

GREAT-WEST
LIFECO INC.

2011

QUARTERLY REPORT

January 1 to September 30, 2011

9 MONTHS RESULTS

Quarterly Report to Shareholders

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

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Quarterly Report January 1 to September 30, 2011

TO THE SHAREHOLDERS

The condensed consolidated interim unaudited financial statements including notes at September 30, 2011 were approved by the Board of Directors at a meeting held today in Toronto.

Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of \$457 million for the three months ended September 30, 2011, compared to \$267 million in the third quarter of 2010. On a per common share basis, this represents \$0.481 per common share for the three months ended September 30, 2011, compared to \$0.281 per common share for the same period in 2010. Third quarter 2010 net earnings include the impact of an incremental litigation provision of \$204 million attributable to common shareholders.

For the nine months ended September 30, 2011, net earnings attributable to common shareholders were \$1,398 million, compared to \$1,150 million a year ago. This represents \$1.473 per common share for the nine months ended September 30, 2011, compared to \$1.213 per common share for the same period in 2010.

The Company's sensitivity to the euro remains low as less than 2% of the Company's net earnings year-to-date are in euros. The Canadian dollar continued to strengthen against both the U.S. dollar and the British pound resulting in a negative impact of \$8 million in the third quarter and \$20 million year-to-date, compared to the same periods in 2010.

Consolidated assets under administration at September 30, 2011 were \$493.3 billion up \$6.3 billion from December 31, 2010.

Highlights

- Since June 24, 2011, the credit ratings for Lifeco and its major operating subsidiaries were affirmed with a stable outlook by Fitch Ratings, A.M. Best Company, DBRS Limited, Moody's Investors Service and Standard & Poor's Ratings Services. The Company continues to enjoy strong ratings relative to its North American peer group due to its conservative risk profile and stable earnings track record.
- The Company maintained a relatively stable return on common shareholders' equity of 16.6%.
- The Company's capital position remains very strong. Lifeco's Canadian operating subsidiary, The Great-West Life Assurance Company, reported a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 200% at September 30, 2011.
- Only 3% of the Company's invested assets are in bonds of government and financial institutions of Eurozone countries as at September 30, 2011. The Company's credit market experience remains stable with credit related charges and provisions totaling \$16 million after-tax in third quarter 2011.
- Sales in Canada of Group insurance were up 13% overall in quarter compared to 2010, driven by strong large case and creditor group sales. Sales of Wealth Management proprietary retail investments increased 8% and Individual Insurance disability and critical illness sales increased 9% overall compared to the third quarter of 2010.
- U.S. Financial Services formally launched an Individual Retirement Account rollover initiative in the second quarter which resulted in year to date sales of US\$141 million, an increase of 120% from the prior year.
- Putnam net sales for the nine months ended September 30, 2011 were US\$2.0 billion positive, a US\$2.5 billion improvement over the same period a year ago.

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- Putnam launched a Dynamic Risk Allocation Fund, designed to actively balance the sources of portfolio risk across multiple asset classes, with flexibility to respond dynamically to changing economic conditions and market valuations, in pursuit of consistent levels of total return.
- Sales in Europe increased by 29% in the quarter compared to 2010 due to continued strong growth of single premium savings products in the Isle of Man.
- In the United Kingdom, Canada Life was named “Most Competitive Annuity Provider” for the sixth consecutive year and won “Best Tax and Estate Planning Solutions Provider” for the first time in the 2011 Investments Life and Pensions Moneyfacts awards. The U.K. group operation was named “Best Group Protection Provider” for the third consecutive year.
- The Company declared a quarterly common dividend of \$0.3075 per common share payable December 30, 2011.

OPERATING RESULTS

Consolidated net earnings for Lifeco comprise the net earnings of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life), Great-West Life & Annuity Insurance Company (GWL&A), and Putnam Investments, LLC (Putnam), together with Lifeco's corporate results.

CANADA

Net earnings attributable to common shareholders for the third quarter of 2011 were \$235 million compared to \$249 million in the third quarter of 2010. The Company adopted revised Actuarial Standards of Practice in the third quarter of 2011, resulting in the Canadian operation incorporating future mortality improvement in actuarial liabilities. The resulting net gain was offset by the impact of strengthening interest mismatch provisions in light of declining interest rates and additional provisions reflecting updated experience studies. Results also reflect mark-to-market gains on investment properties in corporate surplus. For the nine months ended September 30, 2011, net earnings attributable to common shareholders were \$742 million compared to \$738 million for the same period in 2010.

Total sales for the quarter were \$1.9 billion, compared to \$2.0 billion in the third quarter of 2010. Sales in Canada of Group insurance were up 13% overall in quarter compared to 2010, driven by strong large case and creditor group sales. Sales of Wealth Management proprietary retail investments increased 8% and Individual Insurance disability and critical illness sales increased 9% overall compared to the third quarter of 2010. Sales of group retirement products decreased by 27% compared to the same quarter last year due to lower investment only sales.

Total assets under administration at September 30, 2011 were \$126.5 billion, compared to \$126.9 billion at December 31, 2010.

UNITED STATES

Net earnings attributable to common shareholders for the third quarter of 2011 were \$75 million compared to \$87 million in the third quarter of 2010. These results include a net loss of US\$11 million from Putnam operations in the third quarter of 2011 compared to a gain of US\$3 million over the same period a year ago primarily due to mark-to-market losses in investment income and slightly lower fee income. For the nine months ended September 30, 2011, net earnings attributable to common shareholders were \$291 million compared to \$213 million for the same period in 2010.

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Total sales for the quarter were \$7.3 billion compared to \$11.0 billion in 2010. Sales in Putnam were \$5.7 billion for the third quarter compared to \$6.2 billion a year ago primarily reflecting volatility in the markets. Sales in the Financial Services segment were \$1.6 billion for the third quarter compared to \$4.8 billion a year ago. The Financial Services segment prior year sales included large plan sales not repeated this quarter.

Total assets under administration at September 30, 2011 were \$296.9 billion compared to \$294.1 billion at December 31, 2010. Included in assets under administration at September 30, 2011 were \$176.4 billion of assets under management consisting of \$118.4 billion of mutual fund and institutional account assets managed by Putnam and \$58.0 billion of general account, separate account and proprietary mutual funds managed by Financial Services.

EUROPE

Net earnings attributable to common shareholders for the third quarter of 2011 were \$148 million compared to \$138 million in the third quarter of 2010. These results include a release of interest mismatch provisions due to the positive impact of lower interest rates on the U.K. payout annuity portfolios, partially offset by the impact of less favourable mortality experience in the U.K. group and payout annuity businesses. Results also reflect the benefit of reduced tax liability provisions in the U.K. and Reinsurance operations and a lower U.K. corporate income tax rate. For the nine months ended September 30, 2011, net earnings attributable to common shareholders were \$381 million compared to \$413 million for the same period in 2010.

Total sales for the quarter were \$1.3 billion compared to \$1.0 billion in 2010. Sales of single premium savings products increased 139% in the Isle of Man, reflecting fluctuations in the number of large cases which vary from quarter to quarter. This increase was partially offset by a decline in sales of single premium savings products and payout annuities in the U.K.

Total assets under administration at September 30, 2011 were \$69.9 billion, compared to \$66.0 billion at December 31, 2010.

CORPORATE

Net earnings in the Lifeco corporate segment attributable to common shareholders was a net loss of \$1 million in the third quarter of 2011 compared to a net loss of \$207 million for the third quarter of 2010. For the nine months ended September 30, 2011 net earnings in the Lifeco corporate segment attributable to common shareholders was a net loss of \$16 million compared to a net loss of \$214 million for the same period in 2010. Both third quarter and nine months 2010 results include the impact of an incremental litigation provision of \$204 million attributable to common shareholders.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of \$0.3075 per share on the common shares of the Company payable December 30, 2011 to shareholders of record at the close of business December 2, 2011.

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

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In addition, the Directors approved quarterly dividends on:

- Series F First Preferred Shares of \$0.36875 per share;
- Series G First Preferred Shares of \$0.3250 per share;
- Series H First Preferred Shares of \$0.30313 per share;
- Series I First Preferred Shares of \$0.28125 per share;
- Series J First Preferred Shares of \$0.3750 per share;
- Series L First Preferred Shares of \$0.353125 per share;
- Series M First Preferred Shares of \$0.36250 per share; and
- Series N First Preferred Shares of \$0.228125 per share

all payable December 30, 2011 to shareholders of record at the close of business December 2, 2011.



D. Allen Loney
President and Chief Executive Officer

November 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS**FOR THE PERIOD ENDED SEPTEMBER 30, 2011****DATED: NOVEMBER 10, 2011**

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months and nine months ended September 30, 2011 compared with the same periods in 2010, and with the three months ended June 30, 2011. The MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States 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 interim condensed consolidated financial statements for the period ended September 30, 2011. Please also refer to the 2010 Annual MD&A and consolidated financial statements, which were prepared in accordance with the previous Canadian Generally Accepted Accounting Principles (CGAAP), in the Company's 2010 Annual Report to Shareholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. 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 similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action by the Company, including statements made by the Company with respect to the expected benefits of acquisitions or divestitures, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events 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 actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in accounting policies and the effect of applying future accounting policy changes including the adoption of IFRS, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive, and there may be other factors, including factors set out under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" in the Company's 2010 Annual MD&A, and any listed in other filings with securities regulators, which are available for review at www.sedar.com. The reader is also cautioned to consider these and other factors 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", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. 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. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information

(in Canadian \$ millions, except for per share amounts)

	As at or for the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	\$ 4,392	\$ 4,272	\$ 4,313	\$ 12,959	\$ 13,138
Self-funded premium equivalents (ASO contracts)	660	664	619	1,994	1,921
Segregated funds deposits:					
Individual products	1,975	1,636	1,703	5,516	5,126
Group products	1,420	1,427	1,340	4,340	5,405
Proprietary mutual funds & institutional deposits	5,892	8,289	6,407	23,264	17,987
Total premiums and deposits	<u>14,339</u>	<u>16,288</u>	<u>14,382</u>	<u>48,073</u>	<u>43,577</u>
Fee and other income	704	739	681	2,163	2,108
Paid or credited to policyholders	6,826	5,298	7,357	16,703	19,647
Operating earnings - common shareholders	457	526	471	1,398	1,354
Net earnings - common shareholders	457	526	267	1,398	1,150
Per common share					
Operating earnings	\$ 0.481	\$ 0.553	\$ 0.497	\$ 1.473	\$ 1.429
Basic earnings	0.481	0.553	0.281	1.473	1.213
Dividends paid	0.3075	0.3075	0.3075	0.9225	0.9225
Book value	12.49	11.75	11.73		
Return on common shareholders' equity (trailing four quarters*)					
Net operating earnings	16.6%	17.0%	N/A		
Net earnings	16.6%	15.2%	N/A		
Total assets	\$ 237,072	\$ 232,159	\$ 231,057		
Proprietary mutual funds and institutional net assets	124,343	130,066	128,777		
Total assets under management	<u>361,415</u>	<u>362,225</u>	<u>359,834</u>		
Other assets under administration	131,853	134,822	129,142		
Total assets under administration	<u>\$ 493,268</u>	<u>\$ 497,047</u>	<u>\$ 488,976</u>		
Total equity	<u>\$ 15,875</u>	<u>\$ 15,115</u>	<u>\$ 15,159</u>		

The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of the provision described in note 25 to the Company's December 31, 2010 consolidated financial statements.

*Return on common shareholders' equity (ROE) is the trailing four quarter calculation of net earnings divided by common shareholders' equity. Comparative 2010 ROE calculations are not presented as IFRS figures and are not available for the trailing period, which includes certain periods of 2009 reported solely on a CGAAP basis.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders for the three month period ended September 30, 2011 were \$457 million compared to \$267 million reported a year ago. On a per share basis, this represents \$0.481 per common share (\$0.478 diluted) for the third quarter of 2011 compared to \$0.281 per common share (\$0.281 diluted) a year ago. Included in net earnings for the third quarter of 2010 is the impact of an incremental litigation provision in the amount of \$225 million after-tax (\$204 million and \$21 million attributable to the common shareholders and non-controlling interests, respectively).

For the nine months ended September 30, 2011, Lifeco's net earnings attributable to common shareholders were \$1,398 million compared to \$1,150 million reported a year ago, an increase of 22%. On a per share basis, this represents \$1.473 per common share (\$1.461 diluted) for 2011 compared to \$1.213 per common share (\$1.207 diluted) a year ago.

The Company's sensitivity to the euro remains low as less than 2% of the Company's net earnings year-to-date are in euros. The Canadian dollar continued to strengthen against both the U.S. dollar and the British pound resulting in a negative impact of \$8 million in the third quarter and \$20 million year-to-date, compared to the same periods in 2010.

Net earnings - common shareholders

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Canada					
Individual Insurance	\$ 102	\$ 66	\$ 72	\$ 250	\$ 225
Wealth Management	11	91	76	184	233
Group Insurance	96	94	102	256	284
Canada Corporate	26	11	(1)	52	(4)
	235	262	249	742	738
United States					
Financial Services	87	81	86	266	238
Asset Management	(11)	47	3	23	(27)
U.S. Corporate	(1)	-	(2)	2	2
	75	128	87	291	213
Europe					
Insurance & Annuities	106	97	98	328	324
Reinsurance	45	50	39	57	88
Europe Corporate	(3)	-	1	(4)	1
	148	147	138	381	413
Lifeco Corporate	(1)	(11)	(3)	(16)	(10)
Operating earnings	457	526	471	1,398	1,354
Litigation provision	-	-	(204)	-	(204)
Net earnings	\$ 457	\$ 526	\$ 267	\$ 1,398	\$ 1,150

The information in the table is a summary of results for net earnings of the Company. Additional commentary regarding net earnings can be found in Segmented Operating Results.

Net earnings in the third quarter of 2011 were impacted by a number of significant factors:

Interest Rate Environment

During the third quarter of 2011, interest rates in countries where the Company operates declined sharply. The declines in interest rates varied by country, but were generally 50 basis points or less at the short end of the yield curve, and approximately 100 basis points at the long end of the yield curve causing a decrease in consolidated net earnings of approximately \$27 million. In Canada, where the Company is exposed to declining interest rates, this caused a decrease in net earnings of approximately \$59 million. In Europe, the Company benefited from the decline in interest rates, due to the duration of assets being slightly longer than liabilities in the period, resulting in an increase in net earnings of approximately \$32 million.

Equity Markets

Equity markets weakened in the third quarter of 2011 causing a decrease in net earnings of approximately \$29 million primarily due to lower asset based fee income in wealth management businesses as the asset base for these fees declines as equity markets decline. It also includes the increased cost of guarantees of death, maturity, or income benefits on certain wealth management products offered by the Company. The fair value of the investment properties, common stocks and private equities backing products with long tail liabilities were generally consistent with the Company's expectations and as a result had no material impact on earnings. Mark-to-market losses on equity market investments in seed capital held in the Company's surplus account further negatively impacted earnings by \$6 million.

Actuarial Assumption Changes

The Company adopted the revised Actuarial Standards of Practice for subsection 2350 relating to future mortality improvement in actuarial liabilities for life insurance and annuities in its Canadian operations in the third quarter of 2011. This had a positive impact on life insurance liabilities and a negative impact on annuity liabilities, for an overall net earnings benefit of \$84 million. The Company plans to revise the corresponding assumptions in its Europe and U.S. operations in the fourth quarter of 2011.

The Company also updated a number of actuarial experience studies in-quarter resulting in a net strengthening of actuarial liabilities by \$35 million which negatively impacted net earnings by \$26 million after-tax.

SUBSEQUENT EVENT

On November 3, 2011 the Court of Appeal for Ontario released a decision in regard to the involvement of the participating accounts of Great-West Lifeco subsidiaries London Life Insurance Company and The Great-West Life Assurance Company in the financing of the acquisition of London Insurance Group in 1997.

The Court of Appeal upheld that participating policyholders were treated fairly and that there was no impact on their dividends. The Court of Appeal also confirmed that it was reasonable for the participating accounts to contribute to the acquisition in order to receive benefits.

The Court of Appeal made adjustments to the original trial judgment which are expected to have a favourable impact to the Company's overall financial position.

The Company holds \$310 million in after-tax provisions in relation to these proceedings and will revise its provisioning once the amount of the judgment has been approved by the Court.

PREMIUMS AND DEPOSITS AND SALES

Premiums and deposits include premiums on risk-based insurance and annuity products, premium equivalents on self-funded group insurance administrative services only (ASO) contracts, deposits on individual and group segregated fund products and deposits on proprietary mutual funds and institutional accounts.

Sales include 100% of single premium and annualized recurring premium on risk-based and annuity products, deposits on individual and group segregated fund products, deposits on proprietary mutual funds and institutional accounts and deposits on non-proprietary mutual funds.

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Canada					
Individual Insurance	\$ 899	\$ 914	\$ 833	\$ 2,688	\$ 2,484
Wealth Management	1,859	2,124	1,863	6,408	6,266
Group Insurance	1,781	1,786	1,709	5,354	5,159
	4,539	4,824	4,405	14,450	13,909
United States					
Financial Services	1,572	1,167	1,550	4,066	5,363
Asset Management	5,743	8,114	6,289	22,709	17,535
	7,315	9,281	7,839	26,775	22,898
Europe					
Insurance & Annuities	1,565	1,285	1,257	4,226	4,155
Reinsurance	920	898	881	2,622	2,615
	2,485	2,183	2,138	6,848	6,770
Total	\$ 14,339	\$ 16,288	\$ 14,382	\$ 48,073	\$ 43,577

Sales

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Canada	\$ 1,890	\$ 2,204	\$ 2,020	\$ 6,643	\$ 6,970
United States	7,386	9,526	11,084	27,944	29,530
Europe	1,279	876	992	3,263	3,179
Total	\$ 10,555	\$ 12,606	\$ 14,096	\$ 37,850	\$ 39,679

The information in the table is a summary of results for premiums and deposits and sales of the Company. Additional commentary regarding premiums and deposits and sales can be found in Segmented Operating Results.

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Investment income earned (net of investment properties expenses)	\$ 1,316	\$ 1,384	\$ 1,472	\$ 4,095	\$ 4,235
(Provision)/recovery of credit losses on loans and receivables	(2)	12	4	11	3
Net realized gains	34	37	34	119	61
Regular investment income	1,348	1,433	1,510	4,225	4,299
Investment expenses	(18)	(17)	(17)	(52)	(54)
Regular net investment income	1,330	1,416	1,493	4,173	4,245
Changes in fair value through profit or loss	2,080	707	2,629	2,600	5,365
Net investment income	\$ 3,410	\$ 2,123	\$ 4,122	\$ 6,773	\$ 9,610

Net investment income in the third quarter of 2011 decreased by \$712 million compared to the same period last year. The reduction in net investment income is mostly the result of an increase in fair values of \$2,080 million in 2011 compared to an increase in fair values of \$2,629 million in 2010. In the third quarter of 2011, the fair value of the Company's bond investments increased primarily as a result of decreasing government bond rates. The increase in bond fair values was partially offset by a decrease in the fair value of equities as a result of declining equity markets in quarter. Regular net investment income decreased primarily as a result of currency movement due to a stronger Canadian dollar in 2011 compared to 2010.

For the nine months ended September 30, 2011 net investment income decreased by \$2,837 million compared to the same period last year. The reduction in net investment income from 2010 is primarily a result of an increase in fair values of \$2,600 million in 2011 compared to an increase in fair values of \$5,365 million in 2010. Government bond rates decreased during both 2010 and 2011, however credit spreads widened and equity markets declined in 2011 which partially offset the increase in fair values due to lower rates. Regular net investment income decreased primarily as a result of currency movement due to a stronger Canadian dollar in 2011 compared to 2010.

Net investment income was higher in the third quarter of 2011 compared to the second quarter of 2011 primarily due to the change in fair values, which was an increase of \$2,080 million in the third quarter compared to an increase of \$707 million in the second quarter of 2011. The fair value of the Company's bond investments increased more in the third quarter of 2011 compared to the second quarter of 2011 primarily as a result of government bond rates decreasing more in the third quarter of 2011 than in second quarter of 2011.

With the adoption of IFRS, investment properties are carried at fair value with changes in fair value recorded in net investment income. Because of the long-term nature of investment properties, these assets are often acquired to support products with long tail liabilities. Generally, the value of the insurance contract liabilities will fluctuate in line with the changes in fair value of the investment properties held in support of those liabilities as both are based on the long-term expected cash flows for these investments. For investment properties that are held to support shareholders' surplus, any change in fair value directly impacts common shareholders' net earnings.

Investment property fair values for the three month period increased by \$26 million in 2011 compared to \$36 million for the same period last year. For the nine months ended September 30, 2011, investment property fair values increased by \$127 million compared to \$165 million in the same period last year. In the Company's Canadian portfolio, stronger real estate fundamentals and lower investment yield parameters resulted in an increase of \$22 million in fair value for the quarter (\$90 million year-to-date). The Company's Europe portfolio experienced an increase of \$4 million in fair value in the third quarter across a number of properties (\$37 million year-to-date). The Company has no significant holdings of investment properties in its United States segment. The after-tax impact on shareholders' net earnings of the increase in fair value of investment properties held in the surplus accounts was \$11 million in the third quarter (\$43 million year-to-date) compared to \$5 million in the third quarter of 2010 (\$12 million year-to-date).

Credit Market Impact

In the third quarter of 2011, net market value increases on previously impaired securities, both realized and unrealized, positively impacted common shareholders' net earnings by \$1 million. Charges on new impairments in the quarter negatively impacted common shareholders' net earnings by \$6 million.

In the third quarter of 2011, there were net downgrades on the Company's bond holdings. The increase in provisions for future credit losses in insurance contract liabilities for the third quarter relating to credit rating changes had a negative impact on common shareholders' net earnings of \$11 million.

Holdings of Debt Securities of Governments

	Carrying Value by Rating - September 30, 2011						Amortized Cost
	AAA	AA	A	BBB	BB & Lower	Total	
Canada	\$ 8,505	\$ 3,190	\$ 2,208	\$ -	\$ -	\$ 13,903	\$ 12,627
U.K.	10,272	494	139	483	-	11,388	10,904
U.S.	6,158	972	95	11	-	7,236	6,802
	24,935	4,656	2,442	494	-	32,527	30,333
Portugal	-	-	-	13	-	13	14
Ireland	-	-	-	189	-	189	213
Italy	-	-	52	-	-	52	55
Greece	-	-	-	-	-	-	-
Spain	-	-	48	-	-	48	51
	-	-	100	202	-	302	333
Germany	570	7	-	-	-	577	526
France	469	15	-	-	-	484	451
Netherlands	350	-	-	-	-	350	316
Austria	141	-	-	-	-	141	137
Australia	9	-	-	-	-	9	9
Supranationals	772	-	-	-	-	772	690
All other (8 countries)	168	65	-	17	-	250	232
	2,479	87	-	17	-	2,583	2,361
Total	\$ 27,414	\$ 4,743	\$ 2,542	\$ 713	\$ -	\$ 35,412	\$ 33,027

Credit market spreads in North America and Europe continued to reflect political and economic uncertainty, particularly in certain European countries where the potential for defaults remains a concern.

At September 30, 2011, the Company held government and government related debt securities (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of \$35.4 billion compared to \$31.8 billion at June 30, 2011. Included in this portfolio are debt securities issued by Portugal, Ireland, Italy and Spain, with an aggregate carrying value of \$302 million. Market values increased in-quarter as a result of decreasing government bond rates. The Company does not hold any debt securities of the government of Greece.

Holdings of Debt Securities of Banks and Other Financial Institutions

	Carrying Value by Rating - September 30, 2011						Amortized Cost
	AAA	AA	A	BBB	BB & Lower	Total	
Canada	\$ 64	\$ 509	\$ 1,223	\$ 31	\$ -	\$ 1,827	\$ 1,739
U.K.	136	540	1,290	469	484	2,919	3,320
U.S.	1	1,459	1,906	565	79	4,010	3,991
	201	2,508	4,419	1,065	563	8,756	9,050
Portugal	-	-	-	-	-	-	-
Ireland	-	63	-	-	1	64	97
Italy	-	29	62	42	-	133	176
Greece	-	-	-	-	-	-	-
Spain ⁽¹⁾	46	20	195	-	-	261	298
	46	112	257	42	1	458	571
Germany	40	-	37	-	-	77	76
France	67	58	223	89	-	437	522
Netherlands	198	14	93	-	84	389	416
Austria	-	-	-	-	-	-	-
Australia	-	292	165	10	-	467	470
All other (14 institutions)	69	76	339	122	-	606	609
	374	440	857	221	84	1,976	2,093
Total	\$ 621	\$ 3,060	\$ 5,533	\$ 1,328	\$ 648	\$ 11,190	\$ 11,714

⁽¹⁾ The \$261 million of financial institution bonds categorized as Spain include \$174 million of Sterling denominated bonds issued by U.K. domiciled, Financial Services Authority (FSA) regulated subsidiaries of Spanish financial institutions.

At September 30, 2011, the Company held debt securities issued by banks and other financial institutions (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of \$11.2 billion, consistent with June 30, 2011. Market values were consistent with the prior period as decreasing government bond rates were offset by widening corporate spreads. Included in this portfolio is \$458 million of debt securities issued by banks and other financial institutions domiciled in Ireland, Italy and Spain. The Company does not have any holdings of banks and other financial institutions domiciled in Greece or Portugal. The Company has been reducing its holdings of Ireland domiciled banks in 2011. The Company no longer has any holdings of Allied Irish Bank. At September 30, 2011, the Company held Bank of Ireland impaired securities with an amortized cost of \$12 million, against which the impairment provisions are \$11 million.

At September 30, 2011, approximately 94% of the \$11.2 billion carrying value of banks and other financial institutions was rated investment grade.

Only 3% of the Company's invested assets are in bonds of government and financial institutions of Eurozone countries as at September 30, 2011.

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, and ASO contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Canada					
Segregated funds, mutual funds and other	\$ 231	\$ 240	\$ 216	\$ 710	\$ 653
ASO contracts	38	37	35	112	109
	<u>269</u>	<u>277</u>	<u>251</u>	<u>822</u>	<u>762</u>
United States					
Segregated funds, mutual funds and other	296	318	311	928	935
Europe					
Segregated funds, mutual funds and other	139	144	119	413	411
Total fee and other income	<u>\$ 704</u>	<u>\$ 739</u>	<u>\$ 681</u>	<u>\$ 2,163</u>	<u>\$ 2,108</u>

The information in the table is a summary of results of gross fee and other income for the Company. Additional commentary regarding fee and other income can be found in Segmented Operating Results.

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Canada	\$ 2,950	\$ 2,585	\$ 3,403	\$ 7,716	\$ 8,363
United States	1,433	890	1,335	3,273	3,875
Europe	2,443	1,823	2,619	5,714	7,409
	<u>\$ 6,826</u>	<u>\$ 5,298</u>	<u>\$ 7,357</u>	<u>\$ 16,703</u>	<u>\$ 19,647</u>

Amounts paid or credited to policyholders include changes in insurance and investment contract liabilities, claims, surrenders, annuity and maturity payments, segregated funds guarantee payments and dividend and experience refund payments for risk based products. The change in insurance contract liabilities includes adjustments to insurance contract liabilities for changes in fair value of certain invested assets backing those insurance contract liabilities and changes in the provision for future credit losses in insurance contract liabilities. These amounts do not include benefit payment amounts for ASO contracts or redemptions of segregated funds and mutual funds.

For the three months ended September 30, 2011 consolidated amounts paid or credited to policyholders were \$6.8 billion, a decrease of \$531 million from the same period in 2010. The amounts paid or credited to policyholders decreased by \$453 million in Canada and \$176 million in Europe, due primarily to a smaller increase in fair value of assets backing these insurance contract liabilities in the third quarter of 2011. In the United States the amounts paid or credited to policyholders increased slightly compared to the same period in 2010.

For the nine months ended September 30, 2011 consolidated amounts paid or credited to policyholders were \$16.7 billion, a decrease of \$2.9 billion from the same period in 2010. The amounts paid or credited to policyholders decreased by \$647 million in Canada, \$602 million in the United States and \$1.7 billion in Europe primarily due to a smaller increase in the fair value of assets backing insurance contract liabilities in the period compared to the same period in 2010.

Compared to the second quarter of 2011, amounts paid or credited to policyholders increased by \$1.5 billion attributed to increases in Canada, the United States and Europe as a result of increases in the fair value of assets backing the insurance contract liabilities.

INCOME TAXES

The Company has a statutory income tax rate of 28.5% and an effective income tax rate of 9.9% for the third quarter of 2011. The effective income tax rate is primarily a result of benefits related to non-taxable investment income and lower tax in foreign jurisdictions. Also reducing the effective income tax rate are the impacts of the resolution of prior period tax matters, reductions to statutory tax rates in the Company's Europe segment and changes to statutory rates on the calculation of insurance contract liabilities.

The Company has a year-to-date effective income tax rate of 16% for the first nine months of 2011. The effective tax rate is primarily reduced for the same reasons as the in-quarter rate.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2011			
	Canada	United States	Europe	Total
Assets				
Invested assets	\$ 55,214	\$ 28,657	\$ 31,060	\$ 114,931
Goodwill and intangible assets	5,085	1,800	1,712	8,597
Other assets	3,808	3,218	12,465	19,491
Segregated funds net assets	47,965	21,535	24,553	94,053
Total assets	112,072	55,210	69,790	237,072
Proprietary mutual funds and institutional net assets	3,179	121,164	-	124,343
Total assets under management	115,251	176,374	69,790	361,415
Other assets under administration	11,242	120,509	102	131,853
Total assets under administration	\$ 126,493	\$ 296,883	\$ 69,892	\$ 493,268
	December 31, 2010			
	Canada	United States	Europe	Total
Assets				
Invested assets	\$ 52,378	\$ 25,714	\$ 28,550	\$ 106,642
Goodwill and intangible assets	5,086	1,717	1,702	8,505
Other assets	4,532	2,917	11,986	19,435
Segregated funds net assets	50,001	21,189	23,637	94,827
Total assets	111,997	51,537	65,875	229,409
Proprietary mutual funds and institutional net assets	3,272	122,781	-	126,053
Total assets under management	115,269	174,318	65,875	355,462
Other assets under administration	11,655	119,766	107	131,528
Total assets under administration	\$ 126,924	\$ 294,084	\$ 65,982	\$ 486,990

* During the period ended March 31, 2011, the Company reclassified its Maxim Series Funds in the United States from other assets under administration to assets under management. The comparative figures reflect the presentation adopted in the current period.

Total assets under administration at September 30, 2011 increased by \$6.3 billion from December 31, 2010, primarily as a result of an increase in invested assets driven by higher bond fair values due to a decline in interest rates. This was offset by proprietary mutual funds and institutional net assets decreasing by \$1.7 billion, primarily as a result of weak equity markets, partially offset by positive net flows.

Provision for future credit losses

At September 30, 2011, the total provision for future credit losses in insurance contract liabilities was \$2,511 million compared to \$2,318 million at December 31, 2010; an increase of \$193 million which primarily reflects a combination of lower discount rates, currency movement and normal business activity. Changes to the provision resulting from credit rating activity, basis changes and releases in connection with the sale of certain non investment grade assets were not material.

The aggregate of impairment provisions of \$253 million (\$385 million at December 31, 2010) and \$2,511 million (\$2,318 million at December 31, 2010) provision for future credit losses in insurance contract liabilities represents 2.6% of bond and mortgage assets at September 30, 2011 (2.8% at December 31, 2010).

LIABILITIES

Total liabilities

	Sept. 30 2011	Dec 31 2010
Insurance and investment contract liabilities	\$ 114,854	\$ 108,158
Other general fund liabilities	12,290	11,571
Investment and insurance contracts on account of unit holders	94,053	94,827
Total liabilities	\$ 221,197	\$ 214,556

Total liabilities increased by \$6.6 billion from \$214.6 billion at December 31, 2010 to \$221.2 billion at September 30, 2011. The increase was driven by higher insurance and investment contract liabilities primarily as a result of the decline in interest rates. The increase in general fund liabilities of \$719 million was offset by a decrease in investment and insurance contracts on account of unit holders of \$774 million.

Guarantees Associated with Wealth Management Products

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees tied to the market values of the investment funds. The GMWB products offered by the Company also offer levels of death and maturity guarantees. At September 30, 2011, the amount of GMWB product in-force in Canada, the United States and Germany was \$1.1 billion (\$709 million at December 31, 2010). The Company has a formal hedge program to manage the economic risks associated with the withdrawal benefit.

Segregated funds guarantee exposure

	September 30, 2011			
	Market value	Deficiency by benefit type		
		Death	Maturity	Income
Canada				
Great-West Life/London Life/Canada Life	\$ 22,166	\$ 461	\$ 50	\$ -
London Reinsurance Group	68	-	5	-
	<u>22,234</u>	<u>461</u>	<u>55</u>	<u>-</u>
United States				
GWL&A	6,834	109	-	7
London Reinsurance Group	1,020	61	-	632
	<u>7,854</u>	<u>170</u>	<u>-</u>	<u>639</u>
Europe	2,176	222	-	-
Total	<u>\$ 32,264</u>	<u>\$ 853</u>	<u>\$ 55</u>	<u>\$ 639</u>

At September 30, 2011, the excess of policyholder guaranteed minimum death benefits (GMDB) over the market value of the policyholder funds was \$853 million. This should be interpreted to mean that if all of the policyholders with in-the-money GMDB had died on September 30, 2011, the Company would have been obligated to pay death benefits of \$853 million (\$340 million at December 31, 2010) in excess of the market value of the policyholder funds on that date. If markets were to remain at September 30, 2011 levels, the GMDB related payments over the next twelve months are estimated to be \$10 million (\$5 million at December 31, 2010).

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2011 was \$7,718 million, which comprises \$5,825 million of common shares, \$1,413 million of fixed rate perpetual shares, and \$480 million of five-year rate reset perpetual preferred shares.

At September 30, 2011, the Company had 949,584,141 common shares outstanding with a stated value of \$5,825 million compared to 948,458,395 common shares with a stated value of \$5,802 million at December 31, 2010.

During the nine months ended September 30, 2011, no common shares were purchased for cancellation pursuant to the Company's Normal Course Issuer Bid. Under the Company's Stock Option Plan, 1,125,746 shares were issued for total proceeds of \$23 million or \$18.56 per share.

The Company recognized the surrender of Series F Preferred Shares with a carrying value of \$4 million.

NON-CONTROLLING INTERESTS

Under IFRS, non-controlling interests are now presented in equity. The Company's non-controlling interests include preferred shares issued by subsidiaries to third parties and participating account surplus in subsidiaries.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by generating internal funds and maintaining adequate levels of liquid investments. At September 30, 2011, Lifeco held cash and government short-term investments of \$5.1 billion (\$5.1 billion at December 31, 2010) and government bonds of \$23.7 billion (\$21.5 billion at December 31, 2010). This includes approximately \$0.6 billion (\$0.8 billion at December 31, 2010) held directly at the holding company level. In addition, the Company maintains a \$200 million committed line of credit with a Canadian chartered bank.

The Company does not have a formal common shareholder dividend policy. Dividends on outstanding common shares of the Company are declared and paid at the sole discretion of the Board of Directors of the Company. The decision to declare a dividend on the common shares of the Company takes into account a variety of factors including the level of earnings, adequacy of capital, and availability of cash resources. As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Cash flows relating to the following activities:				
Operations	\$ 1,442	\$ 1,654	\$ 3,576	\$ 4,168
Financing	(417)	(143)	(954)	(656)
Investment	(871)	(1,812)	(2,580)	(4,136)
	<u>154</u>	<u>(301)</u>	<u>42</u>	<u>(624)</u>
Effects of changes in exchange rates on cash and cash equivalents	70	48	72	(138)
Increase (decrease) in cash and cash equivalents in the period	224	(253)	114	(762)
Cash and cash equivalents, beginning of period	1,730	2,918	1,840	3,427
Cash and cash equivalents, end of period	<u>\$ 1,954</u>	<u>\$ 2,665</u>	<u>\$ 1,954</u>	<u>\$ 2,665</u>

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. In general, 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. Financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the third quarter, cash and cash equivalents increased by \$224 million from June 30, 2011. Cash flows provided by operations during the third quarter of 2011 were \$1,442 million, a decrease of \$212 million compared to the third quarter of 2010. For the three months ended September 30, 2011, cash flows were used by the Company to acquire an additional \$871 million of investment assets; \$317 million of cash was utilized to pay dividends to the preferred and common shareholders and \$100 million was used for other financing activities.

For the nine months ended September 30, 2011, cash and cash equivalents increased by \$114 million from December 31, 2010. Cash flows provided from operations were \$3,576 million, a decrease of \$592 million compared to 2010. In 2011, cash flows were used by the Company to acquire an additional \$2,580 million of investment assets; \$948 million of cash was utilized to pay dividends to the preferred and common shareholders and \$6 million was used for other financing activities.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2010.

CAPITAL MANAGEMENT AND ADEQUACY

CAPITAL ALLOCATION METHODOLOGY

In 2011, the Company adopted a capital allocation methodology which allocates financing costs in proportion to allocated capital. For the Canadian and European segments (essentially The Great-West Life Assurance Company), this new allocation method tracks the consolidated Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio, while for U.S. Financial Services and 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 the leverage ratio of each business unit mirroring the consolidated Company.

The Company's consolidated net earnings are presented on an IFRS basis after capital allocation. The Company's return on common shareholders' equity (ROE) and net earnings are unaffected by the capital allocation methodology as the process does not change the total, just the distribution of leverage capital and net earnings among the business units.

Return on Equity

	Sept. 30 2011	June 30 2011	March 31 2011	Dec 31 2010
Canada	21.7%	22.7%	22.7%	22.7%
U.S. Financial Services ⁽¹⁾	24.9%	25.7%	26.7%	25.4%
U.S. Asset Management (Putnam)	0.6%	1.4%	(2.3)%	(2.5)%
Europe	16.1%	15.9%	16.4%	18.0%
Lifeco Corporate ⁽²⁾	(5.1)%	(5.0)%	(2.5)%	(2.5)%
Total Lifeco Net Earnings	16.6%	15.2%	14.7%	14.8%
Total Lifeco Operating Earnings ⁽²⁾	16.6%	17.0%	16.4%	16.6%

⁽¹⁾ Includes U.S. Corporate

⁽²⁾ The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of the provision described in note 25 to the Company's December 31, 2010 consolidated financial statements.

ROE is the trailing four quarter calculation of net earnings divided by common shareholders' equity. Comparative interim quarter 2010 ROE calculations are not presented as IFRS figures are not available for the trailing period, which includes certain periods of 2009 reported solely on the previous CGAAP basis.

The Company reported ROE based on net earnings of 16.6% compared to 14.8% at December 31, 2010 on an IFRS basis. The Company achieved a 16.6% ROE on operating earnings, which compares favourably with its long-term objective of 15.0%.

For further information on the capital allocation model and return on equity, refer to the IFRS, Capital Allocation and Canadian Segment presentation posted on the Company's website.

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 target operating range of the MCCSR ratio for Lifeco's major Canadian operating subsidiaries is 175% to 200% (on a consolidated basis).

Great-West Life's MCCSR ratio at September 30, 2011 was 200% (203% at December 31, 2010). London Life's MCCSR ratio at September 30, 2011 was 213% (245% at December 31, 2010). Canada Life's MCCSR ratio at September 30, 2011 was 204% (204% at December 31, 2010). The MCCSR ratio does not include any impact from approximately \$0.6 billion of cash at the Lifeco holding company level.

At December 31, 2010, the Risk Based Capital (RBC) ratio of GWL&A, Lifeco's regulated U.S. operating company, was 408% of the Company Action Level set by the National Association of Insurance Commissioners. GWL&A

reports its RBC ratio annually to U.S. insurance regulators.

Under OSFI's Advisory on Conversion to International Financial Reporting Standards by Federally Regulated Entities, the Company's federally regulated subsidiaries have elected to phase in the impact of the conversion to IFRS on capital for MCCSR regulatory reporting purposes over eight quarters which commenced January 1, 2011. As a result 2010 MCCSR has not been restated. In the years following the Company's initial adoption of IFRS, as a result of the proposed changes to the IFRS for measurement of insurance contract liabilities and the evolving nature of IFRS, there will likely be further regulatory capital and accounting changes, some of which may be significant.

RATINGS

Relative to its peer group in North America, Lifeco and its major operating subsidiaries receive strong ratings from the five rating agencies that rate the Company as set out below. The ratings have been affirmed with a stable outlook by Fitch Ratings on June 24, 2011, both A.M. Best Company and DBRS Limited on July 8, 2011, Moody's Investors Service on July 27, 2011 and Standard & Poor's Ratings Services on November 1, 2011.

Rating agency	Measurement	Lifeco	Great-West	London Life	Canada Life	GWL&A
A.M. Best Company	Financial Strength		A+	A+	A+	A+
DBRS Limited	Claims Paying Ability Senior Debt Subordinated Debt	AA (low)	IC-1	IC-1	IC-1 AA (low)	NR
Fitch Ratings	Insurer Financial Strength Senior Debt	A	AA	AA	AA	AA
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3	Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength Senior Debt Subordinated Debt	A+	AA	AA	AA AA-	AA

Note: There were no rating changes to the Company's credit ratings during the third quarter of 2011.

RISK MANAGEMENT AND CONTROL PRACTICES

Insurance companies are in the business of assessing, structuring, pricing, assuming and managing risk. The types of risks are many and varied, and will be influenced by factors, both internal and external to the businesses operated by the insurer. These risks, and the control practices used to manage the risks, are discussed in detail in the Company's 2010 Annual MD&A and have not substantially changed.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

There were no major changes to the Company's and its subsidiaries' policies and procedures with respect to the use of derivative financial instruments in 2011. During the nine month period ended September 30, 2011, the outstanding notional amount of derivative contracts increased by \$554 million. Their exposure to credit risk, which is limited at the reporting period to the current fair value of those instruments which are in a gain position, decreased to \$804 million at September 30, 2011 from \$984 million at December 31, 2010.

ACCOUNTING POLICIES

International Financial Reporting Standards – In February 2008, the Canadian Institute of Chartered Accountants (CICA) announced that Canadian GAAP (CGAAP) for publicly accountable enterprises would be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011.

The Company developed an IFRS changeover plan which addressed key areas including accounting policies, financial reporting, disclosure controls and procedures, information systems, education and training and other business activities. The Company commenced reporting under IFRS for the quarter ending March 31, 2011

including presenting a transitional balance sheet at January 1, 2010 and reporting under IFRS for comparative periods, with the required reconciliations presented. The Company has monitored the impact of other changes to financial reporting processes, disclosure controls and procedures, and internal controls over financial reporting. The initial adoption of IFRS has not had a considerable impact on the disclosure controls and procedures for financial reporting. The Company's information technology, data systems and business processes were not impacted significantly by the changeover to IFRS.

The Company has prepared the September 30, 2011 unaudited interim condensed consolidated financial statements (financial statements) in accordance with IAS 34, *Interim Financial Statements* and IFRS 1, *First-time Adoption of International Financial Reporting Standards*. Included in these financial statements is the IFRS 1 transitional note to the financial statements, including reconciliations of equity and reconciliations of net earnings and comprehensive income for the three and nine months ended September 30, 2010 for the figures previously presented under CGAAP. The Company has monitored and assessed the impact of the adoption of IFRS on each of the business units and reporting segments. The operating results of each of the respective business units have been restated on an IFRS basis within the Segmented Operating Results.

Adoption of IFRS required that the IFRS be applied on a retroactive basis with the exception of those specifically exempted under IFRS 1. Absent an exemption, any changes to existing standards were applied retroactively and reflected in the opening balance sheet of the comparative period. Noted within the summary tables are the Company's exemptions applied upon transition. Other exemptions available under IFRS were reviewed and are either not applicable or did not have a significant impact on the Company's financial statements.

The following table sets out the transition and post-implementation impact of key IFRS 1 optional transitional exemptions on the financial statements.

IFRS Accounting Policies	Impact of IFRS 1 Optional Exemptions on the Financial Statements
a) Employee benefits cumulative unamortized actuarial gains and losses	The Company has elected to apply the exemption available to recognize all cumulative unamortized actuarial gains and losses of the Company's defined benefit plans in equity upon transition to IFRS. Subsequent to transition, the Company will continue to use the corridor approach available under the present IAS 19, <i>Employee Benefits</i> standard for deferring recognition of actuarial gains and losses that reside within the corridor.
b) Cumulative translation losses of foreign operations	The Company has elected to reset its cumulative translation adjustment (CTA) account for all foreign operations to zero as of January 1, 2010. Future gains or losses on disposal of any foreign operation will therefore exclude translation differences that arose before January 1, 2010.
c) Redesignation of financial assets	The Company has elected to redesignate certain available-for-sale financial assets to the fair value through profit or loss classification and certain financial assets classified as held for trading under the previous CGAAP to available for sale. The redesignation will have no overall impact on the Company's opening surplus at transition but will result in a reclassification within equity.
d) Fair value as deemed cost for owner occupied properties	The Company has elected to measure owner occupied properties at fair value as its deemed cost at the January 1, 2010 transition date. Subsequent to this date, owner occupied properties are carried at deemed cost less amortization.
e) Business combinations	The Company has applied the IFRS 1 business combinations exemption and has not restated business combinations that took place prior to the January 1, 2010 transition date, which has resulted in no impact on opening figures. The Company will apply IFRS 3, <i>Business Combinations</i> prospectively for business combinations occurring on or after January 1, 2010.

The following table identifies key differences between CGAAP and IFRS accounting policies. The impact of these changes in accounting policies was reviewed at transition and could continue to impact operating results under IFRS.

IFRS Accounting Policies	Impact of Mandatory Accounting Policy Changes on the Financial Statements
f) Investment properties	Under IFRS, real estate properties have been classified between investment properties and owner occupied properties. Real estate not classified as owner occupied properties (see accounting policy g below) will be accounted for as investment properties and measured at fair value under IFRS, for both investment properties backing surplus and liabilities. In addition, deferred net realized gains permitted under CGAAP and not permitted under IFRS were derecognized upon transition to IFRS.
g) Owner occupied properties	For all owner occupied properties, the Company has elected to measure the fair value as its deemed cost at transition. Under IFRS, the cost model is now used to value such properties with depreciation expensed within the Statements of Earnings.
h) Deferred acquisition costs and deferred income reserves on investment contracts	<p>The majority of CGAAP policyholder and reinsurance contract liabilities will be classified as insurance contracts under IFRS. Contracts where significant insurance risk does not exist will be classified as investment contracts under IFRS and accounted for either at fair value or at amortized cost. If significant insurance risk exists, the contract is classified as an insurance contract and will be measured under the Canadian Asset Liability Method (CALM).</p> <p>IFRS allows for the recognition of both deferred acquisition costs (DAC) and deferred income reserves (DIR) related to investment contracts. Certain DAC that were not incremental to the contract and were deferred and amortized into consolidated net earnings over the anticipated period of benefit under CGAAP, will now be recognized as an expense under IFRS in the period incurred. DAC that are incremental in nature were reclassified from investment contracts to other assets under IFRS and will continue to be deferred and amortized.</p>
i) Employee benefits - vested past service cost and other	Differences exist between IFRS and CGAAP in determining employee benefits, including the timing of the recognition of unamortized past service costs and certain service awards. In addition, under IFRS all vested past services are recognized in net earnings immediately.
j) Uncertain income tax provisions	There is a difference in the recognition and measurement of uncertain income tax provisions between the previous CGAAP and IFRS. Under IFRS, tax uncertainties which meet the more likely than not threshold for recognition are measured. Measurement of the provision is based on the probability weighted average approach.
k) Other adjustments	Several additional items have been identified where the transition from CGAAP to IFRS resulted in recognition changes. These adjustments include the capitalization of transaction costs on financial liabilities previously classified as other than held for trading (HFT) financial liabilities under CGAAP, adoption of the graded vesting method to account for all stock options, the adoption and classification as liabilities for share-based payments that are cash-settled and the measurement of preferred shares previously recorded at fair value now recorded at amortized cost under IFRS.
l) Segregated funds	Under IFRS, the assets and liabilities of segregated funds are now included at fair value on the Consolidated Balance Sheets as a single line within assets and liabilities.
m) Presentation of reinsurance accounts	Reinsurance accounts have been presented on a gross basis on the Consolidated Balance Sheets with reinsurance assets and corresponding liabilities having no impact on shareholders' equity. Gross presentation of the reinsurance revenues and expenses will also be required within the Statements of Earnings.

n) Non-controlling interests	Under CGAAP non-controlling interests were presented in the mezzanine between liabilities and equity. IFRS requires presentation of non-controlling interests within the equity section distinct from common shareholders' equity on the Consolidated Balance Sheets.
o) Capital Trust Securities	Diluted earnings per share calculations under IFRS require the Company to presume that the conversion of trust units to shares could and will be exercised. The trust units of the Great-West Life Capital Trust (GWLCT) have contingent conversion rights into Lifeco common shares. The shares may have a dilutive effect in the calculation of diluted earnings per share, the expected impact of which on diluted earnings is less than \$0.01 per share.
p) Goodwill and intangible assets	Goodwill and intangible assets under IFRS will be measured using the cost model, based on the recoverable amount which is the greater of value in use and fair value less costs to sell. At each reporting date, the Company is required to review goodwill and intangible assets for indicators of impairment or reversals of impairment. In the event that certain conditions have been met, the Company would be required to reverse the impairment charge or a portion thereof. Under CGAAP, reversals of impairment charges were not permitted.

For a complete listing of IFRS accounting policies and details of the financial impact of the initial adoption of IFRS, refer to notes 2 and 3 of the interim condensed consolidated financial statements.

IFRS that are proposed to change in the future that will impact the Company are included in the following table:

Revised standard	Summary of Proposed Changes
IFRS 4 - Insurance Contracts	<p>The International Accounting Standards Board (IASB) issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under the CALM method and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements.</p> <p>The Company will continue to measure insurance contract liabilities using CALM until such time when a new IFRS for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.</p>

<p>IFRS 9 - Financial Instruments</p>	<p>The IASB tentatively approved the adoption of the proposed new IFRS 9, <i>Financial Instruments</i> standard to be effective January 1, 2015.</p> <p>The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available for sale, held to maturity, and loans and receivables.</p> <p>The new standard also requires:</p> <ul style="list-style-type: none"> • embedded derivatives to be assessed for classification together with their financial asset host; • a single expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge account and measuring effectiveness. <p>The full impact of IFRS 9 on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39, <i>Financial Instruments</i> – impairment methodology, hedge accounting, and asset and liability offsetting – are finalized. The Company continues to actively monitor developments in this area.</p>
<p>IFRS 10 - Consolidated Financial Statements; IFRS 11 - Joint Arrangements; IFRS 12 - Disclosure of Interests in Other Entities</p>	<p>Effective January 1, 2013, the Company plans to adopt IFRS 10, <i>Consolidated Financial Statements</i>, IFRS 11, <i>Joint Arrangements</i>, and IFRS 12, <i>Disclosure of Interest in Other Entities</i> for the presentation and preparation of its consolidated financial statements.</p> <p>IFRS 10, <i>Consolidated Financial Statements</i> uses consolidated principles based on a revised definition of control. The definition of control is dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits.</p> <p>IFRS 11, <i>Joint Arrangements</i> separates jointly controlled entities between joint operations and joint ventures. The standard has eliminated the option of using proportionate consolidation for accounting in the interests in joint ventures, now requiring an entity to use the equity method of accounting for interests in joint ventures.</p> <p>IFRS 12, <i>Disclosure of Interests in Other Entities</i> proposes new disclosure requirements for the interest an entity has in subsidiaries, joint arrangements, associates, and structured entities. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented within the financial statements.</p> <p>The Company is currently evaluating the impact of the above standards on its consolidation procedures and disclosure in preparation of the January 1, 2013 effective date.</p>
<p>IFRS 13 - Fair Value Measurement</p>	<p>Effective January 1, 2013, the Company will adopt the guidance in IFRS 13, <i>Fair Value Measurement</i> for the measurement and disclosure of assets and liabilities held at fair value. The standard refines the measurement and disclosure requirements and aims to achieve consistency with other standard setters to improve the understandability to financial statement users.</p> <p>The Company is currently evaluating the impact this standard will have on its financial statements when it becomes effective January 1, 2013.</p>

IAS 1 - Presentation of Financial Statements	<p>Effective January 1, 2013, the Company will adopt the guidance in the amended IAS 1, <i>Presentation of Financial Statements</i>. The amended standard includes requirements that other comprehensive income (OCI) be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. Other amendments include changes to discontinued operations and overall financial statement presentation.</p> <p>The Company is evaluating the impact this standard will have on the presentation of its financial statements.</p>
IAS 17 - Leases	<p>The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist.</p> <p>The full impact of adoption of the proposed changes will be determined once the final lease standard is issued, which is proposed to be in 2012.</p>
IAS 19 - Employee Benefits	<p>The IASB published an amended version of this standard in June 2011 that eliminates the corridor approach for actuarial gains and losses resulting in those gains and losses being recognized immediately through OCI while the net pension asset or liability would reflect the full funded status of the plan on the Consolidated Balance Sheets. Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets would be presented within the financial statements of an entity.</p> <p>The Company will continue to use the corridor method until January 1, 2013 when the revised standard for employee benefits becomes effective.</p>

The Company continues to monitor these potential changes proposed by the IASB and assesses the impact that changes in these standards could have on the Company's operations.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco including the comparative figures are presented on an IFRS basis after capital allocation. The operating results include Great-West Life, London Life, Canada Life, GWL&A and Putnam.

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. There are three primary business units included in this segment. Through its Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through its Wealth Management business unit the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through its Group Insurance business unit, the Company provides life, health, critical illness, disability and creditor insurance products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 4,539	\$ 4,824	\$ 4,405	\$ 14,450	\$ 13,909
Sales	1,890	2,204	2,020	6,643	6,970
Fee and other income	269	277	251	822	762
Net earnings - common shareholders	235	262	249	742	738
Total assets	\$ 112,072	\$ 113,991	\$ 109,296		
Proprietary mutual funds net assets	3,179	3,394	3,056		
Total assets under management	115,251	117,385	112,352		
Other assets under administration	11,242	10,987	11,419		
Total assets under administration	\$ 126,493	\$ 128,372	\$ 123,771		

BUSINESS UNITS – CANADA

Net earnings attributable to common shareholders for the third quarter of 2011 were \$235 million compared to \$249 million for the third quarter of 2010. The decrease is primarily due to lower net earnings from Wealth Management and Group Insurance, partially offset by higher Individual Insurance and Corporate net earnings.

The 2011 third quarter results include a net increase in actuarial liabilities of \$20 million which negatively impacted net earnings by \$14 million after-tax. A number of factors contributed to these changes as described below.

During the quarter, the Company adopted the revised Actuarial Standards of Practice relating to future mortality improvement. This resulted in a net reduction in actuarial liabilities of \$117 million and positively impacted net earnings by \$84 million after-tax.

The in-quarter impact of declining interest rates resulted in a net increase in actuarial liabilities of \$82 million, which negatively impacted net earnings by \$59 million after-tax.

The Canadian operations updated a number of actuarial experience studies in quarter resulting in a net strengthening of actuarial liabilities by \$55 million. This had a negative impact on net earnings of \$39 million after-tax.

INDIVIDUAL INSURANCE

2011 DEVELOPMENTS

- Individual Life Insurance sales have increased significantly in 2011 driven by both participating life sales (12% ahead of the same time period last year) and universal life sales (8% ahead of the same time period last year), particularly in the independent distribution channels.
- The Company launched an updated Great-West Life participating life insurance product during the third quarter.
- Sales in the third quarter were \$98 million, up 1% compared to the third quarter of 2010. On a year-to-date basis, sales were \$308 million, up 7% over the same period last year.
- Net earnings for the third quarter were \$102 million, up 42% compared to the third quarter of 2010. This increase reflects the recognition of mortality improvement in the individual life insurance contract liabilities due to the adoption of the revised Actuarial Standards of Practice during the quarter and the net impact on individual insurance contract liabilities from the lower interest rate environment. On a year-to-date basis, earnings were \$250 million, up 11% over the same period last year.
- Premiums and deposits of \$899 million were 8% higher than the third quarter of 2010. Year-to-date premiums and deposits of \$2.7 billion were 8% higher than the same period last year.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 899	\$ 914	\$ 833	\$ 2,688	\$ 2,484
Sales	98	112	97	308	287
Net earnings	102	66	72	250	225

Premiums and deposits

Individual Life premiums for the quarter increased by \$62 million to \$823 million compared with the same quarter last year. The increase was primarily due to a 9% increase in participating life premiums. Living Benefits premiums for the quarter increased by \$4 million to \$76 million compared with the same period last year.

For the nine months ended September 30, 2011, Individual Life premiums increased by \$192 million to \$2.5 billion compared to the same period last year. The increase was primarily due to a 9% increase in participating life premiums. Living Benefits premiums increased by \$12 million to \$227 million compared to the same period last year.

Individual Insurance premiums decreased by \$15 million to \$899 million compared to the previous quarter, primarily due to a small decline in participating life premiums due to the normal seasonality of life insurance sales.

Sales

For the quarter, Individual Life sales increased by \$1 million to \$87 million compared with the same quarter last year. The increase was primarily due to continued strong participating life sales. Sales of Living Benefits of \$11 million were comparable with the same quarter last year.

For the nine months ended September 30, 2011, Individual Life sales increased by \$21 million to \$276 million compared to the same period last year, primarily due to strong participating and universal life sales. Sales of Living Benefits of \$32 million were comparable to the same period last year.

Individual Life sales decreased by \$13 million to \$87 million compared with the previous quarter, driven primarily by lower participating and universal life sales due to the normal seasonality of life insurance sales. Living Benefits sales remained constant with the previous quarter at \$11 million.

Net earnings

Net earnings for the quarter increased by \$30 million compared with the third quarter of 2010. This increase is primarily due to net favourable basis changes and management actions related to the recognition of mortality improvement in the individual life insurance contract liabilities due to the adoption of the revised Actuarial Standards Practice; partially offset by the net strengthening resulting from the lower interest rate environment in Canada.

For the nine months ended September 30, 2011, net earnings increased by \$25 million compared to the same period last year, primarily due to net favourable basis changes and management actions related to the recognition of mortality improvement in the individual life insurance contract liabilities due to the adoption of the revised Actuarial Standards Practice; partially offset by the net strengthening resulting from the lower interest rate environment in Canada. In addition to the basis changes and management actions, the nine month net earnings increased from favourable increases in mortality and morbidity results, offset by higher new business strain and unfavourable investment and surrender experience.

Net earnings increased by \$36 million compared with the previous quarter, primarily due to favourable basis changes and management actions related to the recognition of mortality improvement in the individual life insurance contract liabilities due to the adoption of the revised Actuarial Standards Practice; partially offset by the net strengthening resulting from the lower interest rate environment in Canada.

Net earnings attributable to the participating account were \$2 million in 2011 compared to net loss of \$11 million in the third quarter of 2010. For the nine months ended September 30, 2011, net earnings attributable to the participating account were \$9 million compared with net earnings of \$1 million for the same period in 2010. The third quarter 2010 results reflect the impact of the litigation provision as described in the December 31, 2010 consolidated financial statements. Net earnings attributable to the participating account decreased \$4 million from the second quarter of 2011.

WEALTH MANAGEMENT**2011 DEVELOPMENTS**

- A new high net worth product was launched in September 2011 through the Quadrus Group of Funds which provides clients with greater than \$500,000 of investable assets more flexibility in fee structures and rates.
- Deposits to proprietary retail investment funds increased by 22% compared to the same quarter last year and 23% year-to-date.
- Deposits to group capital accumulation plans increased by 12% compared to the same quarter last year.
- The adoption of the revised Actuarial Standards of Practice, which results in the recognition of mortality improvement in the insurance contract liabilities was implemented during the third quarter of 2011.
- The suspension on transfers and withdrawals from the Real Estate Segregated Funds of Great-West Life and Canada Life was lifted on October 17, 2011.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 1,859	\$ 2,124	\$ 1,863	\$ 6,408	\$ 6,266
Sales	1,648	1,995	1,796	5,957	6,275
Fee and other income	223	232	209	685	629
Net earnings	11	91	76	184	233

Premiums and deposits

Premiums and deposits to proprietary retail investment funds for the third quarter increased by \$147 million to \$815 million compared with the same quarter last year, primarily due to continued momentum from the Company's focus on attracting new investment to the funds. Premiums and deposits to retail guaranteed interest rate and payout annuity products decreased by \$163 million to \$73 million compared with the third quarter of 2010. This decrease is primarily due to the very low interest rate environment making these products unattractive to clients. Premiums and deposits to group retirement products increased by \$12 million to \$971 million compared to the same quarter last year as a result of a very strong quarter of group capital accumulation plan deposits offset by declines in investment only and single premium group annuity deposits.

For the nine months ended September 30, 2011, premiums and deposits to proprietary retail investment funds increased by \$533 million to \$2.9 billion compared to the same period last year. Premiums and deposits to retail guaranteed interest rate and payout annuity products decreased by \$315 million to \$330 million compared to the same period last year for the same reason as the in-quarter comparison. Premiums and deposits to group retirement products decreased by \$76 million to \$3.2 billion compared to the same period last year, primarily due to a significant decrease in investment only deposits.

Compared to the previous quarter, premiums and deposits to proprietary retail investment funds decreased by \$90 million, retail guaranteed interest rate and payout annuity products decreased by \$63 million and group retirement products decreased by \$112 million due primarily to the normally slow summer season.

Sales

Sales of proprietary retail investment funds increased by \$71 million to \$966 million compared to the same quarter last year. Sales of retail guaranteed interest rate and payout annuity products decreased by \$124 million to \$177 million compared to the same quarter last year. Sales of group retirement products decreased by \$126 million to \$326 million compared to the same quarter last year due to lower investment only sales.

For the nine months ended September 30, 2011, sales of proprietary retail investment funds increased by \$138 million to \$3.5 billion compared to the same period last year. Sales of retail guaranteed interest rate and payout annuity products decreased by \$208 million to \$663 million compared to the same period last year. Sales of group retirement products decreased by \$370 million to \$1.1 billion compared to the same period last year due to a significant decline in investment only sales.

Compared to the previous quarter, sales of proprietary retail investment funds decreased by \$165 million, retail guaranteed interest rate and payout annuity products decreased by \$56 million and group retirement products decreased by \$102 million due to the normally slow summer season.

Fee and other income

Fee and other income for the quarter increased by \$14 million compared with the same quarter last year, primarily driven by the higher proprietary investment fund assets through the quarter primarily due to the positive impact of the market/performance through the first two quarters of the current year.

For the nine months ended September 30, 2011, fee and other income increased by \$56 million compared to the same period last year also primarily driven by the higher proprietary investment fund assets through the period primarily due to the positive impact of the market/performance through the first two quarters of the current year.

Fee and other income decreased by \$9 million compared with the previous quarter due to the decline in proprietary investment fund assets caused by the decline in equity markets in the third quarter of 2011.

Net earnings

Net earnings for the quarter decreased by \$65 million compared with the same quarter last year primarily due to the adoption in the third quarter of the revised Actuarial Standards of Practice for mortality improvement in payout annuity mortality, resulting in a net increase in insurance contract liabilities.

For the nine months ended September 30, 2011, net earnings decreased by \$49 million compared to the same period last year due to the impact of the liability basis changes.

Net earnings decreased \$80 million compared to the previous quarter due to basis changes and the decline in proprietary investment fund fee income caused by the decline in equity markets in the third quarter of 2011.

GROUP INSURANCE

2011 DEVELOPMENTS

- Premiums and deposits of \$5.4 billion grew by 4% for the nine months ended September 30, 2011, compared with the same period in 2010.
- Sales were \$378 million for the nine months ended September 30, 2011, a decrease of 7% compared with the same period in 2010.
- Net earnings were \$256 million for the nine months ended September 30, 2011 a decrease of 10% compared with the same in period in 2010.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 1,781	\$ 1,786	\$ 1,709	\$ 5,354	\$ 5,159
Sales	144	97	127	378	408
Fee and other income	38	37	35	112	109
Net earnings	96	94	102	256	284

Premiums and deposits

Premiums and deposits for the quarter increased by \$72 million to \$1.8 billion compared with the same period last year, primarily due to health and long-term disability premiums.

For the nine months ended September 30, 2011, premiums and deposits increased by \$195 million to \$5.4 billion compared to the same period in 2010. Large case premiums and deposits increased by 5%.

Premiums and deposits decreased by \$5 million compared with the previous quarter. Large case premiums and deposits decreased by \$10 million mainly due to the seasonality of ASO premium equivalents partly offset by the drop in ASO premium equivalents in the previous quarter caused by the postal disruption. This was offset by a \$5 million increase in the small/mid-size case market.

Sales

For the third quarter, sales increased by \$17 million to \$144 million compared with the same quarter last year. The increase was primarily due to increased sales in the large case market mainly due to a higher number of new sales.

For the nine months ended September 30, 2011, sales decreased by \$30 million to \$378 million compared to the same period last year. The decrease was primarily due to lower sales in the large case market from sales of \$187 million compared with \$208 million last year. The large case sales market exhibits significant volatility resulting in regular year-over-year variances. The decrease is also due to a lower number of new sales mainly due to a reduction in quotations and a lower average case size in the small/mid-size market.

Sales increased by \$47 million to \$144 million compared with the previous quarter, due to increased sales in the Creditor/Direct Marketing market. This was mainly due to large sales of \$32 million in the current quarter and higher sales in the large case market mainly due to a higher number of new sales.

Fee and other income

Fee and other income is derived primarily from ASO contracts, whereby the Company provides group insurance benefit plan administration on a cost-plus basis.

Fee and other income for the quarter increased by \$3 million compared with the same quarter last year mainly due to an increase in ASO premium equivalents.

For the nine months ended September 30, 2011, fee and other income increased by \$3 million mainly due to an increase in ASO premium equivalents.

Fee and other income for the quarter were \$1 million higher than the previous quarter.

Net earnings

Net earnings for the third quarter of \$96 million decreased by \$6 million compared with the same period last year. The decrease was primarily due to the impact of lower interest rates and lower morbidity results. This was partly offset by an increase in mortality results.

For the nine months ended September 30, 2011, net earnings of \$256 million decreased by \$28 million compared to the same period last year. The decrease was primarily due to lower gains from non-credit related basis changes. The decrease was also due to lower morbidity results and lower investment gains. These reductions were partly offset by higher mortality results and higher expense gains.

Net earnings increased by \$2 million compared with the previous quarter.

CANADA CORPORATE

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

Canada Corporate reported net earnings for the quarter of \$26 million, compared with a net loss of \$1 million in the third quarter of 2010. The increase in net earnings is primarily due to increased mark-to-market gains on investment properties supporting corporate surplus and lower taxes associated with the decrease in the effective tax rate from the same period last year.

For the nine months ended September 30, 2011, Canada Corporate reported net earnings of \$52 million compared with a net loss of \$4 million for the same period in 2010. The increase in net earnings is primarily due to additional mark-to-market gains on investment properties supporting corporate surplus and lower taxes associated with the decrease in the effective tax rate for the nine months ended September 30, 2011 compared to the same period last year.

Compared to the previous quarter, net earnings increased \$15 million primarily due to lower operating expenses, favourable investment gains and other items.

UNITED STATES

The United States operating results for Lifeco include the results of GWL&A, 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, the Company provides an array of financial security products, including employer sponsored defined contribution retirement plans, individual term and single-premium life insurance and individual annuity products, and business-owned life insurance and executive benefits products. Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distributions, and related services through a broad range of investment products.

Selected consolidated financial information - United States

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 7,315	\$ 9,281	\$ 7,839	\$ 26,775	\$ 22,898
Sales	7,386	9,526	11,084	27,944	29,530
Fee and other income	296	318	311	928	935
Net earnings - common shareholders	75	128	87	291	213
Net earnings - common shareholders (US\$)	76	132	83	297	205
<hr/>					
Total assets	\$ 55,210	\$ 51,134	\$ 52,730		
Proprietary mutual funds and institutional net assets	121,164	126,672	125,721		
Total assets under management	176,374	177,806	178,451		
Other assets under administration	120,509	123,719	117,617		
Total assets under administration	\$ 296,883	\$ 301,525	\$ 296,068		

* During the period ended March 31, 2011, the Company reclassified its Maxim Series Funds from other assets under administration to assets under management. The comparative figures reflect the presentation adopted in the current period.

BUSINESS UNITS – UNITED STATES

In the third quarter, comparing 2011 to 2010, the Canadian dollar strengthened against the U.S. dollar. As a result of currency movement, net earnings were negatively impacted by \$3 million compared to the third quarter of 2010 and \$15 million compared to the first nine months of 2010.

FINANCIAL SERVICES

2011 DEVELOPMENTS

- Net earnings increased by US\$41 million to US\$271 million through September 30, 2011 compared to US\$230 million for the first nine months of 2010.
- Financial Services launched a new hybrid Business Owned Life Insurance (BOLI) product in the first quarter. Sales are 40% of total BOLI sales year-to-date.
- Financial Services launched an Individual Retirement Account (IRA) rollover initiative in the second quarter. The initiative's goal is to increase awareness of the IRA rollover product among terminated plan participants. It is expected to result in increased asset retention in the rollover IRA product. This initiative has resulted in year-to-date sales of US\$141 million, an increase of 120% from the prior year.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 1,572	\$ 1,167	\$ 1,550	\$ 4,066	\$ 5,363
Sales	1,643	1,412	4,795	5,235	11,995
Fee and other income	114	115	113	345	336
Net earnings	87	81	86	266	238
Premiums and deposits (US\$)	\$ 1,604	\$ 1,204	\$ 1,490	\$ 4,148	\$ 5,176
Sales (US\$)	1,676	1,456	4,610	5,334	11,548
Fee and other income (US\$)	116	119	109	352	324
Net earnings (US\$)	88	84	83	271	230

Premiums and deposits

Premiums and deposits for the third quarter increased by US\$114 million compared to the third quarter of 2010 primarily due to transfers of US\$338 million from retail mutual funds assets under administration investment options to the general account, partially offset by lower premiums and deposits in Individual Markets.

For the nine months ended September 30, 2011, premiums and deposits decreased by US\$1.0 billion compared to the same period in 2010, primarily due to the impact of an US\$800 million large plan transfer in 2010 from retail mutual funds assets under administration investment options to the Company's segregated funds (AUM) investment options; and lower sales in Individual Markets in 2011.

Premiums and deposits increased by US\$400 million compared with the previous quarter primarily due to transfers of US\$232 million from retail mutual funds assets under administration investment options to the general account; and higher sales in Individual Markets.

Sales

For the third quarter, sales decreased by US\$2.9 billion compared to the third quarter of 2010 primarily due to 2010 plan sales including one large plan sale in the public non-profit market for US\$2.6 billion, a US\$175 million sale in the BOLI market and a US\$212 million sale in the 401(k) market.

For the nine months ended September 30, 2011, sales decreased by US\$6.2 billion compared to the same period last year primarily due to 2010 plan sales including two large plan sales in the public non-profit market for US\$5.6 billion, two large plan sales in the BOLI market for US\$325 million and one large 401(k) plan sale for US\$212 million.

For the three months ended September 30, 2011, sales increased by US\$220 million compared with the previous quarter primarily due to US\$120 million in the public non-profit market, US\$60 million in the BOLI market, and US\$39 million in the 401(k) market.

Fee and other income

Fee and other income for the quarter increased by US\$7 million compared to the third quarter of 2010 primarily due to increased average asset levels, driven by higher average equity market levels and sales.

For the nine months ended September 30, 2011, fee and other income increased by US\$28 million compared to the same period last year, primarily due to increased average asset levels, driven by higher average equity market levels and sales.

For the three months ended September 30, 2011, fee and other income decreased by US\$3 million compared with the previous quarter primarily due to decreased average asset levels as a result of lower in-quarter equity market levels.

Net earnings

Net earnings for the quarter increased by US\$5 million compared to the third quarter of 2010, primarily due to higher fee income of US\$3 million and lower income tax expense of US\$4 million, partially offset by higher operating expenses of US\$4 million.

For the nine months ended September 30, 2011, net earnings increased by US\$41 million compared to the same period in 2010 primarily due to realized gains on surplus assets and improved mortality gains in Individual Markets. Net earnings increased by US\$4 million compared with the previous quarter primarily due to US\$15 million of mortality basis changes in the third quarter, partially offset by both lower realized gains on surplus assets and other investment gains totaling US\$12 million.

ASSET MANAGEMENT

2011 DEVELOPMENTS

- Premiums and deposits increased by US\$6.3 billion in the first nine months of 2011 compared to the same period last year.
- Putnam's total net flows improved by US\$2.5 billion in the first nine months of 2011 compared to the same period last year.
- For the nine months ended September 30, 2011, the impact of higher average equity markets on fee income positively impacted earnings by US\$25 million after-tax compared to the same period a year ago.
- Putnam launched the Lifetime Income ScoreSM, which gives a Putnam plan participant the ability to measure their individual retirement income replacement trajectories and provides a view of how well their plan is working in the aggregate, as well as specific areas of focus to lead to greater plan success.
- Putnam launched the Dynamic Risk Allocation Fund, designed to actively balance the sources of portfolio risk across multiple asset classes, with flexibility to respond dynamically to changing economic conditions and market valuations, in pursuit of consistent levels of total return. The Fund will make use of a risk parity approach that Putnam has utilized extensively for institutional clients.

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 5,743	\$ 8,114	\$ 6,289	\$ 22,709	\$ 17,535
Fee and other income					
Investment management fees	130	137	135	402	399
Performance fees	-	14	4	21	16
Service fees	36	37	42	111	128
Underwriting & distribution fees	15	15	16	46	53
Fee and other income	181	203	197	580	596
Net earnings (loss)	(11)	47	3	23	(27)
Premiums and deposits (US\$)	\$ 5,860	\$ 8,365	\$ 6,048	\$ 23,166	\$ 16,910
Fee and other income (US\$)					
Investment management fees (US\$)	133	141	130	410	385
Performance fees (US\$)	-	14	4	21	16
Service fees (US\$)	37	38	40	113	123
Underwriting & distribution fees (US\$)	15	16	15	48	50
Fee and other income (US\$)	185	209	189	592	574
Net earnings (loss) (US\$)	(11)	48	3	24	(26)

Premiums and deposits

For the three and nine months ended September 30, 2011, total premiums and deposits decreased by US\$188 million and increased by US\$6.3 billion respectively, compared to the same period in 2010. The quarterly decrease is a result of market volatility on new sales. The year-to-date improvement is primarily due to strong institutional sales.

Premiums and deposits decreased by US\$2.5 billion or 30%, compared with the previous quarter. Institutional sales were lower compared to a strong second quarter. Mutual Fund sales declined primarily due to lower fixed income sales.

Fee and other income

Revenue is derived primarily from investment management fees, performance fees, transfer agency and other service fees and underwriting and distribution fees. Generally, fees are earned based on average 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.

Fee and other income for the quarter decreased by US\$4 million compared to the same period in 2010 primarily due to lower service fee revenue from a modest drop in retail accounts and the loss of Putnam's former 529 college savings plan, and a decrease in performance fees, partially offset by an increase in investment management fee revenue from higher average AUM.

For the nine months ended September 30, 2011, fee and other income increased by US\$18 million compared to the same period last year due to an increase in investment management fee revenue from a higher average AUM and an increase in performance fees, partially offset by lower service fee revenue.

Fee and other income decreased by US\$24 million compared with the previous quarter, primarily due to a decrease in investment management fee revenue from a lower average AUM and a decrease in performance fees.

Net earnings

Net earnings for the third quarter decreased by US\$14 million compared with the same period last year primarily due to unrealized losses on seed capital portfolios of \$6 million and slightly lower fee revenue. Fair value adjustments related to share-based compensation reduced expenses by US\$11 in-quarter, which substantially equalled the partial release of a legal provision of US\$10 in the third quarter of 2010.

For the nine months ended September 30, 2011, net earnings increased by US\$50 million compared to the same period last year due to higher fee revenue, an increase in the partial release of a legal provision of US\$47 million, fair value adjustments related to share-based compensation, and a continued focus on expense reduction; partially offset by unrealized losses on seed capital portfolios.

Net earnings decreased by US\$59 million compared with the previous quarter primarily due to the partial release of a legal provision in the prior quarter of US\$57 million, lower performance fees and the negative impact of markets on fee revenue and seed capital portfolios; partially offset by fair value adjustments on share-based compensation and lower expenses.

ASSETS UNDER MANAGEMENT

Assets under management (US\$ millions)

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Beginning assets	\$ 129,132	\$ 127,211	\$ 109,661	\$ 121,213	\$ 114,946
Sales (includes dividends reinvested)	5,860	8,365	6,048	23,166	16,910
Redemptions	(7,319)	(6,750)	(5,366)	(21,171)	(17,441)
Net asset flows	(1,459)	1,615	682	1,995	(531)
Impact of market/performance	(13,802)	306	9,372	(9,337)	5,300
Ending assets	\$ 113,871	\$ 129,132	\$ 119,715	\$ 113,871	\$ 119,715
Average assets under management	\$ 122,776	\$ 127,951	\$ 115,012	\$ 124,981	\$ 115,140

Average AUM for the three months ended September 30, 2011, was US\$122.8 billion comprising mutual funds of US\$62.8 billion and institutional accounts of US\$60 billion. Average AUM increased by US\$7.8 billion compared to the three months ended September 30, 2010 primarily due to the positive impact of market performance through the first two quarters of the current year.

Average AUM for the nine months ended September 30, 2011 increased by US\$9.8 billion compared to the nine months ended September 30, 2010 due to the same reason as the in-quarter comparison.

Compared to the second quarter, average AUM decreased by US\$5.2 billion primarily due to the negative impact of the markets.

UNITED STATES CORPORATE

United States Corporate reported a net loss of US\$1 million for the third quarter, compared with a reported net loss of US\$3 million in the third quarter of 2010.

For the nine months ended September 30, 2011, United States Corporate reported net earnings of US\$2 million compared with net earnings of US\$1 million for the same period in 2010.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance. Insurance & Annuities consists of operations in the United Kingdom, Isle of Man, Ireland and Germany which offer protection and wealth management products including payout annuity products, conducted through Canada Life and its subsidiaries. Reinsurance operates primarily in the United States, Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 2,485	\$ 2,183	\$ 2,138	\$ 6,848	\$ 6,770
Sales	1,279	876	992	3,263	3,179
Fee and other income	139	144	119	413	411
Net earnings - common shareholders	148	147	138	381	413
Total assets	\$ 69,790	\$ 67,034	\$ 69,031		
Other assets under administration	102	116	106		
Total assets under administration	\$ 69,892	\$ 67,150	\$ 69,137		

2011 DEVELOPMENTS

- Net earnings for the third quarter of 2011 were \$148 million, an increase of 7% over the same period in 2010.
- Insurance and Annuity sales increased by 29% in the third quarter and by 3% for the nine months year-to-date compared to the same periods in 2010.
- The Isle of Man operations won two awards at the 2011 International Adviser International Life Awards: "Best Overall Product Range" for the second year in a row and "Best Protection Product" for the Flexible Life Plan for the third consecutive year.
- The Investments Life and Pensions Moneyfacts 2011 awards in the U.K., named Canada Life "Most Competitive Annuity Provider" for the sixth consecutive year and "Best Group Protection Provider" for the third consecutive year. Canada Life also won "Best Tax and Estate Planning Solutions Provider" for the first time. The 2011 Cover Excellence Awards named Canada Life the "Group Life" provider of the year and "Employee Benefits" provider of the year.
- The Company's Ireland operations recently launched two new products: Canada Life Approved Retirement Fund (ARF) with lifelong income benefit and the Canada Life/Setanta Income Opportunity Fund.

BUSINESS UNITS – EUROPE

Comparing 2011 to 2010, the Canadian dollar strengthened against the U.S. dollar and the British pound. As a result of currency movement, net earnings in the three and nine months of 2011 were negatively impacted by \$5 million compared to the same periods in 2010.

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 1,565	\$ 1,285	\$ 1,257	\$ 4,226	\$ 4,155
Sales	1,279	876	992	3,263	3,179
Fee and other income	129	134	109	383	382
Net earnings	106	97	98	328	324

Premiums and deposits

Premiums and deposits for the third quarter increased by 25% compared with the same quarter last year, or 26% in constant currency. The increase was primarily due to sales growth in savings products in the Isle of Man partially offset by lower sales of savings products and payout annuities in the U.K.

For the nine months ended September 30, 2011, premiums and deposits increased 2% compared to the same period in 2010, primarily due to sales growth in savings products in the Isle of Man. These were mostly offset by lower sales of payout annuities and savings products in the U.K. as well as currency movement.

Premiums and deposits increased by 22% compared with the previous quarter mainly due to increased sales of savings products in the Isle of Man and pension products in Ireland. These increases were partially offset by lower sales of saving products and payout annuities in the U.K. as well as the normal seasonal decrease in U.K. group premiums.

Sales

Compared to the same quarter last year, sales increased by 29%, or 31% in constant currency. The increase was primarily due to a 139% sales growth in single premium savings products in the Isle of Man reflecting fluctuations in the number of large cases which vary from quarter-to-quarter. This increase was partially offset by a 62% decline in single premium savings products and a 19% decline in payout annuities in the U.K. due to intense competition.

For the nine months ended September 30, 2011, sales increased by 3% compared to the same period last year, largely due to a 32% increase in single premium savings products in the Isle of Man. This increase was partially offset by a 24% decline in payout annuities and a 16% decrease in single premium savings products in the U.K.

Sales increased by 46% from the previous quarter primarily due to a 111% growth in single premium savings products in the Isle of Man and a 33% increase in pension products in Ireland. Partly offsetting these increases was a 17% decline in payout annuities in the U.K.

Fee and other income

Fee and other income increased by \$20 million compared to the same quarter last year. On a constant currency basis fees increased by 17% due mainly to higher fee income in the U.K. resulting from a favourable sales mix, higher volumes and higher surrender fees. The pattern of sales and surrenders on certain shorter term single premium investment products can cause the surrender fees to fluctuate from quarter-to-quarter. These increases were partly offset by lower fees in Ireland.

For the nine months ended September 30, 2011, fee and other income was at a similar level to last year.

Fee and other income for the quarter decreased by \$5 million compared to the previous quarter. On a constant currency basis fees decreased by 4% due mainly to lower fees in Ireland, mostly offset by higher surrender fees in the U.K.

Net earnings

Net earnings for the third quarter of 2011 increased by \$8 million compared with the same quarter last year. The results include a release of interest mismatch provisions of \$40 million due to the impact of lower interest rates on the U.K. payout annuity portfolios, which positively impacted net earnings by \$32 million. In 2010, the release of interest mismatch provisions positively impacted net earnings by \$19 million. Third quarter net earnings also increased due to a \$9 million increase in the U.K. wealth management business mainly from higher surrender fees in 2011 and \$13 million attributed to a lower effective tax rate. The effective tax rate primarily reflects the benefit of reduced tax liability provisions in the U.K. operations and a lower U.K. corporate income tax rate. Partly offsetting these increases were lower mortality results in the U.K. payout annuity and group insurance businesses of \$15 million as well as \$11 million of combined lower investment trading gains and higher impaired investment assets charges.

For the nine months ended September 30, 2011, net earnings increased by \$4 million compared with the same period last year. The increase was mainly due to higher investment trading gains of \$42 million and the net impact of basis changes to insurance contract liabilities of \$31 million. These were mostly offset by lower mortality and morbidity gains in U.K. group insurance and payout annuities of \$42 million, lower surrender fees in wealth management of \$9 million and \$18 million attributed to a higher effective tax rate.

Net earnings increased by \$9 million compared to the previous quarter. This increase was primarily due to a \$13 million surrender fee in the wealth management business, \$12 million higher net impact of basis changes on insurance contract liabilities and \$18 million attributed to a lower effective tax rate. These increases were partly offset by \$38 million lower investment trading gains.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2011	June 30 2011	Sept. 30 2010	Sept. 30 2011	Sept. 30 2010
Premiums and deposits	\$ 920	\$ 898	\$ 881	\$ 2,622	\$ 2,615
Fee and other income	10	10	10	30	29
Net earnings	45	50	39	57	88

Premiums and deposits

Premiums and deposits for the third quarter increased by \$39 million compared with last year primarily due to higher volumes in the life businesses partially offset by currency movement.

For the nine months ended September 30, 2011, premiums and deposits remained in line with 2010 as higher volumes in the life businesses were mostly offset by currency movement.

Premiums and deposits increased by \$22 million compared with the previous quarter due primarily to higher volumes in the life businesses and currency movement.

Fee and other income

Fee and other income remain unchanged compared to the same quarter last year and previous quarter. Fee and other income increased by \$1 million compared to the nine months ended in 2010. The reinsurance business earns fee income primarily in the life business with the fees driven by volume of coverage provided, which has not changed significantly this period.

Net earnings

Net earnings for the third quarter of 2011 increased by \$6 million compared to the same period last year primarily due to lower new business strain of \$5 million, favourable resolution of prior period tax matters and lower effective tax rate of \$13 million, offset by the impact of increases to insurance contract liabilities of \$13 million primarily due to market movements and an update to economic assumptions.

For the nine months ended September 30, 2011, net earnings decreased by \$31 million compared to the same period last year. The decrease was driven by the impact of catastrophe provisions of \$75 million relating to the earthquake events in Japan and New Zealand in the first quarter of 2011, partially offset by the provision of \$18 million recorded in 2010 in relation to the earthquake in Chile. Excluding those impacts, net earnings increased by \$26 million, driven by favourable experience primarily in traditional life of \$19 million, lower new business strain of \$7 million, positive impacts of the resolution of prior period tax matters and reductions of statutory tax rates of \$20 million, partially offset by the impact of increases to insurance contract liabilities of \$19 million due to basis changes.

Third quarter net earnings decreased by \$5 million, compared to the previous quarter, primarily due to lower investment gains of \$11 million in the annuities business and the impact of basis changes to insurance contract liabilities of \$11 million. These decreases were partially offset by the impact of the resolution of prior period tax matters and reductions of statutory tax rates of \$13 million and favourable mortality, new business strain and lapse experience of \$6 million.

EUROPE CORPORATE

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

Europe corporate net earnings decreased by \$4 million for the third quarter and by \$5 million for the nine months ended September 30, 2011. The decrease was primarily due to lower investment gains. Compared to the previous quarter, net earnings declined by \$3 million also primarily due to lower investment gains.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2011, Lifeco Corporate reported a net loss of \$1 million compared to a net loss of \$207 million in the third quarter of 2010. The third quarter 2010 results reflect the impact of the litigation provision as described in the Company's December 31, 2010 consolidated financial statements.

For the nine months ended September 30, 2011, Lifeco Corporate reported a net loss of \$16 million compared to a net loss of \$214 million for the same period in 2010. The decrease in the net loss of \$198 million is for the same reason as the in-quarter period, partially offset by an increase in operating and other expenses.

Net earnings increased by \$10 million compared to the previous quarter due to lower operating and other expenses in the third quarter of 2011.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information

(in \$ millions, except per share amounts)

	2011			2010				2009 -C GAAP
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	\$ 8,506	\$ 7,134	\$ 6,255	\$ 5,247	\$ 9,116	\$ 7,413	\$ 8,327	\$ 6,001
Common Shareholders Net earnings								
Total	457	526	415	465	267	455	428	443
Basic - per share	0.481	0.553	0.438	0.491	0.281	0.480	0.452	0.468
Diluted - per share	0.478	0.550	0.436	0.488	0.281	0.477	0.449	0.467
Operating earnings⁽¹⁾								
Total	457	526	415	465	471	455	428	443
Basic - per share	0.481	0.553	0.438	0.491	0.497	0.480	0.452	0.468
Diluted - per share	0.478	0.550	0.436	0.488	0.494	0.477	0.449	0.467

(1) Operating earnings are presented as a non-IFRS financial measure of earnings performance before certain other items that management considers to be of a non-recurring nature. Refer to "Non-IFRS Financial Measures" section of this report.

	Q3 2010	Operating earnings Litigation provision Net earnings	Per Share		
			Total	Basic	Diluted
			\$ 471	\$ 0.497	\$ 0.494
			(204)	(0.216)	(0.213)
			<u>\$ 267</u>	<u>\$ 0.281</u>	<u>\$ 0.281</u>

Lifeco's net earnings attributable to common shareholders were \$457 million for the third quarter of 2011 compared to \$267 million reported a year ago. On a per share basis, this represents \$0.481 per common share (\$0.478 diluted) for the third quarter of 2011 compared to \$0.281 per common share (\$0.281 diluted) a year ago.

Total revenue for the third quarter of 2011 was \$8,506 million and comprises premium income of \$4,392 million, regular net investment income of \$1,330 million, change in fair value through profit or loss assets of \$2,080 million, and fee and other income of \$704 million. Total revenue for the third quarter of 2010 was \$9,116 million, comprising premium income of \$4,313 million, regular net investment income of \$1,493 million, change in fair value through profit or loss assets of \$2,629 million and fee and other income of \$681 million.

DISCLOSURE CONTROLS AND PROCEDURES

Based on their evaluations as of September 30, 2011, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective at the reasonable assurance level in ensuring 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 adequate internal control over financial reporting for Lifeco. All internal control systems have inherent limitations and may become inadequate because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSLATION OF FOREIGN CURRENCY

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the United States 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 financial period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency Period ended	Sept. 30 2011	June 30 2011	Mar. 31 2011	Dec. 31 2010	Sept. 30 2010	June 30 2010
United States dollar						
Balance sheet	\$1.04	\$0.96	\$0.97	\$0.99	\$1.03	\$1.06
Income and expenses	\$0.98	\$0.97	\$0.99	\$1.01	\$1.04	\$1.03
British pound						
Balance sheet	\$1.62	\$1.55	\$1.56	\$1.55	\$1.62	\$1.59
Income and expenses	\$1.58	\$1.58	\$1.58	\$1.60	\$1.61	\$1.53
Euro						
Balance sheet	\$1.40	\$1.40	\$1.38	\$1.33	\$1.40	\$1.30
Income and expenses	\$1.38	\$1.39	\$1.35	\$1.38	\$1.34	\$1.31

MUTUAL FUNDS DEPOSITS AND ASO PREMIUM EQUIVALENTS (ASO CONTRACTS)

The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of mutual funds or the claims payments related to ASO group health contracts. However, the Company does earn fee and other income related to these contracts. Mutual funds and ASO contracts are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

Segregated funds were not included in the financial statements under former CGAAP. As a result of the adoption of IFRS, segregated funds are now included at fair value on the consolidated balance sheet as a single line item within assets and liabilities.

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

GREAT-WEST
LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian \$ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2011	June 30 2011	September 30 2010	September 30 2011	September 30 2010
Income					
Premium income					
Gross premiums written	\$ 5,059	\$ 4,980	\$ 4,956	\$ 14,980	\$ 15,091
Ceded premiums	(667)	(708)	(643)	(2,021)	(1,953)
Total net premiums	4,392	4,272	4,313	12,959	13,138
Net investment income (note 4)					
Regular net investment income	1,330	1,416	1,493	4,173	4,245
Changes in fair value through profit or loss	2,080	707	2,629	2,600	5,365
Total net investment income	3,410	2,123	4,122	6,773	9,610
Fee and other income	704	739	681	2,163	2,108
	8,506	7,134	9,116	21,895	24,856
Benefits and expenses					
Policyholder benefits	3,704	3,690	3,557	11,484	11,305
Policyholder dividends and experience refunds	385	377	382	1,115	1,116
Change in insurance and investment contract liabilities	2,737	1,231	3,418	4,104	7,226
Total paid or credited to policyholders	6,826	5,298	7,357	16,703	19,647
Commissions	372	390	346	1,139	1,064
Operating expenses	605	558	965	1,808	2,214
Premium taxes	64	68	71	188	198
Financing charges (note 7)	72	72	71	216	215
Amortization of finite life intangible assets	24	25	22	72	69
Earnings before income taxes	543	723	284	1,769	1,449
Income taxes (note 14)	54	161	(1)	284	214
Net earnings before non-controlling interests	489	562	285	1,485	1,235
Attributable to non-controlling interests	8	12	(4)	15	21
Net earnings	481	550	289	1,470	1,214
Perpetual preferred share dividends	24	24	22	72	64
Net earnings - common shareholders	\$ 457	\$ 526	\$ 267	\$ 1,398	\$ 1,150
Earnings per common share (note 12)					
Basic	\$ 0.481	\$ 0.553	\$ 0.281	\$ 1.473	\$ 1.213
Diluted	\$ 0.478	\$ 0.550	\$ 0.281	\$ 1.461	\$ 1.207

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*
(in Canadian \$ millions)

	For the three months ended			For the nine months ended	
	September 30 2011	June 30 2011	September 30 2010	September 30 2011	September 30 2010
Net earnings	\$ 481	\$ 550	\$ 289	\$ 1,470	\$ 1,214
Other comprehensive income (loss)					
Unrealized foreign exchange gains (losses) on translation of foreign operations	547	(66)	(45)	417	(241)
Income tax (expense) benefit	1	(2)	-	1	-
Unrealized gains (losses) on available for sale assets	163	71	137	202	287
Income tax (expense) benefit	(31)	(16)	(34)	(46)	(71)
Realized (gains) losses on available for sale assets	(26)	(26)	(27)	(94)	(36)
Income tax expense (benefit)	6	6	3	25	7
Unrealized gains (losses) on cash flow hedges	(115)	25	50	(67)	(16)
Income tax (expense) benefit	44	(9)	(17)	26	6
Realized (gains) losses on cash flow hedges	-	1	2	1	2
Income tax expense (benefit)	-	-	(1)	-	(1)
Non-controlling interests	(48)	(16)	(13)	(51)	(28)
Income tax (expense) benefit	-	-	-	-	-
	541	(32)	55	414	(91)
Comprehensive income	\$ 1,022	\$ 518	\$ 344	\$ 1,884	\$ 1,123

CONSOLIDATED BALANCE SHEETS *(unaudited)*
(in Canadian \$ millions)

	September 30 2011	December 31 2010	January 1 2010
Assets			
Cash and cash equivalents	\$ 1,954	\$ 1,840	\$ 3,427
Bonds (note 4)	79,050	72,203	66,147
Mortgage loans (note 4)	17,017	16,115	16,684
Stocks (note 4)	6,530	6,700	6,442
Investment properties (note 4)	3,236	2,957	2,613
Loans to policyholders	7,144	6,827	6,957
	<u>114,931</u>	<u>106,642</u>	<u>102,270</u>
Funds held by ceding insurers	10,118	9,856	10,984
Reinsurance assets (note 13)	2,220	2,533	2,800
Goodwill	5,403	5,397	5,406
Intangible assets	3,194	3,108	3,238
Derivative financial instruments	804	984	717
Owner occupied properties	472	439	429
Other assets	4,704	4,482	4,599
Deferred tax assets	1,173	1,141	1,193
Segregated funds for the risk of unit holders (note 6)	94,053	94,827	87,495
	<u>237,072</u>	<u>229,409</u>	<u>219,131</u>
Total assets	\$ 237,072	\$ 229,409	\$ 219,131
Liabilities			
Insurance contract liabilities (note 13)	\$ 114,070	\$ 107,367	\$ 104,988
Investment contract liabilities (note 13)	784	791	841
Debentures and other debt instruments	4,312	4,288	4,106
Funds held under reinsurance contracts	177	149	331
Derivative financial instruments	463	165	251
Other liabilities	4,862	4,637	4,479
Deferred tax liabilities	756	755	623
Repurchase agreements	1,189	1,042	532
Capital trust securities	531	535	540
Preferred shares	-	-	199
Investment and insurance contracts on account of unit holders (note 6)	94,053	94,827	87,495
	<u>221,197</u>	<u>214,556</u>	<u>204,385</u>
Total liabilities	221,197	214,556	204,385
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	2,115	2,050	2,050
Preferred shares issued by subsidiaries	-	-	157
Perpetual preferred shares issued by subsidiaries	-	-	147
Non-controlling interests in capital stock	3	2	2
Shareholders' equity			
Share capital (note 8)			
Perpetual preferred shares	1,893	1,897	1,497
Common shares	5,825	5,802	5,751
Accumulated surplus	6,029	5,507	5,071
Accumulated other comprehensive income (loss)	(46)	(460)	19
Contributed surplus	56	55	52
	<u>15,875</u>	<u>14,853</u>	<u>14,746</u>
Total equity	15,875	14,853	14,746
Total liabilities and equity	\$ 237,072	\$ 229,409	\$ 219,131

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*
(in Canadian \$ millions)

September 30, 2011						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	\$ 7,699	\$ 55	\$ 5,507	\$ (460)	\$ 2,052	\$ 14,853
Net earnings	-	-	1,470	-	15	1,485
Other comprehensive income	-	-	-	414	51	465
	7,699	55	6,977	(46)	2,118	16,803
Dividends to shareholders						
Perpetual preferred	-	-	(72)	-	-	(72)
Common shareholders	-	-	(876)	-	-	(876)
Shares issued under stock option plan	23	-	-	-	-	23
Surrender of preferred shares	(4)	-	-	-	-	(4)
Share based payments	-	1	-	-	-	1
Balance, end of period	\$ 7,718	\$ 56	\$ 6,029	\$ (46)	\$ 2,118	\$ 15,875

December 31, 2010						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	\$ 7,248	\$ 52	\$ 5,071	\$ 19	\$ 2,356	\$ 14,746
Net earnings	-	-	1,702	-	7	1,709
Other comprehensive income (loss)	-	-	-	(479)	8	(471)
	7,248	52	6,773	(460)	2,371	15,984
Share issue costs	-	-	(9)	-	-	(9)
Dividends to shareholders						
Perpetual preferred	-	-	(86)	-	-	(86)
Common shareholders	-	-	(1,166)	-	-	(1,166)
Dividends to non-controlling interests	-	-	-	-	(15)	(15)
Redemption of preferred shares in subsidiaries	-	-	(5)	-	(304)	(309)
Shares issued under stock option plan	51	-	-	-	-	51
Issuance of new preferred shares	400	-	-	-	-	400
Share based payments	-	3	-	-	-	3
Balance, end of period	\$ 7,699	\$ 55	\$ 5,507	\$ (460)	\$ 2,052	\$ 14,853

September 30, 2010						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	\$ 7,248	\$ 52	\$ 5,071	\$ 19	\$ 2,356	\$ 14,746
Net earnings	-	-	1,214	-	21	1,235
Other comprehensive income (loss)	-	-	-	(91)	28	(63)
	7,248	52	6,285	(72)	2,405	15,918
Share issue costs	-	-	(3)	-	-	(3)
Dividends to shareholders						
Perpetual preferred	-	-	(64)	-	-	(64)
Common shareholders	-	-	(875)	-	-	(875)
Dividends to non-controlling interests	-	-	-	-	(14)	(14)
Shares issued under stock option plan	43	-	-	-	-	43
Issuance of new preferred shares	150	-	-	-	-	150
Share based payments	-	4	-	-	-	4
Balance, end of period	\$ 7,441	\$ 56	\$ 5,343	\$ (72)	\$ 2,391	\$ 15,159

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*
(in Canadian \$ millions)

	For the nine months ended September 30	
	2011	2010
Operations		
Earnings before income taxes	\$ 1,769	\$ 1,449
Income taxes paid, net of refunds received	137	39
Adjustments:		
Change in insurance and investment contract liabilities	3,881	7,414
Change in funds held by ceding insurers	330	506
Change in funds held under reinsurance contracts	29	71
Change in deferred acquisition costs	(2)	(30)
Change in reinsurance assets	381	(14)
Changes in fair value through profit or loss	(2,600)	(5,365)
Other	(349)	98
Cash flows from operations	<u>3,576</u>	<u>4,168</u>
Financing Activities		
Issue of common shares	23	43
Issue of preferred shares	-	150
Redemption of preferred shares	-	(200)
Decrease in line of credit of subsidiary	(33)	(5)
Issue of debentures	-	500
Increase in (repayment of) debentures and other debt instruments	4	(202)
Share issue costs	-	(3)
Dividends paid on common shares	(876)	(875)
Dividends paid on preferred shares	(72)	(64)
	<u>(954)</u>	<u>(656)</u>
Investment Activities		
Bond sales and maturities	15,149	13,515
Mortgage loan repayments	1,240	1,443
Stock sales	1,658	1,187
Investment property sales	70	9
Change in loans to policyholders	(91)	(57)
Change in repurchase agreements	92	529
Investment in bonds	(16,627)	(17,442)
Investment in mortgage loans	(1,938)	(1,467)
Investment in stocks	(1,952)	(1,602)
Investment in investment properties	(181)	(251)
	<u>(2,580)</u>	<u>(4,136)</u>
Effect of changes in exchange rates on cash and cash equivalents	72	(138)
Increase (decrease) in cash and cash equivalents	114	(762)
Cash and cash equivalents, beginning of period	1,840	3,427
Cash and cash equivalents, end of period	\$ 1,954	\$ 2,665
Supplementary cash flow information		
Interest income received	\$ 3,421	\$ 3,398
Interest paid	\$ 174	\$ 169
Dividend income received	\$ 142	\$ 135

Notes to the Condensed 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 (TSX: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Financial Corporation group of companies and its direct parent is Power Financial Corporation.

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, Europe and Asia through its major operating subsidiaries The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (GWL&A) and Putnam Investments, LLC (Putnam LLC).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company for the quarter ended September 30, 2011 were authorized for issue by the Board of Directors on November 10, 2011.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at September 30, 2011 have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB). These financial statements do not include all of the information required for consolidated financial statements. The Company issued its first International Financial Reporting Standards (IFRS) financial statements for the period ended March 31, 2011 in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1).

The financial statements are prepared using IFRS accounting policies which became Canadian generally accepted accounting principles for publicly accountable enterprises and were adopted by the Company for fiscal years beginning on January 1, 2011. These financial statements are prepared in accordance with the same accounting policies and methods of computation followed in the interim unaudited consolidated financial statements at March 31, 2011 also being the policies that the Company expects to adopt in its December 31, 2011 annual consolidated financial statements. These accounting policies are based on the IFRS standards and IFRS Interpretations Committee (IFRIC) interpretations that the Company expects to be applicable at December 31, 2011.

The Company's financial statements were previously prepared in accordance with Canadian generally accepted accounting principles (CGAAP), which differs in some areas from IFRS. See note 3 for an explanation of how the adoption of IFRS has affected the reported financial position, financial performance and accounting policies of the Company. This note includes reconciliations of equity and comprehensive income under IFRS for the comparative periods and of equity at the date of transition reported under previous CGAAP for those periods and at the date of transition to IFRS.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The valuation of insurance and investment contract liabilities, certain financial assets and liabilities, goodwill and indefinite life intangible assets, income taxes, contingencies and pension plans and other post-employment benefits are the most significant components of the Company's financial statements subject to management estimates. The financial statements of the Company are measured using the functional currency which is in the primary economic environment in which the Company operates within.

Management has applied judgments in the classification of insurance and investment contracts, and financial instruments within the financial statements. In addition, the financial statements required management's judgments in accounting for deferred income reserves (DIR) and deferred acquisition costs (DAC), the valuation of deferred income tax assets, the level of componentization of property, plant and equipment, determination of relationships with subsidiaries and special purpose entities and the identification of cash generating units and operating segments.

The year to date results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The estimation of insurance and investment contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Credit rating changes may lag developments in the current environment. Subsequent credit rating adjustments will impact insurance and investment contract liabilities.

The significant accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments are classified as fair value through profit or loss, available for sale, held to maturity, loans and receivables or as non-financial instruments based on management's intention or characteristics of the investment. The Company currently has not classified any investments as held to maturity.

Investments in bonds and stocks normally actively traded on a public market are either designated or classified as fair value through profit or loss or classified as available for sale on a trade date basis, based on management's intention. Fair value through profit or loss investments are recognized at fair value on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings. Available for sale investments are recognized at fair value on the Consolidated Balance Sheets with unrealized gains and losses recorded in other comprehensive income (OCI). Realized gains and losses are reclassified from OCI and recorded in the Consolidated Statements of Earnings when the available for sale investment is sold. Interest income earned on both fair value through profit or loss and available for sale bonds is recorded as investment income earned in the Consolidated Statements of Earnings.

Investments in equity instruments where a market value cannot be measured reliably are classified as available for sale and carried at cost. Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting. Investments in stocks include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Financial Corporation group of companies, over which it exerts significant influence but does not control. The investment is accounted for using the equity method of accounting.

Investments in mortgages and bonds not normally actively traded on a public market are classified as loans and receivables and are carried at amortized cost net of any allowance for credit losses. Interest income earned and realized gains and losses on the sale of investments classified as loans and receivables are recorded in the Consolidated Statements of Earnings and included in investment income earned.

Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded as investment income earned in the Consolidated Statements of Earnings. Fair values for investment properties are determined using independent qualified appraisal services. Properties that are leased that would otherwise be classified as investment property if owned by the Company are also included with investment properties.

Fair Value Measurement

Financial instrument carrying values necessarily reflect the prevailing market liquidity and the liquidity premiums embedded within the market pricing methods the Company relies upon.

The following is a description of the methodologies used to value instruments carried at fair value:

Bonds — Fair Value Through Profit or Loss and Available for Sale

Fair values for bonds classified as fair value through profit or loss or available for sale are determined with reference to quoted market bid prices primarily provided by third party independent pricing sources. Where prices are not quoted in a normally active market, fair values are determined by valuation models. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure bonds at fair value in its fair value through profit or loss and available for sale portfolios.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Stocks — Fair Value Through Profit or Loss and Available for Sale

Fair values for public stocks are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are determined by discounting expected future cash flows. The Company maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The Company obtains quoted prices in active markets, when available, for identical assets at the balance sheet date to measure stocks at fair value in its fair value through profit or loss and available for sale portfolios.

Mortgages and Bonds – Loans and Receivables

Market values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates.

Investment Properties

Market values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals.

Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults and delinquency in payments of interest or principal. Investments are deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due. The market value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset. However market price must be taken into consideration when evaluating impairment.

For impaired mortgages and bonds classified as loans and receivables, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value. For impaired available for sale bonds, recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income (AOCI) is reclassified to net investment income. Impairments on available for sale bonds are reversed if there is objective evidence that a permanent recovery has occurred. All gains and losses on bonds classified or designated as fair value through profit or loss are already recorded in income. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed.

(b) Transaction Costs

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit or loss. Transaction costs for financial assets classified as available for sale or loans and receivables are added to the value of the instrument at acquisition and taken into net earnings using the effective interest rate method. Transaction costs for financial liabilities classified as other than fair value through profit or loss are added to the value of the instrument issued and taken into net earnings using the effective interest rate method.

(c) Cash and Cash Equivalents

Cash and cash equivalents comprises cash, current operating accounts, overnight bank and term deposits with original maturities of three months or less, and fixed income securities with an original term to maturity of three months or less. Net payments in transit and overdraft bank balances are included in other liabilities. The carrying value of cash and cash equivalents approximates their fair value.

(d) Trading Account Assets

Trading account assets consist of investments in Putnam sponsored funds, which are carried at fair value based on the net asset value of these funds. Investments in these assets are included in other assets on the Consolidated Balance Sheets with realized and unrealized gains and losses reported in the Consolidated Statements of Earnings.

(e) Financial Liabilities

Financial liabilities, other than insurance and investment contract liabilities and certain preferred shares, are classified as either capital trust securities or other liabilities. Capital trust securities and other liabilities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest rate method with amortization expense recorded in the Consolidated Statements of Earnings.

(f) Derivative Financial Instruments

The Company uses derivative products as risk management instruments to hedge or manage asset, liability and capital positions, including revenues. The Company's policy guidelines prohibit the use of derivative instruments for speculative trading purposes.

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent as prescribed by The Office of the Superintendent of Financial Institutions of Canada (OSFI).

All derivatives including those that are embedded in financial and non-financial contracts that are not closely related to the host contracts are recorded at fair value on the Consolidated Balance Sheets in other assets and other liabilities. The method of recognizing unrealized and realized fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives that are not designated as hedging instruments, unrealized and realized gains and losses are recorded in net investment income on the Consolidated Statements of Earnings. For derivatives designated as hedging instruments, unrealized and realized gains and losses are recognized according to the nature of the hedged item.

Derivatives are valued using market transactions and other market evidence whenever possible, including market based inputs to models, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contractual terms of, and specific risks inherent in the instrument, as well as the availability of pricing information in the market. The Company generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

To qualify for hedge accounting, the relationship between the hedged item and the hedging instrument must meet several strict conditions on documentation, probability of occurrence, hedge effectiveness and reliability of measurement. If these conditions are not met, then the relationship does not qualify for hedge accounting treatment and both the hedged item and the hedging instrument are reported independently as if there was no hedging relationship.

Where a hedging relationship exists, the Company documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. This process includes linking derivatives that are used in hedging transactions to specific assets and liabilities on the Consolidated Balance Sheets or to specific firm commitments or forecasted transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether derivatives that are used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items. Hedge effectiveness is reviewed quarterly through correlation testing.

Derivatives not designated as hedges for accounting purposes

For derivative investments not designated as accounting hedges, changes in fair value are recorded in net investment income.

Fair value hedges

For fair value hedges, changes in fair value of both the hedging instrument and the hedged item are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

The Company currently has interest rate futures designated as fair value hedges.

Cash flow hedges

Certain interest rate swaps and cross currency swaps are used to hedge cash flows. For cash flow hedges, the effective portion of the changes in fair value of the hedging instrument is recorded in the same manner as the hedged item in either net investment income or OCI while the ineffective portion is recognized immediately in net investment income. Gains and losses that accumulate in OCI are recorded in net investment income in the same period the hedged item affects net earnings. Gains and losses on cash flow hedges are immediately reclassified from OCI to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

Net investment hedges

Foreign exchange forward contracts are used to hedge the net investment in the Company's foreign operations. Changes in the fair value of these hedges are recorded in OCI. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

The Company currently has no derivatives designated as net investment hedges.

(g) Embedded Derivatives

Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the Consolidated Statements of Earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

(h) Foreign Currency Translation

The Company's consolidated financial statements are prepared in Canadian dollars, which is the functional and presentation currency of the Company. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are taken to unrealized foreign exchange gains (losses) on translation of foreign operations in AOCI.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Company's net investment in its foreign operations are presented separately as a component of OCI. Unrealized gains and losses will be recognized proportionately in net investment income on the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations. Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income and are not material to the financial statements of the Company.

(i) Loans to Policyholders

Loans to policyholders are shown at their unpaid principal balance and are fully secured by the cash surrender values of the policies. Carrying value of loans to policyholders approximates their fair value.

(j) Funds Held by Ceding Insurers/Funds Held Under Reinsurance Contracts

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. The Company records an amount receivable from the ceding insurer or payable to the reinsurer representing the premium due. Investment revenue on these funds withheld is credited by the ceding insurer.

(k) Reinsurance Contracts

The Company, in the normal course of business, is both a user and provider of reinsurance in order to limit the potential for losses arising from certain exposures. Assumed reinsurance refers to the acceptance of certain insurance risks by the Company underwritten by another company. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share the risks. To the extent that assuming reinsurers are unable to meet their obligations, the Company remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for reinsurance contracts which are deemed uncollectible.

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. Impairment occurs when there is objective evidence that the Company will not be able to collect amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the Consolidated Statements of Earnings.

Any gains or losses on buying reinsurance are recognized in the Consolidated Statements of Earnings immediately at the date of purchase and are not amortized.

Premiums and claims ceded for reinsurance are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis in the Consolidated Balance Sheets. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

(l) Goodwill and Intangible Assets

Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of software, customer contracts, distribution channels, and technology. These finite life intangible assets are amortized over their estimated useful lives, generally not exceeding 10 years, 20 years and 30 years respectively.

Indefinite life intangible assets include brands and trademarks, customer contracts and the shareholder's portion of acquired future participating account profits. Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position.

Impairment Testing

Goodwill and intangible assets are tested for impairment annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the event that certain conditions have been met, the Company would be required to reverse the impairment charge or a portion thereof (see note 3 (n)).

Goodwill has been allocated to cash generating units (CGU), representing the lowest level in which goodwill is monitored for internal reporting purposes. Goodwill is tested for impairment by comparing carrying value of the CGU groups to the recoverable amount to which the goodwill has been allocated. Intangible assets are tested for impairment by comparing the asset's carrying amount to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell and value in use, which is calculated using the present value of estimated future cash flows expected to be generated.

(m) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured. When premiums are recognized, policy liabilities are computed, with the result that benefits and expenses are matched with such revenue.

Fee and other income is recognized when earned, collectible and the amount can be reasonably estimated. Fee and other income primarily includes fees earned from the management of segregated fund assets, proprietary mutual funds assets, fees earned on administrative services only (ASO) Group health contracts and fees earned from management services.

(n) Owner Occupied Properties and Other Assets

Included in other assets are fixed assets and property held for own use carried at cost less accumulated depreciation and impairments. Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Owner occupied properties	15 - 20 years
Furniture and fixtures	5 - 10 years
Other assets	3 - 10 years

Also included in other assets are DAC relating to investment contracts. DAC is recognized if the costs are incremental and incurred due to the contract being issued.

(o) Segregated Funds for the Risk of Unit Holders

Segregated funds assets and liabilities arise from contracts where the financial risk is borne by unit holders and are presented separately in the Consolidated Balance Sheets at fair value. Investment income and changes in market value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities.

(p) Insurance and Investment Contract Liabilities

Contract Classification

The Company's products are classified at contract inception, for accounting purposes, as insurance, service or investment contracts depending on the existence of significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown. When significant insurance risk exists, the contract is accounted for as an insurance contract in accordance with IFRS 4, *Insurance Contracts* (IFRS 4).

In the absence of significant insurance risk, the contract is classified as an investment or service contract. Investment contracts with discretionary participating features (DPF) are accounted for in accordance with IFRS 4 and investment contracts without DPF are accounted for in accordance with IAS 39, *Financial Instruments: Recognition & Measurement*. The Company has not classified any contracts as investment contracts with DPF. Service contracts mainly relate to ASO contracts and are accounted for under IAS 18, *Revenue Recognition*.

Investment contracts may be reclassified as insurance contracts after inception if insurance risk becomes significant. A contract that is classified as an insurance contract at contract inception remains as such until all rights and obligations under the contract are extinguished or expire.

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 5 for discussion of risk management.

Measurement

Insurance contract liabilities represent the amounts required, in addition to future premiums and investment income, to provide for future benefit payments, policyholder dividends, commission and policy administrative expenses for all insurance and annuity policies in force with the Company. The Appointed Actuaries of the Company's subsidiary companies are responsible for determining the amount of the liabilities to make appropriate provisions for the Company's obligations to policyholders. The Appointed Actuaries determine the liabilities for insurance contracts and investment contracts with DPF using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method (CALM). This method involves the projection of future events in order to determine the amount of assets that must be set aside currently to provide for all future obligations and involves a significant amount of judgment.

Investment contract liabilities are measured at amortized cost, except for those at fair value through profit or loss.

(q) Deferred Income Reserves

Included in other liabilities are DIR relating to investment contract liabilities. DIR are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years, to release revenue as it is earned over the policy term.

(r) Income Taxes

The income tax expense for the period represents the sum of current income tax and deferred income tax. Income tax is recognized as an expense or income in profit or loss except to the extent that it relates to items that are recognized outside profit or loss (whether in OCI or directly in equity), in which case the income tax is also recognized outside profit or loss.

Current Income Tax

Current income tax is based on taxable income for the year. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates that have been enacted or substantively enacted at the balance sheet date. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the entity intends either to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is more likely than not that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer more likely than not that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the group controls the timing of the reversal of the temporary difference and it is more likely than not that the temporary differences will not reverse in the foreseeable future.

There is a difference in the recognition and measurement of uncertain income tax provisions between the previous CGAAP and IFRS. Under the IFRS liability method, a provision for tax uncertainties which meet the criteria for recognition more likely than not will be measured. Measurement of the provision is based on the probability weighted average approach.

(s) Policyholder Benefits

Gross benefits and claims for life insurance contracts include the cost of all claims arising during the year, settlement of claims, as well as changes in the gross valuation of insurance contracts. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(t) Repurchase Agreements

The Company enters into repurchase agreements with third party broker dealers in which the Company sells securities and agrees to repurchase substantially similar securities at a specified date and price. As substantially all of the risks and rewards of ownership of the assets are retained, the Company does not derecognize the assets. Such agreements are accounted for as investment financings.

(u) Pension Plans and Other Post-Employment Benefits

The Company's subsidiaries maintain contributory and non-contributory defined benefit pension plans for certain employees and advisors. The Company's subsidiaries also maintain defined contribution pension plans for certain employees and advisors. The cost of defined pension benefits is charged to net earnings using the projected unit credit method prorated on services (see note 11).

For the Company's defined benefit plans, actuarial gains and losses are amortized into the Consolidated Statements of Earnings using the straight-line method over the expected average remaining working lives of employees covered by the plan to the extent that the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed corridor limits. The corridor is defined as ten percent of the greater of the present value of the defined benefit obligation or the fair value of plan assets. The amortization charge is re-assessed at the beginning of each year.

The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. The cost of post-employment health, dental and life insurance benefits is charged to earnings using the projected unit credit method prorated on services (see note 11).

(v) Share Capital and Surplus

Financial instruments issued by the Company are classified as share capital if they represent a residual interest in the assets of the Company. Preferred share capital is classified as equity if it is non-redeemable, or retractable only at the Company's option and any dividends are discretionary. Incremental costs that are directly attributable to the issue of share capital are recognized as a deduction from equity, net of income tax.

Contributed surplus represents the vesting of share options less share options exercised.

Accumulated other comprehensive income¹ represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the gains (losses) on available for sale assets, and the unrealized gains (losses) on cash flow hedges.

Non-controlling interests represent the proportion of equity that is attributable to minority shareholders.

Participating account surplus in subsidiaries represents the proportion of equity attributable to participating account policyholders.

(w) Share Based Payments

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (see note 10). Compensation expense is recognized as an increase to compensation expense in the Consolidated Statements of Earnings and an increase to contributed surplus over the vesting period of the granted options. When options are exercised, the proceeds received, along with the amount in contributed surplus, is transferred to share capital.

The Company follows the liability method of accounting for share-based awards issued by Putnam LLC and its subsidiary PanAgora. Compensation expense is recognized as an increase to operating expenses in the Consolidated Statements of Earnings and a liability is recognized on the Consolidated Balance Sheets over the vesting period of the share-based awards. The liability is remeasured at fair value at each reporting period and is settled in cash when the shares are purchased from the employees.

(x) Earnings Per Common Share

Earnings per common share is calculated using net earnings after preferred share dividends and the weighted average number of common shares outstanding. The treasury stock method is used for calculating diluted earnings per common share (see note 12).

(y) Leases

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Company is the lessee, are charged to net earnings over the period of use.

Where the Company is the lessor under an operating lease for its investment property, the assets subject to the lease arrangement are presented within the Consolidated Balance Sheets. Income from these leases is recognized in the Consolidated Statements of Earnings on a straight-line basis over the lease term.

(z) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments. The Company's reportable business segments are categorized by geographic region and include Canada, the United States and Europe. Reinsurance operations and operations in all countries other than Canada and the United States are reported as part of the Europe segment. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

3. Reconciliations of IFRS Equity and Comprehensive Income

The Company's financial statements have been prepared in accordance with the requirements of IAS 34 as issued by the IASB and as adopted by the Accounting Standards Board of Canada for financial reporting periods beginning on or after January 1, 2011. References made to IAS throughout refer to the application of IAS and related interpretations of IFRIC and interpretations of the Standing Interpretations Committee (SIC).

These are the third quarterly unaudited consolidated financial statements prepared in accordance with IFRS, with the 2010 comparatives restated accordingly. Previously, the consolidated financial statements were prepared in accordance with the former CGAAP. During the year of adoption of IFRS, the Company continues to monitor and assess the impact of adoption of IFRS on the consolidated financial statements. During the second quarter of 2011 the Company revised its interpretation of and classification under IFRS for certain share based awards in Putnam as described in 3 (k) which decreased the IFRS transition impact on January 1, 2010 opening equity by \$22, increased the impact on three and nine months ended September 30, 2010 net earnings by \$2 and \$8 respectively net of tax and decreased the impact on net earnings by \$7 net of tax for the year ended December 31, 2010. As a result of this revision, non-controlling interests decreased by \$61 at January 1, 2010 and \$110 at December 31, 2010 and other liabilities increased by \$83 at January 1, 2010 and \$140 at December 31, 2010.

The effects of the transition to IFRS on the financial position, financial performance and cash flows for the periods presented are as follows:

Reconciliations of Previous CGAAP to IFRS

At transition to IFRS the Company applied IFRS 1 which requires the Company to reconcile accumulated surplus and comprehensive income for prior periods presented. The adoption of IFRS has not changed the Company's cash flows however it has resulted in certain changes to the Company's reported financial position and results of operations. IFRS has also resulted in a number of presentation changes to the Company's financial statements. In order for users to understand the effects of adopting IFRS, reconciliations of the Company's financial statements from the previous CGAAP to IFRS along with narrative explanations have been provided below.

IFRS does not allow the use of hindsight to recreate or revise estimates and consequently the estimates previously made by the Company under the previous CGAAP were not revised when converting to IFRS except where necessary to reflect any difference in accounting policies.

Reconciliation of consolidated equity from the previous CGAAP to IFRS

	Date of transition to IFRS January 1, 2010	Comparative period reported under CGAAP September 30, 2010	Comparative period reported under CGAAP December 31, 2010
Total surplus under the previous CGAAP	\$ 13,003	\$ 13,361	\$ 13,420
2010 year to date IFRS equity adjustments			
Impact on participating account surplus in subsidiaries	-	46	46
Impact on shareholders' equity	-	(613)	(613)
Net impact of IFRS on equity	-	(567)	(567)
Beginning surplus restated under IFRS	13,003	12,794	12,853
IFRS 1 optional elections / exemptions			
Employee benefits cumulative unamortized actuarial gains and losses	a (302)	-	-
Cumulative translation losses of foreign operations - common shareholders	b (1,590)	-	-
Redesignation of financial assets	c (127)	-	-
Fair value as deemed cost of owner occupied properties	d 28	-	-
IFRS adjustments			
Measurement of investment properties and owner occupied properties	f 119	7	-
Derecognition of deferred net realized gains	g 110	(9)	(12)
Unamortized vested past service costs and other employment benefits	h 123	(6)	(9)
Uncertain income tax provisions	i (240)	(18)	(26)
Deferred acquisition costs and deferred income reserves on investment contracts	j (468)	23	18
Other adjustments	k 9	4	(21)
Income tax effect of the above adjustments	l 88	(11)	(2)
Total IFRS adjustment to shareholders' account	(2,250)	(10)	(52)
Adjustment related to participating account surplus in subsidiaries	m (46)	11	9
Total IFRS adjustment	(2,296)	1	(43)
Accumulated other comprehensive income			
Cumulative translation losses of foreign operations - common shareholders	b 1,590	27	55
Redesignation of financial assets	c 127	(12)	(29)
Tax impact on redesignation of financial assets	c (34)	3	9
Total adjustment to accumulated other comprehensive income	1,683	18	35
Total adjustment to shareholders' equity at transition to IFRS	(613)	19	(8)
Total share capital and shareholders' equity under IFRS	12,390	12,813	12,845
Reclassification of non-controlling interests for IFRS presentation	2,310	2,357	2,017
Cumulative translation losses of foreign operations - participating account surplus	b (84)	-	-
Cumulative translation losses of foreign operations - participating account surplus	b 84	-	-
Total IFRS adjustment to participating account surplus in subsidiaries	m 46	(11)	(9)
Reclassification of non-controlling interests	2,356	2,346	2,008
Total equity	\$ 14,746	\$ 15,159	\$ 14,853

Reconciliation of consolidated earnings and comprehensive income from the previous CGAAP to IFRS

	Comparative period reported under CGAAP for the three months ended September 30, 2010	Comparative period reported under CGAAP for the nine months ended September 30, 2010	Comparative period reported under CGAAP for the year ended December 31, 2010
Total comprehensive income under the previous CGAAP	\$ 361	\$ 1,104	\$ 1,230
Adjustments for:			
Measurement adjustment for owner occupied and investment properties	f 3	7	-
Derecognition of deferred net realized gains	g (3)	(9)	(12)
	-	(2)	(12)
Unamortized vested past service costs and other employment benefits	h (1)	(6)	(9)
Uncertain tax provisions	i (3)	(18)	(26)
Change in recognition of deferred acquisition costs on investment contracts	11	61	71
Change in recognition of deferred income reserves on investment contracts	(11)	(38)	(53)
	j -	23	18
Other adjustments	k 2	4	(21)
Total impact on operating earnings before tax and OCI	(2)	1	(50)
Income tax effect related to the above	l (12)	(11)	(2)
Total after-tax adjustments to net earnings	(14)	(10)	(52)
Total participating account surplus adjustment	m 6	11	9
	(8)	1	(43)
Other comprehensive income			
Cumulative translation gains (losses) of foreign operations	b (10)	27	55
Redesignation of financial assets	c 1	(12)	(29)
Tax impact on redesignation of financial assets	c -	3	9
Total after tax adjustments to comprehensive income	(9)	18	35
Total IFRS comprehensive income	\$ 344	\$ 1,123	\$ 1,222

GREAT-WEST LIFECO INC.

Reconciliation of the Consolidated Balance Sheet from the previous CGAAP to IFRS

(in Canadian \$ millions) December 31	Comparative period reported under CGAAP December 31, 2009	Conversion adjustments	Presentation and reclassification adjustments	Date of transition to IFRS January 1, 2010
Assets				
Cash and cash equivalents	\$ 3,427	\$ -	\$ -	\$ 3,427
Bonds	66,147	-	-	66,147
Mortgage loans	16,684	-	-	16,684
Stocks	6,442	-	-	6,442
Investment properties	3,099	(85) f	(401) q	2,613
Loans to policyholders	6,957	-	-	6,957
Funds held by ceding insurers	10,839	-	145 r	10,984
Reinsurance assets	-	-	2,800 r	2,800
Goodwill	5,406	-	-	5,406
Intangible assets	3,238	-	-	3,238
Derivative financial instruments	717	-	-	717
Owner occupied properties	-	28 d	401 q	429
Other assets	4,216	(64) h	447 s	4,599
Deferred tax assets	1,197	(4) p	-	1,193
Segregated funds for the risk of unit holders	-	-	87,495 u	87,495
Total assets	\$ 128,369	\$ (125)	\$ 90,887	\$ 219,131
Liabilities				
Insurance contract liabilities	\$ 102,651	\$ (69) f,g,j	\$ 2,406 r	\$ 104,988
Investment contract liabilities	-	-	841 r,s	841
Debentures and other debt instruments	4,142	(36) k	-	4,106
Funds held under reinsurance contracts	186	-	145 r	331
Derivative financial instruments	251	-	-	251
Other liabilities	3,658	821 a,h,i j,k,l	-	4,479
Deferred tax liabilities	699	(76) p	-	623
Repurchase agreements	532	-	-	532
Deferred net realized gains	133	(133) g	-	-
Capital trust securities	540	-	-	540
Preferred shares	203	(4) k	-	199
Non-controlling interests	2,371	(61) v	(2,310) v	-
Investment and insurance contracts on account of unit holders	-	-	87,495 u	87,495
Total liabilities	115,366	442	88,577	204,385
Equity				
Non-controlling interests				
Participating account surplus in subsidiaries	-	46 m	2,004 v	2,050
Preferred shares issued by subsidiaries	-	-	157 v	157
Perpetual preferred shares issued by subsidiaries	-	-	147 v	147
Non-controlling interests in capital stock and surplus	-	-	2 v	2
Shareholders' equity				
Share capital				
Perpetual preferred shares	1,497	-	-	1,497
Common shares	5,751	-	-	5,751
Accumulated surplus	7,367	(2,296)	-	5,071
Accumulated other comprehensive income (loss)	(1,664)	1,683 b,c	-	19
Contributed surplus	52	-	-	52
Total equity	13,003	(567) *	2,310	14,746
Total liabilities and equity	\$ 128,369	\$ (125)	\$ 90,887	\$ 219,131

*Total impact on equity of \$(567) consists of \$46 impact on participating account and impact on non-participating of \$(613).

Statements of Cash Flows

Under IFRS, the statements of cash flows will continue to be presented under the indirect method with limited presentation differences of operating earnings being presented before tax and cash flows related to tax expense presented separately within operating cash flows. The cash flows reported under the previous CGAAP for operating, financing, and investing activities will not be impacted by the adoption of IFRS requirements.

IFRS 1 First-time Adoption of IFRS Optional Exemptions

The Company has applied IFRS 1 in preparing the interim consolidated financial statements which requires retrospective application of IFRS except for certain optional exemptions and mandatory exceptions provided in the Standard. The optional exemptions adopted by the Company and the mandatory exceptions that apply to the Company are described within this transitional note.

(a) Employee Benefits Cumulative Unamortized Actuarial Gains and Losses

The Company has elected to apply the exemption available to recognize all cumulative unamortized actuarial gains and losses of the Company's defined benefit plans in equity upon transition to IFRS. This adjustment, referred to as the 'fresh start adjustment', decreased total equity by \$302 before tax (decrease of \$275 to shareholders' equity and \$27 to participating account surplus). Subsequent to transition, the Company will continue to use the corridor approach available under the present IAS 19, *Employee Benefits* standard for deferring recognition of actuarial gains and losses that reside within the corridor.

(b) Cumulative Translation Losses of Foreign Operations

The Company has elected to reset its cumulative translation adjustment (CTA) account for all foreign operations to zero as of January 1, 2010. Future gains or losses on disposal of any foreign operation will therefore exclude translation differences that arose before January 1, 2010. The balance of the cumulative loss to be reclassified from AOCI to accumulated non-participating account surplus at January 1, 2010 is approximately \$1,590 and the balance reclassified within participating account surplus is \$84 at January 1, 2010. As a result of the foreign exchange revaluation of the transitional IFRS adjustments for the three months ended September 30, 2010, there was a \$10 decrease to income related to unrealized foreign exchange on translation of foreign operations within OCI. For the nine months ended September 30, 2010, the total impact to CTA was an increase of \$27 with an increase for the year ended December 31, 2010 of \$55.

(c) Redesignation of Financial Assets

The Company has elected to redesignate certain non-participating available for sale financial assets to the fair value through profit or loss classification and certain financial assets classified as held for trading under the previous CGAAP to available for sale. The redesignation will have no overall impact on the Company's opening surplus at transition but will result in a reclassification within surplus of \$127 before tax (\$93 after-tax) between accumulated surplus and AOCI (a decrease \$129 related to shareholders' equity and an increase of \$2 related to participating account surplus). The redesignation has increased net earnings by \$1 for the three months and decreased net earnings by \$12 for the nine months ended September 30, 2010 – with an increase of nil and of \$3 for a tax impact on redesignation of those certain financial assets for the three and nine months ended September 30, 2010. For the year ended December 31, 2010, the redesignation decreased net earnings by \$20, net of tax.

The financial assets carried at fair value in the most recent previous CGAAP consolidated financial statements and at transition to IFRS is as follows:

	Fair value January 1, 2010	Unrealized gains reclassified to AOCI January 1, 2010
Financial assets re-designated to fair value through profit or loss	\$ 373	\$ 38
Financial assets re-designated to available for sale	\$ 360	\$ 89

(d) Fair Value as Deemed Cost for Owner Occupied Properties

The Company has elected to measure owner occupied properties at fair value as its deemed cost at the January 1, 2010 transition date which has resulted in an increase to opening surplus of \$28 before tax (increases of \$26 to shareholders' equity and \$2 to participating account surplus). Subsequent to this date, owner occupied properties will be carried at amortized cost.

(e) Business Combinations

The Company has applied the IFRS 1 business combinations exemption and has not restated business combinations that took place prior to the January 1, 2010 transition date which has resulted in no impact on opening figures. The Company will apply IFRS 3, *Business Combinations* prospectively for business combinations occurring on or after January 1, 2010.

Changes in Accounting Policies Mandatory at Conversion to IFRS

Measurement and Recognition Differences

(f) Measurement of Investment Properties and Owner Occupied Properties

Under the previous CGAAP, real estate is carried at cost net of write-downs and allowance for loss, plus a moving average market value adjustment. Under IFRS, real estate held for investment purposes is classified as investment property and is measured at fair value. This measurement change has increased opening surplus at January 1, 2010 by \$119 before tax (increase of \$114 in shareholders' equity and \$5 in participating account surplus) and has increased the Consolidated Statements of Earnings at September 30, 2010, offset by the change in accounting for owner occupied properties, by \$3 and \$7 before tax for the three and nine months ended September 30, 2010 with a net effect of zero for the year ended December 31, 2010.

(g) Derecognition of Deferred Net Realized Gains

Under the previous CGAAP, net realized gains and losses associated with the sale of real estate were deferred and included in deferred net realized gains on the Consolidated Balance Sheets. These deferred net realized gains and losses are amortized to income at a rate of 3% per quarter on a declining balance basis. Under IFRS, gains and losses associated with the sale of investment properties are immediately recognized in income and consequently the balance of the unrecognized net deferred realized gains were recognized in equity at transition. This recognition change has increased opening surplus at January 1, 2010 by \$110 before tax (increase of \$47 in shareholders' equity and \$63 in participating account surplus), decreased net earnings by \$3 and \$9 before tax for the three and nine months ended September 30, 2010 and decreased net earnings by \$12 for the year ended December 31, 2010.

(h) Unamortized Vested Past Service Costs and Other Employment Benefits

Previous CGAAP and IFRS differ in their treatment of other employee benefits including the timing of recognition of unamortized vested past service costs and certain service awards. The change in recognition for these vested past service costs and other employee benefits under IFRS has increased opening surplus at January 1, 2010 by \$123 before tax (increased by \$105 in shareholders' equity and \$18 in participating account surplus), decreased net earnings before tax by \$1 and \$6 for the three and nine months ended September 30, 2010, and has decreased net earnings by \$9 for the year ended December 31, 2010.

(i) Uncertain Income Tax Provisions

The difference in the recognition and measurement of uncertain income tax provisions between the previous CGAAP and IFRS has decreased opening surplus at January 1, 2010 by \$240 (decreased by \$231 in shareholders' equity and \$9 in participating account surplus), decreased net earnings by \$3 and \$18 for the three and nine months ended September 30, 2010 and by \$26 for the year ended December 31, 2010.

(j) Deferred Acquisition Costs and Deferred Income Reserves on Investment Contracts

Under the previous CGAAP, DAC relating to policyholder liabilities were deferred in policy liabilities and amortized into consolidated net earnings over the anticipated period of benefit. Under IFRS, DAC on policyholder liabilities reclassified as investment contract liabilities are no longer deferred and amortized into earnings over the anticipated period of benefit but rather recognized through earnings in the period incurred for those costs not incremental to issuing the contract. In addition to DAC, DIR related to fee income on investment contracts will also be deferred and recognized over the term of the contract. The change in measurement for both DAC and DIR has decreased opening surplus at January 1, 2010 by \$468, has increased net earnings by nil and \$23 before tax for the three and nine months ended September 30, 2010 and \$18 for the year ended December 31, 2010.

(k) Other Adjustments

In addition to the items described above, several other items required adjustments due to the transition from the previous CGAAP to IFRS which resulted in measurement changes. These adjustments, which include adopting the IFRS requirement for the use of the graded vesting method to account for awards that vest in installments over a period rather than the straight-line method and the adoption and classification as liabilities for share-based payments that are cash settled (decreased opening surplus at January 1, 2010 by \$15 net of tax), preferred shares classified as held for trading under the previous CGAAP now being carried at amortized cost under IFRS (increased opening surplus at January 1, 2010 by \$4 before tax), and the capitalization of transaction costs on other than held for trading financial liabilities under IFRS that were expensed under the previous CGAAP (increased opening surplus at January 1, 2010 by \$36 before tax). Other adjustments have increased net earnings by \$9 at January 1, 2010, and have increased net earnings by \$2 and \$4 before tax for the three and nine months ended September 30, 2010 and decreased net earnings by \$21 for the year ended December 31, 2010.

(l) Tax Impact of IFRS Adjustments

The tax effect of the above adjustments, excluding the uncertain tax provisions, is an increase to income tax liabilities of \$88 at transition (an increase of \$94 to shareholders' equity and a decrease of \$6 to participating account surplus), decreases of \$12 and \$11 to net earnings for the three and nine months ended September 30, 2010, and a decrease of \$2 for the year ended December 31, 2010.

(m) Adjustment Related to Participating Account Surplus in Subsidiaries

The total impact to participating account was an increase of \$46 at transition, decreases of \$6 and \$11 for the three and nine months ended September 30, 2010, and a decrease of \$9 for the year ended December 31, 2010.

(n) Goodwill and Intangible Asset Measurement and Impairment Testing

Goodwill and intangible assets under IFRS are measured using the cost model, based on the recoverable amount which is the greater of the value-in-use and fair value less cost to sell. The recoverable amount calculated under IFRS approximates the previous CGAAP carrying value at January 1, 2010 and therefore no transitional adjustment was required.

At September 30, 2011, the Company had \$937 (US\$901) of impaired intangible assets impaired in 2008 for which conditions have not been met in order to reverse the impairment charge.

At each reporting date, the Company reviews goodwill and intangible assets for indicators of impairment or reversals of impairment on the intangible assets. In the event that certain conditions have been met, the Company is required to reverse the impairment charge, or a portion thereof, on intangible assets.

Under the previous CGAAP, goodwill is tested for impairment by comparing the fair value of the reporting unit to which the goodwill is associated with its carrying value. Under IFRS, the carrying value of goodwill is tested for impairment by reference to the CGU in which goodwill is associated. A CGU represents the lowest level in which goodwill is monitored for internal reporting purposes. This change in impairment testing had no impact on the Company's financial statements at transition.

(o) Recognition of Contingent Liabilities

Under the previous CGAAP, contingent liabilities are recognized using the 'more likely than not' criteria whereas under IFRS, contingent liabilities are recognized depending on the 'probability of resource outflows' required to settle a present obligation. The change in the recognition threshold has not resulted in additional provisions being recognized at January 1, 2010.

(p) Recognition of Deferred Tax Assets

Previous CGAAP limited the amount of future income tax assets recognized to the amount that is 'more likely than not' to be realized whereas IFRS recognizes a deferred tax asset if it is more likely than not that sufficient future taxable profit will be available to recover the asset. The change in measurement criteria has not impacted consolidated net earnings and equity at January 1, 2010.

Presentation and Classification Differences

(q) Presentation of Real Estate Properties

Properties classified as real estate under the previous CGAAP are reclassified to investment properties of \$2,613 and owner occupied properties of \$401 in the Consolidated Balance Sheets under IFRS.

(r) Presentation of Reinsurance Accounts

Reinsurance accounts will be presented on a gross basis on the Consolidated Balance Sheets totalling \$2,800 of reinsurance assets with an offsetting increase to insurance and investment contract liabilities with no impact to shareholders' equity. Funds withheld asset and liability accounts have also been adjusted for gross presentation of \$145. Gross presentation of the reinsurance revenue and expenses is also required within the Consolidated Statements of Earnings.

(s) Reclassification of Deferred Acquisition Costs

The DAC of \$447 recognized on investment contracts that was previously included within policy liabilities under the previous CGAAP has been reclassified to other assets on the Consolidated Balance Sheets.

(t) Presentation of Insurance and Investment Contract Liabilities

Under the previous CGAAP, all policyholder related liabilities are classified as actuarial liabilities and valued using CALM. Under IFRS 4, contracts are classified and measured depending on the existence of significant insurance risk. If significant insurance risk exists, the contract is classified as an insurance contract and IFRS permits the Company to continue with measuring insurance contract liabilities using CALM. If significant insurance risk does not exist, then the contract is classified as an investment contract and measured at either fair value or amortized cost. The change in reclassification has had no impact on opening surplus at January 1, 2010 or consolidated earnings and comprehensive income at September 30, 2010.

The reconciled amount of policy liabilities under the previous CGAAP to insurance and investment contract liabilities under IFRS at transition is as follows:

Policy liabilities under CGAAP at December 31, 2009 comprises:	
Actuarial liabilities	\$ 98,059
Provision for claims	1,308
Provision for policyholder dividends	606
Provision for experience rating refunds	317
Policyholder funds	2,361
	<u>\$ 102,651</u>
IFRS conversion adjustments:	
Remeasurement of deferred acquisition costs	111
Fair value of investment properties backing liabilities	(203)
Recognition of deferred net realized gains	23
Sub-total - IFRS conversion adjustments	<u>(69)</u>
IFRS reclassification adjustments:	
Deferred acquisition costs to other assets	447
Reinsurance assets offset by reinsurance liabilities	2,800
Sub-total - IFRS reclassification adjustments	<u>3,247</u>
Total insurance and investment contract liabilities under IFRS at January 1, 2010	<u>\$ 105,829</u>
Attributable to:	
Insurance contract liabilities	\$ 104,988
Investment contract liabilities	\$ 841

(u) Presentation of Segregated Funds on the Consolidated Balance Sheets

The assets and liabilities of the segregated funds, totalling \$87.4 billion at January 1, 2010, will be included at fair value on the Consolidated Balance Sheets as a line item within both assets and liabilities under IFRS. There was no measurement change impacting shareholders' equity.

(v) Presentation of Non-Controlling Interests within Equity

Under the previous CGAAP, non-controlling interests were presented in the mezzanine between liabilities and equity whereas under IFRS non-controlling interest is presented within the equity section of the Consolidated Balance Sheets. The reclassification of non-controlling interests from liabilities of \$2,004 relates to participating account surplus and the \$306 relates primarily to preferred shares issued by subsidiaries. There was an increase of \$2,310 to equity as a result of this change in presentation at transition to IFRS.

(w) Future Accounting Policies

In addition, the Company may be impacted in the future by the IFRSs set out in the following table:

Revised standard	Summary of proposed changes
IFRS 4 - <i>Insurance Contracts</i>	<p>The IASB issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under CALM and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements.</p> <p>The Company will continue to measure insurance contract liabilities using CALM until such time when a new IFRS for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.</p>
IFRS 9 - <i>Financial Instruments</i>	<p>The IASB tentatively approved the adoption of the proposed new IFRS 9, <i>Financial Instruments</i> standard to be effective January 1, 2015.</p> <p>The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available for sale, held to maturity, and loans and receivables.</p> <p>The new standard also requires:</p> <ul style="list-style-type: none"> • embedded derivatives to be assessed for classification together with their financial asset host; • a single expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge account and measuring effectiveness <p>The full impact of IFRS 9 on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39, <i>Financial Instruments</i> – impairment methodology, hedge accounting, and asset and liability offsetting – are finalized. The Company continues to actively monitor developments in this area.</p>

<p>IFRS 10 - <i>Consolidated Financial Statements</i>; IFRS 11 - <i>Joint Arrangements</i>; IFRS 12 - <i>Disclosure of Interests in Other Entities</i></p>	<p>Effective January 1, 2013, the Company plans to adopt IFRS 10, <i>Consolidated Financial Statements</i>, IFRS 11, <i>Joint Arrangements</i>, and IFRS 12, <i>Disclosure of Interests in Other Entities</i> for the presentation and preparation of its consolidated financial statements.</p> <p>IFRS 10, <i>Consolidated Financial Statements</i> uses consolidated principles based on a revised definition of control. The definition of control is dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits.</p> <p>IFRS 11, <i>Joint Arrangements</i> separates jointly controlled entities between joint operations and joint ventures. The standard has eliminated the option of using proportionate consolidation for accounting in the interests in joint ventures, now requiring an entity to use the equity method of accounting for interests in joint ventures.</p> <p>IFRS 12, <i>Disclosure of Interests in Other Entities</i> proposes new disclosure requirements for the interest an entity has in subsidiaries, joint arrangements, associates, and structured entities. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented within the financial statements.</p> <p>The Company is currently evaluating the impact of the above standards on its consolidation procedures and disclosure in preparation of the January 1, 2013 transition date.</p>
<p>IFRS 13 - <i>Fair Value Measurement</i></p>	<p>Effective January 1, 2013, the Company will adopt the guidance in IFRS 13, <i>Fair Value Measurement</i> for the measurement and disclosure of assets and liabilities held at fair value. The standard refines the measurement and disclosure requirements and aims to achieve consistency with other standard setters to improve the visibility to financial statement users.</p> <p>The Company is currently evaluating the impact this standard will have on its financial statements when it becomes effective January 1, 2013.</p>
<p>IAS 1 - <i>Presentation of Financial Statements</i></p>	<p>Effective on January 1, 2013, the Company will adopt the guidance in the amended IAS 1, <i>Presentation of Financial Statements</i>. The amended standard includes requirements that OCI be classified by nature and grouped between those items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. Other amendments include changes to discontinued operations and overall financial statement presentation.</p> <p>The Company is evaluating the impact this standard will have on the presentation of its financial statements.</p>

<p>IAS 17 - <i>Leases</i></p>	<p>The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist.</p> <p>The full impact of adoption of the proposed changes will be determined once the final lease standard is issued, which is proposed to be in 2012.</p>
<p>IAS 19 - <i>Employee Benefits</i></p>	<p>The IASB published an amended version of this standard in June 2011 that eliminates the corridor approach for actuarial gains and losses resulting in those gains and losses being recognized immediately through OCI while the net pension asset or liability would reflect the full funded status of the plan on the Consolidated Balance Sheets. Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets would be presented within the financial statements of an entity.</p> <p>The Company will continue to use the corridor method until January 1, 2013 when the revised IAS for employee benefits becomes effective.</p>

4. Portfolio Investments

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

	September 30, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Market value	Carrying value	Market value	Carrying value	Market value
Bonds						
Designated fair value through profit or loss ⁽¹⁾	\$ 59,980	\$ 59,980	\$ 54,585	\$ 54,585	\$ 50,616	\$ 50,616
Classified fair value through profit or loss ⁽¹⁾	1,924	1,924	1,748	1,748	1,759	1,759
Available for sale	7,507	7,507	6,580	6,580	4,607	4,607
Loans and receivables	9,639	10,648	9,290	9,942	9,165	9,421
	79,050	80,059	72,203	72,855	66,147	66,403
Mortgage loans						
Residential	5,868	6,300	5,640	5,945	6,174	6,388
Non-residential	11,149	12,056	10,475	10,935	10,510	10,503
	17,017	18,356	16,115	16,880	16,684	16,891
Stocks						
Designated fair value through profit or loss ⁽¹⁾	5,308	5,308	5,364	5,364	4,928	4,928
Available for sale	885	885	1,006	1,006	1,186	1,186
Other	337	409	330	399	328	389
	6,530	6,602	6,700	6,769	6,442	6,503
Investment properties	3,236	3,236	2,957	2,957	2,613	2,613
	\$ 105,833	\$ 108,253	\$ 97,975	\$ 99,461	\$ 91,886	\$ 92,410

⁽¹⁾ Investments can be fair value through profit or loss in two ways: designated as fair value through profit or loss at the option of management; or, classified as fair value through profit or loss if they are actively traded for the purpose of earning investment income.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2011	December 31 2010	January 1 2010
Impaired amounts by type ⁽¹⁾			
Fair value through profit or loss	\$ 300	\$ 302	\$ 239
Available for sale	53	29	23
Loans and receivables	38	50	70
Total	\$ 391	\$ 381	\$ 332

Provisions on loans and receivables were \$42 at September 30, 2011, \$64 at December 31, 2010 and \$81 at January 1, 2010.

⁽¹⁾ Excludes amounts in funds held by ceding insurers of nil at September 30, 2011, \$11 at December 31, 2010 and \$6 at January 1, 2010.

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(c) Net investment income comprises the following:

For the three months ended September 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 944	\$ 220	\$ 48	\$ 64	\$ 56	\$ 1,332
Net realized gains (losses) <i>(available for sale)</i>	28	-	(1)	-	-	27
Net realized gains (losses) <i>(other classifications)</i>	3	4	-	-	-	7
Net recovery (provision) for credit losses <i>(loans and receivables)</i>	2	(4)	-	-	-	(2)
Other income and expenses	-	-	-	(16)	(18)	(34)
	<u>977</u>	<u>220</u>	<u>47</u>	<u>48</u>	<u>38</u>	<u>1,330</u>
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) <i>(classified fair value through profit or loss)</i>	54	-	-	-	-	54
Net realized/unrealized gains (losses) <i>(designated fair value through profit or loss)</i>	2,553	-	(583)	26	30	2,026
	<u>2,607</u>	<u>-</u>	<u>(583)</u>	<u>26</u>	<u>30</u>	<u>2,080</u>
Net investment income	<u>\$ 3,584</u>	<u>\$ 220</u>	<u>\$ (536)</u>	<u>\$ 74</u>	<u>\$ 68</u>	<u>\$ 3,410</u>

For the three months ended September 30, 2010	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 974	\$ 217	\$ 72	\$ 58	\$ 167	\$ 1,488
Net realized gains (losses) <i>(available for sale)</i>	29	-	-	-	-	29
Net realized gains (losses) <i>(other classifications)</i>	2	3	-	-	-	5
Net recovery (provision) for credit losses <i>(loans and receivables)</i>	4	-	-	-	-	4
Other income and expenses	-	-	-	(16)	(17)	(33)
	<u>1,009</u>	<u>220</u>	<u>72</u>	<u>42</u>	<u>150</u>	<u>1,493</u>
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) <i>(classified fair value through profit or loss)</i>	34	-	-	-	-	34
Net realized/unrealized gains (losses) <i>(designated fair value through profit or loss)</i>	2,103	-	367	36	89	2,595
	<u>2,137</u>	<u>-</u>	<u>367</u>	<u>36</u>	<u>89</u>	<u>2,629</u>
Net investment income	<u>\$ 3,146</u>	<u>\$ 220</u>	<u>\$ 439</u>	<u>\$ 78</u>	<u>\$ 239</u>	<u>\$ 4,122</u>

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For the nine months ended September 30, 2011	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,823	\$ 652	\$ 139	\$ 189	\$ 341	\$ 4,144
Net realized gains (losses) <i>(available for sale)</i>	92	-	5	-	-	97
Net realized gains (losses) <i>(other classifications)</i>	9	13	-	-	-	22
Net recovery (provision) for credit losses <i>(loans and receivables)</i>	18	(7)	-	-	-	11
Other income and expenses	-	-	-	(49)	(52)	(101)
	<u>2,942</u>	<u>658</u>	<u>144</u>	<u>140</u>	<u>289</u>	<u>4,173</u>
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) <i>(classified fair value through profit or loss)</i>	57	-	-	-	-	57
Net realized/unrealized gains (losses) <i>(designated fair value through profit or loss)</i>	2,941	-	(467)	127	(58)	2,543
	<u>2,998</u>	<u>-</u>	<u>(467)</u>	<u>127</u>	<u>(58)</u>	<u>2,600</u>
Net investment income	<u>\$ 5,940</u>	<u>\$ 658</u>	<u>\$ (323)</u>	<u>\$ 267</u>	<u>\$ 231</u>	<u>\$ 6,773</u>

For the nine months ended September 30, 2010	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,852	\$ 653	\$ 168	\$ 176	\$ 432	\$ 4,281
Net realized gains (losses) <i>(available for sale)</i>	26	-	12	-	-	38
Net realized gains (losses) <i>(other classifications)</i>	12	11	-	-	-	23
Net recovery (provision) for credit losses <i>(loans and receivables)</i>	4	(1)	-	-	-	3
Other income and expenses	-	-	-	(46)	(54)	(100)
	<u>2,894</u>	<u>663</u>	<u>180</u>	<u>130</u>	<u>378</u>	<u>4,245</u>
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses) <i>(classified fair value through profit or loss)</i>	83	-	-	-	-	83
Net realized/unrealized gains (losses) <i>(designated fair value through profit or loss)</i>	4,977	-	230	165	(90)	5,282
	<u>5,060</u>	<u>-</u>	<u>230</u>	<u>165</u>	<u>(90)</u>	<u>5,365</u>
Net investment income	<u>\$ 7,954</u>	<u>\$ 663</u>	<u>\$ 410</u>	<u>\$ 295</u>	<u>\$ 288</u>	<u>\$ 9,610</u>

Investment income earned comprises income from investments that are classified as available for sale and loans and receivables and classified or designated as fair value through profit or loss.

5. Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating, and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). Our risk governance structure and risk management approach have not substantially changed from that described in Lifeco's 2010 Annual Report. Certain risks have been outlined below. For a complete discussion of our risk governance structure and our risk management approach, see the "Financial Instrument Risk Management" note in the Company's December 31, 2010 consolidated financial statements prepared in accordance with the previous CGAAP.

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 making 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, 2010.

(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 the capital markets. The Company maintains a \$200 million committed line of credit with a Canadian chartered bank.

(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.

(i) Currency Risk

Currency risk relates to the Company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. If the assets backing insurance and investment contract liabilities 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.

- 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 CALM 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 several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk.

One 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 shareholder earnings of the Company of a 1% immediate parallel shift in the yield curve. These interest rate changes will impact the projected cash flows.

- The effect of an immediate 1% parallel increase in the yield curve would be to decrease these insurance and investment contract liabilities by approximately \$80 causing an increase in net earnings of approximately \$56.
- The effect of an immediate 1% parallel decrease in the yield curve would be to increase these insurance and investment contract liabilities by approximately \$372 causing a decrease in net earnings of approximately \$267.

In addition to above, if this change in the yield curve persisted for an extended period the range of the tested scenarios might change. The effect of an immediate 1% parallel decrease or increase in the yield curve persisting for a year would have immaterial additional effects on the reported insurance and investment contract liability.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate price 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 market values. There will be additional impacts on these liabilities as equity market values fluctuate. A 10% increase in equity markets would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately \$28 causing an increase in net earnings of approximately \$22. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately \$127 causing a decrease in net earnings of approximately \$94.

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. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately \$374 causing an increase in net earnings of approximately \$281. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately \$403 causing a decrease in net earnings of approximately \$300.

Caution Related to Risk Sensitivities

In this document we have provided estimates of sensitivities and risk exposure measures for certain risks. These include 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 tax rates and other market factors,
- interactions among these factors and assumptions when more than one changes, and
- the general limitations of our 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 below. Given the nature of these calculations, we cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

6. Segregated Funds for the Risk of Unit Holders

(a) Segregated funds - consolidated net assets

	September 30 2011	December 31 2010	January 1 2010
Bonds	\$ 20,702	\$ 19,270	\$ 16,056
Mortgage loans	2,250	2,058	1,744
Stocks	61,826	64,468	59,111
Investment properties	5,381	5,598	6,012
Cash and cash equivalents	6,007	5,414	5,658
Accrued income	319	245	195
Other liabilities	(2,432)	(2,226)	(1,281)
	\$ 94,053	\$ 94,827	\$ 87,495

(b) Segregated funds - consolidated statements of changes in net assets

	For the nine months ended September 30	
	2011	2010
Segregated funds net assets, beginning of year	\$ 94,827	\$ 87,495
Additions (deductions):		
Policyholder deposits	9,856	10,531
Net investment income	226	521
Net realized capital gains (losses) on investments	476	792
Net unrealized capital gains (losses) on investments	(5,455)	2,260
Unrealized gains (losses) due to changes in foreign exchange rates	2,140	(1,503)
Policyholder withdrawals	(8,031)	(8,041)
Net transfer from General Fund	14	112
	(774)	4,672
Segregated funds net assets, end of period	\$ 94,053	\$ 92,167

7. Financing Charges

Financing charges consist of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Operating charges:				
Interest on operating lines and short-term debt instruments	\$ 1	\$ 2	\$ 3	\$ 8
Financial charges:				
Interest on long-term debentures and other debt instruments	58	55	174	167
Dividends on preferred shares classified as liabilities	-	-	-	2
Subordinated debenture issue costs	-	1	1	3
Net interest on capital trust securities	8	8	24	24
Other	5	5	14	11
	71	69	213	207
	\$ 72	\$ 71	\$ 216	\$ 215

8. Share Capital

(a) Preferred Shares

During the third quarter, 2011 the Company recognized the surrender of Series F First Preferred Shares with a carrying value of \$4.

(b) Common Shares

Common Shares
Issued and outstanding

	September 30, 2011		December 31, 2010		January 1, 2010	
	Number	Carrying value	Number	Carrying value	Number	Carrying value
Common shares:						
Balance, beginning of period	948,458,395	\$ 5,802	945,040,476	\$ 5,751	945,040,476	\$ 5,751
Issued under stock option plan (exercised)	1,125,746	23	3,417,919	51	-	-
Balance, end of period	949,584,141	\$ 5,825	948,458,395	\$ 5,802	945,040,476	\$ 5,751

9. Capital Management

At the holding company level, the Company monitors the amount of consolidated capital available, and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements, and strategic plans.

Since the timing of available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. Also, a demand for funds may arise as a result of the Company taking advantage of current investment opportunities. The sources of the funds that may be required in such situations include bank financing and the issuance of debentures and equity securities.

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 of the Company and its operating subsidiaries will also take into account the views expressed by the various credit rating agencies that provide financial strength and other ratings to the Company.

In Canada, 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 (MCCSR).

For Canadian regulatory reporting purposes, capital is defined by OSFI in its MCCSR guideline. The following table provides the MCCSR information and ratios for Great-West Life:

	September 30 2011	December 31 2010	December 31 2009
Capital Available:			
Adjusted Net Tier 1 Capital	\$ 7,790	\$ 7,422	\$ 7,014
Net Tier 2 Capital	1,616	1,546	1,856
Total Available Capital	\$ 9,406	\$ 8,968	\$ 8,870
Capital Required:			
Total Capital Required	\$ 4,701	\$ 4,414	\$ 4,354
MCCSR ratios:			
Tier 1	166%	168%	161%
Total	200%	203%	204%

The result of adoption of IFRS as at January 1, 2011 is a reduction in Total Available Capital subject to phase-in of \$636. This impact is to be phased-in over eight quarters beginning March 31, 2011 in accordance with the IFRS transition guidance outlined by OSFI.

In the United States, GWL&A is subject to comprehensive state and federal regulation and supervision. The National Association of Insurance Commissioners (NAIC) has adopted risk-based capital rules and other financial ratios for U.S. life insurance companies. At December 31, 2010 the Risk-Based Capital (RBC) ratio for GWL&A was 408% of the Company Action Level.

As at September 30, 2011, December 31, 2010 and December 31, 2009 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

The Company is both a user and a provider of reinsurance, including both traditional reinsurance, which is undertaken primarily to mitigate against assumed insurance risks, and financial or finite reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited. The Company is required to put amounts on deposit for certain reinsurance transactions. These amounts on deposit are presented in funds held by ceding insurers on the Consolidated Balance Sheets. Some of these amounts on deposit support surplus.

10. Share Based Payments

Under the Company's stock option plan, 27,400 options were granted during the third quarter of 2011, no options were granted during the second quarter of 2011, and 1,638,700 options were granted during the first quarter of 2011 (863,000 options were granted during the first three quarters of 2010). The weighted average fair value of options granted was \$4.39 per option during the nine months ended September 30, 2011 (\$4.34 for the nine months ended September 30, 2010). Compensation expense of \$2 after-tax has been recognized in the Summaries of Consolidated Operations for the nine months ended September 30, 2011 (\$4 after-tax for the nine months ended September 30, 2010).

11. Pension Benefits and Other Post-Employment Benefits

The total benefit costs included in operating expenses are as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Pension benefits	\$ 17	\$ 17	\$ 63	\$ 61
Other post-employment benefits	4	4	13	12
	\$ 21	\$ 21	\$ 76	\$ 73

12. Earnings per Common Share

The following table provides the reconciliation between basic and diluted earnings per common share:

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Earnings				
Net earnings	\$ 481	\$ 289	\$ 1,470	\$ 1,214
Perpetual preferred share dividends	(24)	(22)	(72)	(64)
Net earnings - common shareholders	\$ 457	\$ 267	\$ 1,398	\$ 1,150
Capital trust securities	3	2	7	7
Net earnings - common shareholders - diluted basis	<u>\$ 460</u>	<u>\$ 269</u>	<u>\$ 1,405</u>	<u>\$ 1,157</u>
Number of common shares				
Average number of common shares outstanding	949,563,859	947,922,398	949,209,257	947,229,688
Add:				
- Capital trust units	11,838,284	9,783,418	11,838,284	9,783,418
- Potential exercise of outstanding stock options	465,142	719,080	684,763	1,201,599
Average number of common shares outstanding - diluted basis	<u>961,867,285</u>	<u>958,424,896</u>	<u>961,732,304</u>	<u>958,214,705</u>
Basic earnings per common share	<u>\$ 0.481</u>	<u>\$ 0.281</u>	<u>\$ 1.473</u>	<u>\$ 1.213</u>
Diluted earnings per common share	<u>\$ 0.478</u>	<u>\$ 0.281</u>	<u>\$ 1.461</u>	<u>\$ 1.207</u>

13. Insurance and Investment Contract Liabilities

	September 30, 2011		
	Gross	Ceded	Net
Insurance contract liabilities	\$ 114,070	\$ 2,220	\$ 111,850
Investment contract liabilities	784	-	784
	<u>\$ 114,854</u>	<u>\$ 2,220</u>	<u>\$ 112,634</u>
December 31, 2010			
	Gross	Ceded	Net
Insurance contract liabilities	\$ 107,367	\$ 2,533	\$ 104,834
Investment contract liabilities	791	-	791
	<u>\$ 108,158</u>	<u>\$ 2,533</u>	<u>\$ 105,625</u>
January 1, 2010			
	Gross	Ceded	Net
Insurance contract liabilities	\$ 104,988	\$ 2,800	\$ 102,188
Investment contract liabilities	841	-	841
	<u>\$ 105,829</u>	<u>\$ 2,800</u>	<u>\$ 103,029</u>

14. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Current income taxes	\$ 41	\$ (30)	\$ 313	\$ (33)
Deferred income taxes	13	29	(29)	247
	\$ 54	\$ (1)	\$ 284	\$ 214

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the nine months ended September 30, 2011 was 16% compared to 13% for the full year 2010. The full year 2010 effective tax rate reflected one-time reductions related to prior year overstatements of tax liabilities in the United States and the third quarter 2010 litigation provision. The nine months ended September 30, 2011 effective income tax rate reflects the resolution of prior period tax matters and reductions to statutory tax rates primarily in the Company's Europe segment, and changes to statutory rates on the calculation of insurance contract liabilities.

(c) Deferred Tax Assets

A deferred tax asset is recognized for a tax loss carryforward only to the extent that realization of the related tax benefit through the future taxable profits is more likely than not.

Recognition is based on the fact that it is more likely than not that the entity will have taxable profits and/or can utilize tax planning opportunities before expiration of the deferred tax assets. 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 tax assets.

The deferred tax asset includes balances which are dependent on future taxable profits while the relevant entities have incurred losses in either the current year or the preceding year. The aggregate deferred tax asset for the most significant entities where this applies is \$1,131 at September 30, 2011 (\$1,075 at December 31, 2010).

15. Contingent Liabilities (changes since December 31, 2010 annual report)

A decision in the class action relating to one of the partial windups of an Ontario defined benefit pension plan has been issued in favour of a subsidiary of the Company. The subsidiary of the Company will now be taking steps to obtain regulatory approval to complete the partial windups. It is not expected that these matters will have a material adverse effect on the consolidated financial position of the Company.

Subsidiaries of the Company have an ownership interest in a USA based private equity partnership wherein a dispute has arisen over the terms of the partnership agreement. The Company acquired the ownership interest in 2007 for purchase consideration of US\$350. Legal proceedings have been commenced and are in their early stages. While it is difficult to predict the final outcome of these proceedings, based on information presently known these proceedings are not expected to have a material adverse effect on the consolidated financial position of the Company.

In a separate matter, legal proceedings had commenced against the private equity partnership by third parties. A subsidiary of the Company had established a provision related to these proceedings. During the second quarter of 2011 the subsidiary released \$55 (US\$57) after-tax of these provisions as a result of the settlement of the majority of the legal proceedings.

16. Segmented Information

During the year, the Company established a capital allocation model to better measure the performance of the operating segments. The segmented information below including the comparative figures reflects the impact of the capital allocation model implemented.

**Consolidated Net Earnings
For the three months ended September 30, 2011**

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 2,229	\$ 952	\$ 1,211	\$ -	\$ 4,392
Net investment income					
Regular net investment income	535	324	465	6	1,330
Changes in fair value through profit or loss	824	304	952	-	2,080
Total net investment income	1,359	628	1,417	6	3,410
Fee and other income	269	296	139	-	704
Total income	3,857	1,876	2,767	6	8,506
Benefits and expenses:					
Paid or credited to policyholders	2,950	1,433	2,443	-	6,826
Other	579	311	148	3	1,041
Financing charges	34	33	5	-	72
Amortization of finite life intangible assets	10	11	3	-	24
Earnings before income taxes	284	88	168	3	543
Income taxes	47	11	(5)	1	54
Net earnings before non-controlling interests	237	77	173	2	489
Non-controlling interests	3	-	5	-	8
Net earnings	234	77	168	2	481
Perpetual preferred share dividends	18	-	6	-	24
Net earnings before capital allocation	216	77	162	2	457
Impact of capital allocation	19	(2)	(14)	(3)	-
Net earnings - common shareholders	\$ 235	\$ 75	\$ 148	\$ (1)	\$ 457

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For the three months ended September 30, 2010

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 2,299	\$ 815	\$ 1,199	\$ -	\$ 4,313
Net investment income					
Regular net investment income	670	339	481	3	1,493
Changes in fair value through profit or loss	1,121	353	1,155	-	2,629
Total net investment income	1,791	692	1,636	3	4,122
Fee and other income	251	311	119	-	681
Total income	4,341	1,818	2,954	3	9,116
Benefits and expenses:					
Paid or credited to policyholders	3,403	1,335	2,619	-	7,357
Other	662	326	120	274	1,382
Financing charges	34	34	3	-	71
Amortization of finite life intangible assets	10	10	2	-	22
Earnings before income taxes	232	113	210	(271)	284
Income taxes	(8)	25	49	(67)	(1)
Net earnings before non-controlling interests	240	88	161	(204)	285
Non-controlling interests	(6)	-	2	-	(4)
Net earnings	246	88	159	(204)	289
Perpetual preferred share dividends	19	-	3	-	22
Net earnings before capital allocation	227	88	156	(204)	267
Impact of capital allocation	22	(1)	(18)	(3)	-
Net earnings - common shareholders	\$ 249	\$ 87	\$ 138	\$ (207)	\$ 267

For the nine months ended September 30, 2011

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 6,861	\$ 2,306	\$ 3,792	\$ -	\$ 12,959
Net investment income					
Regular net investment income	1,769	980	1,412	12	4,173
Changes in fair value through profit or loss	1,075	461	1,064	-	2,600
Total net investment income	2,844	1,441	2,476	12	6,773
Fee and other income	822	928	413	-	2,163
Total income	10,527	4,675	6,681	12	21,895
Benefits and expenses:					
Paid or credited to policyholders	7,716	3,273	5,714	-	16,703
Other	1,792	897	429	17	3,135
Financing charges	102	100	14	-	216
Amortization of finite life intangible assets	31	34	7	-	72
Earnings before income taxes	886	371	517	(5)	1,769
Income taxes	138	75	70	1	284
Net earnings before non-controlling interests	748	296	447	(6)	1,485
Non-controlling interests	9	-	6	-	15
Net earnings	739	296	441	(6)	1,470
Perpetual preferred share dividends	55	-	17	-	72
Net earnings before capital allocation	684	296	424	(6)	1,398
Impact of capital allocation	58	(5)	(43)	(10)	-
Net earnings - common shareholders	\$ 742	\$ 291	\$ 381	\$ (16)	\$ 1,398

For the nine months ended September 30, 2010

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 6,795	\$ 2,316	\$ 4,027	\$ -	\$ 13,138
Net investment income					
Regular net investment income	1,845	997	1,395	8	4,245
Changes in fair value through profit or loss	1,743	1,052	2,570	-	5,365
Total net investment income	3,588	2,049	3,965	8	9,610
Fee and other income	762	935	411	-	2,108
Total income	11,145	5,300	8,403	8	24,856
Benefits and expenses:					
Paid or credited to policyholders	8,363	3,875	7,409	-	19,647
Other	1,787	1,007	406	276	3,476
Financing charges	101	104	10	-	215
Amortization of finite life intangible assets	29	35	5	-	69
Earnings before income taxes	865	279	573	(268)	1,449
Income taxes	124	62	92	(64)	214
Net earnings before non-controlling interests	741	217	481	(204)	1,235
Non-controlling interests	14	3	4	-	21
Net earnings	727	214	477	(204)	1,214
Perpetual preferred share dividends	54	-	10	-	64
Net earnings before capital allocation	673	214	467	(204)	1,150
Impact of capital allocation	65	(1)	(54)	(10)	-
Net earnings - common shareholders	\$ 738	\$ 213	\$ 413	\$ (214)	\$ 1,150

17. Subsequent Event

On November 3, 2011 the Court of Appeal for Ontario released a decision in regard to the involvement of the participating accounts of Great-West Lifeco subsidiaries London Life Insurance Company and The Great-West Life Assurance Company in the financing of the acquisition of London Insurance Group in 1997.

The Court of Appeal upheld that participating policyholders were treated fairly and that there was no impact on their dividends. The Court of Appeal also confirmed that it was reasonable for the participating accounts to contribute to the acquisition in order to receive benefits.

The Court of Appeal made adjustments to the original trial judgment which are expected to have a favourable impact to the Company's overall financial position.

The Company holds \$310 in after-tax provisions in relation to these proceedings and will revise its provisioning once the amount of the judgment has been approved by the Court.

GREAT-WEST
LIFECO INC.

A MEMBER OF THE POWER FINANCIAL CORPORATION GROUP OF COMPANIES™

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