

BUSINESS UNITS - CANADA

INDIVIDUAL CUSTOMER

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016[(1)]	**June 30 2017**	June 30 2016[(1)]
Premiums and deposits	**$ 2,640**	$ 2,932	$ 2,375	**$ 5,572**	$ 4,885
Sales	**2,293**	2,860	2,062	**5,153**	4,454
Fee and other income	**233**	225	215	**458**	424
Net earnings	**140**	146	147	**286**	302

(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 second quarter of 2017 increased by $0.3 billion to $2.6 billion compared to the same quarter last year, due to an increase in individual wealth premiums and deposits of $0.2 billion and an increase in individual insurance premiums of $0.1 billion. The increase in individual wealth premiums and deposits was primarily due to an increase in deposits for investment funds. Individual insurance premiums increased primarily due to an increase in participating life premiums.

For the six months ended June 30, 2017, premiums and deposits increased by $0.7 billion to $5.6 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 $0.3 billion. The increases were primarily for the same reasons discussed for the in-quarter results.

Premiums and deposits for the second quarter of 2017 decreased by $0.3 billion compared to the previous quarter, primarily due to lower deposits for investment funds driven by the positive impact of registered retirement savings plan season on the first quarter results and a decrease in participating life premiums.

Sales
Sales for the second quarter of 2017 increased by $0.2 billion to $2.3 billion compared to the same quarter last year, due to an increase in individual wealth sales of $0.3 billion, partially offset by a decrease in individual insurance sales. The increase in individual wealth sales was primarily due to an increase in sales for investment funds. The decrease in individual insurance sales was primarily due to an expected decrease in participating life sales.

For the six months ended June 30, 2017, sales increased by $0.7 billion to $5.2 billion compared to the same period last year, primarily due to an increase in individual wealth sales of $0.6 billion and an increase in individual insurance sales of $0.1 billion. The increase in individual wealth sales was primarily due to an increase in sales for investment funds. The increase in individual insurance sales was primarily due to an increase in participating life sales.

Sales for the second quarter of 2017 decreased by $0.6 billion compared to the previous quarter. Individual wealth sales decreased $0.4 billion, primarily due to lower sales for investment funds. Individual insurance sales were $0.2 billion lower in the second quarter of 2017, as the first quarter included the final influx of sales related to the transition rules associated with the new tax exempt legislation effective January 1, 2017, which allowed for insurance applied for under the old regime to be delivered by March 31, 2017, under certain circumstances.

For the individual wealth investment fund business, net cash inflows for the second quarter of 2017 were $116 million compared to net cash outflows of $20 million for the same quarter last year and net cash inflows of $125 million for the previous quarter. Net cash inflows for the six months ended June 30, 2017 were $241 million compared to net cash inflows of $100 million for the same period last year.

Fee and other income

Fee and other income for the second quarter of 2017 increased by $18 million to $233 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 six months ended June 30, 2017, fee and other income increased by $34 million to $458 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 second quarter of 2017 increased by $8 million compared to the previous quarter, primarily due to higher average assets under administration driven by higher average foreign equity market levels and positive net cash flows.

Net earnings

Net earnings for the second quarter of 2017 decreased by $7 million to $140 million compared to the same quarter last year. The decrease was primarily due to less favourable morbidity experience, lower contributions from insurance contract liability basis changes and lower contributions from investment experience. These decreases were partially offset by higher net fee income, lower new business strain as well as favourable mortality experience and improved policyholder behaviour experience.

For the six months ended June 30, 2017, net earnings decreased by $16 million to $286 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 second quarter of 2017 decreased by $6 million compared to the previous quarter. The decrease was primarily due to lower contributions from insurance contract liability basis changes and lower contributions from investment experience, partially offset by improved policyholder behaviour experience.

For the second quarter of 2017, the net loss attributable to the participating account was $31 million compared to net earnings of $11 million for the same quarter last year. Included in results for the second quarter of 2017 were restructuring costs of $32 million. Excluding these costs, net earnings decreased by $10 million, primarily due to higher new business strain.

For the six months ended June 30, 2017, the net loss attributable to the participating account was $2 million compared to net earnings of $16 million for the same period last year. Excluding the impact of restructuring costs discussed for the in-quarter results, net earnings increased by $14 million, primarily due to lower new business strain.

Compared to the previous quarter, excluding the impact of restructuring costs discussed for the in-quarter results, net earnings attributable to the participating account decreased by $28 million, primarily due to higher new business strain.

GROUP CUSTOMER

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016[(1)]	**June 30 2017**	June 30 2016[(1)]
Premiums and deposits	**$ 3,941**	$ 4,027	$ 3,515	**$ 7,968**	$ 7,041
Sales	**940**	803	615	**1,743**	1,491
Fee and other income	**154**	149	142	**303**	283
Net earnings	**189**	104	162	**293**	267

(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 second quarter of 2017 increased by $0.4 billion to $3.9 billion compared to the same quarter last year, primarily due to higher premiums and deposits related to single premium group annuities (SPGAs) and group capital accumulation plans (GCAP).

For the six months ended June 30, 2017, premiums and deposits increased by $0.9 billion to $8.0 billion compared to the same period last year, due to an increase in group wealth premiums and deposits of $0.7 billion and an increase in group insurance premiums and deposits of $0.2 billion. The increase in group wealth was primarily due to higher premiums and deposits from SPGA and GCAP products while the increase in group insurance was primarily due to large case market premiums and deposits.

Premiums and deposits for the second quarter of 2017 were comparable to the previous quarter.

Sales
Sales for the second quarter of 2017 increased by $0.3 billion to $0.9 billion compared to the same period last year, due to an increase in group wealth sales of $0.2 billion and an increase in group insurance sales of $0.1 billion. The increase in group wealth sales was primarily due to higher sales of SPGA products. The increase in group insurance sales was primarily due to higher sales in the large case market. Sales of large cases and creditor products can be highly variable from quarter to quarter.

For the six months ended June 30, 2017, sales increased by $0.3 billion to $1.7 billion compared to the same period last year, as an increase in group wealth sales of $0.4 billion was partly offset by a decrease in group insurance sales of $0.1 billion. The increase in group wealth sales was primarily due to higher sales of SPGA and GCAP products, while group insurance sales decreased primarily due to lower sales in the large case and creditor markets.

Sales for the second quarter of 2017 increased by $0.1 billion compared to the previous quarter, primarily due to higher group insurance large case and creditor sales as well as higher sales of SPGA products.

For the group wealth segregated fund business, net cash inflows for the second quarter of 2017 were $212 million, compared to net cash inflows of $55 million for the same quarter last year and $282 million for the previous quarter. For the six months ended June 30, 2017, net cash inflows were $494 million up from $272 million for the same period last year.

Fee and other income
Fee and other income for the second quarter of 2017 increased by $12 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 six months ended June 30, 2017 increased by $20 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 second quarter of 2017 increased by $5 million compared to the previous quarter, primarily due to higher average assets under administration driven by higher average foreign equity market levels and positive net cash flows.

Net earnings

Net earnings for the second quarter of 2017 of $189 million increased by $27 million compared to the same quarter last year. The increase was primarily due to favourable morbidity experience due in part to the focus on implementing rate increases as contracts were renewed. In addition, higher contributions from insurance contract liability basis changes and higher net fee income were partially offset by lower contributions from investment experience and higher income taxes. Net earnings for the second quarter of 2016 were more favourably impacted by changes to certain tax estimates.

For the six months ended June 30, 2017, net earnings increased by $26 million to $293 million compared to the same period last year. The increase was primarily due to same reasons discussed for the in-quarter results.

Net earnings for the second quarter of 2017 increased by $85 million compared to the previous quarter. The increase was primarily due to more favourable long-term disability experience, favourable insurance mortality experience, higher contributions from insurance contract liability basis changes and lower operating expenses, partially offset by lower contributions from investment experience.

CANADA CORPORATE

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

For the three months ended June 30, 2017, the net loss was $144 million compared to net earnings of $18 million for the same period last year. The change in net earnings was primarily due to restructuring costs of $126 million. Excluding these costs, adjusted net earnings decreased by $36 million to an adjusted net loss of $18 million, primarily due to lower net investment income, which included a gain on sale of an investment property in 2016, and the less favourable impact of changes to certain income tax estimates.

Excluding the impact of restructuring costs of $126 million for the six months ended June 30, 2017, the adjusted net loss was $13 million compared to net earnings of $34 million for the same period in 2016. The change was primarily due to the same reasons discussed for the in-quarter results.

Excluding the impact of restructuring costs discussed for the in-quarter results, the adjusted net loss of $18 million compared to net earnings of $5 million in the previous quarter, primarily due to lower net investment 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 six months ended	
	June 30 2017	March 31 2017(1)	June 30 2016	**June 30 2017(1)**	June 30 2016
Premiums and deposits	**$ 13,197**	$ 17,558	$ 13,950	**$ 30,755**	$ 30,067
Sales	**16,934**	24,352	16,665	**41,286**	56,823
Fee and other income	**636**	594	555	**1,230**	1,126
Net earnings(1)	**82**	56	53	**138**	116
Net earnings (US$)(1)	**62**	42	40	**104**	87
Total assets	**$ 86,587**	$ 87,861	$ 84,780		
Proprietary mutual funds and institutional net assets	**227,545**	228,245	205,830		
Total assets under management	**314,132**	316,106	290,610		
Other assets under administration	**572,289**	564,835	495,366		
Total assets under administration	**$ 886,421**	$ 880,941	$ 785,976		

(1) The first quarter of 2017 included restructuring costs of $11 million (US$8 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 executing a plan for required full compliance by January 1, 2018.
- The Company continues to monitor the potential for significant policy changes following the 2016 U.S. elections, including corporate tax reform which would have an impact on the Company's deferred tax assets and liabilities as well as the effective tax rate in subsequent periods.

BUSINESS UNITS – UNITED STATES

FINANCIAL SERVICES

2017 DEVELOPMENTS

- Empower Retirement participant accounts have grown to approximately 8.3 million at June 30, 2017 from 8 million at December 31, 2016. Empower continues to have strong participant retention and ranked second based on the number of participants as part of the 2016 Plansponsor DC Recordkeeper Survey.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Premiums and deposits	**$ 3,078**	$ 3,598	$ 3,327	**$ 6,676**	$ 7,056
Sales[(1)]	**6,815**	10,392	6,042	**17,207**	33,812
Fee and other income	**388**	366	323	**754**	644
Net earnings	**88**	85	74	**173**	164
Premiums and deposits (US$)	**$ 2,297**	$ 2,726	$ 2,579	**$ 5,023**	$ 5,301
Sales (US$)[(1)]	**5,086**	7,873	4,684	**12,959**	24,954
Fee and other income (US$)	**290**	277	251	**567**	485
Net earnings (US$)	**66**	64	56	**130**	123

(1) For the three and six months ended June 30, 2017, sales included US$0.4 billion and $0.9 billion, respectively, relating to Putnam managed funds sold on the Empower Retirement platform ($0.2 billion and $0.5 billion for the three and six months ended June 30, 2016).

Premiums and deposits

Premiums and deposits for the second quarter of 2017 of US$2.3 billion decreased by US$0.3 billion compared to the same quarter last year, primarily due to a decrease in Empower Retirement driven by lower net transfers from retail investment options and lower sales related to assets under management.

For the six months ended June 30, 2017, premiums and deposits decreased by US$0.3 billion to US$5.0 billion compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the second quarter of 2017 decreased by US$0.4 billion compared to the previous quarter, primarily due to a decrease in Empower Retirement as a result of lower deposits from existing participants as well as lower sales in the executive benefits line of business for Individual Markets.

Sales

Sales in the second quarter of 2017 increased by US$0.4 billion to US$5.1 billion compared to the same quarter last year, primarily due to an increase in Empower Retirement sales.

For the six months ended June 30, 2017, sales decreased by US$12.0 billion to US$13.0 billion compared to the same period last year, primarily due to a decrease in Empower Retirement driven by one large plan sale in the first quarter of 2016, which did not recur. Large plan sales can be highly variable from period to period and tend to be lower margin.

Sales in the second quarter of 2017 decreased by US$2.8 billion compared to the previous quarter, primarily due to a decrease in Empower Retirement sales driven by lower large plan sales.

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

Fee and other income for the second quarter of 2017 increased by US$39 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, due to positive net cash flows and higher average equity market levels.

For the six months ended June 30, 2017, fee and other income increased by US$82 million to US$567 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 second quarter of 2017 increased US$13 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Net earnings
Net earnings for the second quarter of 2017 increased by US$10 million to US$66 million compared to the same quarter last year, primarily due to higher net fee income, partially offset by lower contributions from investment experience.

For the six months ended June 30, 2017, net earnings increased by US$7 million to US$130 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$26 million, primarily due to higher net fee income.

Net earnings for the second quarter of 2017 increased by US$2 million compared to the previous quarter, primarily due to higher net fee income and lower operating expenses, mostly offset by less favourable mortality 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 June 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 second quarter of 2017.
- Putnam continues to sustain strong investment performance relative to its peers. As of June 30, 2017, approximately 50% and 83% of Putnam's fund assets performed at levels above the Lipper top quartile and Lipper median, respectively, on a one-year basis. Additionally, approximately 59% and 80% of Putnam's fund assets performed at levels above the Lipper top quartile and Lipper median, respectively, on a five-year basis.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Sales	**$ 10,119**	$ 13,960	$ 10,623	**$ 24,079**	$ 23,011
Fee income					
Investment management fees	**203**	193	188	**396**	387
Performance fees	**(5)**	(13)	(6)	**(18)**	(11)
Service fees	**39**	38	39	**77**	81
Underwriting & distribution fees	**11**	10	11	**21**	25
Fee income	**248**	228	232	**476**	482
Core net earnings (loss)[(1)]	**9**	(2)	(5)	**7**	(22)
Less: Financing and other expenses (after-tax)[(1)]	**(15)**	(14)	(13)	**(29)**	(21)
Reported net earnings (loss)	**(6)**	(16)	(18)	**(22)**	(43)
Sales (US$)	**$ 7,552**	$ 10,576	$ 8,236	**$ 18,128**	17,278
Fee income (US$)					
Investment management fees (US$)	**151**	146	146	**297**	291
Performance fees (US$)	**(4)**	(10)	(5)	**(14)**	(9)
Service fees (US$)	**29**	29	30	**58**	61
Underwriting & distribution fees (US$)	**8**	8	8	**16**	19
Fee income (US$)	**184**	173	179	**357**	362
Core net earnings (loss) (US$)[(1)]	**7**	(1)	(4)	**6**	(16)
Less: Financing and other expenses (after-tax) (US$)[(1)]	**(11)**	(11)	(10)	**(22)**	(16)
Reported net earnings (loss) (US$)	**(4)**	(12)	(14)	**(16)**	(32)
Pre-tax operating margin[(2)]	**7.4%**	(1.1)%	(2.7)%	**3.2%**	(7.4)%
Average assets under management (US$)	**$ 161,816**	$ 157,432	$ 146,728	**$ 159,642**	$ 144,124

(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 second quarter of 2017 decreased by US$0.7 billion to US$7.6 billion compared to the same quarter last year, due to a US$1.8 billion decrease in institutional sales, partially offset by a US$1.1 billion increase in mutual fund sales.

For the six months ended June 30, 2017, sales increased by US$0.9 billion to US$18.1 billion compared to the same period last year, due to an increase in mutual fund sales of US$1.4 billion, partially offset by lower institutional sales of US$0.5 billion.

Sales in the second quarter of 2017 decreased by US$3.0 billion compared to the previous quarter, primarily due to a US$2.7 billion decrease in institutional sales and a US$0.3 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 based on a rolling 36 month performance period. Performance fees on mutual funds are symmetric and as a result can be positive or negative

Fee income for the second quarter of 2017 increased by US$5 million to US$184 million compared to the same quarter last year. The increase was primarily due to higher asset-based fees driven by higher average AUM.

For the six months ended June 30, 2017, fee income decreased by US$5 million to US$357 million compared to the same period last year. The decrease was primarily due to lower performance fees on mutual funds, lower service fees reflecting a decrease in the number of accounts as well as lower underwriting and distribution fees, partially offset by higher investment management fees driven by higher average AUM.

Fee income for the second quarter of 2017 increased by US$11 million compared to the previous quarter, primarily due to higher asset-based fees driven by higher average AUM and improved performance fees due to the seasonality in which these fees are earned.

Net earnings

Core net earnings (a non-IFRS financial measure) for the second quarter of 2017 were US$7 million compared to a core net loss of US$4 million for the same quarter last year. The increase in net earnings was primarily due to lower expenses of US$8 million after-tax (US$13 million pre-tax) largely related to the expense reductions undertaken in the fourth quarter of 2016 as well as higher net fee income. In the second quarter of 2017, the reported net loss, including financing and other expenses, was US$4 million compared to a reported net loss of US$14 million for the same quarter last year. Financing and other expenses for the second quarter of 2017 increased by US$1 million compared to the same quarter last year, primarily due to higher allocated financing charges.

For the six months ended June 30, 2017, core net earnings were US$6 million compared to a core net loss of US$16 million for the same period last year. The increase in net earnings was primarily due to lower expenses of US$16 million after-tax (US$26 million pre-tax) largely related to the expense reductions discussed for the in-quarter results and higher net investment income driven by gains on seed capital. The reported net loss, including financing and other expenses, for the six months ended June 30, 2017 was US$16 million compared to US$32 million for the same period last year. Financing and other expenses for the six month period ended June 30, 2017 increased by US$6 million to US$22 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.

Core net earnings for the second quarter of 2017 were US$7 million compared to a core net loss of US$1 million for the previous quarter. The increase in net earnings was primarily due to higher net fee income and lower expenses, partially offset by lower net investment income. The reported net loss, including financing and other expenses for the second quarter of 2017 was US$4 million compared to a reported net loss of US$12 million in the previous quarter. Financing and other expenses for the second quarter of 2017 were comparable to the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management ($US)	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30, 2016
Beginning assets	**$ 159,945**	$ 152,122	$ 145,803	**$ 152,122**	$ 148,370
Sales - Mutual funds	**4,873**	5,207	3,749	**10,080**	8,708
Redemptions - Mutual funds	**(5,279)**	(5,953)	(6,162)	**(11,232)**	(13,731)
Net asset flows - Mutual funds	**(406)**	(746)	(2,413)	**(1,152)**	(5,023)
Sales - Institutional	**2,679**	5,369	4,487	**8,048**	8,570
Redemptions - Institutional	**(3,166)**	(3,310)	(2,760)	**(6,476)**	(5,936)
Net asset flows - Institutional	**(487)**	2,059	1,727	**1,572**	2,634
Net asset flows - Total	**(893)**	1,313	(686)	**420**	(2,389)
Impact of market/performance	**3,861**	6,510	2,533	**10,371**	1,669
Ending assets	**$ 162,913**	$ 159,945	$ 147,650	**$ 162,913**	$ 147,650
Average assets under management					
Mutual funds	**74,807**	73,682	72,540	**74,249**	72,532
Institutional assets	**87,009**	83,750	74,188	**85,393**	71,592
Total average assets under management	**$ 161,816**	$ 157,432	$ 146,728	**$ 159,642**	$ 144,124

Average AUM for the three months ended June 30, 2017 was US$161.8 billion, an increase of US$15.1 billion or 10% 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 outflows for the second quarter of 2017 were US$0.9 billion compared to net asset outflows of US$0.7 billion in the same quarter last year. In-quarter institutional net asset outflows were US$0.5 billion and mutual fund net asset outflows were US$0.4 billion.

Average AUM for the six months ended June 30, 2017 increased by US$15.5 billion to US$159.6 billion compared to the same period last year, primarily due to the same reasons discussed for in the in-quarter results. Net asset inflows for the six months ended June 30, 2017 were US$0.4 billion compared to net asset outflows of US$2.4 billion for the same period last year. Year-to-date mutual fund net asset outflows of US$1.2 billion were more than offset by institutional net asset inflows of US$1.6 billion.

Average AUM for the three months ended June 30, 2017 increased by US$4.4 billion compared to the previous quarter, primarily due to the impact of positive markets in the quarter, partially offset by net asset outflows.

UNITED STATES CORPORATE

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

In the second quarter of 2017, net earnings of nil compared to a net loss of US$2 million for the same quarter last year, driven by restructuring costs incurred in 2016.

For the six months ended June 30, 2017, the net loss increased by US$6 million to US$10 million compared to the same period in 2016, primarily due to higher restructuring costs and expenses related to discontinued operations resulting from the Healthcare division sold in 2008. Results for the first six 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$4 million for the same period last year.

The net loss for the three months ended June 30, 2017 decreased by US$10 million to nil compared to the previous quarter, primarily due to lower restructuring costs and expenses related to discontinued operations discussed for the year-to-date results.

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 six months ended	
	June 30 2017[(1)]	March 31 2017[(1)]	June 30 2016	**June 30 2017[(1)]**	June 30 2016
Premiums and deposits	**$ 8,643**	$ 9,032	$ 8,331	**$ 17,675**	$ 16,172
Fee and other income	**346**	324	307	**670**	628
Net earnings[(1)]	**321**	289	293	**610**	580
Total assets	**$ 166,011**	$ 161,469	$ 155,558		
Proprietary mutual funds and institutional net assets	**37,797**	35,713	32,480		
Total assets under management	**203,808**	197,182	188,038		
Other assets under administration	**39,148**	39,218	38,975		
Total assets under administration[(2)]	**$ 242,956**	$ 236,400	$ 227,013		

(1) The second quarter of 2017 included restructuring costs of $1 million related to the Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $17 million relating to the Insurance & Annuities business unit.
(2) At June 30, 2017, total assets under administration excludes $8.1 billion of assets managed for other business units within the Lifeco group of companies ($7.9 billion at December 31, 2016).

2017 DEVELOPMENTS

- In the second quarter of 2017, the Company achieved €3 million pre-tax of annualized synergies relating to the integration of the Irish Life Health operations and €8 million pre-tax of annualized synergies have been achieved to date. The Company remains on track to achieve targeted annual cost savings of €16 million pre-tax within the next 6 months.

- During the quarter, 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 6 months. As of June 30, 2017, the Company achieved €5 million pre-tax in annualized cost reductions within the Irish Life retail division.
- Some market volatility remains following the U.K.'s formal notification in March 2017 of its intention to leave the European Union (EU). The U.K. general election on June 8, 2017 resulted in a minority government, who are supported on key votes by a smaller party, which created further uncertainty regarding exit negotiations. 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 7% from the second quarter of 2016 to the second 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 from Brexit, but the impacts are not currently expected to be significant.
- During the second quarter of 2017, the Company received a number of awards:
    - The 2017 Opinion Research Corporation (ORC) International Survey rated Canada Life Group Insurance the number one U.K. group risk insurer for the 5th consecutive year.
    - The Marketing Institute of Ireland awarded Irish Life Health the 2017 Integrated Marketing Award in recognition of their brand launch campaign.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Premiums and deposits[1]	**$ 5,623**	$ 5,155	$ 6,293	**$ 10,778**	$ 11,967
Sales[1]	**4,835**	4,416	5,550	**9,251**	10,124
Fee and other income	**342**	319	303	**661**	619
Net earnings	**239**	225	225	**464**	451

(1) For the three and six months ended June 30, 2017, premiums and deposits and sales exclude $0.2 billion and $0.5 billion, respectively, of assets managed for other business units within the Lifeco group of companies ($0.3 billion for the three months ended March 31, 2017 and $6.9 billion for the three months ended June 30, 2016).

Premiums and deposits
Premiums and deposits for the second quarter of 2017 decreased by $0.7 billion to $5.6 billion compared to the same quarter last year. The decrease was primarily due to lower fund management sales in Ireland and the impact of currency movement, partially offset by higher wealth management sales in the U.K. and higher pension sales in Ireland.

For the six months ended June 30, 2017, premiums and deposits decreased by $1.2 billion to $10.8 billion compared to the same period last year, primarily due to lower fund management sales in Ireland and the impact of currency movement, partially offset by higher payout annuity and wealth management sales in the U.K. and higher pension sales in Ireland.

Premiums and deposits for the second quarter of 2017 increased by $0.5 billion compared to the previous quarter, primarily due to higher fund management sales in Ireland, higher wealth management sales in the U.K. and the impact of currency movement, partially offset by lower payout annuity sales in the U.K.

Sales

Sales for the second quarter of 2017 decreased by $0.7 billion to $4.8 billion compared to the same quarter last year. For the six months ended June 30, 2017, sales decreased by $0.8 billion to $9.3 billion compared to the same period last year. Decreases in both the three and six month periods were due to the same reasons discussed for premiums and deposits for the respective periods.

Sales for the second quarter of 2017 of $4.8 billion increased by $0.4 billion compared to the previous quarter, 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 second quarter of 2017 increased by $39 million to $342 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. This increase was partially offset by lower surrender fees in the U.K.

For the six months ended June 30, 2017, fee and other income increased by $42 million to $661 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 for second quarter of 2017 increased by $23 million compared to the previous quarter, primarily due to the impact of currency movement and higher other income in Ireland, partially offset by lower fee income associated with a closed block of Irish unit-linked business. The fee income on the closed block of Irish unit-linked business is particularly sensitive to market levels at the start and end of a reporting period.

Net earnings

Net earnings for the second quarter of 2017 increased by $14 million to $239 million compared to the same quarter last year, primarily due to higher contributions from investment experience and favourable mortality experience, partially offset by lower contributions from insurance contract liability basis changes and the impact of currency movement.

Net earnings for the six months ended June 30, 2017 increased by $13 million to $464 million compared to the same period last year, primarily due to 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 in U.K. payout annuities. This increase was partially offset by lower contributions from insurance contract liability basis changes and the impact of currency movement. In addition, net earnings in 2016 were favourably impacted by lower income taxes, which included the impact of U.K. corporate tax rate changes on deferred tax balances.

Net earnings for the second quarter of 2017 increased by $14 million compared to the previous quarter. The increase was primarily due to higher contributions from investment experience, improved morbidity experience in the U.K., improved mortality experience in Ireland and the impact of currency movement. This increase was partially offset by the impact of lower new business volumes and a gain on the sale of the Company's Allianz Ireland holdings in the prior quarter.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Premiums and deposits	**$ 3,020**	$ 3,877	$ 2,038	**$ 6,897**	$ 4,205
Fee and other income	**4**	5	4	**9**	9
Net earnings	**83**	81	74	**164**	137

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 second quarter of 2017 increased from $2.0 billion to $3.0 billion compared to the same quarter last year, primarily due to new and restructured reinsurance agreements and higher volumes relating to existing business.

For the six months ended June 30, 2017, premiums and deposits increased by $2.7 billion to $6.9 billion compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the second quarter of 2017 decreased by $0.9 billion compared to the previous quarter. The decrease was primarily due to restructured reinsurance agreements and lower volumes relating to existing business.

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

For the six months ended June 30, 2017, fee and other income of $9 million was comparable to the same period last year.

Net earnings
Net earnings for the second quarter of 2017 increased by $9 million to $83 million compared to the same quarter last year. The increase was primarily due to improved mortality experience for the traditional life line of business and the impact of currency movement, partially offset by higher new business strain.

For the six months ended June 30, 2017, net earnings increased by $27 million to $164 million compared to the same period last year, primarily due to the same reasons discussed for the in-quarter results.

Net earnings for the second quarter of 2017 increased by $2 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes, partially offset by higher new business strain for the traditional life line of business and less favourable mortality experience in the payout annuity line of business.

EUROPE CORPORATE

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

In the second quarter of 2017, Europe Corporate had a net loss of $1 million compared to a net loss of $6 million for the same quarter last year, primarily due to higher earnings for the legacy international businesses. Second quarter 2017 results included restructuring costs of $1 million related to the Irish Life retail business.

For the six months ended June 30, 2017, Europe Corporate had a net loss of $18 million compared to a net loss of $8 million 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 $18 million of restructuring costs related to Irish Life Health and the Irish Life business strategy to support business growth in the retail division, compared to $2 million, primarily related to the integration of Legal & General International (Ireland) Limited, for the same period last year.

For the three months ended June 30, 2017, Europe Corporate had a net loss of $1 million compared to a net loss of $17 million for the previous quarter, primarily due to lower restructuring costs.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended June 30, 2017, Lifeco Corporate had a net loss of $3 million compared to $2 million for the same period in 2016, primarily due to higher income taxes partially offset by lower operating expenses. Included in results for the second quarter of 2016 was the positive impact of changes to certain income tax estimates.

For the six months ended June 30, 2017, Lifeco Corporate had a net loss of $12 million, an increase from a net loss of $8 million for the same period last year, primarily due to higher income taxes discussed for the in-quarter results and higher operating expenses.

The net loss for the three months ended June 30, 2017 decreased from $9 million in the previous quarter to $3 million in the current quarter, primarily due to higher net investment income and lower operating expenses.

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 second quarter of 2017, there were no significant changes to the Company's risk management and control practices. Refer to the Company's 2016 Annual MD&A for a detailed description of the Company's risk management and control practices.

ACCOUNTING POLICIES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2017, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes* and *Annual Improvements 2014 - 2016 Cycle* for the amendment to IFRS 12 *Disclosure of 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 six month period ended June 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	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue(1)	**$ 11,048**	$ 12,874	$ 7,814	$ 13,408	$ 12,807	$ 12,352	$ 8,321	$ 8,596
Common shareholders								
Net earnings								
Total	**$ 585**	$ 591	$ 676	$ 674	$ 671	$ 620	$ 683	$ 720
Basic - per share	**0.591**	0.598	0.686	0.682	0.675	0.625	0.688	0.724
Diluted - per share	**0.590**	0.597	0.685	0.681	0.674	0.623	0.686	0.722
Adjusted net earnings (2)								
Total	**$ 712**	$ 619	$ 696	$ 687	$ 671	$ 620	$ 683	$ 720
Basic - per share	**0.719**	0.627	0.707	0.695	0.675	0.625	0.688	0.724
Diluted - per share	**0.718**	0.625	0.706	0.694	0.674	0.623	0.686	0.722

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

(2) The second quarter of 2017 included restructuring costs of $127 million relating to the Canada segment and Insurance & Annuities business unit. The first quarter of 2017 included restructuring costs of $28 million relating to the Insurance & Annuities and Financial Services business units. The fourth quarter of 2016 included restructuring costs of $20 million relating to the U.S. Asset Management business unit. The third quarter of 2016 included restructuring costs of $13 million related to the Insurance & Annuities business unit.

Lifeco's consolidated net earnings attributable to common shareholders were $585 million for the second quarter of 2017 compared to $671 million reported a year ago. On a per share basis, this represents $0.591 per common share ($0.590 diluted) for the second quarter of 2017 compared to $0.675 per common share ($0.674 diluted) a year ago.

Total revenue for the second quarter of 2017 was $11,048 million and comprises premium income of $7,772 million, regular net investment income of $1,591 million, a positive change in fair value through profit or loss on investment assets of $304 million and fee and other income of $1,381 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**	**June 30 2017**	Mar. 31 2017	Dec. 31 2016	Sept. 30 2016	June 30 2016	Mar. 31 2016
United States dollar						
Balance sheet	$ 1.30	$ 1.33	$ 1.34	$ 1.31	$ 1.30	$ 1.30
Income and expenses	$ 1.34	$ 1.32	$ 1.33	$ 1.31	$ 1.29	$ 1.37
British pound						
Balance sheet	$ 1.69	$ 1.67	$ 1.66	$ 1.71	$ 1.72	$ 1.87
Income and expenses	$ 1.72	$ 1.64	$ 1.66	$ 1.71	$ 1.85	$ 1.96
Euro						
Balance sheet	$ 1.48	$ 1.42	$ 1.42	$ 1.47	$ 1.44	$ 1.48
Income and expenses	$ 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 six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Income					
Premium income					
Gross premiums written	**$ 8,792**	$ 10,484	$ 7,834	**$ 19,276**	$ 15,760
Ceded premiums	**(1,020)**	(1,119)	(963)	**(2,139)**	(1,874)
Total net premiums	**7,772**	9,365	6,871	**17,137**	13,886
Net investment income (note 4)					
Regular net investment income	**1,591**	1,469	1,576	**3,060**	3,249
Changes in fair value through profit or loss	**304**	735	3,129	**1,039**	5,539
Total net investment income	**1,895**	2,204	4,705	**4,099**	8,788
Fee and other income	**1,381**	1,305	1,231	**2,686**	2,485
	11,048	12,874	12,807	**23,922**	25,159
Benefits and expenses					
Policyholder benefits					
Gross	**7,415**	8,595	6,143	**16,010**	12,785
Ceded	**(500)**	(610)	(501)	**(1,110)**	(973)
Total net policyholder benefits	**6,915**	7,985	5,642	**14,900**	11,812
Policyholder dividends and experience refunds	**462**	558	381	**1,020**	750
Changes in insurance and investment contract liabilities	**850**	1,319	4,012	**2,169**	7,151
Total paid or credited to policyholders	**8,227**	9,862	10,035	**18,089**	19,713
Commissions	**549**	753	599	**1,302**	1,165
Operating and administrative expenses	**1,185**	1,233	1,161	**2,418**	2,369
Premium taxes	**107**	123	98	**230**	190
Financing charges (note 9)	**79**	76	75	**155**	153
Amortization of finite life intangible assets	**47**	45	44	**92**	90
Restructuring expenses (note 15)	**216**	37	5	**253**	9
Earnings before income taxes	**638**	745	790	**1,383**	1,470
Income taxes (note 16)	**51**	96	76	**147**	100
Net earnings before non-controlling interests	**587**	649	714	**1,236**	1,370
Attributable to non-controlling interests	**(28)**	27	13	**(1)**	18
Net earnings	**615**	622	701	**1,237**	1,352
Preferred share dividends	**30**	31	30	**61**	61
Net earnings - common shareholders	**$ 585**	$ 591	$ 671	**$ 1,176**	$ 1,291
Earnings per common share (note 12)					
Basic	**$ 0.591**	$ 0.598	$ 0.675	**$ 1.189**	$ 1.300
Diluted	**$ 0.590**	$ 0.597	$ 0.674	**$ 1.187**	$ 1.298

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the six months ended	
	June 30 2017	March 31 2017	June 30 2016	**June 30 2017**	June 30 2016
Net earnings	**$ 615**	$ 622	$ 701	**$ 1,237**	$ 1,352
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	**(365)**	(22)	(508)	**(387)**	(1,492)
Unrealized foreign exchange gains (losses) on euro debt designated as hedges of the net investment in foreign operations	**(60)**	—	20	**(60)**	30
Income tax (expense) benefit	**8**	—	(3)	**8**	(4)
Unrealized gains (losses) on available-for-sale assets	**(41)**	30	125	**(11)**	246
Income tax (expense) benefit	**5**	(6)	(22)	**(1)**	(46)
Realized (gains) losses on available-for-sale assets	**(12)**	(8)	(18)	**(20)**	(49)
Income tax expense (benefit)	**2**	2	3	**4**	7
Unrealized gains (losses) on cash flow hedges	**(28)**	24	(20)	**(4)**	75
Income tax (expense) benefit	**10**	(9)	7	**1**	(29)
Realized (gains) losses on cash flow hedges	**411**	—	—	**411**	1
Income tax expense (benefit)	**(162)**	—	—	**(162)**	—
Non-controlling interests	**28**	(6)	(21)	**22**	(15)
Income tax (expense) benefit	**(6)**	2	5	**(4)**	8
Total items that may be reclassified	**(210)**	7	(432)	**(203)**	(1,268)
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)	**(96)**	(17)	(220)	**(113)**	(462)
Income tax (expense) benefit	**31**	(9)	57	**22**	119
Non-controlling interests	**11**	6	14	**17**	33
Income tax (expense) benefit	**(2)**	(2)	(3)	**(4)**	(8)
Total items that will not be reclassified	**(56)**	(22)	(152)	**(78)**	(318)
Total other comprehensive income (loss)	**(266)**	(15)	(584)	**(281)**	(1,586)
Comprehensive income (loss)	**$ 349**	$ 607	$ 117	**$ 956**	$ (234)

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	June 30 2017	December 31 2016
Assets		
Cash and cash equivalents	**$ 3,398**	$ 3,259
Bonds (note 4)	**118,215**	116,773
Mortgage loans (note 4)	**22,301**	21,651
Stocks (note 4)	**8,435**	8,665
Investment properties (note 4)	**4,708**	4,340
Loans to policyholders	**8,394**	8,467
	165,451	163,155
Funds held by ceding insurers	**10,317**	10,781
Goodwill	**5,992**	5,977
Intangible assets	**3,900**	3,972
Derivative financial instruments	**463**	528
Owner occupied properties	**653**	649
Fixed assets	**293**	304
Other assets	**2,359**	2,263
Premiums in course of collection, accounts and interest receivable	**4,550**	4,311
Reinsurance assets (note 7)	**5,416**	5,627
Current income taxes	**168**	97
Deferred tax assets	**1,675**	1,845
Investments on account of segregated fund policyholders (note 8)	**208,536**	200,403
Total assets	**$ 409,773**	$ 399,912
Liabilities		
Insurance contract liabilities (note 7)	**$ 157,797**	$ 155,940
Investment contract liabilities (note 7)	**1,953**	2,009
Debentures and other debt instruments	**5,531**	5,980
Capital trust securities	**160**	161
Funds held under reinsurance contracts	**336**	320
Derivative financial instruments	**1,519**	2,012
Accounts payable	**2,443**	2,049
Other liabilities	**3,924**	3,836
Current income taxes	**603**	549
Deferred tax liabilities	**1,543**	1,645
Investment and insurance contracts on account of segregated fund policyholders (note 8)	**208,536**	200,403
Total liabilities	**384,345**	374,904
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,753**	2,782
Non-controlling interests in subsidiaries	**212**	224
Shareholders' equity		
Share capital (note 11)		
Preferred shares	**2,714**	2,514
Common shares	**7,261**	7,130
Accumulated surplus	**11,889**	11,465
Accumulated other comprehensive income	**478**	746
Contributed surplus	**121**	147
Total equity	**25,428**	25,008
Total liabilities and equity	**$ 409,773**	$ 399,912

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	June 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	**—**	**—**	**1,237**	**—**	**(1)**	**1,236**
Other comprehensive income (loss)	**—**	**—**	**—**	**(281)**	**(31)**	**(312)**
	9,644	**147**	**12,702**	**465**	**2,974**	**25,932**
Dividends to shareholders						
Preferred shareholders (note 12)	**—**	**—**	**(61)**	**—**	**—**	**(61)**
Common shareholders	**—**	**—**	**(726)**	**—**	**—**	**(726)**
Shares exercised and issued under share-based payment plans (note 11)	**133**	**(58)**	**—**	**—**	**45**	**120**
Share-based payment plans expense	**—**	**32**	**—**	**—**	**—**	**32**
Equity settlement of Putnam share-based plans	**—**	**—**	**—**	**—**	**(52)**	**(52)**
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	**(12)**	**—**	**—**	**—**	**—**	**(12)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	**10**	**—**	**(10)**	**—**	**—**	**—**
Issuance of preferred shares (note 11)	**200**	**—**	**—**	**—**	**—**	**200**
Preferred share issue costs (note 11)	**—**	**—**	**(5)**	**—**	**—**	**(5)**
Dilution gain on non-controlling interests	**—**	**—**	**2**	**—**	**(2)**	**—**
Disposal of investment in associate (note 4)	**—**	**—**	**(13)**	**13**	**—**	**—**
Balance, end of period	**$ 9,975**	**$ 121**	**$ 11,889**	**$ 478**	**$ 2,965**	**$ 25,428**

	June 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	—	—	1,352	—	18	1,370
Other comprehensive income (loss)	—	—	—	(1,586)	(18)	(1,604)
	9,670	135	11,768	632	2,821	25,026
Dividends to shareholders						
Preferred shareholders (note 12)	—	—	(61)	—	—	(61)
Common shareholders	—	—	(687)	—	—	(687)
Shares exercised and issued under share-based payment plans (note 11)	20	(45)	—	—	49	24
Share-based payment plans expense	—	35	—	—	—	35
Equity settlement of Putnam share-based plans	—	—	—	—	(39)	(39)
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(97)	—	—	—	—	(97)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	77	—	(77)	—	—	—
Dilution loss on non-controlling interests	—	—	(2)	—	2	—
Balance, end of period	$ 9,670	$ 125	$ 10,941	$ 632	$ 2,833	$ 24,201

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the six months ended June 30	
	2017	2016
Operations		
Earnings before income taxes	**$ 1,383**	$ 1,470
Income taxes paid, net of refunds received	**(249)**	(142)
Adjustments:		
Change in insurance and investment contract liabilities	**2,149**	7,175
Change in funds held by ceding insurers	**431**	295
Change in funds held under reinsurance contracts	**10**	5
Change in reinsurance assets	**387**	(52)
Changes in fair value through profit or loss	**(1,039)**	(5,539)
Other	**(303)**	(69)
	2,769	3,143
Financing Activities		
Issue of common shares (note 11)	**118**	20
Issue of preferred shares (note 11)	**200**	—
Share issue costs (note 11)	**(5)**	—
Purchased and cancelled common shares (note 11)	**(12)**	(97)
Issue of senior unsecured notes (note 10)	**925**	—
Repayment of subordinate debentures (note 10)	**(1,284)**	—
Decrease in line of credit of subsidiary	**(54)**	(93)
Increase (decrease) in debentures and other debt instruments	**(37)**	9
Dividends paid on common shares	**(726)**	(687)
Dividends paid on preferred shares	**(61)**	(61)
	(936)	(909)
Investment Activities		
Bond sales and maturities	**14,143**	16,876
Mortgage loan repayments	**1,243**	1,292
Stock sales	**1,180**	1,632
Investment property sales	**16**	373
Change in loans to policyholders	**(103)**	(63)
Investment in bonds	**(15,050)**	(18,026)
Investment in mortgage loans	**(2,010)**	(1,886)
Investment in stocks	**(846)**	(1,888)
Investment in investment properties	**(262)**	(84)
	(1,689)	(1,774)
Effect of changes in exchange rates on cash and cash equivalents	**(5)**	(205)
Increase in cash and cash equivalents	**139**	255
Cash and cash equivalents, beginning of period	**3,259**	2,813
Cash and cash equivalents, end of period	**$ 3,398**	$ 3,068
Supplementary cash flow information		
Interest income received	**$ 2,610**	$ 2,756
Interest paid	**156**	157
Dividend income received	**118**	129

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 six months ended June 30, 2017 were approved by the Board of Directors on August 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 June 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

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 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 Acquisition

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 that offers access to life/health insurance, employee benefits, pensions, investments, structured settlements, and risk management products and services to advisors throughout Canada. Regulatory approval has been received and the transaction was completed effective July 31, 2017. The revenue and net earnings from Financial Horizons Group will not be material to the financial statements.

4. Portfolio Investments

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

	June 30, 2017		December 31, 2016	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [(1)]	**$ 86,192**	**$ 86,192**	$ 85,739	$ 85,739
Classified fair value through profit or loss [(1)]	**1,986**	**1,986**	2,586	2,586
Available-for-sale	**12,801**	**12,801**	11,478	11,478
Loans and receivables	**17,236**	**19,032**	16,970	18,484
	118,215	**120,011**	116,773	118,287
Mortgage loans				
Residential	**8,577**	**8,843**	8,062	8,260
Commercial	**13,724**	**14,517**	13,589	14,290
	22,301	**23,360**	21,651	22,550
Stocks				
Designated fair value through profit or loss [(1)]	**7,577**	**7,577**	7,606	7,606
Available-for-sale	**46**	**46**	48	48
Available-for-sale, at cost [(2)]	**382**	**382**	391	391
Equity method [(3)]	**430**	**435**	620	610
	8,435	**8,440**	8,665	8,655
Investment properties	**4,708**	**4,708**	4,340	4,340
Total	**$ 153,659**	**$ 156,519**	$ 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

	June 30 2017	December 31 2016
Impaired amounts by classification		
Fair value through profit or loss	**$ 253**	$ 283
Available-for-sale	**12**	10
Loans and receivables	**80**	79
Total	**$ 345**	$ 372

The carrying amount of impaired investments includes $288 bonds, $53 mortgage loans and $4 stocks at June 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 $46 at June 30, 2017 and $43 at December 31, 2016.

(c) Net investment income comprises the following:

For the three months ended June 30, 2017	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,117**	**$ 228**	**$ 69**	**$ 75**	**$ 118**	**$ 1,607**
Net realized gains						
Available-for-sale	**12**	**—**	**—**	**—**	**—**	**12**
Other classifications	**2**	**12**	**—**	**—**	**—**	**14**
Net allowances for credit losses on loans and receivables	**6**	**—**	**—**	**—**	**—**	**6**
Other income (expenses)	**—**	**—**	**—**	**(20)**	**(28)**	**(48)**
	1,137	**240**	**69**	**55**	**90**	**1,591**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**(8)**	**—**	**3**	**—**	**—**	**(5)**
Designated fair value through profit or loss	**353**	**—**	**(62)**	**—**	**(23)**	**268**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**41**	**—**	**41**
	345	**—**	**(59)**	**41**	**(23)**	**304**
Total	**$ 1,482**	**$ 240**	**$ 10**	**$ 96**	**$ 67**	**$ 1,895**

4. Portfolio Investments (cont'd)

For the three months ended June 30, 2016	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,074	$ 230	$ 62	$ 89	$ 138	$ 1,593
Net realized gains (losses)						
Available-for-sale	19	—	(1)	—	—	18
Other classifications	4	26	—	—	—	30
Net allowances for credit losses on loans and receivables	—	(16)	—	—	—	(16)
Other income (expenses)	—	—	—	(22)	(27)	(49)
	1,097	240	61	67	111	1,576
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	24	—	—	—	—	24
Designated fair value through profit or loss	3,171	—	161	—	(165)	3,167
Recorded at fair value through profit or loss	—	—	—	(62)	—	(62)
	3,195	—	161	(62)	(165)	3,129
Total	$ 4,292	$ 240	$ 222	$ 5	$ (54)	$ 4,705

For the six months ended June 30, 2017	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 2,151**	**$ 451**	**$ 135**	**$ 156**	**$ 209**	**$ 3,102**
Net realized gains						
Available-for-sale	**20**	**—**	**—**	**—**	**—**	**20**
Other classifications	**11**	**25**	**—**	**—**	**—**	**36**
Net allowances for credit losses on loans and receivables	**6**	**(4)**	**—**	**—**	**—**	**2**
Other income (expenses)	**—**	**—**	**—**	**(41)**	**(59)**	**(100)**
	2,188	**472**	**135**	**115**	**150**	**3,060**
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	**3**	**—**	**3**	**—**	**—**	**6**
Designated fair value through profit or loss	**882**	**—**	**96**	**—**	**(18)**	**960**
Recorded at fair value through profit or loss	**—**	**—**	**—**	**73**	**—**	**73**
	885	**—**	**99**	**73**	**(18)**	**1,039**
Total	**$ 3,073**	**$ 472**	**$ 234**	**$ 188**	**$ 132**	**$ 4,099**

4. Portfolio Investments (cont'd)

For the six months ended June 30, 2016	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,168	$ 467	$ 141	$ 172	$ 321	$ 3,269
Net realized gains						
Available-for-sale	49	—	—	—	—	49
Other classifications	15	35	—	—	—	50
Net allowances for credit losses on loans and receivables	—	(23)	—	—	—	(23)
Other income (expenses)	—	—	—	(42)	(54)	(96)
	2,232	479	141	130	267	3,249
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	66	—	—	—	—	66
Designated fair value through profit or loss	5,425	—	313	—	(227)	5,511
Recorded at fair value through profit or loss	—	—	—	(38)	—	(38)
	5,491	—	313	(38)	(227)	5,539
Total	$ 7,723	$ 479	$ 454	$ 92	$ 40	$ 8,788

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 June 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 June 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.

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:

	June 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	**$ (205)**	**$ 625**	$ (202)	$ 677
Increase (decrease) in net earnings	**$ 150**	**$ (452)**	$ 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:

	June 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	**$ (54)**	**$ 100**	$ (51)	$ 61
Increase (decrease) in net earnings	**$ 46**	**$ (80)**	$ 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:

	June 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	**$ (530)**	**$ 579**	$ (504)	$ 552
Increase (decrease) in net earnings	**$ 428**	**$ (460)**	$ 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:

	June 30, 2017			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 3,398	$ —	$ —	$ 3,398
Financial assets at fair value through profit or loss				
Bonds	—	88,117	61	88,178
Stocks	7,428	2	147	7,577
Total financial assets at fair value through profit or loss	7,428	88,119	208	95,755
Available-for-sale financial assets				
Bonds	—	12,801	—	12,801
Stocks	45	—	1	46
Total available-for-sale financial assets	45	12,801	1	12,847
Investment properties	—	—	4,708	4,708
Funds held by ceding insurers	127	8,084	—	8,211
Derivatives [1]	3	460	—	463
Other assets:				
Trading account assets	396	160	—	556
Other [2]	101	—	—	101
Total assets measured at fair value	$ 11,498	$ 109,624	$ 4,917	$ 126,039
Liabilities measured at fair value				
Derivatives [3]	$ —	$ 1,519	$ —	$ 1,519
Investment contract liabilities	—	1,931	22	1,953
Other liabilities	101	—	—	101
Total liabilities measured at fair value	$ 101	$ 3,450	$ 22	$ 3,573

[1] Excludes collateral received from counterparties of $132.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged to counterparties of $396.

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:

	June 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	**(1)**	**—**	**4**	**—**	**73**	**—**	**76**	**—**
Included in other comprehensive income (loss) (1)	**3**	**—**	**(1)**	**—**	**49**	**—**	**51**	**—**
Purchases	**—**	**—**	**69**	**—**	**262**	**—**	**331**	**—**
Sales	**—**	**—**	**(9)**	**—**	**(16)**	**(1)**	**(26)**	**—**
Other	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**2**
Transfers into Level 3 (2)	**59**	**—**	**4**	**—**	**—**	**—**	**63**	**—**
Transfers out of Level 3 (2)	**(1)**	**—**	**—**	**—**	**—**	**—**	**(1)**	**—**
Balance, end of period	**$ 61**	**$ —**	**$ 147**	**$ 1**	**$ 4,708**	**$ —**	**$ 4,917**	**$ 22**
Total gains (losses) for the period included in net investment income	**$ (1)**	**$ —**	**$ 4**	**$ —**	**$ 73**	**$ —**	**$ 76**	**$ —**
Change in unrealized gains (losses) for the period included in net earnings for assets held at June 30, 2017	**$ (1)**	**$ —**	**$ 4**	**$ —**	**$ 70**	**$ —**	**$ 73**	**$ —**

(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 2.8% - 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 3.0%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

7. Insurance and Investment Contract Liabilities

	June 30, 2017		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 157,797**	**$ 5,416**	**$ 152,381**
Investment contract liabilities	**1,953**	**—**	**1,953**
Total	**$ 159,750**	**$ 5,416**	**$ 154,334**

	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

	June 30 2017	December 31 2016
Cash and cash equivalents	**$ 14,076**	$ 12,487
Bonds	**42,827**	41,619
Mortgage loans	**2,684**	2,622
Stocks and units in unit trusts	**85,573**	81,033
Mutual funds	**53,027**	51,726
Investment properties	**11,573**	11,019
	209,760	200,506
Accrued income	**387**	359
Other liabilities	**(2,481)**	(2,009)
Non-controlling mutual funds interest	**870**	1,547
Total	**$ 208,536**	$ 200,403

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

	For the six months ended June 30	
	2017	2016
Balance, beginning of year	**$ 200,403**	$ 198,194
Additions (deductions):		
Policyholder deposits	**12,244**	10,998
Net investment income	**759**	989
Net realized capital gains on investments	**2,909**	1,544
Net unrealized capital gains on investments	**2,232**	1,165
Unrealized gains (losses) due to changes in foreign exchange rates	**2,063**	(9,748)
Policyholder withdrawals	**(11,344)**	(10,439)
Change in Segregated Fund investment in General Fund	**(98)**	18
Change in General Fund investment in Segregated Fund	**(6)**	(5)
Net transfer from General Fund	**51**	13
Non-controlling mutual funds interest	**(677)**	(4)
Total	**8,133**	(5,469)
Balance, end of period	**$ 208,536**	$ 192,725

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

	June 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 131,331**	**$ 66,178**	**$ 12,720**	**$ 210,229**

[(1)] Excludes other liabilities, net of other assets, of $1,693.

	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 six months of 2017 certain foreign stock holdings valued at $2,595 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:

	June 30 2017	December 31 2016
Balance, beginning of year	**$ 12,045**	$ 11,765
Total gains (losses) included in segregated fund investment income	**275**	(109)
Purchases	**510**	584
Sales	**(175)**	(370)
Transfers into Level 3	**78**	175
Transfers out of Level 3	**(13)**	—
Balance, end of period	**$ 12,720**	$ 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 June 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 June 30		For the six months ended June 30	
	2017	2016	**2017**	2016
Operating charges				
Interest on operating lines and short-term debt instruments	**$ 2**	$ 2	**$ 4**	$ 4
Financial charges				
Interest on long-term debentures and other debt instruments	**68**	64	**132**	130
Interest on capital trust securities	**2**	2	**5**	5
Other	**7**	7	**14**	14
	77	73	**151**	149
Total	**$ 79**	$ 75	**$ 155**	$ 153

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 six months ended June 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	**(341,683)**	**(12)**	(2,831,181)	(97)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**10**	—	77
Exercised and issued under stock option plan	**3,840,404**	**133**	639,234	20
Balance, end of period	**989,897,056**	**$ 7,261**	991,158,384	$ 7,156

During the six months ended June 30, 2017, 3,840,404 common shares were exercised under the Company's stock plan with a carrying value of $133, including $15 from contributed surplus transferred upon exercise (639,234 with a carrying value of $20 during the six months ended June 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 six months ended June 30, 2017, the Company repurchased and subsequently cancelled 341,683 common shares under the current normal course issuer bid at a cost of $12 (2,831,181 during the six months ended June 30, 2016 under the previous normal course issuer bid at a cost of $97). 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 $10 and was recognized as a reduction to equity during the six months ended June 30, 2017 ($77 during the six months ended June 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 $5 were charged to accumulated surplus.

12. Earnings per Common Share

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	**2017**	2016
Earnings				
Net earnings	**$ 615**	$ 701	**$ 1,237**	$ 1,352
Preferred share dividends	**(30)**	(30)	**(61)**	(61)
Net earnings - common shareholders	**$ 585**	$ 671	**$ 1,176**	$ 1,291
Number of common shares				
Average number of common shares outstanding	**990,016,393**	992,837,470	**988,859,635**	993,044,221
Add: Potential exercise of outstanding stock options	**1,323,058**	1,998,103	**1,693,228**	1,889,719
Average number of common shares outstanding - diluted basis	**991,339,451**	994,835,573	**990,552,863**	994,933,940
Basic earnings per common share	**$ 0.591**	$ 0.675	**$ 1.189**	$ 1.300
Diluted earnings per common share	**$ 0.590**	$ 0.674	**$ 1.187**	$ 1.298
Dividends per common share	**$ 0.3670**	$ 0.3460	**$ 0.7340**	$ 0.6920

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:

	June 30 2017	December 31 2016
Adjusted Net Tier 1 Capital	**$ 13,532**	$ 13,071
Net Tier 2 Capital	**2,794**	2,798
Total Capital Available	**$ 16,326**	$ 15,869
Total Capital Required	**$ 6,845**	$ 6,618
Tier 1 Ratio	**198%**	198%
Total Ratio	**239%**	240%

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

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 June 30		For the six months ended June 30	
	2017	2016	**2017**	2016
Pension plans				
Service costs	**$ 56**	$ 53	**$ 107**	$ 105
Net interest cost	**7**	5	**13**	11
Curtailment	**(2)**	—	**(2)**	(13)
	61	58	**118**	103
Other post-employment benefits				
Service costs	**—**	—	**1**	1
Net interest cost	**4**	5	**7**	8
	4	5	**8**	9
Pension plans and other post-employment benefits expense - Consolidated Statements of Earnings	**65**	63	**126**	112
Pension plans - re-measurements				
Actuarial loss	**122**	323	**225**	596
Return on assets greater than assumed	**(30)**	(121)	**(113)**	(127)
Administrative expenses less than assumed	**(1)**	(1)	**(2)**	(2)
Change in the asset ceiling	**(4)**	3	**(16)**	(23)
Actuarial loss (gain) - investment in associate [1]	**—**	1	**1**	(8)
Pension plans re-measurement loss	**87**	205	**95**	436
Other post-employment benefits - re-measurements				
Actuarial loss	**9**	15	**18**	26
Pension plans and other post-employment benefits re-measurements - other comprehensive loss	**96**	220	**113**	462
Total pension plans and other post-employment benefits expense including re-measurements	**$ 161**	$ 283	**$ 239**	$ 574

[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:

	June 30		March 31		December 31	
	2017	2016	2017	2016	2016	2015
Weighted average discount rate	**3.2%**	3.1%	3.3%	3.5%	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 June 30, 2017, the Company has a restructuring provision of $178 recorded 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	**215**
Amounts used	**(37)**
Balance, end of period	**$ 178**

16. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	**2017**	2016
Current income taxes	**$ 134**	$ 119	**$ 238**	$ 173
Deferred income taxes	**(83)**	(43)	**(91)**	(73)
Total income tax expense	**$ 51**	$ 76	**$ 147**	$ 100

(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 June 30, 2017 was 8.0% compared to 9.6% for the three months ended June 30, 2016. The overall effective income tax rate for Lifeco for the six months ended June 30, 2017 was 10.6% compared to 6.8% for the six months ended June 30, 2016.

The effective income tax rate for the three months ended June 30, 2017 is lower than the effective income tax rate for the same period last year due to a higher percentage of income consisting of non-taxable investment income and income subject to lower rates in foreign jurisdictions partially offset by changes in certain tax estimates.

The effective income tax rate for the six months ended June 30, 2017 is higher than the effective income tax rate for the six months ended June 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 $1,357 at June 30, 2017 ($1,389 at December 31, 2016).

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17. Segmented Information

Consolidated Net Earnings

For the three months ended June 30, 2017

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 3,189	$ 942	$ 3,641	$ —	$ 7,772
Net investment income					
Regular net investment income	642	451	496	2	1,591
Changes in fair value through profit or loss	282	274	(252)	—	304
Total net investment income	924	725	244	2	1,895
Fee and other income	399	636	346	—	1,381
	4,512	2,303	4,231	2	11,048
Benefits and expenses					
Paid or credited to policyholders	3,333	1,476	3,418	—	8,227
Other [1]	783	651	405	2	1,841
Financing charges	31	37	10	1	79
Amortization of finite life intangible assets	17	22	8	—	47
Restructuring expenses	215	—	1	—	216
Earnings (loss) before income taxes	133	117	389	(1)	638
Income taxes (recovery)	(22)	28	45	—	51
Net earnings (loss) before non-controlling interests	155	89	344	(1)	587
Non-controlling interests	(31)	3	—	—	(28)
Net earnings (loss)	186	86	344	(1)	615
Preferred share dividends	26	—	4	—	30
Net earnings (loss) before capital allocation	160	86	340	(1)	585
Impact of capital allocation	25	(4)	(19)	(2)	—
Net earnings (loss) - common shareholders	$ 185	$ 82	$ 321	$ (3)	$ 585

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

17. Segmented Information (cont'd)

For the three months ended June 30, 2016

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 2,896	$ 1,267	$ 2,708	$ —	$ 6,871
Net investment income					
Regular net investment income	665	420	487	4	1,576
Changes in fair value through profit or loss	940	526	1,663	—	3,129
Total net investment income	1,605	946	2,150	4	4,705
Fee and other income	369	555	307	—	1,231
	4,870	2,768	5,165	4	12,807
Benefits and expenses					
Paid or credited to policyholders	3,632	1,996	4,407	—	10,035
Other [(1)]	833	645	374	6	1,858
Financing charges	26	35	11	3	75
Amortization of finite life intangible assets	17	20	7	—	44
Restructuring expenses	—	4	1	—	5
Earnings (loss) before income taxes	362	68	365	(5)	790
Income taxes (recovery)	23	12	46	(5)	76
Net earnings (loss) before non-controlling interests	339	56	319	—	714
Non-controlling interests	11	1	1	—	13
Net earnings (loss)	328	55	318	—	701
Preferred share dividends	26	—	4	—	30
Net earnings (loss) before capital allocation	302	55	314	—	671
Impact of capital allocation	25	(2)	(21)	(2)	—
Net earnings (loss) - common shareholders	$ 327	$ 53	$ 293	$ (2)	$ 671

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

For the six months ended June 30, 2017

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 6,484	$ 2,171	$ 8,482	$ —	$ 17,137
Net investment income					
Regular net investment income	1,255	906	898	1	3,060
Changes in fair value through profit or loss	657	376	6	—	1,039
Total net investment income	1,912	1,282	904	1	4,099
Fee and other income	786	1,230	670	—	2,686
	9,182	4,683	10,056	1	23,922
Benefits and expenses					
Paid or credited to policyholders	6,578	3,028	8,483	—	18,089
Other [(1)]	1,811	1,337	791	11	3,950
Financing charges	61	71	22	1	155
Amortization of finite life intangible assets	34	43	15	—	92
Restructuring expenses	215	17	21	—	253
Earnings (loss) before income taxes	483	187	724	(11)	1,383
Income taxes (recovery)	43	39	68	(3)	147
Net earnings (loss) before non-controlling interests	440	148	656	(8)	1,236
Non-controlling interests	(2)	2	(1)	—	(1)
Net earnings (loss)	442	146	657	(8)	1,237
Preferred share dividends	52	—	9	—	61
Net earnings (loss) before capital allocation	390	146	648	(8)	1,176
Impact of capital allocation	50	(8)	(38)	(4)	—
Net earnings (loss) - common shareholders	$ 440	$ 138	$ 610	$ (12)	$ 1,176

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

For the six months ended June 30, 2016

	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 5,757	$ 2,647	$ 5,482	$ —	$ 13,886
Net investment income					
Regular net investment income	1,401	874	970	4	3,249
Changes in fair value through profit or loss	1,477	1,007	3,055	—	5,539
Total net investment income	2,878	1,881	4,025	4	8,788
Fee and other income	731	1,126	628	—	2,485
	9,366	5,654	10,135	4	25,159
Benefits and expenses					
Paid or credited to policyholders	6,933	4,108	8,672	—	19,713
Other [(1)]	1,650	1,331	733	10	3,724
Financing charges	55	72	23	3	153
Amortization of finite life intangible assets	33	42	15	—	90
Restructuring expenses	—	7	2	—	9
Earnings (loss) before income taxes	695	94	690	(9)	1,470
Income taxes (recovery)	74	(28)	59	(5)	100
Net earnings (loss) before non-controlling interests	621	122	631	(4)	1,370
Non-controlling interests	16	2	—	—	18
Net earnings (loss)	605	120	631	(4)	1,352
Preferred share dividends	52	—	9	—	61
Net earnings (loss) before capital allocation	553	120	622	(4)	1,291
Impact of capital allocation	50	(4)	(42)	(4)	—
Net earnings (loss) - common shareholders	$ 603	$ 116	$ 580	$ (8)	$ 1,291

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

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