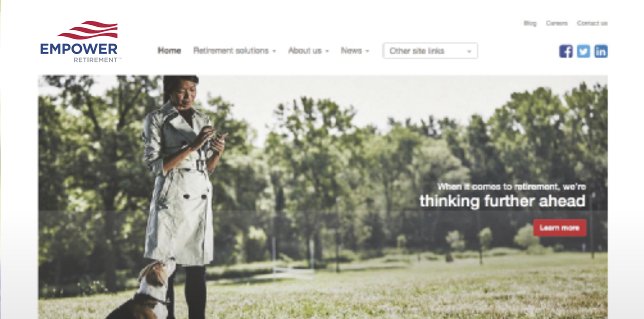
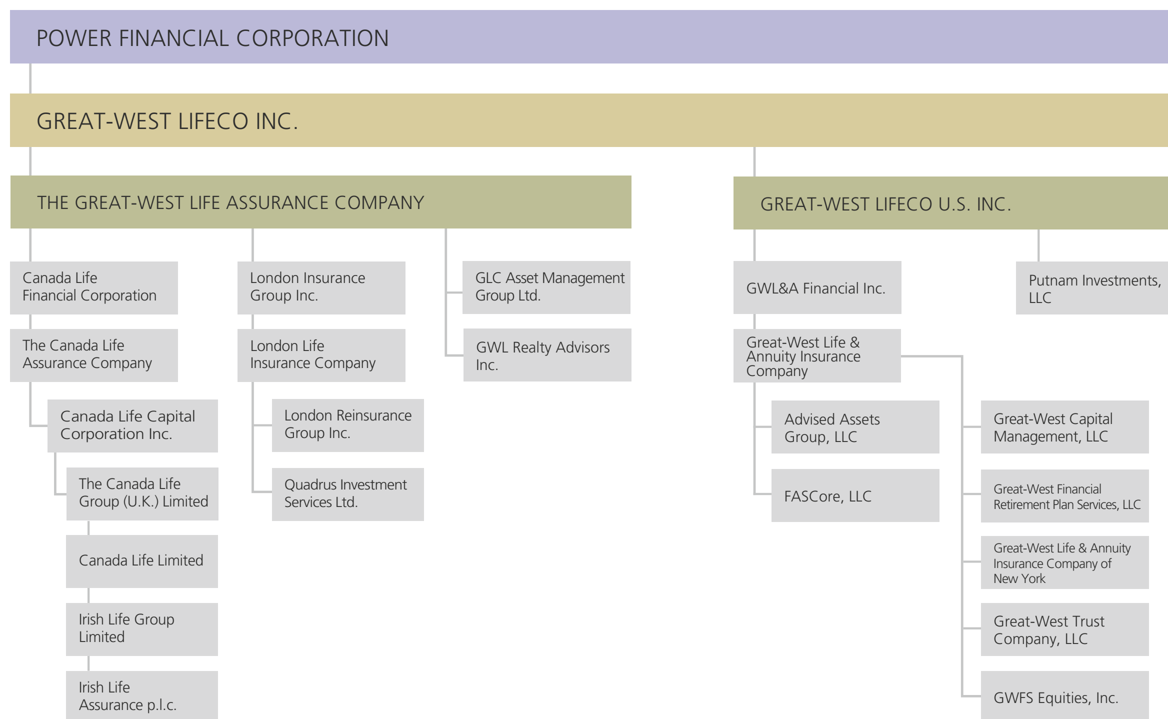
ANNUAL REPORT 2015

Building on our **STRENGTHS**. Investing in our **FUTURE**.



GREAT-WEST LIFECO INC

Organization chart



This chart depicts the corporate relationships among Great-West Lifeco and its material and certain other subsidiaries as of December 31, 2015. Great-West Lifeco beneficially owns, directly or indirectly, 100% of the voting securities of each such subsidiary.

Profile

Great-West Lifeco Inc. (TSX:GWO) is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Great-West Lifeco has operations in Canada, the United States, Europe and Asia through Great-West Life, London Life, Canada Life, Irish Life, Great-West Financial and Putnam Investments. Great-West Lifeco and its companies have over $1.2 trillion* in consolidated assets under administration and are members of the Power Financial Corporation group of companies.

For more information on Great-West Lifeco, including current credit ratings, visit www.greatwestlifeco.com.

*Assets as of December 31, 2015

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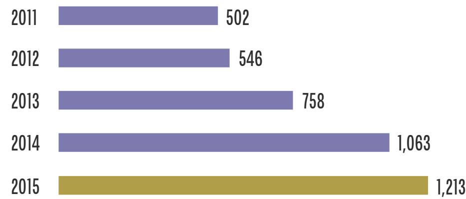
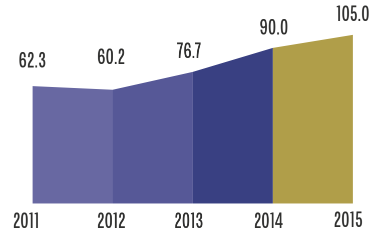
Readers are referred to the cautionary notes regarding forward-looking information and non-IFRS financial measures on page 10 of this report.

Continued strength and stability

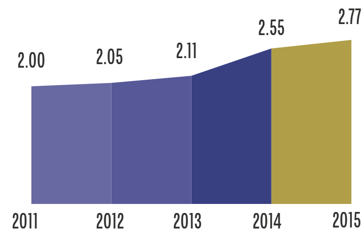
Total assets under administration ($ billions)



Premiums and deposits ($ billions)



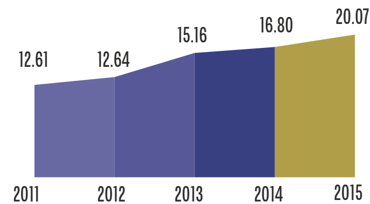
Earnings per common share ($)*



Return on common shareholders' equity (%)*

Dividends per common share ($)

Book value per common share ($)



*Information is presented on an operating basis, a non-IFRS financial measure.

Strong performance in 2015

$2.8 Billion
Operating earnings attributable to common shareholders

14.7%
Return on equity

Over $1.2 Trillion
Total assets under administration

$105.0 Billion
Premiums and deposits

Directors' report to shareholders

Jeffrey Orr
Chairman of the Board

Paul Mahon
President and CEO

Core principles

- Strong diverse businesses balanced across geographies, distribution channels and products
- Leadership positions in our chosen markets
- Customer loyalty through service excellence and an innovation culture
- Strengths shared across our borders
- Empowered employees
- Outstanding financial results

Building on our strengths

Great-West Lifeco encompasses strong and diverse businesses in Canada, Europe and the United States. Our 22,500 employees worldwide embody the coming together of great companies over the past two decades, anchored by their distinct brands and unique histories.

The decade from 1997 to 2007 marked a period of growth supported by the large-scale acquisitions of London Life, Canada Life and Putnam, and their related synergies.

During the global financial crisis, we drew on key strengths that are core elements of our strategy – strong and stable investment performance, disciplined expense management and a risk sensitive culture. This solid foundation served us very well through the financial crisis and has enabled our return to growth, as have the acquisition of Irish Life and the launch of Empower Retirement in the U.S.

As we look to the future we recognize the business environment is being reshaped across the regions and markets where we operate.

Sustaining our traditional strengths and building new capabilities to meet the changing needs of customers, advisors and employees are central to our purpose – helping our customers achieve financial security and well-being.

Our core principles are the business imperatives that frame how we will drive growth and that support us in delivering on our promises to our customers over the long term.

Investing in our people

To ready ourselves for the challenges ahead, we are adding depth to our capabilities in innovation and transformational change. We are benefiting from collaboration, innovation and sharing expertise and best practices across our businesses, both regionally and globally.

Our values reflect our culture and history, and are fundamental to our success.

Values

- Putting the customer first in all we do
- Acting with integrity
- Building trust and partnership
- Fostering employee engagement
- Supporting our communities
- Committing ourselves to sustainability

Corporate social responsibility continues to be a cornerstone of our operation. Great-West Lifeco has long held responsible and ethical management as an intrinsic value as we believe doing so is essential to our long-term profitability and value creation for our stakeholders.

Each year, our employees and advisors personally pledge to meet the standards set out in our *Code of Business Conduct and Ethics*. We also strive to support and respect the protection of internationally acclaimed human rights, minimize our environmental impact, and make a positive contribution to our communities.

Helping customers achieve financial security

$22 billion+	28 million+	280,000+	22,500
Benefits paid to customers	Customer relationships	Advisor relationships	Employees

Embracing change

Across our organization, we're rethinking how we adapt to changing customer demographics, attitudes and behaviours, how we better enable advisors through technology, and how we create engaging ways for advisors and customers to do business with us.

In Canada, our investments in digital services, customer segmentation, innovation and data analytics are positioning us to meet our customers' evolving needs and preferences for doing business with us. Over one million group life and health plan members use GroupNet and GroupNet Mobile for service – anytime, from anywhere. Our new HelloLife™ retirement income brand and a renewed approach to our renowned Freedom 55 Financial™ brand are helping us attract new generations of customers.

In Ireland, we're investing in technologies and building innovative solutions to help our customers achieve their financial security goals. This includes introducing Irish Life Empower, which leverages our North American retirement planning expertise to support the retirement readiness of our Irish customers.

In the U.K., we're meeting customers' needs in the evolving U.K. pension marketplace with new products. Our CanRetire suite of products provides options to help customers achieve their retirement goals. We're also strengthening our business through targeted acquisitions, including Legal and General International (Ireland) Ltd. and the annuity business of Equitable Life Assurance Company.

In the U.S., our brands are aligned in three complementary businesses.

Putnam Investments is focused on delivering excellence in investment performance for clients, which will drive future growth. Great-West Financial is building on its leading positions in niche individual insurance markets by extending into growing segments, including individual retirement income products. Additionally, Great-West funds are well-positioned investment management vehicles for qualified assets across its businesses. Empower Retirement has built a streamlined, best-in-class customer experience that is attracting new customers. Empower recorded strong sales during its first year of operation and is well placed to grow amidst ongoing consolidation in the U.S. retirement services marketplace.

Supported by strong governance

We believe that strong and effective corporate governance is critical to our past and future success. Our governance structure has been developed over decades of successful performance to meet the unique needs of our corporate structure.

At Great-West Lifeco's 2015 Annual Meeting, it was announced that Michael Hepher would retire following a long-standing tenure as a member of the Board. Mr. Hepher joined the Board of The Canada Life Group (U.K.) Limited, a subsidiary of Canada Life, in February 1999. In 2006, he joined the Boards of Great-West Lifeco, Great-West Life, London Life and Canada Life and was a member of the Executive, Compensation, Audit and Risk Committees. Through his participation on the Board and various Board Committees, Mr. Hepher made valuable contributions to the affairs of Great-West Lifeco, and we thank him sincerely for his many years of service.

At the 2015 Annual Meeting, three new individuals were elected to the Board of Directors, namely Claude Généreux, Susan McArthur and Moya Greene. Mr. Généreux is currently Executive Vice-President of Power Corporation of Canada and Power Financial Corporation and is Director Emeritus of McKinsey & Company. Ms. McArthur is currently Managing Partner at GreenSoil Investments in Toronto. Ms. Greene, Chief Executive Officer of Royal Mail plc in the United Kingdom, with much regret had to step down in January 2016 due to increased time and travel commitments which going forward would have made it difficult for her to continue to discharge her responsibilities as a Director of our companies.

Thank you

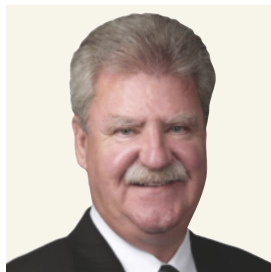
Across Great-West Lifeco, we gain strength from our diversity of businesses, geographies, brands and products. Most importantly, we gain strength from the contribution of our employees and advisors worldwide. We thank them for their dedication to helping our customers achieve financial security and well-being.

We also thank our customers and shareholders for your continued support.

Jeffrey Orr
Chairman of the Board

Paul Mahon
President and CEO

Canada - Protecting and expanding leadership positions through organic growth



"We are defining new ways of delivering value to customers and building our business by leveraging opportunities emerging from our changing marketplace."

Dave Johnston President and Chief Operating Officer, Canada

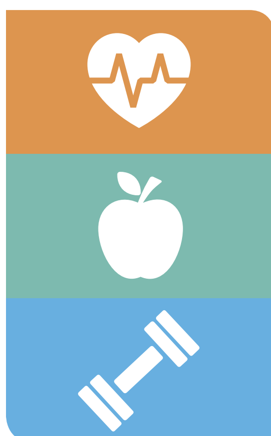
Great-West Life, together with subsidiaries London Life and Canada Life, is a leading Canadian insurer. In 2015, we continued to have a positive impact on the financial, physical and mental well-being of Canadians while focusing on initiatives that will drive growth.

We are building from a strong base, with leading market shares in many of our core businesses. Our multi-channel distribution strategy and commitment to the value of advice continue to support our growth and provide us with a competitive advantage.

We recognize that the Canadian business landscape is changing. We need to adapt as our customers' needs evolve and new opportunities emerge.

Across our operations, we are increasing our focus on the customer and investing in initiatives that will position us to meet their current and future needs. We're getting to know our customers better through research in customer segmentation and data analytics. We're upgrading our digital services capabilities, aiming for a best-in-class digital service experience for customers and advisors. We're also continuing to support our employees through training and tools to help them perform in new ways, leading to a stronger culture of innovation in our organization.

We are also continuing to engage our communities to improve financial literacy, minimize our environmental footprint and bolster the support generously given by our employees and advisors to various causes in the communities where they live and work.



Breaking new ground for health and wellness delivery

Building our position as a leading Canadian group insurance provider involves finding new ways to engage customers. A new online health and wellness platform we piloted in 2015 is both engaging customers and supporting our commitment to help improve the physical and mental well-being of Canadians, while helping reduce associated health plan costs for plan sponsors.

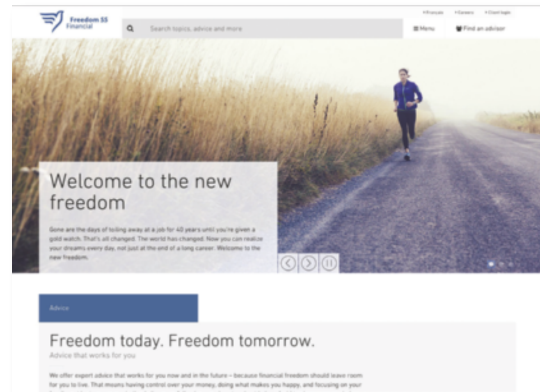
Each customer receives personalized recommendations for healthy actions, access to specialty health programming and participation rewards built into the easy-to-use tool. Our employees in Ontario and the employees of a major group insurance customer put the tool through its paces during the six-month pilot project.

This pilot project was the first major initiative of our innovation team which we created last year to help embed innovative thinking across our organization and support the incubation of new ideas.

HelloLife™ driving organic growth in retirement income market

Last year's launch of HelloLife symbolized a new approach to driving organic growth in the Canadian retirement income market. Reflecting in-depth consumer feedback, HelloLife made its public debut in television, newspaper and magazine ads. The product name was spotlighted and, for the first time, the Great-West Life, London Life and Canada Life brands were advertised together. Feedback from advisors and consumers indicates we are well on our way to building the brand's reputation for helping Canadians achieve their best possible retirement.

Freedom for Life™ attracting younger customers



Freedom 55 Financial is the financial security planning division for London Life, and one of Canada's best known insurance brands. A new website and online advertising are repositioning the iconic brand for the future, helping Canadians to achieve financial success however they define it.

Focused on young people without a financial security advisor or financial security plan, Freedom for Life helps them see the importance of a financial plan for their day-to-day financial goals – paying down debt, saving for education, raising a family or enjoying a vacation.

The new approach reaffirms our commitment to the 3,700-member Freedom 55 Financial advice channel and supports our focus on organic growth.

Minimizing our carbon footprint

Our environmental efforts were recognized in 2015 by the Carbon Disclosure Project (CDP), which once again included our Canadian operations on the Canada 200 Climate Disclosure Leadership Index, with the top score among insurers in Canada. The designation was based on the high quality data we disclosed on greenhouse gas emissions, demonstrating the investments and operational improvements we're making as part of our commitment to environmental sustainability.

Also in 2015, our real estate subsidiary, GWL Realty Advisors, achieved a Green Star ranking in its first submission to the Global Real Estate Sustainability Benchmark (GRESB) survey.

Great-West Life celebrates 125 years

Our brands have long histories and deep roots in their communities. In 2016 we mark an important milestone as we celebrate the 125th anniversary of Great-West Life's formation. Great-West Life's roots date back to 1891, when the company was founded in Winnipeg, Manitoba. The company was Great-West Lifeco's original cornerstone and over the decades has remained steadfast in helping Canadians achieve financial security, and in making a difference in the communities where we do business – from coast to coast.

> "We serve the financial security needs of more than 12 million people – approximately one in three Canadians."

Europe - Targeted growth through acquisition and product expansion

"Our European businesses continue to grow organically and through acquisitions in target segments."

Arshil Jamal President and Chief Operating Officer, Europe

Great-West Lifeco's businesses in the U.K., Isle of Man, Ireland and Germany are strong and growing. We have leading positions in our chosen markets and iconic brands with long histories of delivering on our financial security promises.

Across Europe, we are engaging customers for their input on new products and solutions, including how to harness technology to provide better customer experiences. We're also developing new and innovative ways to help our customers achieve their financial security goals. During the year, we worked hard to ensure our readiness for the new Solvency II regulatory framework across our European-regulated insurance and reinsurance subsidiaries. We have been well supported by our regulators throughout this process.

Two acquisitions in 2015 support building our Europe businesses through targeted growth. Acquiring the annuity business of the Equitable Life Assurance Company enhanced our strong position in the U.K. retirement income market. Later, the acquisition of Legal and General International (Ireland) Ltd. strengthened our offshore bonds investment business.

Ireland

Empowering better retirement outcomes

Leveraging retirement planning expertise from our businesses in North America, Irish Life Empower is helping customers make retirement planning decisions that will lead them closer to financial security.

No matter what mobile platform they use, plan members can create their own unique service experience when engaging Irish Life Empower.

They can also draw on strategies to help them decide where to invest and how much to contribute, or use budgeting and planning tools to help them boost their retirement savings.

Investing with confidence to save for retirement

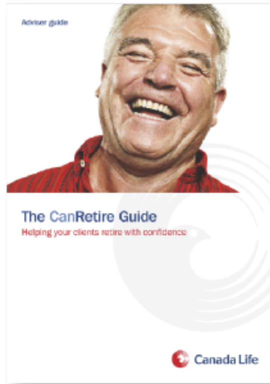
Creative collaboration among our companies in Ireland is helping customers increase their confidence in investing to build their retirement savings.

Irish Life Multi-Asset Portfolios (MAPS) is a series of investment products that leverages the institutional investment expertise of Irish Life Investment Managers Limited (ILIM) to support the retirement saving needs of Irish Life's individual wealth management customers.

Customers are embracing the idea of an investment product that offers diversity to manage market volatility. Over €1.3 billion of new investments have been directed to MAPS strategies since they were introduced in 2013.

United Kingdom

A new world of retirement



In order to become a leading retirement income provider, we're building on our long history as a market leader in annuities and our reputation for customer service.

Responding to changes in pension legislation that became effective in 2015, we launched the CanRetire suite of products – our largest, most comprehensive product launch in the U.K. in many years. This exciting new initiative is engaging consumers to rethink their view of retirement planning.

Under the distinctive CanRetire brand, four new retirement products provide choice and value for consumers, allowing them to mix and match products to suit their needs.

Customer access to advice is a key component of successful planning and we know the advice channel well. CanRetire provides an added dimension of support for advisors, enabling them to become subject matter experts in guiding their customers' retirement planning decisions.

In a CLASS of our own

A new product we launched in 2015 leverages the opportunity to meet the needs of 1.8 million small businesses that are required by law to enrol their employees in pension plans automatically.

Simply Class was developed after a year of research with employers and advisors. It offers a simple, straightforward quotation and enrolment process that is easy for advisors to administer and communicate with customers.

With every employer now required to offer a pension plan, attracting and retaining employees will become even more important. An appealing array of employee benefits from Canada Life is the competitive advantage small employers are looking for.

Germany

Steady growth

2015 marked the 15th anniversary of Canada Life's business in Germany. The first branch office in Germany began operations in Cologne in 2000, as the opening of the cross-border life insurance market in Europe led to expansion from Ireland. Today, employees based in Dublin, Ireland, Cologne and Frankfurt serve 325,000 German customers. We continue to be one of the leading insurers for unit-linked pension savings products distributed by independent brokers and are well recognized for our broker service and distribution technology capabilities.

Reinsurance

Diversified business

With operations in Canada, the U.S., Ireland and Barbados, our reinsurance businesses are broadly diversified by product type and by geography. We provide life and longevity reinsurance in the U.S. and Europe, and property and casualty catastrophe reinsurance on a global basis. We also have a well-developed financial solutions capability that meets the capital management requirements of insurers operating in the U.S. and Europe. We continue to focus on building a leading, diversified business, supported by quality partnerships and solid underwriting discipline.

"We are adapting to change, and applying new thinking and creativity to meet our customers' needs and drive growth."

United States - Positioning our organization for significant growth by tapping demand for retirement services, investment management and insurance capabilities

"Great-West Lifeco U.S. is uniquely positioned to serve the complex needs of the evolving financial services marketplace, with products, services and solutions designed to help customers navigate an increasingly dynamic environment."

Robert L. Reynolds President and CEO, Great-West Lifeco U.S. Inc.

We seek to be a dominant presence in every market that we serve, with an intense focus on building a differentiated set of talent, product capabilities and resources to establish our firm as a clear leader in providing multi-faceted financial services to the marketplace. Our U.S. businesses – Empower Retirement, Great-West Financial and Putnam Investments – have an opportunity for long-term growth by continuing to invest in leading-edge technology and by more broadly embracing innovation in every aspect of their work. We believe there are many untapped possibilities for our operating companies to align more closely in the areas of product development, distribution and select resource sharing in order to drive further success for Great-West Lifeco.

Empower Retirement innovates to grow

Since Empower Retirement was introduced in 2014, more than 7.5 million participants have put their trust in our company – the second-largest retirement services provider in the U.S.

Empower serves every segment of the employer-sponsored retirement plan market – striving to deliver best-in-class services to help Americans reach their financial goals. Our investment in customer experience offers pioneering online and mobile features, along with call support and streamlined print materials, to guide and motivate participants toward better retirement outcomes.

Easy-to-understand communications help individuals better understand their savings needs. In 2015, we expanded in social media to share thought leadership with employers and advisors and to educate customers. Our blogs, posts and videos engaged target audiences and increased media coverage. Innovative emails used personalized videos to capture roll-in funds and promote managed accounts, boosting assets under management.

Empower Retirement's market-leading offerings and excellent service are driving organic growth. Our investments in technology, infrastructure, client services, marketing and employees are enhancing our forward-thinking organization focused on customers' needs. Our state-of-the-art recordkeeping system provides flexibility and scalability.

Great-West Lifeco's multi-year investment in Empower catalyzed the integration of three leading businesses onto one advanced platform. The resulting synergy created a strong foundation for future growth.

Great-West Financial sets new course

Building on its history of strength and stability, Great-West Financial launched a new brand identity that positions our company for the future. Its bold, modern logo evokes a compass, projecting progress toward new horizons.

As a trusted provider of life insurance, annuities and executive benefits, Great-West Financial offers financial security solutions for customers who are living longer and more productive lives. In collaboration with our distribution partners nationwide, we are leading the way to the financial future that working Americans deserve.

A redesigned website and digital, social media and print advertising campaign highlighted the new visual identity. With a renewed focus, Great-West Financial champions the freedoms that come from preparing for financial independence. Our steadfast commitment to service and innovative solutions are setting the tone for continued expansion.

Strong performance at Putnam Investments

Long-term investment performance continues to be strong at Putnam with the vast majority of our mutual fund assets performing at levels above Lipper median on a three-year and five-year basis.

Putnam is well positioned to help customers "maneuver in markets" by providing an array of traditional and non-traditional products, including multi-asset strategies and alternative solutions.

Our institutional pipeline remains strong, and we continue to build momentum in our Defined Contribution Investment Only channel, where we see great potential in the years ahead.

One of the ongoing hallmarks of Putnam has been a commitment to service excellence which has been widely recognized, most recently receiving an award – for the 26th consecutive year – by the leading industry observer in this area.

Putnam has distinguished itself in the financial services industry as a leader in the digital revolution, from our highly acclaimed website and innovative practice management offerings to our creative use of social media.

> "In a fast-moving, ever-changing financial landscape, Great-West Lifeco's U.S. companies seek to bring a powerful brand of leadership to the marketplace that is ultimately intended to help millions of customers attain a future of their choice."

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 and twelve months ended December 31, 2015 and includes a comparison to the corresponding periods in 2014, to the three months ended September 30, 2015, and to the Company's financial condition as at December 31, 2014. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

Businesses of Lifeco

Lifeco has operations in Canada, the United States, Europe and Asia through The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial), Putnam Investments, LLC (Putnam) and Irish Life Group Limited (Irish Life).

In Canada, Great-West Life and its operating subsidiaries, London Life and Canada Life (owned through holding companies London Insurance Group Inc. (LIG) and Canada Life Financial Corporation (CLFC) respectively), offer a broad portfolio of financial and benefit plan solutions for individuals, families, businesses and organizations, through a network of Freedom 55 Financial™ and Great-West Life financial security advisors, and through a multi-channel network of brokers, advisors, managing general agencies and financial institutions.

In the U.S., Great-West Financial is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors. Under the Empower Retirement brand name, Great-West Financial® offers employer-sponsored defined contribution plans, individual retirement accounts, enrollment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Putnam provides investment management, certain administrative functions and distribution services through a broad range of investment products, including the Putnam Funds, its own family of mutual funds, which are offered to individual and institutional investors.

The Europe segment comprises two distinct business units: Insurance & Annuities, which offers protection and wealth management products, including payout annuity products, through subsidiaries of Canada Life in the United Kingdom, Isle of Man and Germany as well as through Irish Life in Ireland; and Reinsurance, which operates primarily in the U.S., Barbados and Ireland. Reinsurance products are provided through Canada Life, London Life and their subsidiaries.

In Asia, Putnam has a 10% interest in Nissay Asset Management (NAM), a partnership with Nippon Life Insurance Company. Putnam predominantly acts as a sub-advisor for certain retail mutual funds distributed by NAM and also manages pension fund assets for NAM clients.

Lifeco currently has no other holdings and carries on no business or activities unrelated to its holdings in Great-West Life, London Life, Canada Life, Great-West Financial, Putnam and their subsidiaries. However, Lifeco is not restricted to investing in those companies and may make other investments in the future.

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 consolidated financial statements for the period ended December 31, 2015.

Cautionary Note Regarding Forward-Looking Information

This MD&A may contain forward-looking statements. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and other similar expressions or negative versions thereof. These statements may include, without limitation, statements about the Company's operations, business, financial condition, expected financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures. Forward-looking statements are based on expectations, forecasts, predictions, projections and conclusions about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and the reader is cautioned that actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance, arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets, business competition and other general economic, political and market factors in North America and internationally. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2015 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors, uncertainties and potential events carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Cautionary Note Regarding Non-IFRS Financial Measures

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", "assets under management", "assets under administration" and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. 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 Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	For the twelve months ended Dec. 31 2015	Dec. 31 2014
Premiums and deposits:					
Amounts reported in the financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 6,162**	$ 5,891	$ 5,501	**$ 24,501**	$ 21,222
Policyholder deposits (segregated funds):					
Individual products	**3,814**	3,157	3,185	**12,983**	11,826
Group products	**2,001**	2,738	1,955	**8,609**	9,083
Premiums and deposits reported in the financial statements	**11,977**	11,786	10,641	**46,093**	42,131
Self-funded premium equivalents (Administrative services only contracts) (1)	**665**	639	654	**2,625**	2,603
Proprietary mutual funds and institutional deposits (1)	**15,480**	16,807	12,729	**56,257**	45,306
Total premiums and deposits (1)	**28,122**	29,232	24,024	**104,975**	90,040
Fee and other income	**1,333**	1,241	1,161	**5,058**	4,422
Paid or credited to policyholders (2)	**5,532**	5,833	8,125	**22,842**	29,160
Earnings					
Net earnings – common shareholders	**$ 683**	$ 720	$ 657	**$ 2,762**	$ 2,546
Per common share					
Basic earnings	**0.688**	0.724	0.658	**2.774**	2.549
Dividends paid	**0.326**	0.326	0.3075	**1.304**	1.230
Book value	**20.07**	19.40	16.80		
Return on common shareholders' equity (3)					
Net earnings	**14.7%**	15.2%	15.7%		
Total assets per financial statements	**$ 399,935**	$ 389,935	$ 356,709		
Proprietary mutual funds and institutional net assets (4)	**252,480**	239,050	216,271		
Total assets under management (4)	**652,415**	628,985	572,980		
Other assets under administration (5)	**560,102**	524,813	490,353		
Total assets under administration	**$1,212,517**	$ 1,153,798	$ 1,063,333		
Total equity	**$ 25,260**	$ 24,534	$ 21,897		

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

(2) Paid or credited to policyholders includes the impact of changes in fair values of assets supporting insurance and investment contract liabilities.

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

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

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

Lifeco 2015 Highlights

Solid financial performance

- For the twelve months ended December 31, 2015, net earnings attributable to common shareholders grew to $2,762 million, an increase of 8.5% from the previous year, reflecting earnings growth in the Europe and U.S. segments.
- In 2015, Lifeco's quarterly common share dividend increased 6% to $0.3260 per share.
- The Company's financial leverage ratio has been maintained at less than 30% during 2015, consistent with credit rating agencies' targets for highly rated entities, and provides the Company with financial flexibility to invest in organic growth and acquisition strategies.
- The Company's strong capital position is evidenced by a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio at December 31, 2015 of 238% for The Great-West Life Assurance Company, Lifeco's major Canadian operating subsidiary.
- Activities to ensure readiness for the new Solvency II regulations, effective January 1, 2016, have been a key focus of the Company's European regulated insurance and reinsurance businesses during 2015. The Company is well positioned for the new regulatory environment and will continue to work in cooperation with the European regulators throughout 2016.

Strategic growth supplemented by acquisition

- During 2015, the Company, through its wholly owned subsidiary Canada Life Group, completed two acquisitions in its Europe segment. In the first quarter of 2015, the Company acquired the assets and liabilities associated with The Equitable Life Assurance Society's (Equitable Life) annuity business in the U.K., subject to final court approval in 2016. In the third quarter of 2015, the Company completed the acquisition of Legal & General International (Ireland) Limited (LGII), a provider of investment and wealth management solutions for high-net-worth individuals in the U.K. These acquisitions will serve to strengthen the Company's position in the U.K. market.
- Also in the Europe segment, policy migration activities for the Irish Life integration successfully concluded during 2015. The Company now expects to realize €48 million of annualized synergies from the acquisition of Irish Life, exceeding the annualized synergy target of €40 million by 20%.
- In the U.S. segment, the combination of three established retirement businesses under the Empower Retirement brand resulted in strong growth in 2015 creating the second largest recordkeeping provider in the U.S. The number of participant accounts grew from 7.1 million at December 31, 2014 to over 7.5 million at December 31, 2015. Empower Retirement sales in 2015 were US$42.2 billion, over 220% higher than 2014.

  Beginning in 2015, the Company anticipates investing a total of approximately US$150 million over the next several years to improve the client-facing experience and streamline back-office processing. On a year-to-date basis, this investment in Empower Retirement strategic and business development reduced net earnings in 2015 by US$34 million. In 2016, this multi-year investment is expected to decrease net earnings by US$20 million.

  While investing in the Empower Retirement business, the Company has set an annual cost savings target of US$40 million to US$50 million pre-tax which is expected to be achieved through efficiencies from the conversion of businesses onto a single back-office platform, increased utilization of Great-West Global operations in India and scale-driven cost improvements. Integration activities are on track and are expected to be completed by the second quarter of 2017 with the annual reduction of operating costs fully reflected upon the completion of the business transformation in the next three to four years.
- In the Canada segment, the Company focused efforts on digital services, product development and service enhancements in 2015. A pilot program for an innovative health and wellness platform to help improve health outcomes for plan members and reduce associated health plan costs for plan sponsors was launched. The HelloLife™ retirement program was introduced allowing the Company's financial security advisors to help individuals create a retirement program tailored to their specific needs. As well, a new Freedom 55 Financial™ website and online advertising are repositioning the brand to help Canadians achieve financial success, with a focus on young people without a financial security advisor or financial security plan.

Outlook for 2016

- Lifeco is well positioned to invest in growth through acquisitions, new products and technology while maintaining a strong risk and expense discipline to deliver long-term value to its customers and shareholders.
- In Europe, growth opportunities through acquisition and product expansion will continue to be explored with a focus on expanding retirement and pension related products and developing new and innovative ways to help customers achieve financial security.
- In the U.S., investments continue to be made to streamline back office processes, integrate recordkeeping and retirement plan services businesses and position Empower Retirement for significant growth and consolidation opportunities.
- In Canada, the focus is on protecting and extending leadership positions through organic growth by investing in digital technology, product development and service enhancements in support of a multi-year strategy and positively impacting the financial, mental and physical wellbeing of Canadians.

Net Earnings

Consolidated net earnings of Lifeco include the net earnings of Great-West Life and its operating subsidiaries, London Life, Canada Life and Irish Life; Great-West Financial and Putnam, together with Lifeco's Corporate operating results.

Lifeco's net earnings attributable to common shareholders for the three month period ended December 31, 2015 were $683 million compared to $657 million a year ago and $720 million in the previous quarter. On a per share basis, this represents $0.688 per common share ($0.686 diluted) for the fourth quarter of 2015 compared to $0.658 per common share ($0.657 diluted) a year ago and $0.724 per common share ($0.722 diluted) in the previous quarter.

For the twelve months ended December 31, 2015, Lifeco's net earnings attributable to common shareholders were $2,762 million compared to $2,546 million a year ago, an increase of 8.5%. On a per share basis, this represents $2.774 per common share ($2.768 diluted) for 2015 compared to $2.549 per common share ($2.546 diluted) a year ago.

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Canada					
Individual Insurance	**$ 51**	$ 91	$ 120	**$ 307**	$ 395
Wealth Management	**119**	116	69	**479**	383
Group Insurance	**74**	153	96	**432**	422
Canada Corporate	**18**	(34)	15	**(23)**	28
	262	326	300	**1,195**	1,228
United States					
Financial Services	**86**	106	93	**384**	382
Asset Management	**41**	(8)	(1)	**32**	(71)
U.S. Corporate	**(2)**	(2)	(3)	**(7)**	(5)
	125	96	89	**409**	306
Europe					
Insurance & Annuities	**234**	229	218	**886**	810
Reinsurance	**73**	71	71	**313**	265
Europe Corporate	**(4)**	(4)	(15)	**(25)**	(37)
	303	296	274	**1,174**	1,038
Lifeco Corporate	**(7)**	2	(6)	**(16)**	(26)
Net earnings – common shareholders	**$ 683**	$ 720	$ 657	**$ 2,762**	$ 2,546

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

Market Impacts

Interest Rate Environment

Interest rates in countries where the Company operates mostly increased during 2015, except in Canada where rates decreased. The net change in interest rates did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates during 2015 resulted in movements in the regulatory capital required, which reduced Great-West Life's MCCSR ratio by 3 percentage points and had no material impact on net earnings.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for managing the matching of the timing of asset and liability cash flows. As a result, the impact of changes in fair values of bonds backing insurance and investment contract liabilities recorded through profit or loss is mostly offset by a corresponding change in the insurance and investment contract liabilities.

The Company's sensitivity to interest rate fluctuations is detailed in the "Accounting Policies – Summary of Critical Accounting Estimates" section.

Equity Markets

In the geographies where the Company operates, average equity market levels in the fourth quarter of 2015 and year-to-date were mixed compared to the same periods in 2014; however, they ended the quarter at higher market levels compared to September 30, 2015, except in Canada. The change in average market levels and market volatility during the quarter had a positive impact on net earnings of approximately $9 million (negative impact of $12 million year-to-date), relative to the Company's expectation, related to asset-based fee income and the costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company. In addition, equity market levels at the end of the period positively impacted net earnings by approximately $6 million ($5 million year-to-date) related to seed money investments held in the Asset Management and Canada Corporate business units.

Comparing the fourth quarter of 2015 to the fourth quarter of 2014, average equity market levels were up by 2% in the U.S. (as measured by S&P 500) and by 7% in broader Europe (as measured by Eurostoxx 50); however, they were down by 8% in Canada (as measured by S&P TSX) and by 4% in the U.K. (as measured by FTSE 100). The major equity indices finished the fourth quarter up 6% in the U.S., 5% in broader Europe, 3% in the U.K. and down 2% in Canada compared to September 30, 2015.

Foreign Currency

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

During the fourth quarter of 2015, the average currency translation rate of the U.S. dollar, the British pound and the euro increased compared to the fourth quarter of 2014. The overall impact of currency movement on the Company's net earnings for the three month period ended December 31, 2015 was an increase of $41 million ($108 million year-to-date) compared to translation rates a year ago.

From September 30, 2015 to December 31, 2015, the market rates at the end of the reporting period used to translate U.S. dollar and British pound assets and liabilities to the Canadian dollar increased, while the end-of-period market rate for euro assets

and liabilities was consistent with the previous quarter. The movements in end-of-period market rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $291 million in-quarter ($2,017 million net unrealized gains year-to-date) recorded in other comprehensive income.

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

Credit Markets

Credit markets impact on common shareholders' net earnings (after-tax)

	For the three months ended December 31, 2015			For the twelve months ended December 31, 2015		
	Impairment (charges) / recoveries	Changes in future credit losses in insurance contract liabilities	Total	Impairment (charges) / recoveries	Changes in future credit losses in insurance contract liabilities	Total
Canada	$ –	$ (1)	$ (1)	$ –	$ 1	$ 1
United States	(2)	(2)	(4)	(2)	(4)	(6)
Europe	1	(22)	(21)	9	(52)	(43)
Total	**$ (1)**	**$ (25)**	**$ (26)**	**$ 7**	**$ (55)**	**$ (48)**

In the fourth quarter of 2015, the Company experienced net charges on impaired investments, including dispositions, which negatively impacted common shareholders' net earnings by $1 million ($1 million net recovery in the fourth quarter of 2014). Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $25 million in the quarter ($20 million net charge in the fourth quarter of 2014).

For the twelve months ended December 31, 2015, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $7 million ($22 million net recovery in 2014). Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $55 million year-to-date ($36 million net charge year-to-date in 2014).

Actuarial Assumption Changes

During the fourth quarter of 2015, the Company updated a number of assumptions resulting in a positive net earnings impact of $97 million, compared to $176 million for the same quarter last year and $123 million for the previous quarter. In Europe, net earnings were positively impacted by actuarial assumption changes of $68 million, primarily due to updated economic and annuitant mortality assumptions, partially offset by updated expense assumptions, modeling refinements and updated morbidity assumptions. In Canada, updated mortality and economic assumptions, partially offset by updated policyholder behaviour assumptions and modeling refinements were the primary drivers of the $30 million positive net earnings impact. Net earnings in the U.S. were negatively impacted by $1 million primarily due to modeling refinements. Included in the 2014 net earnings impact of $176 million was $60 million relating to the impact of revised Standards of Practice issued by the Canadian Actuarial Standards Board in 2014.

For the twelve months ended December 31, 2015, assumption changes resulted in a positive net earnings impact of $376 million as compared to $339 million for the same period in 2014.

Premiums and Deposits and Sales

Total premiums and deposits (a non-IFRS financial measure) include premiums on risk-based insurance and annuity products (as defined under IFRS), premium equivalents on self-funded group insurance administrative services only (ASO) contracts, deposits on individual and group segregated fund products as well as deposits on proprietary mutual funds and institutional accounts. This measure provides an indicator of top line growth.

Sales (a non-IFRS financial measure) for risk-based insurance and annuity products include 100% of single premium and annualized premiums expected in the first twelve months of the plan. Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies. For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts as well as deposits on non-proprietary mutual funds. For group wealth management products, sales include assets transferred from previous plan providers and the expected annual contributions from the new plan. This measure provides an indicator of new business growth.

Premiums and deposits

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Canada					
Individual Insurance	**$ 1,304**	$ 1,220	$ 1,202	**$ 4,894**	$ 4,518
Wealth Management	**2,804**	2,504	2,741	**10,832**	11,914
Group Insurance	**2,002**	1,948	1,931	**7,838**	7,708
	6,110	5,672	5,874	**23,564**	24,140
United States					
Financial Services	**5,087**	3,477	2,268	**13,798**	9,028
Asset Management	**10,869**	10,242	10,542	**39,850**	37,513
	15,956	13,719	12,810	**53,648**	46,541
Europe					
Insurance & Annuities	**4,497**	8,354	3,875	**22,127**	14,931
Reinsurance	**1,559**	1,487	1,465	**5,636**	4,428
	6,056	9,841	5,340	**27,763**	19,359
Total premiums and deposits	**$ 28,122**	$ 29,232	$ 24,024	**$ 104,975**	$ 90,040

Sales

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Canada	**$ 3,492**	$ 2,944	$ 3,311	**$ 12,635**	$ 12,164
United States	**31,630**	25,831	15,105	**95,715**	54,430
Europe – Insurance & Annuities	**3,917**	7,716	3,155	**19,485**	12,388
Total sales	**$ 39,039**	$ 36,491	$ 21,571	**$ 127,835**	$ 78,982

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

Net Investment Income

Net investment income

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Investment income earned (net of investment properties expenses)	**$ 1,623**	$ 1,555	$ 1,511	**$ 6,168**	$ 6,025
Allowances for credit losses on loans and receivables	**(1)**	–	(8)	**–**	(17)
Net realized gains	**78**	19	43	**213**	101
Regular investment income	**1,700**	1,574	1,546	**6,381**	6,109
Investment expenses	**(30)**	(28)	(30)	**(110)**	(99)
Regular net investment income	**1,670**	1,546	1,516	**6,271**	6,010
Changes in fair value through profit or loss	**(844)**	(82)	2,545	**(2,010)**	7,527
Net investment income	**$ 826**	$ 1,464	$ 4,061	**$ 4,261**	$ 13,537

Net investment income in the fourth quarter of 2015, which includes changes in fair value through profit or loss, decreased by $3,235 million compared to the same quarter last year. The change in fair values in the fourth quarter of 2015 was a decrease of $844 million compared to an increase of $2,545 million for the fourth quarter of 2014. Bond values decreased during the fourth quarter of 2015, primarily due to higher U.K. and U.S. bond yields. In the fourth quarter of 2014, bond values increased primarily due to declining U.K. and Canadian government bond yields.

Regular net investment income in the fourth quarter of 2015, which excludes changes in fair value through profit or loss, increased by $154 million compared to the fourth quarter of 2014. The increase was primarily due to the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar as well as higher net realized gains. Net realized gains included gains on available-for-sale securities of $4 million for the fourth quarter of 2015 compared to $23 million for the same quarter last year.

For the twelve months ended December 31, 2015, net investment income decreased by $9,276 million compared to the same period last year. The change in fair values for the twelve month period in 2015 was a decrease of $2,010 million compared to an increase in fair values of $7,527 million during the same period in 2014. For the twelve months ended December 31, 2015, global bond yields were mixed as U.K. and U.S. bond yields increased in 2015 but declined in 2014, while Canadian bond yields have declined less in 2015 than the same period last year. As well, Canadian equity markets declined in 2015 but increased for the same period in 2014.

Regular net investment income for the twelve months ended December 31, 2015 increased by $261 million compared to the same period last year. The increase was primarily due to the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar as well as higher net realized gains. Net realized gains included gains on available-for-sale securities of $106 million for the twelve months ended December 31, 2015, compared to $58 million for the same period last year.

Net investment income in the fourth quarter of 2015 decreased by $638 million compared to the previous quarter, primarily due to net decreases in fair values of $844 million in the fourth quarter of 2015 compared to $82 million in the previous quarter. The net change in fair values during the fourth quarter was primarily due to an increase in U.K. and U.S. government bond yields. During the previous quarter, the impact of a decline in Canadian equity markets was mostly offset by an increase in U.K. bond values due to the decline in U.K. government bond yields.

Fee and Other Income

In addition to providing traditional risk-based insurance products, the Company also provides certain products on a fee-for-service basis. The most significant of these products are segregated funds and mutual funds, for which the Company earns investment management fees on assets managed and other fees, as well as ASO contracts, under which the Company provides group benefit plan administration on a cost-plus basis.

Fee and other income

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Canada					
Segregated funds, mutual funds and other	**$ 328**	$ 328	$ 309	**$ 1,302**	$ 1,256
ASO contracts	**41**	38	40	**157**	153
	369	366	349	**1,459**	1,409
United States					
Segregated funds, mutual funds and other	**637**	591	522	**2,378**	1,820
Europe					
Segregated funds, mutual funds and other	**327**	284	290	**1,221**	1,193
Total fee and other income	**$ 1,333**	$ 1,241	$ 1,161	**$ 5,058**	$ 4,422

The information in the table above is a summary of gross fee and other income for the Company. Additional commentary regarding fee and other income is included in the "Segmented Operating Results" section.

Paid or Credited to Policyholders

Paid or credited to policyholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Canada	**$ 2,799**	$ 1,967	$ 3,327	**$ 9,991**	$ 12,676
United States	**1,084**	1,390	1,229	**4,138**	4,901
Europe	**1,649**	2,476	3,569	**8,713**	11,583
Total	**$ 5,532**	$ 5,833	$ 8,125	**$22,842**	$ 29,160

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

For the three months ended December 31, 2015, consolidated amounts paid or credited to policyholders were $5.5 billion, including $5.8 billion of policyholder benefit payments and a $0.3 billion decrease in contract liabilities. The decrease of $2.6 billion from the same period in 2014 consisted of a $3.2 billion decrease in the change in contract liabilities, partially offset by a $0.6 billion increase in benefit payments. The decrease in the change in contract liabilities was primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe. The increase in benefit payments was primarily due to the impact of currency movement and new and restructured reinsurance treaties.

For the twelve months ended December 31, 2015, consolidated amounts paid or credited to policyholders were $22.8 billion, including $22.0 billion of policyholder benefit payments and a $0.8 billion increase in contract liabilities. The decrease of $6.3 billion from the same period in 2014 consisted of a $9.4 billion decrease in the change in contract liabilities and a $3.1 billion increase in benefit payments. The decrease in the change in contract liabilities was primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe as well as the impact of a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014. The decrease was partially offset by the acquisition of Equitable Life's annuity business during the first quarter of 2015. The increase in benefit payments was primarily due to new and restructured reinsurance treaties and the impact of currency movement.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders decreased by $0.3 billion. The decrease consisted of a $0.5 billion decrease in the change in contract liabilities, primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe. The decrease was partially offset by a $0.2 billion increase in benefit payments primarily due to higher business volumes and the impact of currency movement.

Other Benefits and Expenses

Other benefits and expenses

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Commissions	**$ 584**	$ 565	$ 514	**$ 2,218**	$ 2,084
Operating and administrative expenses	**1,175**	1,132	1,005	**4,466**	3,741
Premium taxes	**92**	83	86	**339**	339
Financing charges	**73**	78	77	**303**	304
Amortization of finite life intangible assets	**37**	36	34	**146**	132
Restructuring and acquisition expenses	**7**	7	7	**35**	32
Total	**$ 1,968**	$ 1,901	$ 1,723	**$ 7,507**	$ 6,632

Other benefits and expenses for the fourth quarter of 2015 of $1,968 million increased by $245 million compared to the fourth quarter of 2014, primarily due to the impact of currency movement, higher operating and administrative expenses, driven by increased strategic investments and higher commissions, driven by higher sales.

For the twelve months ended December 31, 2015, other benefits and expenses increased by $875 million compared to the same period last year, primarily due to the impact of currency movement, higher operating and administrative expenses, driven by the ongoing inclusion of RPS expenses, strategic investments in technology and Solvency II implementation, and higher commissions, driven by higher sales.

Other benefits and expenses for the fourth quarter of 2015 increased by $67 million compared to the previous quarter primarily due to increased operating and administrative expenses, driven by increased strategic investments, higher commissions, driven by higher sales, as well as the impact of currency movement.

Income Taxes

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

In the fourth quarter of 2015, the Company had an effective income tax rate of 8%, down from 19% in the fourth quarter of 2014. The decrease in the effective income tax rate for the fourth quarter of 2015 was primarily due to a higher percentage of the Company's income consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions as well as changes in certain tax estimates, which included the positive impact of an adjustment of US$27 million in the Asset Management business unit of the U.S. segment.

The Company had an effective income tax rate of 13% for the twelve months ended December 31, 2015 compared to 19% for the same period last year. The decrease in the Company's effective income tax rate was primarily due to the same reasons discussed for the in-quarter results, as well as higher adjustments of prior year tax provisions to tax filings in 2015 as compared to 2014.

The fourth quarter effective income tax rate of 8% was lower than the third quarter rate of 10%. The decrease in the effective income tax rate was primarily due to a higher benefit from changes in certain tax estimates. The fourth quarter of 2015 included the adjustment in the U.S. segment as discussed for the in-quarter results, while the third quarter of 2015 included the adjustment of prior year tax provisions to tax filings.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	December 31, 2015			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 67,701	$ 43,809	$ 50,071	$ 161,581
Goodwill and intangible assets	5,132	2,465	2,352	9,949
Other assets	2,793	4,535	22,883	30,211
Segregated funds net assets	70,269	35,966	91,959	198,194
Total assets	145,895	86,775	167,265	399,935
Proprietary mutual funds and institutional net assets	5,039	218,231	29,210	252,480
Total assets under management	150,934	305,006	196,475	652,415
Other assets under administration	15,390	503,125	41,587	560,102
Total assets under administration	$ 166,324	$ 808,131	$ 238,062	$ 1,212,517

	December 31, 2014			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 64,718	$ 36,198	$ 45,440	$ 146,356
Goodwill and intangible assets	5,123	2,061	2,296	9,480
Other assets	3,277	3,613	19,017	25,907
Segregated funds net assets	68,372	31,030	75,564	174,966
Total assets	141,490	72,902	142,317	356,709
Proprietary mutual funds and institutional net assets	4,718	190,817	20,736	216,271
Total assets under management	146,208	263,719	163,053	572,980
Other assets under administration	14,793	433,754	41,806	490,353
Total assets under administration	$ 161,001	$ 697,473	$ 204,859	$ 1,063,333

Total assets under administration at December 31, 2015 increased by $149.2 billion to $1.2 trillion compared to December 31, 2014, primarily due to the positive impact of currency movement.

INVESTED ASSETS

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

Invested asset distribution

	December 31, 2015				
	Canada	**United States**	**Europe**	**Total**	
Bonds					
Government & related	**$ 20,192**	**$ 9,254**	**$ 17,617**	**$ 47,063**	**29%**
Corporate & other	**22,928**	**22,797**	**22,155**	**67,880**	**42**
Sub-total bonds	**43,120**	**32,051**	**39,772**	**114,943**	**71**
Mortgages	**12,691**	**4,932**	**4,398**	**22,021**	**14**
Stocks	**6,971**	**168**	**734**	**7,873**	**5**
Investment properties	**1,788**	**5**	**3,444**	**5,237**	**3**
Sub-total portfolio investments	**64,570**	**37,156**	**48,348**	**150,074**	**93**
Cash and cash equivalents	**578**	**627**	**1,608**	**2,813**	**2**
Loans to policyholders	**2,553**	**6,026**	**115**	**8,694**	**5**
Total invested assets	**$ 67,701**	**$ 43,809**	**$ 50,071**	**$ 161,581**	**100%**

	December 31, 2014				
	Canada	United States	Europe	Total	
Bonds					
Government & related	$ 19,541	$ 7,624	$ 16,867	$ 44,032	30%
Corporate & other	21,102	18,558	19,476	59,136	41
Sub-total bonds	40,643	26,182	36,343	103,168	71
Mortgages	12,593	4,212	3,741	20,546	14
Stocks	7,018	149	653	7,820	5
Investment properties	1,556	4	3,053	4,613	3
Sub-total portfolio investments	61,810	30,547	43,790	136,147	93
Cash and cash equivalents	413	528	1,557	2,498	2
Loans to policyholders	2,495	5,123	93	7,711	5
Total invested assets	$ 64,718	$ 36,198	$ 45,440	$ 146,356	100%

At December 31, 2015, total invested assets were $161.6 billion, an increase of $15.2 billion from December 31, 2014. The increase was primarily due to the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar. The distribution of assets has not changed significantly and remains heavily weighted to bonds and mortgages.

Bond portfolio – It is the Company's policy to acquire only investment grade bonds subject to prudent and well-defined investment policies. The total bond portfolio, including short-term investments, was $114.9 billion or 71% of invested assets at December 31, 2015 and $103.2 billion or 71% at December 31, 2014. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher.

Bond portfolio quality

	December 31, 2015		December 31, 2014	
AAA	**$ 36,434**	**32%**	$ 34,332	34%
AA	**20,364**	**18**	18,954	18
A	**35,623**	**31**	31,133	30
BBB	**20,984**	**18**	17,370	17
BB or lower	**1,538**	**1**	1,379	1
Total	**$ 114,943**	**100%**	$ 103,168	100%

At December 31, 2015, non-investment grade bonds were $1.5 billion or 1.3% of the bond portfolio, which was comparable to $1.4 billion or 1.3% of the bond portfolio at December 31, 2014.

Mortgage portfolio – It is the Company's practice to acquire only high quality commercial mortgages meeting strict underwriting standards and diversification criteria. The Company has a well-defined risk-rating system, which it uses in its underwriting and credit monitoring processes for commercial loans. Residential loans are originated by the Company's mortgage specialists in accordance with well-established underwriting standards and are well diversified across each geographic region, including specific diversification requirements for non-insured mortgages.

Mortgage portfolio

Mortgage loans by type	December 31, 2015 Insured	Non-insured	Total		December 31, 2014 Total	
Single family residential	$ 755	$ 1,207	$ 1,962	9%	$ 1,916	9%
Multi-family residential	2,949	2,872	5,821	26	5,322	26
Commercial	210	14,028	14,238	65	13,308	65
Total	$ 3,914	$ 18,107	$ 22,021	100%	$ 20,546	100%

The total mortgage portfolio was $22.0 billion or 14% of invested assets at December 31, 2015, compared to $20.5 billion or 14% of invested assets at December 31, 2014. Total insured loans were $3.9 billion or 18% of the mortgage portfolio.

Single family residential mortgages

	December 31, 2015		December 31, 2014	
Region				
Ontario	$ 946	49%	$ 933	49%
Quebec	405	21	401	21
Alberta	136	7	134	7
British Columbia	123	6	111	6
Newfoundland	105	5	102	5
Saskatchewan	84	4	78	4
Nova Scotia	62	3	62	3
Manitoba	55	3	51	3
New Brunswick	42	2	41	2
Other	4	–	3	–
Total	$ 1,962	100%	$ 1,916	100%

During the twelve months ended December 31, 2015, single family mortgage originations, including renewals, were $628 million, of which 33% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill their mortgage obligations. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio is 22 years as at December 31, 2015.

Commercial mortgages

	December 31, 2015 Canada	U.S.	Europe	Total	December 31, 2014 Canada	U.S.	Europe	Total
Retail & shopping centres	$ 3,367	$ 731	$ 1,692	$ 5,790	$ 3,410	$ 503	$ 1,581	$ 5,494
Office buildings	1,703	621	946	3,270	1,574	637	693	2,904
Industrial	1,595	1,375	977	3,947	1,578	1,365	734	3,677
Other	390	435	406	1,231	455	383	395	1,233
Total	$ 7,055	$ 3,162	$ 4,021	$ 14,238	$ 7,017	$ 2,888	$ 3,403	$ 13,308

Equity portfolio

	December 31, 2015		December 31, 2014	
Equity portfolio by type				
Publicly traded stocks	$ 7,054	54%	$ 7,012	57%
Privately held equities (at cost)	819	6	808	6
Sub-total	7,873	60	7,820	63
Investment properties	5,237	40	4,613	37
Total	$ 13,110	100%	$ 12,433	100%

Investment properties

	December 31, 2015				December 31, 2014			
	Canada	U.S.	Europe	Total	Canada	U.S.	Europe	Total
Office buildings	$ 955	$ –	$ 730	$ 1,685	$ 749	$ –	$ 774	$ 1,523
Industrial	288	–	762	1,050	290	–	638	928
Retail	204	–	1,417	1,621	204	–	1,191	1,395
Other	341	5	535	881	313	4	450	767
Total	$ 1,788	$ 5	$ 3,444	$ 5,237	$ 1,556	$ 4	$ 3,053	$ 4,613

Equity portfolio – The total equity portfolio was $13.1 billion or 8% of invested assets at December 31, 2015 compared to $12.4 billion or 8% of invested assets at December 31, 2014. The equity portfolio consists of publicly traded stocks, privately held equities and investment properties. The increase in investment properties of $0.6 billion was mainly a result of net market value increases and the strengthening of the British pound against the Canadian dollar.

Impaired investments – Impaired investments include bonds in default, mortgages in default or in the process of foreclosure, investment properties acquired by foreclosure and other assets where management no longer has reasonable assurance that all contractual cash flows will be received.

Impaired investments

	December 31, 2015				December 31, 2014			
	Gross amount	Impairment recovery	Impairment provision	Carrying amount	Gross amount	Impairment recovery	Impairment provision	Carrying amount
Fair value through profit or loss	$ 287	$ 69	$ (1)	$ 355	$ 292	$ 66	$ (3)	$ 355
Available-for-sale	12	2	(3)	11	15	–	(1)	14
Loans and receivables	50	–	(20)	30	33	–	(18)	15
Total	$ 349	$ 71	$ (24)	$ 396	$ 340	$ 66	$ (22)	$ 384

The gross amount of impaired investments totaled $349 million or 0.2% of portfolio investments (including certain assets reported as funds held by ceding insurers) at December 31, 2015 compared with $340 million or 0.2% at December 31, 2014, a net increase of $9 million. Impaired investments increased primarily due to the strengthening of the British pound and U.S. dollar against the Canadian dollar, which was mostly offset by repayments.

The impairment recovery at December 31, 2015 was $71 million, which reflects the improvement in market values of certain impaired investments from the date at which they became impaired. The impairment provision at December 31, 2015 of $24 million was comparable to $22 million at December 31, 2014. While the fair values have improved on certain impaired assets, these assets remain impaired based on other impairment factors as described in the "Summary of Critical Accounting Estimates" section of this document and in note 2 to the Company's December 31, 2015 annual consolidated financial statements.

Provision for future credit losses

As a component of insurance contract liabilities, the total actuarial provision for future credit losses is determined consistent with the Canadian Institute of Actuaries' Standards of Practice and includes provisions for adverse deviation.

At December 31, 2015, the total actuarial provision for future credit losses in insurance contract liabilities was $3,558 million compared to $3,133 million at December 31, 2014, an increase of $425 million primarily due to the impact of currency movement, normal business activity and credit rating activity, partially offset by the impact of basis changes.

The aggregate of impairment provisions of $24 million ($22 million at December 31, 2014) and actuarial provisions for future credit losses in insurance contract liabilities of $3,558 million ($3,133 million at December 31, 2014) represents 2.4% of bond and mortgage assets, including funds held by ceding insurers, at December 31, 2015 (2.4% at December 31, 2014).

Energy Sector

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

	December 31, 2015				
	Canada	U.S.	Europe	Total	Amortized Cost [(2)]
Bonds [(3)]	$ 1,565	$ 2,046	$ 1,605	$ 5,216	$ 5,177
Mortgages	2,204	300	56	2,560	2,560
Investment properties	300	–	–	300	
Total	$ 4,069	$ 2,346	$ 1,661	$ 8,076	

(1) Energy sector bond holdings are a sub-category of certain industry sectors presented in note 7(a)(ii) in the Company's December 31, 2015 annual consolidated financial statements.

(2) Amortized cost is not applicable for Investment properties.

(3) Includes certain funds held by ceding insurers with a carrying value of $570 million and an amortized cost of $544 million.

At December 31, 2015, the Company's holdings of energy sector related investments, including funds held by ceding insurers, were $8.1 billion. This included direct exposure of bond holdings of $5.2 billion, or 3.0% of invested assets, including funds held by ceding insurers, and indirect exposure of commercial mortgages and investment properties of $2.9 billion, or 1.6% of invested assets, including funds held by ceding insurers.

At December 31, 2015, the Company's energy sector related bond holdings of $5.2 billion were well diversified across multiple sub-sectors and were high quality with approximately 97% rated investment grade. Approximately half of the portfolio was invested in Midstream and Refining entities and half in Integrated, Independent and Oil Field Services entities.

In January 2016, Moody's Investors Service (Moody's) and Standard & Poor's Ratings Services revised their forecasts downward for crude oil and natural gas prices. Hydrocarbon price assumptions are a key input into cash flow forecasts and the resulting issuer and sector credit risk profile, particularly for the Integrated, Independent and Oil Field Services sub-sectors. Moody's has changed its outlook to Negative for these three sub-sectors while maintaining a Stable Outlook for the Midstream and Master Limited Partnerships as well as the Refining and Marketing sub-sectors. Underpinning the change in outlook is a forecast for West Texas Intermediate, the U.S. benchmark for crude oil per barrel, of US$33 in 2016, US$38 in 2017 and US$43 in 2018. While the outlook for certain sub-sectors has been lowered, the risk profile for individual issuers within a sub-segment will vary depending upon the credit worthiness of the particular issuer. To date, the impact of the decrease in crude oil prices on the Company's bond holdings has been limited to spread widening and some small increases in asset default provisions as a result of rating downgrades.

In addition to direct exposure related to the bond holdings, the Company also holds commercial mortgages and investment properties that are concentrated in certain geographic regions where the economy is more dependent upon the energy sector. These holdings totaled $2.9 billion at December 31, 2015, and are well diversified across property type – Industrial/Other (29%), Multi-family (28%), Office (23%) and Retail (20%). Approximately 82% of the portfolio is concentrated in the province of Alberta, with the remainder primarily in the state of Texas. The weighted average loan-to-value ratio of the commercial mortgages was less than 55% at December 31, 2015.

Derivative Financial Instruments

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in 2015. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

At December 31, 2015, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $107 million ($52 million at December 31, 2014) and pledged on derivative liabilities was $671 million ($299 million at December 31, 2014). Collateral pledged on derivative liabilities increased in 2015, in response to an increase in derivative liabilities, primarily driven by the impact of the strengthening of the U.S. dollar against the Canadian dollar on cross currency swap fair values.

During the twelve month period ended December 31, 2015, the outstanding notional amount of derivative contracts increased by $1.2 billion to $16.7 billion, primarily as a result of regular hedging activities.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $461 million at December 31, 2015 from $652 million at December 31, 2014. The decrease was primarily due to interest rate swaps that were in an unrealized gain position of $202 million at December 31, 2014 that were unwound in the first quarter of 2015.

Goodwill and Intangible Assets

Goodwill and intangible assets

	December 31	
	2015	2014
Goodwill	**$ 5,913**	$ 5,855
Indefinite life intangible assets	**3,115**	2,788
Finite life intangible assets	**921**	837
Total	**$ 9,949**	$ 9,480

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life, Putnam and Irish Life. Goodwill and intangible assets increased by $469 million to $9,949 million at December 31, 2015 compared to December 31, 2014. Goodwill increased $58 million to $5,913 million driven by currency movements. Indefinite and finite life intangible assets increased by $411 million during 2015. The increase was driven by currency movements and net additions to computer software finite life intangible assets.

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and intangibles at least 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 fourth quarter of 2015, the Company conducted its annual impairment testing of goodwill and intangible assets. There were no impairments to goodwill and indefinite life intangible assets identified during the testing. In the fourth quarter of 2015, the Company recognized an impairment of $2 million ($2 million after-tax) to finite life intangible assets related to computer software.

Refer to note 11 in the Company's December 31, 2015 annual consolidated financial statements for further details of the Company's goodwill and intangible assets. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for details on impairment testing of these assets.

OTHER GENERAL FUND ASSETS

Other general fund assets

	December 31	
	2015	2014
Funds held by ceding insurers	**$15,512**	$ 12,154
Reinsurance assets	**5,131**	5,151
Premiums in course of collection, accounts and interest receivable	**3,553**	3,056
Other assets	**2,643**	2,368
Deferred tax assets	**1,891**	1,631
Owner occupied properties	**653**	619
Derivative financial instruments	**461**	652
Fixed assets	**298**	228
Current income taxes	**69**	48
Total	**$30,211**	$ 25,907

Total other general fund assets at December 31, 2015 were $30.2 billion, an increase of $4.3 billion from December 31, 2014. The increase was primarily due to a $3.4 billion increase in funds held by ceding insurers and a $0.3 billion increase in deferred tax assets. The increase in funds held by ceding reinsurers was primarily due to two large reinsurance agreements entered into during 2015, which included Equitable Life's annuity business.

Other assets comprise several items including prepaid expenses and accounts receivable. Refer to note 13 in the Company's December 31, 2015 annual consolidated financial statements for a breakdown of other assets.

INVESTMENTS ON ACCOUNT OF SEGREGATED FUND POLICYHOLDERS

Segregated funds

	December 31		
	2015	2014	2013
Stock and units in unit trusts	**$ 80,829**	$ 68,911	$ 62,882
Mutual funds	**50,101**	46,707	41,555
Bonds	**42,160**	37,912	34,405
Investment properties	**10,839**	9,533	8,284
Cash and other	**10,279**	8,383	10,454
Mortgage loans	**2,596**	2,508	2,427
Sub-total	**$196,804**	$173,954	$160,007
Non-controlling mutual funds interest	**1,390**	1,012	772
Total	**$198,194**	$174,966	$160,779
Year-over-year growth	**13%**	9%	

Investments on account of segregated fund policyholders which are measured at fair value, increased by $23.2 billion to $198.2 billion at December 31, 2015, primarily due the impact of currency movement of $12.9 billion, the $5.5 billion impact of the LGII acquisition, the combined impact of market value gains and investment income of $4.7 billion, partially offset by net withdrawals of $0.3 billion.

PROPRIETARY MUTUAL FUNDS

Proprietary mutual funds and institutional net assets

	December 31	
	2015	2014
Mutual funds		
Blend equity	**$ 40,070**	$ 37,343
Growth equity	**14,468**	13,587
Equity value	**22,798**	21,130
Fixed-income	**34,384**	32,975
Money market	**123**	118
Great-West Financial Funds (1)	**13,480**	8,033
Sub-total	**125,323**	113,186
Institutional accounts		
Equity	**77,236**	65,157
Fixed-income	**44,458**	37,674
Other	**5,463**	254
Sub-total	**127,157**	103,085
Total proprietary mutual funds and institutional accounts	**$252,480**	$216,271

(1) Excludes $9.1 billion of Putnam managed funds ($1.0 billion at December 31, 2014), which are included in the categories above.

At December 31, 2015, total proprietary mutual funds and institutional accounts includes $218.2 billion at Putnam and Great-West Financial, $4.9 billion at Quadrus, and $28.6 billion at Irish Life. Proprietary mutual funds and institutional accounts under management increased by $36.2 billion, primarily as a result of the positive impact of currency and market movements of $30.0 billion and net inflows of $6.2 billion.

LIABILITIES

Total liabilities

	December 31	
	2015	2014
Insurance and investment contract liabilities	**$160,672**	$ 146,055
Other general fund liabilities	**15,809**	13,791
Investment and insurance contracts on account of segregated fund policyholders	**198,194**	174,966
Total	**$374,675**	$334,812

Total liabilities increased by $39.9 billion to $374.7 billion at December 31, 2015 from December 31, 2014.

Investment and insurance contracts on account of segregated fund policyholders increased by $23.2 billion, primarily due the impact of currency movement of $12.9 billion, the $5.5 billion impact of the LGII acquisition, the combined impact of market value gains and investment income of $4.7 billion, partially offset by net withdrawals of $0.3 billion. Insurance and investment contract liabilities increased by $14.6 billion. The increase was primarily due to the strengthening of the U.S. dollar, euro and British pound against the Canadian dollar. The acquisition of Equitable Life's annuity business and a block of investment contract liabilities in the form of structured settlements with fixed terms and amounts also contributed to the increase.

Insurance and investment contract liabilities represent the amounts that, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in-force. Insurance and investment contract liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. Also, refer to the "Summary of Critical Accounting Estimates" section of this document for further details.

Assets supporting insurance and investment contract liabilities

	Participating Account	Non-Participating			Total
		Canada	United States	Europe	
December 31, 2015					
Bonds	**$ 22,306**	**$ 18,848**	**$ 23,023**	**$ 32,985**	**$ 97,162**
Mortgage loans	**8,341**	**3,839**	**3,813**	**4,358**	**20,351**
Stocks	**4,266**	**1,732**	**–**	**226**	**6,224**
Investment properties	**1,412**	**7**	**–**	**3,342**	**4,761**
Other assets [(1)]	**9,544**	**3,736**	**789**	**18,105**	**32,174**
Total assets	**$ 45,869**	**$ 28,162**	**$ 27,625**	**$ 59,016**	**$ 160,672**
Total insurance and investment contract liabilities	**$ 45,869**	**$ 28,162**	**$ 27,625**	**$ 59,016**	**$ 160,672**
December 31, 2014					
Bonds	$ 19,904	$ 18,991	$ 18,678	$ 30,723	$ 88,296
Mortgage loans	8,126	3,941	3,330	3,702	19,099
Stocks	4,414	1,740	–	191	6,345
Investment properties	1,230	5	–	2,738	3,973
Other assets [(1)]	9,246	3,417	603	15,076	28,342
Total assets	$ 42,920	$ 28,094	$ 22,611	$ 52,430	$ 146,055
Total insurance and investment contract liabilities	$ 42,920	$ 28,094	$ 22,611	$ 52,430	$ 146,055

(1) Other assets include premiums in the course of collection, interest due and accrued, other investment receivables, current income taxes, prepaid expenses, accounts receivable and deferred acquisition costs.

Asset and liability cash flows are matched within reasonable limits to minimize the financial effects of a shift in interest rates and mitigate the changes in the Company's financial position due to interest rate volatility.

Other General Fund Liabilities

Other general fund liabilities

	December 31	
	2015	2014
Debentures and other debt instruments	**$ 5,395**	$ 5,355
Other liabilities	**3,367**	3,099
Derivative financial instruments	**2,624**	1,195
Accounts payable	**1,755**	1,480
Deferred tax liabilities	**1,659**	1,450
Current income taxes	**492**	737
Funds held under reinsurance contracts	**356**	313
Capital trust securities	**161**	162
Total	**$15,809**	$ 13,791

Total other general fund liabilities increased by $2.0 billion to $15.8 billion, primarily due to an increase in derivative financial instruments of $1.4 billion as well as an increase in accounts payable and other liabilities of $0.5 billion.

Other liabilities of $3.4 billion include pension and other post-employment benefits, deferred income reserve, bank overdraft and other liability balances. Refer to note 19 in the Company's December 31, 2015 annual consolidated financial statements for a breakdown of the other liabilities balance and note 17 in the Company's December 31, 2015 annual consolidated financial statements for details of the debentures and other debt instruments.

Segregated Fund and Variable Annuity Guarantees

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

The Company utilizes internal reinsurance treaties to aggregate the business as a risk-mitigating tool. Aggregation enables the Company to benefit from diversification of segregated fund risks within one legal entity, a more efficient and cost effective hedging process, and better management of the liquidity risk associated with hedging. It also results in the Company holding lower required capital and insurance contract liabilities, as aggregation of different risk profiles allows the Company to reflect offsets at a consolidated level.

In Canada, the Company offers individual segregated fund products through Great-West Life, London Life and Canada Life. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits (GMAB). In 2009, Great-West Life, London Life and Canada Life launched new individual segregated fund products which offer three levels of death and maturity guarantees, guarantee reset riders and lifetime guaranteed minimum withdrawal benefits (GMWB).

For a certain generation of products, the guarantees in connection with the Canadian individual segregated fund businesses of Great-West Life, London Life and Canada Life have been reinsured to London Reinsurance Group Inc. (LRG), a subsidiary of London Life. This does not include the guarantees on newer Canadian products, which have been reinsured to London Life. In addition to the guarantees reinsured from Great-West Life, London Life and Canada Life, LRG also has a closed portfolio of GMDB, GMAB and guaranteed minimum income benefits (GMIB) that it has reinsured from other U.S. and Canadian life insurance and reinsurance companies.

In Europe, the Company offers UWP products through Canada Life and unit-linked products with investment guarantees through Irish Life. These products are similar to segregated fund products, but include pooling of policyholders' funds and minimum credited interest rates. The Company also offers a GMWB product in Germany through Canada Life.

In the U.S., the Company offers variable annuities with GMDB through Great-West Financial. Most are a return of premium on death with the guarantee expiring at age 70. Great-West Financial in the U.S. also offers a GMWB product.

For policies with these guarantees, the Company generally determines policy liabilities for the guarantees at a CTE75 (conditional tail expectation of the 75th percentile) level. The CTE75 level determines the amount of policy liabilities as the amount required in excess of the policyholder funds in the average of the 25% worst scenarios tested, using scenario generating processes consistent with the Canadian Institute of Actuaries' Standards of Practice. Generally, if this amount is less than zero, then no policy liability is held for the guarantees.

For purposes of determining the required capital for these guarantees a Total Gross Calculated Requirement (TGCR) is determined and the required capital is equal to the TGCR less the policy liabilities held. The TGCR was $263 million at December 31, 2015 ($206 million at December 31, 2014). The Office of the Superintendent of Financial Institutions (OSFI) rules for the TGCR provide for a CTE98 level for cash flows within one year, CTE95 level for cash flows between one and five years, and between CTE90 level and CTE95 level for cash flows greater than five years. The TGCR is determined separately for business written on or after January 1, 2011, as this business is subject to more stringent rules and cannot be offset by business written prior to 2011. All Canadian business is valued using OSFI approved internal models or approved OSFI factors.

The GMWB products offered by the Company in Canada, the U.S. and Germany, and previously offered in Ireland, provide the policyholder with a guaranteed minimum level of annual income for life. The minimum level of income may increase depending upon the level of growth in the market value of the policyholder's funds. Where the market value of the policyholder's funds is ultimately insufficient to meet the level of guarantee purchased by the policyholder, the Company is obligated to make up the shortfall.

These products involve cash flows of which the magnitude and timing are uncertain and are dependent on the level of equity and fixed-income market returns, interest rates, currency markets, market volatility, policyholder behaviour and policyholder longevity.

The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products. The program methodology quantifies both the embedded option value and its sensitivity to movements in equity markets, currency markets and interest rates. Equity derivative instruments, currency derivative instruments and interest rate derivative instruments are used to mitigate changes in the embedded option value attributable to movements in equity markets, currency markets and interest rates respectively. The hedging program, by its nature, requires continuous monitoring and rebalancing to avoid over or under hedged positions. Periods of heightened market volatility will increase the frequency of hedge rebalancing.

By their nature, certain risks associated with the GMWB product either cannot be hedged, or cannot be hedged on a cost effective basis. These risks include policyholder behaviour, policyholder longevity and basis risk and market volatility. Consequently, the hedging program will not mitigate all risks to the Company associated with the GMWB products, and may expose the Company to additional risks including the operational risk associated with the reliance upon sophisticated models, and counterparty credit risk associated with the use of derivative instruments.

Other risk management processes are in place aimed at appropriately limiting the Company's exposure to the risks it is not hedging or are otherwise inherent in this GMWB hedging program. In particular, the GMWB product has been designed with specific regard to limiting policyholder anti-selection, and the array of investment funds available to policyholders has been determined with a view to minimizing underlying basis risk.

The GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2015, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,488 million ($3,016 million at December 31, 2014).

Segregated fund and variable annuity guarantee exposure

		December 31, 2015 Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total [1]
Canada	$ 29,448	$ –	$ 48	$ 213	$ 213
United States	11,726	28	–	55	83
Europe					
Insurance & Annuities	8,853	3	–	444	444
Reinsurance [2]	1,240	441	–	29	470
Total Europe	10,093	444	–	473	914
Total	**$ 51,267**	**$ 472**	**$ 48**	**$ 741**	**$ 1,210**

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on December 31, 2015.

(2) Reinsurance exposure is to markets in Canada and the United States.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity or death) assuming it occurred on December 31, 2015. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $4 million in-quarter ($2 million for the fourth quarter of 2014) and $15 million year-to-date ($10 million year-to-date for 2014), with the majority arising in the Reinsurance business unit in the Europe segment.

Lifeco Capital Structure

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

Debentures and Other Debt Instruments

At December 31, 2015, debentures and other debt instruments of $5,395 million were comparable to December 31, 2014.

Refer to note 17 in the Company's December 31, 2015 annual consolidated financial statements for further details of the Company's debentures and other debt instruments.

Capital Trust Securities

At December 31, 2015, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets at December 31, 2015 were CLiCS – Series B with a fair value of $50 million and principal value of $37 million (fair value of $51 million at December 31, 2014).

Each holder of the CLiCS – Series B is entitled to receive a semi-annual non-cumulative fixed cash distribution of $37.645 per CLiCS – Series B, representing an annual yield of 7.529% payable out of Canada Life Capital Trust's (CLCT) distributable funds. Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time and the CLiCS – Series B are callable at par on June 30, 2032.

Equity

Share capital outstanding at December 31, 2015 was $9,670 million, which comprises $7,156 million of common shares, $2,264 million of non-cumulative First Preferred Shares, $213 million of 5-year rate reset First Preferred Shares and $37 million of floating rate First Preferred Shares.

Common shares

At December 31, 2015, the Company had 993,350,331 common shares outstanding with a stated value of $7,156 million compared to 996,699,371 common shares with a stated value of $7,102 million at December 31, 2014.

The Company commenced a normal course issuer bid (NCIB) on December 9, 2014, that terminated on December 8, 2015, to purchase and cancel up to 8,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan. During the twelve months ended December 31, 2015, the Company repurchased and subsequently cancelled 6,279,856 common shares (2014 – 3,024,050) at an average cost per share of $35.17 (2014 – $31.60) under its NCIB.

Subsequent to December 31, 2015, in order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan and for other capital management purposes, the Company commenced a NCIB on January 8, 2016 for one year, enabling the Company to purchase and cancel up to 8,000,000 of its common shares at market prices.

Preferred shares

At December 31, 2015, the Company had 10 series of fixed rate First Preferred Shares, one series of 5-year rate reset First Preferred Shares and one series of floating rate First Preferred Shares outstanding with aggregate stated values of $2,264 million, $213 million and $37 million, respectively.

The terms and conditions of the outstanding First Preferred Shares are set out in the table below:

	Great-West Lifeco Inc.					
	Series F	Series G	Series H	Series I	Series L	Series M
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Jul 10, 2003	Sep 14, 2004	Aug 12, 2005	Apr 12, 2006	Oct 2, 2009	Mar 4, 2010
Shares Outstanding	7,740,032	12,000,000	12,000,000	12,000,000	6,800,000	6,000,000
Amount Outstanding (Par)	$193,531,075	$300,000,000	$300,000,000	$300,000,000	$170,000,000	$150,000,000
Yield	5.90%	5.20%	4.85%	4.50%	5.65%	5.80%
Earliest Issuer Redemption Date	Sep 30, 2008	Dec 31, 2009	Sep 30, 2010	Jun 30, 2011	Dec 31, 2014	Mar 31, 2015

	Great-West Lifeco Inc.					
	Series N (1)	Series O (1)	Series P	Series Q	Series R	Series S
General Type	5-Year Rate Reset	Floating Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Nov 23, 2010	Dec 31, 2015	Feb 22, 2012	Jul 6, 2012	Oct 11, 2012	May 22, 2014
Shares Outstanding	8,524,422	1,475,578	10,000,000	8,000,000	8,000,000	8,000,000
Amount Outstanding (Par)	$213,110,550	$36,889,450	$250,000,000	$200,000,000	$200,000,000	$200,000,000
Yield	2.176%	Floating	5.40%	5.15%	4.80%	5.25%
Earliest Issuer Redemption Date	Dec 31, 2015	Dec 31, 2015	March 31, 2017	Sep 30, 2017	Dec 31, 2017	Jun 30, 2019

(1) On December 31, 2015, at the election of certain holders of Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares, the Company converted 1,475,578 Series N Shares on an one-for-one basis into Series O, Non-Cumulative Floating Rate First Preferred Shares. The floating dividend rate for the Series O Shares issued on December 31, 2015 will be 1.742% for the period commencing on December 31, 2015 and ending on March 30, 2016. For the remaining Series N Shares, the annual fixed dividend rate for the five-year period commencing on December 31, 2015 and ending on December 30, 2020 will be 2.176% per annum (3.65% to December 30, 2015). The remaining Series N Shares are redeemable at the option of the Company on December 31, 2020 and on December 31 every five years thereafter for $25 per share plus all declared and unpaid dividends to the date fixed for redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O share at the option of the holders on December 31, 2020 and on December 31 every five years thereafter. The Series O Shares are redeemable at the option of the Company for $25.50 per share, unless the shares are redeemed on December 31, 2020 or on December 31 every five years thereafter in which case the redemption price will be $25.00 per share, together in each case with all declared and unpaid dividends to but excluding the date of redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series O share conditions, each Series O share is convertible into one Series N share at the option of the holders on December 31, 2020 and on December 31 every five years thereafter.

The terms and conditions of the Series F, G, H, I, L, M, N, O, P, Q, R and S First Preferred Shares do not allow the holder to convert to common shares of the Company or to otherwise cause the Company to redeem the shares. Preferred shares issued by the Company are commonly referred to as perpetual and represent a form of financing that does not have a fixed term.

Non-Controlling Interests

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries. Refer to note 20 in the Company's December 31, 2015 annual consolidated financial statements for further details of the Company's non-controlling interests.

Non-controlling interests

	December 31	
	2015	2014
Participating account surplus in subsidiaries:		
Great-West Life	**$ 607**	$ 579
London Life	**1,765**	1,720
Canada Life	**222**	167
Great-West Financial	**17**	14
	$ 2,611	$ 2,480
Non-controlling interests in subsidiaries	**$ 195**	$ 163

Liquidity and Capital Management and Adequacy

Liquidity

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by internal funds and maintaining adequate levels of liquid investments. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At December 31, 2015, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.1 billion ($7.3 billion at December 31, 2014) and other available government bonds of $35.6 billion ($32.8 billion at December 31, 2014). Included in the cash, cash equivalents and short-term bonds at December 31, 2015 was approximately $0.9 billion ($0.7 billion at December 31, 2014) at the Lifeco holding company level. In addition, the Company maintains sufficient committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

As a holding company, the Company's ability to pay dividends is dependent upon the Company receiving dividends from its operating subsidiaries. The Company's operating subsidiaries are subject to regulation in a number of jurisdictions, each of which maintains its own regime for determining the amount of capital that must be held in connection with the different businesses carried on by the operating subsidiaries. The requirements imposed by the regulators in any jurisdiction may change from time to time, and thereby impact the ability of the operating subsidiaries to pay dividends to the Company. For entities based in Europe, the local solvency capital regime has changed to the Solvency II basis, effective January 1, 2016. During 2015, the Company's regulated European businesses prepared for the implementation of the new regulatory requirements and work will continue in 2016 towards obtaining additional approvals and managing the potential capital volatility under the new regulations in 2016.

Liquid assets and other marketable securities

	December 31	
	2015	2014
Liquid assets		
Cash, treasury bills and certificates of deposits	**$ 7,056**	$ 7,272
Government bonds	**35,576**	32,804
Total liquid assets	**42,632**	40,076
Other marketable securities		
Corporate bonds	**45,130**	40,255
Common/Preferred shares (public)	**7,054**	7,012
Residential mortgages – insured	**3,704**	3,745
Total	**$98,520**	$ 91,088

Cashable liability characteristics

	December 31	
	2015	2014
Surrenderable insurance and investment contract liabilities		
At market value	**$19,641**	$ 16,794
At book value	**47,403**	42,210
Total	**$67,044**	$ 59,004

The majority of the liquid assets and other marketable securities comprise fixed-income securities whose value is inversely related to interest rates. Consequently, a significant rise in prevailing interest rates would result in a decrease in the value of this pool of liquid assets. As well, a high interest rate environment may prompt holders of certain types of policies to terminate their policies, thereby placing demands on the Company's liquidity position.

The carrying value of the Company's liquid assets and other marketable securities is approximately $98.5 billion or 1.5 times the Company's expected total surrenderable insurance and investment contract liabilities. The Company believes that it holds a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

Cash Flows

Cash flows

	For the three months ended December 31		For the twelve months ended December 31	
	2015	2014	**2015**	2014
Cash flows relating to the following activities:				
Operations	**$ 1,063**	$ 712	**$ 5,123**	$ 5,443
Financing	**(194)**	(609)	**(1,683)**	(1,685)
Investment	**(1,802)**	(1,054)	**(3,424)**	(4,129)
	(933)	(951)	**16**	(371)
Effects of changes in exchange rates on cash and cash equivalents	**33**	23	**299**	78
Increase (decrease) in cash and cash equivalents in the period	**(900)**	(928)	**315**	(293)
Cash and cash equivalents, beginning of period	**3,713**	3,426	**2,498**	2,791
Cash and cash equivalents, end of period	**$ 2,813**	$ 2,498	**$ 2,813**	$ 2,498

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

In the fourth quarter of 2015, cash and cash equivalents decreased by $900 million from September 30, 2015. Cash flows provided by operations during the fourth quarter of 2015 were $1,063 million, an increase of $351 million compared to the fourth quarter of 2014. Cash flows used in financing were $194 million, primarily used for payment of dividends to the preferred and common shareholders of $355 million, partially offset by an increase to a line of credit of a subsidiary of $161 million. For the three months ended December 31, 2015, cash flows were used by the Company to acquire an additional $1,802 million of investment assets.

For the twelve months ended December 31, 2015, cash and cash equivalents increased by $315 million from December 31, 2014. Cash flows provided by operations were $5,123 million, a decrease of $320 million compared to the same period in 2014. Cash flows used in financing were $1,683 million, primarily used for payment of dividends to the preferred and common shareholders of $1,424 million, the purchase and cancellation of $221 million in common shares and a $130 million decrease in a line of credit of a subsidiary. In the first quarter of 2015, the Company increased the quarterly dividend to common shareholders from $0.3075 per common share to $0.3260 per common share. For the twelve months ended December 31, 2015, cash flows were used by the Company to acquire an additional $3,424 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations

	Payments due by period						
At December 31, 2015	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
1) Debentures and other debt instruments	$ 5,417	$ 467	$ 300	$ 200	$ –	$ 500	$ 3,950
2) Operating leases							
– office	463	113	98	85	52	39	76
– equipment	8	3	3	2	–	–	–
3) Purchase obligations	227	85	45	33	30	27	7
4) Credit-related arrangements							
(a) Contractual commitments	203	203	–	–	–	–	–
(b) Letters of credit	see note 4(b) below						
5) Pension contributions	198	198	–	–	–	–	–
Total contractual obligations	**$ 6,516**	**$ 1,069**	**$ 446**	**$ 320**	**$ 82**	**$ 566**	**$ 4,033**

1) Refer to note 17 in the Company's December 31, 2015 annual consolidated financial statements.

2) Operating leases include office space and certain equipment used in the normal course of business. Lease payments are charged to operations over the period of use. Subsequent to year-end, one of the Company's subsidiaries signed an office lease for 15 years commencing in 2018, for an additional commitment of $271 million over the period of the lease.

3) Purchase obligations are commitments to acquire goods and services, essentially related to information services.

4) (a) Contractual commitments are essentially commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions.

(b) Letters of credit (LOC) are written commitments provided by a bank. The total amount of LOC facilities is US$2.9 billion of which US$2.7 billion were issued as of December 31, 2015.

The Reinsurance operation periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities. The Company may be required to seek collateral alternatives if it is unable to renew existing LOCs on maturity. Various Lifeco subsidiaries have provided LOCs as follows:

To external parties

Clients residing in the United States are required pursuant to their insurance laws to obtain letters of credit issued on the Company's behalf from approved banks in order to further secure the Company's obligations under certain reinsurance contracts.

The Great-West Life Assurance Company has a LOC facility for US$600 million with a bank syndicate, which can be used by Great-West Life and its subsidiaries. As of December 31, 2015, Great-West Life subsidiaries have issued US$228 million to external parties.

The Great-West Life Assurance Company also has a LOC facility for US$325 million for use by Great-West Life and its subsidiaries. Under this facility, Canada Life has issued US$56 million to external parties. Subsequent to December 31, 2015, this facility was increased to US$375 million.

As well, certain London Reinsurance Group subsidiaries and London Life have provided LOCs totaling US$8 million to external parties.

To internal parties

GWL&A Financial Inc. has a US$1.2 billion LOC facility. As of December 31, 2015, US$1,180 million has been issued to the U.S. branch of Canada Life as beneficiary, to allow it to receive statutory capital credit for reserves ceded to Great-West Life & Annuity Insurance Company of South Carolina.

GWL&A also has a US$70 million LOC facility in place. As of December 31, 2015, US$70 million has been issued to Great-West Life & Annuity Insurance Company of South Carolina as beneficiary, to allow it to receive statutory capital credit.

The Canada Life Assurance Company has a £117 million LOC issued to Canada Life Limited (CLL) as beneficiary, to allow CLL to receive statutory capital credit in the United Kingdom for a loan made from The Canada Life Group (U.K.) Limited.

Canada Life Reinsurance has a US$500 million LOC facility. As of December 31, 2015, US$474 million has been issued to Canada Life's U.S. Branch.

In addition, using capacity from the facilities listed above, Great-West Life subsidiaries have issued US$550 million to other subsidiaries.

5) Pension contributions are subject to change, as contribution decisions are affected by many factors including market performance, regulatory requirements and management's ability to change funding policy. Funding estimates beyond one year are excluded due to the significant variability in the assumptions required to project the timing of future contributions.

Capital Management and Adequacy

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

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. The capitalization decisions of the Company and its operating subsidiaries also give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

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

Great-West Life's MCCSR ratio at December 31, 2015 was 238% (224% at December 31, 2014). London Life's MCCSR ratio at December 31, 2015 was 226% (247% at December 31, 2014). Canada Life's MCCSR ratio at December 31, 2015 was 260% (237% at December 31, 2014). The MCCSR ratio does not take into account any impact from $0.9 billion of liquidity at the Lifeco holding company level at December 31, 2015 ($0.7 billion at December 31, 2014).

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

At December 31, 2015, the Risk Based Capital (RBC) ratio of Great-West Financial, Lifeco's regulated U.S. operating company, is estimated to be 441% (417% at December 31, 2014) of the Company Action Level set by the National Association of Insurance Commissioners. Great-West Financial reports its RBC ratio annually to U.S. Insurance Regulators.

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

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

OSFI Regulatory Capital Initiatives

OSFI has commenced work on a number of initiatives that will have or may have application to the calculation and reporting of the MCCSR ratio of the Company or certain of its subsidiaries.

These initiatives are discussed in the 2013 OSFI Life Insurance Regulatory Framework. Within the Framework, there are three broad categories specific to regulatory capital amounts: the review of methodology used to determine capital requirements in connection with segregated fund guarantees; the review of the qualifying criteria and capital components of Available Capital; and the new regime for calculating capital requirements relating to credit, market, insurance and operational risk. In tandem with these reviews, OSFI will consider the extent of diversification benefits and hedging credits to reflect in its new framework.

The Company is presently reviewing the OSFI proposals that have been released to the industry to date, and is in ongoing dialogue with OSFI, the Canadian Institute of Actuaries, the Canadian Life and Health Insurance Association and other industry participants. The Company is also actively participating in OSFI Quantitative Impact Studies relating to its Life Insurance Regulatory Framework initiatives. At this point, the Company cannot determine what the final outcome of these initiatives will be.

Capital Allocation Methodology

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

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

Return on Equity [1]

	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014
Canada	**20.2%**	21.4%	22.1%
U.S. Financial Services [2]	**13.0%**	14.2%	16.3%
U.S. Asset Management (Putnam)	**1.4%**	(0.4)%	(3.6)%
Europe	**16.8%**	17.3%	17.7%
Lifeco Corporate	**(2.7)%**	(2.4)%	(5.3)%
Total Lifeco Net Earnings Basis	**14.7%**	15.2%	15.7%

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

The Company reported ROE of 14.7% at December 31, 2015 compared to 15.7% at December 31, 2014. While net earnings increased 8.5% in 2015, ROE decreased from the prior year as a result of the growth in the average common shareholders' equity which increased more than net earnings primarily due to the impact of currency movement as the U.S. dollar, British pound and euro strengthened against the Canadian dollar.

Ratings

The Company's financial leverage ratio has been maintained at less than 30% during 2015, consistent with credit rating agencies' targets for highly rated entities and provides the Company with financial flexibility to invest in organic growth and acquisition strategies.

Lifeco maintains ratings from five independent ratings companies. In 2015, the credit ratings for Lifeco and its major operating subsidiaries were mostly unchanged, with the exception of the DBRS Limited (DBRS) ratings (set out in table below). The ratings changes from DBRS were the result of a methodology change, which included the replacement of the claims paying ability category with the financial strength category and the addition of an issuer rating. The senior debt rating for Lifeco was downgraded from AA (low) to A (high) as a result of the DBRS methodology change. The Company continues to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record.

Lifeco's operating companies are assigned a group rating from each rating agency. This group rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and Europe. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco.

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

Irish Life Assurance Plc (ILA) is not part of the group ratings. During 2015, Fitch Ratings upgraded the insurer financial strength of ILA from A+ to AA- and Standard & Poor's Ratings Services upgraded the long-term credit rating of ILA from A to A+. Subsequent to December 31, 2015, on January 26, 2016, Fitch Ratings upgraded Irish Life's insurer financial strength to AA from AA-. During 2015, the ILA €200 million perpetual capital notes assumed on the acquisition of Irish Life were upgraded from BBB+ to A- by Fitch Ratings and from BBB+ to A- by Standard & Poor's Ratings Services. Subsequent to December 31, 2015, on January 26, 2016, Fitch Ratings upgraded the rating of these notes from A- to A.

RISK MANAGEMENT

Effective risk management requires comprehensive processes to identify, assess and control the Company's risk exposures. Risk management is based on guiding principles applied consistently across all categories of risk and include:

- **Culture:** Disciplined risk management permeates throughout the Company and reflects the collective sense of responsibility to fulfill policyholder promises and safeguard the Company's financial strength and reputation;
- **Control:** Clearly defined risk policies and effective internal controls are key elements of risk governance;
- **Accountability:** Individuals authorized to commit the Company to courses of action are fully accountable for associated risks and their incentives are aligned with the Company's overall business objectives; and
- **Oversight:** The Risk Function independently monitors and challenges risk-taking activities.

The Company's risk governance model operates based on three lines of defense:

- **First line:** Business segments and support functions have primary responsibility for identifying and managing the risks inherent in the products, activities, processes and systems for which they are accountable;
- **Second line:** The Risk Function is primarily accountable for independent oversight of risk-taking; in this role, the Risk Function receives support from other second line functions including Actuarial, Compliance and Finance; and
- **Third line:** Internal Audit is accountable for independent assurance and validation of the design and effectiveness of the Company's risk management controls, processes and systems.

The Risk Function is embedded throughout the Company's businesses to ensure an integrated approach to managing current and emerging risks. The Risk Function supports the management of risk through the development and continuous improvement of effective risk management processes, which include the creation of appropriate controls, independent oversight and constructive challenge.

RISK MANAGEMENT ORGANIZATION

The Board of Directors is ultimately responsible for the Company's governance principles and policies. These include the Enterprise Risk Management (ERM) Policy, which establishes the guiding principles of risk management, and the Risk Appetite Framework (RAF), which reflects the aggregate levels and types of risk that the Company is willing to tolerate in its business activities and operations.

The Board of Directors addresses risk management primarily through its Risk Committee, which is responsible for:

- Approving and oversight of the ERM, credit, market, insurance and operational risk policies;
- Approving the risk limit framework;
- Monitoring adherence to risk limits and to risk policies, including reviewing policy exceptions;
- Reviewing top risk issues, exposures, emerging risks and the Company's risk culture;
- Reviewing stress testing including Dynamic Capital Adequacy Testing (DCAT), and Own Risk Solvency Assessment (ORSA); and
- Reviewing the performance and compensation of the Company's Chief Risk Officer (CRO) and providing input on appointment or removal.

Members of the Board Risk Committee are independent of management. The Governance and Nominating Committee of the Board of Directors regularly assess Board and Board Committee effectiveness.

Key Risk Management Bodies			
Board of Directors		Compliance	Internal Audit
Risk Committee			
Executive Risk Mgmt Committee (ERMC)			
Risk Specific Oversight Committees	**Regional Business Segment ERMCs**		
Credit Risk Management Committee	Canada		
Market Risk Committee	U.S.		
Insurance Risk Committee	Europe/Reinsurance		
Operational Risk Committee			

Under the Company's Board Risk Committee, the Executive Risk Management Committee (ERMC) oversees all forms of risk and implements the risk management framework. Four enterprise-wide sub-committees provide oversight of each of the key risk categories and regional ERMCs monitor all risk categories for businesses and operations within their respective segments. Other Board and Executive Management Committees also have certain responsibilities to ensure a comprehensive and effective framework of controls is in place to manage all risks.

The Company's CRO reports directly to the President and Chief Executive Officer (CEO) and to the Board Risk Committee. The Company's CRO leads the Risk Function and chairs the ERMC.

The Company's CRO is accountable to the Board Risk Committee for reporting on compliance with the ERM Policy and the RAF as well as for escalating matters that require attention, such as policy breaches and exceptions.

Risk resources and capabilities are aligned with the Company's businesses through local proximity and central areas of expertise and efficiency. Central expert resources embed common global processes into local responsibilities, support efficiency and provide a centre of expertise. Regional CROs, representing Canada, U.S. and Europe, have dual reporting relationships, both to the Company's CRO and to the leaders of their respective regions. Their key responsibilities include:

- Providing independent risk oversight and advisory support for all risk-taking activities across their region;
- Implementing the Company's Enterprise Risk Management Framework for their region and monitoring compliance with the Framework.

Risk Appetite Framework

The Company has a Risk Appetite Framework approved by the Board of Directors. This framework includes a risk strategy fully aligned with the business strategy; a Risk Appetite that reflects the levels and types of risk that the Company is willing to accept to achieve its business objectives; and enterprise risk limits, which are further broken down by business unit and risk type.

The Company's Risk Appetite Statement has four key components:

- **Strong Capital Position:** The Company maintains a strong balance sheet and does not take risks that would jeopardize its financial strength;
- **Mitigated Earnings Volatility:** The Company seeks to avoid substantial earnings shortfalls by managing risk concentration, limiting exposure to more volatile lines of business and seeking to diversify across various risk dimensions (e.g. product, distribution channel, counterparty and geography);
- **Strong Liquidity:** The Company maintains a high quality, diversified investment portfolio with sufficient liquidity to meet the demands of policyholder and financing obligations under normal and stressed conditions. The Company takes liquidity into consideration when designing products and entering into transactions; and
- **Maintaining the Company's Reputation:** The Company considers the potential reputational impact of all business activities and operations.

Risk Processes

Risk processes follow a cycle of: identification, measurement, management, monitoring and reporting and are designed to ensure both current and emerging risks are assessed against the RAF and any associated breaches are managed and mitigated.

Risk identification requires the structured analysis of the current and emerging risks facing the Company, so that they are understood and appropriately controlled. Processes ensure risks are considered, assessed and prioritized in all business initiatives and changes, including investment strategies, product design, significant transactions, annual planning and budgeting as well as potential mergers/acquisitions.

The Company has processes in place to continually identify risk exposures and where appropriate develops mitigation strategies to pro-actively manage these risks.

Effective risk management requires the selection and implementation of approaches to accept, reject, transfer, avoid or control risk, including mitigation plans. It is based on a control framework that includes approved risk limits, key risk indicators and early-warning triggers to ensure appropriate escalation and resolution of potential issues in a timely manner.

Risk measurement provides the means to quantify the risk profile, which can then be compared to the Company's approved risk limits. Risk metrics used at the Company include capital at risk, liquidity and earnings at risk. Any new business development or change in strategy warrants an independent assessment of risk and potential impact on reputation, including measurement of the impact on capital, earnings and liquidity. Stress testing is used to evaluate risk exposures against risk limits. Sensitivity testing of key risks is used to evaluate the impact of risk exposures independent of other risks. Scenario testing is used to evaluate the combined impact of multiple risk exposures.

A key responsibility of the Risk Function is to ensure that the risk appetite is applied consistently across the Company and limits are established such that risk exposures comply with the risk strategy, risk appetite and Company-wide risk policies.

Risk Monitoring, Reporting and Escalation

Risk monitoring relates to ongoing oversight and tracking of the Company's risk exposures, ensuring that the risk management approaches in place remain effective. Monitoring may also identify risk-taking opportunities. Both current and emerging risks are monitored.

Risk reporting presents an accurate and timely picture of existing and emerging risk issues and exposures as well as their potential impact on business activities.

Reporting highlights the risk profile relative to the risk appetite and associated risk limits. Changes to the risk profile and any proposed plans that align the risk profile relative to the risk appetite are also identified.

A clearly defined escalation protocol has been established in respect of breaches of the RAF, risk policies or operating standards and guidelines. Remediation plans are reviewed by the Risk Function and escalated to designated management and Board committees.

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 processes used to manage the risks, may be broadly grouped into four categories:

1. Insurance Risks
2. Credit Risks
3. Market and Liquidity Risks
4. Operational/Other Risks

Insurance Risks

Insurance Risk Description

Insurance risk arises from the risk associated with contractual promises and obligations made under insurance contracts. Exposure to this risk results from adverse events occurring under specified perils and conditions covered by the terms of an insurance policy.

Insurance risk includes uncertainties around the ultimate amount of net cash flows (premiums, commissions, claims, payouts and related settlement expenses), the timing of the receipt and payment of these cash flows as well as the impact of policyholder behaviour (e.g. lapses).

Insurance Risk Management

By their nature, insurance products involve commitments by the insurer to provide services and financial obligations with coverage for extended periods of time. In order to provide insurance protection profitably, the insurer must design and price products so that the premiums received, and the investment income earned on those premiums, will be sufficient to pay future claims and expenses associated with the product. This requires the insurer, in pricing products and establishing insurance contract liabilities, to make assumptions regarding expected levels of income, claims and expenses and how policyholder behaviours might impact these assumptions. Although pricing on some products is guaranteed throughout the life of the contract, insurance contract liability valuation requires regular updating of assumptions to reflect emerging experience. Ultimate profitability will depend upon the relationship between actual experience and pricing assumptions over the contract period.

The Company maintains Corporate Product Design and Pricing Risk Management Policies and Corporate Reinsurance Ceded Risk Management Policies, which are reviewed and approved by the Board of Directors of the principal operating subsidiaries. These policies are intended to ensure that consistent guidelines and standards for the product design and pricing risk management processes and reinsurance ceded risk management practices associated with insurance business are followed across the Company. These policies outline the requirements of corresponding policies, including approval practices, that each line of business is required to develop, maintain and follow.

The Company maintains a Corporate Actuarial Valuation Policy, which sets out the documentation and control standards that are designed to ensure that valuation standards of the Canadian Institute of Actuaries and of the Company are applied across all lines of business and jurisdictions. Certifying Actuaries confirm their compliance with this policy quarterly.

The Company issues both participating and non-participating life insurance policies. The Company maintains accounts in respect of participating policies separately from those maintained in respect of other policies, as required by the Insurance Companies Act (Canada). Participating policies are those that entitle the holder of the policy to participate in the profits of the participating accounts of the Company pursuant to a policy for determining dividends to be paid to participating policyholders. The Company maintains Participating Policyholder Dividend Policies and Participating Account Management Policies, approved by the Board of Directors of the principal operating subsidiaries, which govern the management of participating accounts and provide for the distribution of a portion of the net earnings in the participating account as participating policyholder dividends. The Company also maintains methods for allocating to the participating account investment income, expenses and taxes of the Company. The Appointed Actuaries opine and annually report to the Board of Directors of the principal operating subsidiaries on the fairness and equity of these methods and that any participating policyholder dividends declared are in accordance with the Participating Policyholder Dividend Policy.

The following identifies the key insurance risks and risk management strategies used by the Company.

Risk	Management of Risk
Claims Mortality and Morbidity	
Mortality relates to the occurrence of death and morbidity relates to the incidence and duration of disability insurance claims, the incidence of critical conditions for critical illness insurance, and the utilization of health care benefits. There is a risk that the Company mis-estimates the level of mortality or morbidity, or accepts customers who generate worse mortality and morbidity experience than expected.	Research and analysis is done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active. Underwriting limits control the amount of risk exposure. Underwriting practices control the selection of risks insured for consistency with claims expectations. Underwriting policies have been developed to support the long-term sustainability of the business. The insurance contract liabilities established to fund future claims include a provision for adverse deviation, set in accordance with professional standards. This margin is required to provision for the possibilities of mis-estimation of the best estimate and/or future deterioration in the best estimate assumptions. The Company sets and adheres to retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk. The Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or benefits usually constrained by contractual limits or in the case of participating policies through future changes in policyholder dividends. Effective plan design and claims adjudication practices, for both morbidity and mortality risks are critical to the management of the risk.
Concentration	
For Group life products, exposure to a multiple death scenario, due to concentration of risk in employment locations for example, could have an impact on financial results.	Risk concentrations are monitored for new business and renewals. Plan design features and medical underwriting limit the amount of insurance on any one life. The Company may impose single-event limits on some group plans and declines to quote in localized areas where the aggregate risk is deemed excessive.
Healthcare Cost Inflation	
For Group healthcare products, inflation and utilization will influence the level of claim costs. Claims utilization can be difficult to predict. The impact of aging, which plays a role in utilization, is well documented; however, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs.	The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees, and through pricing that considers demographic and other trend factors.
Longevity	
Annuitants could live longer than was estimated by the Company.	Business is priced using prudent mortality assumptions, which take into account recent Company and industry experience and the latest research on expected future trends in annuitant mortality. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk. The Company has processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to limit annuity payments to those contractually entitled to receive them and helps ensure mortality data used to develop pricing assumptions is as complete as possible.
Policy Termination	
Many products are priced and valued to reflect the expected duration of contracts. There is a risk that the contract may be terminated before expenses can be recovered, to the extent that higher costs are incurred in early contract years. Risk also exists where the contract is terminated later than assumed, on certain long-term level premium products where costs increase by age. The risk also includes the potential cost of cash flow mismatch on book value products.	Business is priced using prudent policy termination assumptions, which take into account recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated for future new issues as necessary. The Company also incorporates early surrender charges into contracts and incorporates commission claw backs in its distribution agreements to reduce unrecovered expenses. Policyholder taxation rules in many jurisdictions encourage the retention of insurance coverage.

Expense Management	
Increases in operating expenses could reduce profit margins.	Expense management programs are regularly monitored to control unit costs and form a component of management incentive compensation plans.
Interest Rate Pricing and Repricing	
Products are priced and valued based on the investment returns available on the assets that support the insurance and investment contract liabilities. If actual investment returns are different from those implicit in the pricing assumptions, actual returns in a given period may be insufficient to cover contractual guarantees and commitments or insurance and investment contract liability requirements. Products with long-term cash flows and pricing guarantees carry more risk.	There is regular and ongoing communication between pricing, valuation and investment management to establish appropriate interest rate assumptions, with a focus on closely matching assets and liabilities to minimize reinvestment risks, bearing in mind assets may not be available to match the liabilities, especially at longer durations.
Reinsurance Assumed	
The reinsurance business in particular has exposure to natural catastrophic events that result in property damage. As retrocessionaire for property catastrophe risk, the Company generally participates at significantly more remote event-loss exposures than primary carriers and reinsurers. Generally, an event of significant size must occur prior to the Company incurring a claim.	The Company limits the total maximum claim amount under all property catastrophe contracts. The Company monitors cedant companies' claims experience on an ongoing basis and incorporates their experience in pricing models to ensure that the compensation is adequate for the risk undertaken.
Investment Guarantees	
A significant decline in market values could increase the cost to the Company associated with segregated fund death, maturity, income and withdrawal guarantees. In addition, lower interest rates and increased policyholder utilization could increase the cost to the Company associated with general fund account guarantees, segregated fund income and withdrawal guarantees.	Prudent product design, effective marketing, asset allocation within client portfolios and our broad distribution within Canada and the U.S., all contribute to a significantly diverse profile of in-force segregated funds, issued steadily over many years, which helps to mitigate exposure in Canada and the U.S. to guarantees related to segregated funds. The Company has implemented a hedging program for segregated funds with withdrawal guarantees. This program consists of entering into equity futures, currency forwards, interest rate futures and swaps to mitigate exposure to the movement in the cost of withdrawal guarantees due to changes in capital markets.

Credit Risks

Credit Risk Description

Credit risk arises from an obligor's potential inability or unwillingness to fully meet its on and off-balance sheet contractual obligations. Exposure to this risk occurs any time funds are extended, committed or invested through actual or implied contractual agreements. Components of credit risk include loan loss/principal risk, pre-settlement/replacement risk and settlement risk.

Obligors include issuers, debtors, borrowers, brokers, policyholders, reinsurers, derivative counterparties and guarantors.

Credit Risk Management

The Company's credit risk management principles include an internal assessment of obligors' creditworthiness based on a thorough and objective analysis of business risk, financial profile, structural issues, security ranking and covenants. The assessment uses a combination of ongoing bottom-up credit analysis and top-down strategic views on the economy and industry sectors.

The Company has established credit risk processes which are designed to ensure that the Company has identified existing and emerging credit risks, and that these risks have been assessed against the RAF and risk limits, breaches have been escalated and appropriate risk mitigation strategies have been deployed.

The following identifies the key credit risks and risk management strategies used by the Company.

Risk	Management of Risk
The risk of loss if debtors, counterparties or intermediaries are unable or unwilling to fulfill their financial obligations.	It is Company policy to acquire only investment grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class. Credit ratings for bonds are determined by an internal credit assessment, taking into consideration the ratings assigned by recognized rating agencies. These portfolios are monitored continuously and reviewed regularly with the Board of Directors or the Investment Committees.
The Company is a user of reinsurance and manages the associated reinsurance risk.	Underwriting guidelines set out minimum criteria for reinsurance counterparties. The Company cedes insurance risk in order to mitigate insurance risk. Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Corporate Reinsurance Ceded Risk Management Policy. There are a limited number of large providers of reinsurance globally. By nature, the Company is exposed to systemic risk as well as larger individual exposures and seeks to limit the exposure to these companies in other areas. The level of investment in bonds or equities issued by these reinsurers is closely monitored. Reinsurance counterparty risk is also limited by seeking protection in the form of collateral or funds withheld arrangements where possible.
The Company engages with counterparties for its use of derivatives. The Company uses derivatives for risk mitigation purposes.	Investment policies include derivative counterparty limits and the Company seeks collateral arrangements where possible. Derivative products are traded through exchanges or with counterparties approved by the Board of Directors or the Investment Committees of the Board of Directors. The Company regularly monitors investment markets and economic conditions and may execute from time-to-time risk reduction programs, such as hedging.

Market and Liquidity Risks

Market and Liquidity Risk Description

Market risk and liquidity risk arise from potential changes in market rates, prices or liquidity in various markets, such as for interest rates, real estate, currency, common shares and commodities. Exposure to the risk results from investment and other business activities, which create on and off-balance sheet positions.

Market and Liquidity Risk Management

The Company is willing to accept market risk and liquidity risk in certain circumstances as a consequence of its business model and seeks to mitigate the risk wherever practical through the immunization of the assets and liabilities, either directly or indirectly.

The following identifies the key market and liquidity risks and risk management strategies used by the Company.

Risk	Management of Risk
Interest Rate Risk	
Interest rate risk exists if the cash flows of the liabilities and those of the assets supporting these liabilities are not closely matched and interest rates change causing a difference in value between the assets and liabilities.	Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, investments are made in fixed-income assets that closely match the liability product cash flows. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. Protection against interest rate change is achieved, as any change in the fair market value of the liabilities will be offset by a similar change in the fair value of the assets. For products with less predictable timing of benefit payments, investments are made in fixed-income assets with cash flows of shorter duration than the anticipated timing of the benefit payments. The Company regularly monitors market and liability developments and may execute from time-to-time risk reduction programs, such as hedging. Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved, as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
Equity Market Risk	
Given the volatility in equity markets, income in any year may be adversely affected by decreases in market values, notwithstanding the Company's long-term expectation of investment returns appropriate for this asset class. Returns from equities backing a portion of the non-adjustable life and living benefits insurance contract liabilities may be insufficient.	The Company's investment policy guidelines provide for prudent investment in equity markets within clearly defined limits. Exposure to common stocks and investment properties is managed to provide returns that are consistent with the requirements of the underlying segment. The Investment Policy sets out limits for equity investments. For those used to support non-adjustable policies, the time horizon for such investments is very long-term and the policy elements backed by these equities pose little or no liquidity risk. The allowable level of equities has been determined after carefully evaluating the tolerance for short-term income statement volatility and the balance between this volatility and long-term economic value.
Liquidity Risk	
The risk of loss if insufficient funds are available to meet anticipated operating and financing commitments and unexpected cash demands.	The Company closely manages operating liquidity through cash flow matching of assets and liabilities and maintaining adequate liquidity sources to cover unexpected payments. The Company forecasts earned and required yields to ensure consistency between policyholder requirements and the yield of assets.
There is a risk of default if the Company is unable to post adequate collateral with derivative counterparties.	The Company carefully considers whether to enter into derivative arrangements on a collaterized or uncollaterized basis. Where the Company or its subsidiaries enter into collaterized arrangements, the Company periodically tests the availability of suitable collateral under stress scenarios.
In the normal course of its Reinsurance business, the Company provides LOCs to other parties, or beneficiaries. A beneficiary will typically hold a LOC as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from the Company. The Company may be required to seek collateral alternatives if unable to renew existing LOCs at maturity.	Management monitors its use of LOCs on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit. The Company has contractual rights to reduce the amount of LOCs issued to the LOC beneficiaries for certain reinsurance treaties. Management staggers the maturities of its LOCs to reduce the renewal risk.

Foreign Exchange Risk	
The Company's revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations due to the movement of the Canadian dollar against these currencies. Such fluctuations affect financial results. The Company has significant exposures to the U.S. dollar resulting from the operations of Great-West Financial and Putnam in the United States segment and Reinsurance and to the British pound and the euro resulting from operations in the U.K., Isle of Man, Ireland and Germany in the Europe segment. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income (loss). Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted. • A 1% appreciation (depreciation) of the average exchange rate of the Canadian dollar to the U.S. dollar, British pound and euro together would decrease (increase) operating earnings in 2015 by $15 million. • A 1% appreciation (depreciation) of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates together would decrease (increase) the unrealized foreign currency translation losses in accumulated other comprehensive income (loss) of shareholders' equity by $153 million as at December 31, 2015.	Management may use forward foreign currency contracts and foreign denominated debt to mitigate the volatility arising from the movement of rates as they impact the translation of net investments in foreign operations. The Company uses non-IFRS financial measures such as constant currency calculations to assist in communicating the effect of currency translation fluctuation on financial results. Investments are normally denominated in the same currency as the liabilities they support. Foreign currency assets acquired to back liabilities are generally converted back to the currency of the liabilities using foreign exchange contracts.
Derivative Instruments	
There is a risk of loss if derivatives are used for inappropriate purposes.	Approved policies only allow derivatives to be used to hedge imbalances in asset and liability positions or as substitutes for cash instruments. The Company's risk management process governing the use of derivative instruments requires that the Company act only as an end-user of derivative products, not as a market maker. The use of derivatives may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts, as well as interest rate caps, floors and collars. 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 2015.

Operational/Other Risks

Operational Risk Description

Operational risk is the risk of loss arising from potential issues related to internal processes, people and systems or from external events. Exposure to operational risk results from either normal day-to-day operations or a specific unanticipated event, and can have material financial and/or reputational consequences. This includes fraud, infrastructure, legal and regulatory, outsourcing, people, process and other risks.

Operational Risk Management

The Company implements controls to mitigate operational risk through integrated and complementary policies, procedures, processes and practices, with consideration given to the cost/benefit trade-off.

Through the Company's corporate insurance program, the Company transfers a portion of operational risk exposure by purchasing insurance coverage that provides some protection against unexpected material losses resulting from events such as criminal activity, property loss or damage and liability exposures. The Company also purchases certain insurance to satisfy legal requirements and/or contractual obligations. The nature and amount of insurance protection purchased is assessed with regard to the Company's enterprise-wide risk profile and the appetite and tolerance for the associated risks.

The following identifies the key operational and other risks and risk management strategies used by the Company.

Risk	Management of Risk
Operational Risk	
There is a risk of direct or indirect loss resulting from inadequate or failed internal processes (including modelling and outsourcing risks), people and systems (including cyber risk) or from external events. Operational risk also includes risks arising from significant change management initiatives such as business model changes, mergers and acquisitions, major systems implementation, new product introductions and leadership changes.	The Company manages and mitigates internal operational risks through integrated and complementary policies, procedures, processes and practices. Human Resources hiring, performance evaluation, promotion and compensation practices are designed to attract, retain and develop the skilled personnel required. A comprehensive job evaluation process is in place and training and development programs are supported. Each business area provides training designed for their specific needs and has developed appropriate internal controls. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors. The Company applies a robust project management discipline to all significant initiatives. Appropriate security measures protect premises and information. The Company has emergency procedures in place for short-term incidents or outages and is committed to maintaining business continuity and disaster recovery plans in every business location for the recovery of critical functions in the event of a disaster, which include offsite backup data storage and alternative work area facilities.
Changes in Managed Asset Values	
The Company's investment fund businesses are fee-based, with revenue and profitability based primarily on the market value of investment fund assets under management. Accordingly, fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets (including purchases and redemptions). Factors that could cause assets under management and revenues to decrease include declines in equity markets, changes in fixed-income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue and income.	Through its wide range of funds, the Company seeks to limit its risk exposure to any particular financial market. In its Canadian segregated fund business, the Company encourages its clients to follow a diversified long-term asset allocation approach to reduce the variability of returns and the frequency of fund switching. As a result of this approach, a significant proportion of individual segregated fund assets are in holdings of either a diversified group of funds or "fund of funds" investment profiles, which are designed to improve the likelihood of achieving optimal returns within a given level of risk. The investment process for assets under management is primarily based upon fundamental research with quantitative research and risk management support. Fundamental research includes valuation analysis, economic, political, industry and company research, company visits, as well as the utilization of such sources as company public records and activities, management interviews, company prepared information, and other publicly available information, as well as analyses of suppliers, customers and competitors. Quantitative analysis includes the analysis of past trends and the use of sophisticated financial modeling to gauge how particular securities may perform. Putnam's risk management capability analyzes securities across all the Putnam Funds and other portfolios to identify areas of over concentration and other potential risks. In some cases, the Company charges fees that are not related to assets but are based on premiums or other metrics, which reduces the sensitivity of income to market movements.

Staff Recruitment/Retention	
The Company is highly dependent on its ability to attract, retain and motivate highly skilled, and often highly specialized, personnel. The market for these professionals is extremely competitive and is increasingly characterized by movement among different organizations. The loss of the services of key personnel or failure to attract replacement or additional qualified personnel could negatively affect financial performance. Failure to offer or maintain competitive compensation packages may result in increased levels of turnover among these professionals. Any increase in compensation to attract or retain key personnel could result in a decrease in net earnings. Departure of key personnel could lead to the loss of clients, which could have an adverse effect on results of operations and financial condition.	The Company uses external consultants to obtain benchmark compensation data and works closely with the Board of Directors to develop competitive compensation packages for key personnel. The Company also uses incentive based compensation instruments such as share grants of Putnam and Lifeco share options to retain and attract key personnel. Compensation of this type generally links the performance of the Company and an employee's ultimate compensation.
Contract Termination	
The retirement and investment services and asset and wealth management businesses derive substantially all of their revenue and net earnings from investment advisory agreements and service agreements with mutual funds and from other investment products. The contracts are terminable on relatively short notice without cause and management and distribution fees must be approved annually. The termination of, or failure to renew, one or more of these agreements or the reduction of the fee rates applicable to such agreements, could impact the Company's revenues and profits.	The Company devotes substantial resources to the investment management process and seeks to achieve consistent, dependable and superior performance results over time for all client portfolios. Assets under management are spread across a wide range of investment objectives, which creates diversity in the product lines. The Company's exposure to the segregated and mutual funds is spread across many individual funds. Considerable resources are devoted to maintaining a strong relationship with the Plan trustees or other applicable fiduciaries of the funds under the relevant agreements. Company representatives meet frequently with the various committees, Plan trustees and other fiduciaries to fulfill legal reporting requirements, keep them apprised of business developments, renegotiate contracts and/or address any issues they may have.
Access to Distribution	
The Company's ability to market its products is significantly dependent on its access to a client base of individual, corporate and public employee pension funds, defined contribution plan administrators, endowment funds, domestic and foreign institutions and governments, insurance companies, securities firms, brokers, banks, and other intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. In addition, certain investors rely on consultants to advise them on the choice of advisor and consultants may not always consider or recommend the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries, or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.	The Company has a broad network of distribution relationships. Products are distributed through numerous broker dealers, managing general agencies, financial planners, banks and other financial institutions. In addition, Putnam has certain strategic alliances with investment management firms internationally. Putnam relies on its extensive global distribution group to market the Putnam Funds and other investment products across all major retail, institutional and retirement plan distribution channels.

Holding Company Structure	
As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. In the event of the bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company; in addition, the other creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of the relevant subsidiaries. Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set forth in relevant insurance, securities, corporate and other laws and regulations which require that solvency and capital standards be maintained by Great-West Life, London Life, CLFC, Canada Life, Great-West Financial, and their subsidiaries and certain subsidiaries of Putnam. There are considerable risks and benefits related to this structure.	Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company level. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access capital markets for funds. Management actively monitors the regulatory laws and regulations at both the holding company and operating company levels to ensure ongoing compliance.
Ratings	
Financial strength, claims paying ability ratings and ratings related to the issuance of financial instruments represent the opinions of rating agencies regarding the financial ability of Lifeco and its principal subsidiaries to meet its obligations, and are an important factor in establishing the competitive position of life insurance companies and affect financing costs. Rating organizations regularly analyze the financial performance and condition of insurers, including the Company's subsidiaries. Any ratings downgrades, or the potential for such downgrades, of the Company's subsidiaries could increase surrender levels of their insurance and annuity products and constrain the Company's ability to market and distribute products and services, and damage the Company's relationships with creditors, which may adversely impact future business prospects. These ratings represent an important consideration in maintaining customer confidence in the Company's subsidiaries and in their ability to market insurance and annuity products.	The Company strives to manage to a target credit rating by diligently monitoring the evolution of the rating criteria and processes of the various rating agencies.
Future Acquisitions	
From time-to-time, Lifeco and its subsidiaries evaluate existing companies, businesses, products and services, and such review could result in Lifeco or its subsidiaries disposing of or acquiring businesses or offering new, or discontinuing existing products and services. In the ordinary course of their operations the Company and its subsidiaries consider and discuss with third parties the purchase or sale of companies, businesses or business segments. If effected, such transactions could be material to the Company in size or scope, and could result in changes in the value of the securities of Lifeco, including the common shares of Lifeco.	Lifeco undergoes extensive due diligence upon any consideration of acquiring or disposing of businesses or companies or offering new, or discontinuing existing, products and services. In its consideration of strategic acquisitions, the Company may determine it to be prudent to hold additional capital for contingencies that may arise during the integration period following an acquisition.

Legal and Regulatory Risk	
The Company and certain of its principal subsidiaries are subject to various legal and regulatory requirements imposed by common and civil law, legislation and regulation in Canada, the U.S., the U.K., Ireland and other jurisdictions applicable to reporting issuers and to insurance companies and companies providing investment management and other financial services (including supervision by governmental authorities in the jurisdictions in which they carry on business). These requirements, which include capital adequacy, liquidity and solvency requirements, investment restrictions, restrictions on the sale and marketing of insurance and annuity products and on the business conduct of insurers, asset managers and investment advisors, are primarily intended to protect policyholders, beneficiaries and investment advisory clients, not shareholders. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements, which in turn could lead to financial sanctions or penalties and damage to the Company's reputation, could have a material adverse effect on the Company. Regulators may reassess capital requirements from time-to-time and require additional capital to be held in various regulated subsidiaries. As well, regulatory capital requirements influence liquidity and the amount of capital that must be held by various regulated subsidiaries of the Company in particular jurisdictions and constrain the movement of capital from jurisdiction to jurisdiction, and accordingly such requirements may restrict the ability of such subsidiaries to declare and pay dividends to the Company. Potential regulatory changes in Canada include new guidance on capital requirements (OSFI's "Roadmap") currently expected in 2018, as well as new capital requirements for European entities, Solvency II basis, effective January 1, 2016. New IFRS guidance including a revised standard on Insurance Contracts is being developed that may introduce significant changes to the valuation of insurance contract liabilities and the presentation of results in financial statements. While there are significant uncertainties, as drafted, these accounting and regulatory developments may impact the financial position of the Company by subjecting the Company to widely fluctuating levels of reserve and capital requirements, which would increase earnings volatility, therefore impacting the Company's flexibility to distribute cash to its providers of capital in the future. The Company and its subsidiaries operate in an increasingly regulated and litigious environment and as such are from time-to-time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could be material to the Company, or could result in significant damage to the reputation of the Company, which could in turn adversely impact future business prospects.	The Company monitors compliance with the legal, regulatory, accounting and other standards and requirements in all jurisdictions where it conducts business and assesses trends in legal and regulatory change to keep business areas current and responsive. The risk of legal actions is managed through the various risk management and control practices described in this "Risk Management and Control Practices" section of this MD&A.

Reputational Risk	
In the course of its business activities, the Company may be exposed to the risk that some actions may lead to damage to the Company's reputation and hence damage to its future business prospects. These actions may include unauthorized activities of employees or other people associated with the Company, inadvertent actions of the Company that become publicized and damage the Company's reputation, regular or past business activities of the Company that become the subject of regulator or media scrutiny and, due to a change of public perception, cause damage to the Company, or any other action or activity that gives rise to damage to the Company's general reputation.	The Company has ongoing controls to limit the unauthorized activities of people associated with the Company. The Company has adopted a Code of Business Conduct and Ethics, which sets out the standards of business conduct to be followed by all directors, officers and employees of the Company. Further, the directors, officers and employees are required to sign off annually on their compliance with the Code of Business Conduct and Ethics. The Company also reacts to address situations that may escalate to a level that might give rise to damage to its reputation.
Reinsurance	
Through its subsidiaries, the Company is both a user and a provider of reinsurance, including both traditional reinsurance ceded, which is undertaken primarily to mitigate against assumed insurance risks, and structured reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited. The Company is required to pledge amounts of collateral or deposit amounts with counterparties in certain reinsurance transactions according to contractual terms. These arrangements could require additional requirements in the future depending on regulatory and market developments. While there are significant uncertainties in these developments and the associated impact on the financial position of the Company, these may impact the Company's financial flexibility.	The Company accounts for all reinsurance transactions in accordance with IFRS. In some cases, IFRS may differ from the accounting treatment utilized by the Company's reinsurers or its reinsureds based upon the rules applicable to them in their reporting jurisdictions. The Company believes that reinsurance transactions that it has entered into are appropriate and properly accounted for by the Company. The Company maintains a Corporate Reinsurance Ceded Risk Management policy, which is reviewed and approved by the operating subsidiaries. Annually, the Chief Actuaries report to the Risk Committees, confirming compliance with the policy.
Support Systems and Customer Service Functions	
The ability to consistently and reliably obtain securities pricing information, accurately process client transactions and provide reports and other customer services is essential to the Company's operations. A failure of any of these systems could have an adverse effect on the Company's results of operations and financial condition. In addition, any delays or inaccuracies in obtaining pricing information, processing client transactions or providing reports, in addition to any inadequacies in other customer service could lead to loss of client confidence, harm to the Company's reputation, exposure to disciplinary action, and liability to the Company's clients. As part of normal operations, the Company maintains and transmits confidential information about its clients and proprietary information relating to its business operations. The Company could be subject to losses if it fails to properly safeguard sensitive and confidential information.	The Company's operations work with its systems and service providers to obtain reliability, security and efficiency of information systems. The Company utilizes high quality external systems and maintains controls relating to information security and also works with service providers to verify and assess the sufficiency of their controls.

Pension Risk	
The Company's subsidiaries maintain contributory and non-contributory defined benefit pension plans; the costs of these defined benefit plans are dependent on a host of factors including discount rates, returns on plans assets, compensation costs, inflation risks, employee service life, government regulations, and variances between expected and actual actuarial results. In the event that the pension plan assets do not achieve sustained growth over time and potential negative impact of the cost factors above, the Company could have a significant increase in pension funding obligations and costs that could reduce cash flows and profit margins. In certain jurisdictions, recent changes and proposed reform to government regulations could have a significant impact on the plans.	Pension risk is managed by regular monitoring of the plans, pension regulations and other factors that could impact the expenses and cash flows of the Company. The Company has a Pension Committee that provides oversight for the pension plans of the Company. Pension plan regulations are monitored on an ongoing basis to assess the impact of changes to government regulations on the status, funding requirements and financial results of the Company. Plan assumptions are reviewed regularly both internally and by external advisors and updated as necessary to reflect the latest research on expected future trends. The pension plans and assumptions are subject to external audit on an annual basis. The Company has introduced defined contribution plans for new employees in a number of jurisdictions in order to reduce the risks to the Company inherent in defined benefit plans.
Environmental Risk	
Environmental risk is the risk of direct or indirect loss to the Company's financial results or operations or reputation resulting from the impact of environmental issues or costs associated with changes in environmental laws and regulations.	The Company endeavours to respect the environment and to take a balanced and environmentally sustainable approach to conducting business. The Company will not knowingly acquire investments with significant environmental risks. The Company has established environmental policies and guidelines pertaining to the acquisition and ongoing management of investment properties, loans secured by real property and investments in equity and fixed-income securities. These policies are approved by the Board of Directors and are reviewed annually. One of the Company's subsidiaries, GWL Realty Advisors Inc. (GWLRA) has an Environmental Management Plan (EMP) created to ensure compliance with applicable environmental legislation and outline best practice guidelines and procedures in responsible management practices designed to protect and preserve the environment and provide oversight on environmental matters on properties owned by the Company (Great-West Life, London Life and Canada Life) and third-party clients. The properties for which GWLRA provides property management services are also administered under the EMP to ensure compliance with applicable federal, provincial and municipal environmental legislation, by laws, codes, policies and undertaking a leadership position with their clients and within the real estate industry. GWLRA carries out ongoing reviews of environmental objectives, programs, policies and procedures to ensure consistency, effectiveness, quality and application, and establishes and maintains best practices through corporate programs and initiatives and emphasizes environmental awareness among staff, service providers and clients. To quantify efforts in sustainability, GWLRA produces an annual Greenhouse Gas (GHG) Emissions Inventory Report for its assets under management. GWLRA also incorporates environmental, social and governance factors within its Annual Review, published in accordance with the Global Reporting Initiative G4 reporting guidelines. Assets under management are monitored nationally and measured for environmental performance, which includes energy and water consumption, GHG emissions and waste production and diversion rates. Monitoring is carried out together with third-party environmental consultants. GWLRA's property management and leasing functions are conducted in accordance with environmental laws and prudent industry practices. The Company strives to reduce its environmental footprint through energy conservation and waste reduction that entails recycling programs, periodic waste diversion audits and performance benchmarking. For more information on the Company's environmental policies and initiatives, refer to the Public Accountability Statement available on the Canadian operating subsidiaries websites. The Company monitors relevant emerging issues, regulations and requirements through collaboration with its environmental and legal consultants. The Environmental Committee of GWLRA reviews policies and procedures on an annual basis and revises established policies and guidelines as required.

Accounting Policies

Summary of Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The 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 contract liabilities relies upon investment credit ratings. The Company's practice is to use third-party independent credit ratings where available.

The significant accounting estimates include the following:

Fair Value Measurement

Financial and other instruments held by the Company include portfolio investments, various derivative financial instruments, debentures and other debt instruments.

Financial instrument carrying values reflect the liquidity of the markets and the liquidity premiums embedded in the market pricing methods the Company relies upon.

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

Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Refer to note 8 in the Company's December 31, 2015 annual consolidated financial statements for disclosure of the Company's financial instruments fair value measurement at December 31, 2015.

Fair values for bonds classified as fair value through profit or loss or available-for-sale are determined using quoted market prices. Where prices are not quoted in a normally active market, fair values are determined by valuation models primarily using observable market data inputs. Market values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates.

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 based on expected dividends and where market value cannot be measured reliably, fair value is estimated to be equal to cost. Fair values for investment properties are determined using independent 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.

Investment 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 by itself 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 are recorded to adjust the carrying value to the estimated realizable amount. Wherever possible, the fair value of collateral underlying the loans or observable market price is used to establish the estimated realizable value. For impaired available-for-sale loans, recorded at fair value, the accumulated loss recorded in accumulated other comprehensive income (loss) is reclassified to net investment income. Impairments on available-for-sale debt instruments 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; therefore, a reduction due to impairment of these assets will be recorded in net investment income. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed.

Goodwill and intangibles 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.

Goodwill and indefinite life intangible assets have been allocated to cash generating units (CGU), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each cash generating unit groupings containing the assets 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 of disposal and value-in-use, which is calculated using the present value of estimated future cash flows expected to be generated.

Insurance and investment contract liabilities

Insurance and investment 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 subsidiaries 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 insurance and investment contract liabilities using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation of insurance contracts 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.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of mis-estimation 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

The methods for arriving at these valuation assumptions are outlined below:

Mortality – A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Mortality improvement has been projected to occur for the next 25 years. In addition, appropriate provisions have been made for future mortality deterioration on term insurance. A 2% increase in the best estimate assumption would cause a decrease in net earnings of approximately $282 million.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants. A 2% decrease in the best estimate assumption would cause a decrease in net earnings of approximately $314 million.

Morbidity – The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly, and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption, a 5% decrease in best estimate termination assumptions for claim liabilities and a 5% increase in best-estimate incidence assumptions for active life liabilities would cause a decrease in net earnings of approximately $225 million.

Property and casualty reinsurance – Insurance contract liabilities for property and casualty reinsurance written by LRG are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, insurance contract liabilities also include an amount for incurred but not reported losses, which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated and adjustments to estimates are reflected in net earnings. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in depth analysis is undertaken of the cedant experience.

Investment returns – The assets that correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in CALM to determine insurance and investment contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries' prescribed scenarios.

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries' prescribed scenarios.

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would not change the total provision for interest rates.

If sustained, however, the parallel shift could impact the Company's range of scenarios covered.

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholders' earnings of the Company of a 1% change in the Company's view of the range of interest rates to be covered by these provisions.

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $163 million causing an increase in net earnings of approximately $109 million.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $614 million causing a decrease in net earnings of approximately $430 million.

In addition to interest rates, the Company is also exposed to movements in equity markets.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities; for example segregated fund products and products with long-tail cash flows. Generally, these liabilities will fluctuate in line with equity values. There will be additional impacts on these liabilities as equity values fluctuate.

- A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $53 million, causing an increase in net earnings of approximately $45 million.
- A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $139 million, causing a decrease in net earnings of approximately $108 million.

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 $534 million causing an increase in net earnings of approximately $433 million.
- A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $573 million causing a decrease in net earnings of approximately $457 million.

Expenses – Contractual policy expenses (e.g., sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under CALM as inflation is assumed to be correlated with new money interest rates. A 5% increase in the best estimate maintenance unit expense assumption would cause a decrease in net earnings of approximately $108 million.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of the term for renewable term policies in Canada and Reinsurance. Industry experience has guided the Company's assumptions for these products as its own experience is very limited. A 10% adverse change in the best-estimate policy termination and renewal assumptions would cause a decrease in net earnings of approximately $602 million.

Utilization of elective policy options – There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee resets (segregated fund maturity guarantees). The assumed rates of utilization are based on company or industry experience when it exists and, when not, on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features – Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders' net earnings is reflected in the impacts of changes in best estimate assumptions above.

Income taxes – The Company is subject to income tax laws in various jurisdictions. The Company's operations are complex and related income tax interpretations, regulations and legislation that pertain to its activities are subject to continual change. As multinational life insurance companies, the Company's primary Canadian operating subsidiaries are subject to a regime of specialized rules prescribed under the *Income Tax Act (Canada)* for purposes of determining the amount of the Companies' income that will be subject to tax in Canada.

The Company utilizes tax planning strategies involving multiple jurisdictions to obtain tax efficiencies. The Company continually assesses the uncertainty associated with these strategies and holds an appropriate level of provisions for uncertain income tax positions. Accordingly, the provision for income taxes represents management's interpretation of the relevant income tax laws and its estimate of current and deferred income tax implications of the transactions and events during the period. Deferred income tax assets and liabilities are recorded based on expected future income tax rates and management's assumptions regarding the expected timing of the reversal of temporary differences. The Company has substantial deferred income tax assets. The recognition of deferred income tax assets depends on management's assumption that future earnings will be sufficient to realize the deferred benefit. The amount of the asset recorded is based on management's best estimate of the timing of the reversal of the asset.

The audit and review activities of the Canada Revenue Agency and other jurisdictions' tax authorities affect the ultimate determination of the amounts of income taxes payable or receivable, deferred income tax assets or liabilities and income tax expense. Therefore, there can be no assurance that income taxes will be payable as anticipated and/or the amount and timing of receipt or use of the income tax related assets will be as currently expected. Management's experience indicates the taxation authorities are more aggressively pursuing perceived income tax issues and have increased the resources they put to these efforts.

Employee future benefits – The Company's subsidiaries maintain contributory and non-contributory defined benefit and defined contribution pension plans for certain employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average pay. For most plans, active plan participants share in the cost of benefits through employee contributions in respect of current service. Certain pension payments are indexed on either an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. The assets supporting the funded pension plans are held in separate trusteed pension funds. The obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets. The significant defined benefit plans of the Company's subsidiaries are closed to new entrants. All new hires are eligible only for defined contribution benefits. The Company's defined benefit plan exposure will continue to be reduced in future years. The defined contribution pension plans provide pension benefits based on accumulated employee and subsidiary Company contributions. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. These plans are also closed to new entrants. For further information on the Company's pension plans and other post-employment benefits refer to note 24 in the Company's December 31, 2015 annual consolidated financial statements.

For the defined benefit plans of the Company's subsidiaries, the service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. Re-measurements of the defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized immediately in the Consolidated Statements of Comprehensive Income.

Accounting for defined benefit pension and other post-employment benefits requires estimates of expected increases in compensation levels, indexation of certain pension payments, trends in health-care costs, the period of time over which benefits will be paid, as well as the appropriate discount rates for past and future service liabilities. These assumptions are determined by management using actuarial methods, and are reviewed and approved annually. Emerging experience that differs from the assumptions will be revealed in future valuations and will affect the future financial position of the plans and net periodic benefit costs.

Actuarial assumptions – employee future benefits

	Defined benefit pension plans		Other post-employment benefits	
At December 31	**2015**	2014	**2015**	2014
Actuarial assumptions used to determine benefit cost				
Discount rate – past service liabilities	**3.5%**	4.7%	**3.9%**	4.8%
Discount rate – future service liabilities	**3.6%**	4.7%	**4.0%**	4.8%
Rate of compensation increase	**3.2%**	3.3%	**–**	–
Future pension increases (1)	**1.1%**	1.8%	**–**	–
Actuarial assumptions used to determine defined benefit obligation				
Discount rate – past service liabilities	**3.8%**	3.5%	**4.1%**	3.9%
Rate of compensation increase	**3.2%**	3.2%	**–**	–
Future pension increases (1)	**1.5%**	1.1%	**–**	–
Medical cost trend rates:				
Initial medical cost trend rate			**5.2%**	5.2%
Ultimate medical cost trend rate			**4.5%**	4.5%
Year ultimate trend rate is reached			**2029**	2029

(1) Represents the weighted average of plans subject to future pension increases.

Actuarial assumptions – The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practices. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

As these assumptions relate to factors that are long-term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as changes in the assumptions resulting from changes in future expectations, result in increases or decreases in the pension and post-employment benefits expense and defined benefit obligation in future years. There is no assurance that the plans will be able to earn assumed rates of return, and market driven changes to assumptions could impact future contributions and expenses.

The following table indicates the impact of changes to certain key assumptions related to pension and post-employment benefits.

Impact of a change of 1.0% in actuarial assumptions on defined benefit obligation

	1% increase		1% decrease	
	2015	2014	2015	2014
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,026)**	$ (992)	**$ 1,353**	$ 1,309
Impact of a change to the rate of compensation increase	**314**	334	**(272)**	(276)
Impact of a change to the rate of inflation	**551**	593	**(536)**	(474)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**34**	34	**(28)**	(29)
Impact of a change to the discount rate	**(44)**	(45)	**54**	55

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions.

Funding – The Company's subsidiaries have both funded and unfunded pension plans as well as other post-employment benefit plans that are unfunded. The Company's subsidiaries' funded pension plans are funded to or above the amounts required by relevant legislation. During the year, the Company's subsidiaries contributed $158 million ($180 million in 2014) to the pension plans and made benefit payments of $19 million ($18 million in 2014) for post-employment benefits. The Company's subsidiaries expect to contribute $179 million to the benefit pension plans and make benefit payments of $19 million for post-employment benefits in 2016.

International Financial Reporting Standards

Due to the evolving nature of International Financial Reporting Standards (IFRS), there are a number of IFRS changes that impacted the Company in 2015, as well as standards that could impact the Company in future reporting periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the narrow scope amendments to IFRS for *Annual Improvements 2010 – 2012 Cycle*, *Annual Improvements 2011 – 2013 Cycle* and IAS 19, *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

IFRS that have changed or may change subsequent to 2015 and could impact the Company in future reporting periods, are set out in the following table:

New Standard	Summary of Future Changes
IFRS 4 – *Insurance Contracts*	The IASB issued a revised IFRS 4, *Insurance Contracts* exposure draft proposing changes to the accounting standard for insurance contracts in June 2013. The IASB continues to deliberate the proposals in this exposure draft. The proposed standard differs significantly from the Company's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM) and is expected to produce more volatile financial results. The Company is actively monitoring developments in this area. The Company will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. On December 9, 2015, the IASB published an exposure draft with proposed amendments to IFRS 4, *Insurance Contracts* (IFRS 4) to alleviate the temporary consequences of the different effective dates with IFRS 9, *Financial Instruments* (IFRS 9). Companies whose business model is to predominantly issue insurance contracts are allowed the option to defer the effective date of IFRS 9 until the earliest of the mandatory effective date of IFRS 4 or January 1, 2021. The Company is evaluating the impact of the adoption of this standard as well as the applicability of the exposure draft relating to the deferral.
IFRS 15 – *Revenue from Contracts with Customers*	In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers,* which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from insurance contracts, leases and financial instruments is not required to apply the revenue recognition requirements in IFRS 15. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer. In September 2015, the IASB issued an amendment to IFRS 15 providing a deferral of one year of the effective date of the standard, from January 1, 2017 to January 1, 2018. The Company is evaluating the impact of the adoption of this standard.
IFRS 16 – *Leases*	In January 2016, the IASB issued IFRS 16, *Leases,* which introduces new guidance for identifying leases as well as a new right-of-use accounting model for lessees, replacing the operating and finance lease accounting models that currently exist. The new accounting model will generally require all lessees to recognize lease assets and liabilities on the balance sheet, initially measured at the present value of unavoidable lease payments for all leases with a maximum possible term of more than 12 months. In contrast to the significant changes for lessees, the new standard will retain many key aspects of the current lessor accounting model. The standard is effective January 1, 2019. The Company is evaluating the impact of the adoption of this standard.

New Standard	Summary of Changes
Annual Improvements 2012 – 2014 Cycle	In September 2014, the IASB issued *Annual Improvements 2012 – 2014 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Five amendments were included in this issue relating to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 1, *First-time Adoption of International Financial Reporting Standards,* IAS 19, *Employee Benefits* and IAS 34 *Interim Financial Reporting.* The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*	In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets* that the use of revenue-based methods to calculate the depreciation of property, plant and equipment and intangible assets is not appropriate. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IFRS 10 – *Consolidated Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures*	In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to clarify that any gain or loss recognized in a transaction involving an associate or joint venture depends on whether the assets sold or contributed constitute a business as defined under IFRS 3, *Business Combinations*. In December 2014, the IASB issued additional amendments to IFRS 10 and IAS 28 clarifying the accounting requirements for investment entities. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IFRS 11 – *Joint Arrangements*	In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* on the accounting for acquisitions of an interest in a joint operation when the operations constitute a business as defined under IFRS 3, *Business Combinations.* The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IAS 1 – *Presentation of Financial Statements*	In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to add clarity and flexibility to financial statement presentations, ensuring entities use judgment in applying materiality, and presentation of financial statements and structure of the notes. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco, including the comparative figures, are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Great-West Life and its operating subsidiaries, London Life and Canada Life; Great-West Financial and Putnam; together with Lifeco's corporate results.

For reporting purposes, the consolidated operating results are grouped into four reportable segments – Canada, United States, Europe and Lifeco Corporate – reflecting geographic lines as well as the management and corporate structure of the companies.

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and Canada Life, together with an allocation of a portion of Lifeco's corporate results. There are three primary business units included in this segment. Through the Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through the Wealth Management business unit, the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through the Group Insurance business unit, the Company provides life, accidental death and dismemberment, critical illness, health and dental protection, creditor and direct marketing insurance as well as specialty products to group clients in Canada.

BUSINESS PROFILE

INDIVIDUAL INSURANCE

In Canada, Individual Insurance consists of Individual Life Insurance and Living Benefits. Products and services are distributed through diverse, complementary channels: financial security advisors and brokers associated with Great-West Life; financial security advisors associated with London Life's Freedom 55 Financial™ division and the Wealth & Estate Planning Group; and the distribution channels Canada Life supports, including independent advisors associated with managing general agencies (MGAs), as well as national accounts, including Investors Group.

The various distribution channels are accessed through distinct product labels offered by Great-West Life, London Life and Canada Life. Unique products and services are offered to meet the needs of each distribution channel to allow the Company to maximize opportunities while minimizing channel conflict.

WEALTH MANAGEMENT

The Wealth Management business unit consists of Individual Retirement & Investment Services (IRIS) and Group Retirement Services (GRS) product lines. The Company utilizes diverse, complementary distribution channels and is a leader in Canada for all Wealth Management product lines. Products are distributed through the same channels as described above for Individual Insurance as well as independent brokers, consultants and direct business for the Company's GRS business.

The individual lines of business access the various distribution channels through distinct product labels offered by Great-West Life, London Life, Canada Life and Quadrus Investment Services Ltd. (Quadrus). Unique products and services are offered to meet the needs of each distribution channel and customer to allow the Company to maximize opportunities while minimizing channel conflict.

GROUP INSURANCE

In Canada, the Company offers effective benefit solutions for small, medium and large plan sponsors. Through the Company's extensive network of Group sales offices and Sales and Marketing Centres located across the country, it distributes its products through brokers, consultants and financial security advisors. The Company offers a wide range of Group products and services including life, accidental death and dismemberment, critical illness, disability, health and dental protection as well as specialty products.

The Company's creditor and direct marketing business, conducted through its Canada Life subsidiary, offers effective benefit solutions for large financial institutions, credit card companies, alumni and association groups. Canada Life is a leader in the creditor insurance business in Canada.

MARKET OVERVIEW

PRODUCTS AND SERVICES

INDIVIDUAL INSURANCE

The Company provides an array of individual insurance products that are distributed through multiple sales channels. Products are marketed under the Great-West Life, London Life and Canada Life brands.

MARKET POSITION

- Manages largest portfolio of life insurance in Canada as measured by premium(1)
- Pre-eminent provider of individual disability and critical illness insurance with 28% market share of in-force premium(1)

PRODUCTS AND SERVICES

Individual Life Insurance
- Term Life
- Universal Life
- Participating Life

Living Benefits
- Disability
- Critical Illness

DISTRIBUTION

Associated with:

Great-West Life Distribution
- 2,896 Great-West Life financial security advisors
- 2,140 advisors associated with a number of intercorporate arrangements
- 6,202 independent brokers

London Life Distribution
- 3,700 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors

Canada Life Distribution
- 7,648 independent brokers associated with 35 MGAs
- 1,685 advisors associated with 14 national accounts
- 3,244 Investors Group consultants who actively sell Canada Life products
- 159 direct brokers and producer groups

(1) As at September 30, 2015

Wealth Management

The Company provides an array of savings and income products that are distributed through multiple sales channels. Products are marketed under the Great-West Life, London Life, Canada Life and Quadrus brands.

The Company offers a wide range of segregated funds through its multiple distribution channels including 97 London Life segregated funds to individual Freedom 55 Financial™ clients, 87 Canada Life segregated funds to individual Canada Life clients, 91 Great-West Life segregated funds to individual Great-West Life clients and over 200 segregated funds to Envision Group Capital Accumulation Fund clients.

Quadrus offers 51 mutual funds under the Quadrus Group of Funds™ brand and over 3,500 third-party mutual funds. Mackenzie Financial Corporation, a member of the Power Financial Corporation group of companies, administers the Quadrus Group of Funds.

Market Position

- 27% market share of individual segregated funds[1]
- 17% market share of group capital accumulation plans[2]

Products and Services

Group Retirement Services

- Group Capital Accumulation Plans
- Non-registered savings programs
- Deferred profit sharing plans
- Defined contribution pension plans
- Group RRSPs & TFSAs

Invested in:

- Segregated funds
- Guaranteed investment options
- Single company stock

- Retirement Income Plans
  - Payout annuities
  - Deferred annuities
  - Retirement income funds
  - Life income funds
- Investment management services only plans

Invested in:

- Segregated funds
- Guaranteed investment options
- Securities

Individual Retirement & Investment Services

- Savings plans
- RRSPs
- Non-registered savings programs
- TFSAs

Invested in:

- Segregated funds
- Mutual funds
- Guaranteed investment options

- Retirement Income Plans
  - Segregated funds with GMWB rider
  - Retirement income funds
  - Life income funds
  - Payout annuities
  - Deferred annuities
- Residential mortgages
- Banking products

Distribution

Associated with:

Great-West Life Distribution

- 2,896 Great-West Life financial security advisors
- 2,140 advisors associated with a number of intercorporate arrangements
- 6,202 independent brokers

London Life Distribution

- 3,700 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors

Canada Life Distribution

- 7,648 independent brokers associated with 35 MGAs
- 1,685 advisors associated with 14 national accounts
- 3,244 Investors Group consultants who actively sell Canada Life products
- 159 direct brokers and producer groups

Quadrus Investment Services Ltd. (also included in Great-West Life and London Life advisor counts):

- 4,085 investment representatives

Group Retirement Services

- Benefits Consultants, Brokers and Affiliated advisors (as above)

(1) As at September 30, 2015

(2) As at June 30, 2015

Group Insurance

The Company provides an array of life, health and creditor insurance products that are distributed primarily through Group sales offices across the country.

Market Position

- Employee benefits to over 30,000 plan sponsors[1]
- 21% market share for employee/employer plans[2]
- Leading market share with 39% for creditor products[2] with coverage provided to over 7.4 million plan members[1]
- 5% market share[2] for direct marketing products with coverage provided to over 0.8 million plan members[1]

Products and Services

Life and Health

- Life
- Disability
- Critical Illness
- Accidental death & dismemberment
- Dental
- Expatriate coverage
- Extended health care

Creditor

- Creditor life
- Creditor disability
- Creditor job loss
- Creditor critical illness
- Creditor Credit Card Outstanding Balance

Distribution

- 120 account managers and sales staff located in 16 Group Offices
- 105 Regional Employee Benefits Managers and Selectpac Sales Specialists located in 28 Sales and Marketing Centres

(1) As at December 31, 2015

(2) As at December 31, 2014

Competitive Conditions

Individual Insurance

The individual insurance marketplace is highly competitive. Competition focuses on service, technology, product features, price and financial strength, as indicated by ratings issued by nationally recognized agencies.

Wealth Management

The wealth management marketplace is very competitive. The Company's competitors include mutual fund companies, insurance companies, banks and investment advisors, as well as other service and professional organizations. Competition focuses on service, variety of investment options, investment performance, product features, price and financial strength, as indicated by ratings issued by nationally recognized agencies.

Group Insurance

The group insurance market in Canada is highly competitive. There are three large group insurance carriers with significant market positions, as well as a number of smaller companies operating nationally, and several regional and niche competitors. The Company has significant market share of approximately 21%. This strong market share position, supported by extensive distribution and access to a wide range of products and services, is a distinct advantage for competing successfully in the Canadian group insurance market.

Selected consolidated financial information – Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 6,110**	$ 5,672	$ 5,874	**$ 23,564**	$ 24,140
Sales	**3,492**	2,944	3,311	**12,635**	12,164
Fee and other income	**369**	366	349	**1,459**	1,409
Net earnings – common shareholders	**262**	326	300	**1,195**	1,228
Total assets	**$ 145,895**	$ 143,933	$ 141,490		
Proprietary mutual funds and institutional net assets	**5,039**	4,896	4,718		
Total assets under management	**150,934**	148,829	146,208		
Other assets under administration	**15,390**	14,955	14,793		
Total assets under administration	**$ 166,324**	$ 163,784	$ 161,001		

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Individual Insurance	**$ 51**	$ 91	$ 120	**$ 307**	$ 395
Wealth Management	**119**	116	69	**479**	383
Group Insurance	**74**	153	96	**432**	422
Corporate	**18**	(34)	15	**(23)**	28
Net earnings	**$ 262**	$ 326	$ 300	**$ 1,195**	$ 1,228

2015 Developments

- Premiums and deposits for the twelve months ended December 31, 2015 were $23.6 billion compared to $24.1 billion for the same period in 2014. Premiums and deposits in the fourth quarter of 2015 were $6.1 billion, a 4% increase from the same quarter last year.
- Sales for the twelve months ended December 31, 2015 were $12.6 billion compared to $12.2 billion for the same period in 2014. Sales in the fourth quarter of 2015 were $3.5 billion, a 5% increase from the same quarter in 2014, which reflects strong sales across all lines of business.
- Fee and other income for the twelve months ended December 31, 2015 was $1,459 million compared to $1,409 million for the same period in 2014. Fee and other income was $369 million for the fourth quarter of 2015, an increase of $20 million compared to the same quarter in 2014, primarily due to growth in assets under management.
- Net earnings for the twelve months ended December 31, 2015 were $1,195 million compared to $1,228 million for the same period in 2014. Net earnings for the fourth quarter of 2015 were $262 million, a decrease of $38 million compared to the same quarter last year. The fourth quarter of 2014 included changes to actuarial standards related to economic reinvestment assumptions that positively impacted earnings in the fourth quarter of 2014 and did not recur in 2015.
- During the fourth quarter of 2015, Individual Insurance announced price reductions on term 10 and term 20 products as well as product enhancements and price refinements for critical illness and disability income products.

- The Company continued to invest in technology to enhance the customer service experience.
  - Great-West Life streamlined payments for health and dental providers, replacing individual paper cheques with direct deposits or bundled cheques. These changes are resulting in significant expense savings and reductions in use of paper. The Company expects continued savings as more providers choose direct deposit.
  - During the year, Group Retirement Services introduced Enrollment Express, a new online enrollment service.
- The Company introduced new health and wellness tools as well as enhancements to the plan member experience, including:
  - Launch of a pilot for an innovative health and wellness platform to help improve health outcomes for plan members and reduce associated health plan costs for plan sponsors. The platform delivers personalized recommendations on healthy actions for plan members and access to specialty health programs, such as diabetes management for eligible participants, along with built-in incentives.
  - Enhanced scope and capabilities for the Personal Health Risk Assessment tool, available through the Company's online service site, GroupNet for Plan Members. Plan members can create their own health profile, build an action plan to support their health and wellness needs and track their progress along the way.
  - Updates to GroupNet Mobile app, including a Drug Coverage Search Tool plan members can use to find out if a drug is covered and at what level.
  - New videos and promotions through social media to inform, educate and encourage smart choices, including educating plan members on their benefits, and the differences between brand and generic drugs.
- The Great-West Life Centre for Mental Health in the Workplace continued to provide free tools and resources to help employers enhance workplace mental health:
  - Supported development and launch of the Canadian Mental Health Association's Certified Psychological Health and Safety Advisor Training program. The program certifies individuals and consultants to help public and private sector organizations implement the National Standard of Canada for Psychological Health and Safety in the Workplace.
  - Re-launched an expanded version of its free Supporting Employee Success (SES) resource. SES can help employees who are managing mental health issues successfully remain in, or return to, the workplace, including helping managers better handle accommodations and healthcare providers better understand workplace demands.
- In 2015, Wealth Management launched the HelloLife™ retirement program. This program allows the Company's financial security advisors to help individuals create a retirement program tailored to their specific needs.
- In 2015, the Company undertook an initiative to ensure eligible high-net-worth clients were receiving the benefit of preferred pricing.

Business Units – Canada

Individual Insurance

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 1,304**	$ 1,220	$ 1,202	**$ 4,894**	$ 4,518
Sales	**137**	142	117	**530**	494
Net earnings	**51**	91	120	**307**	395

Premiums and deposits

Individual Insurance premiums for the fourth quarter of 2015 increased by $102 million to $1,304 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $102 million to $1,221 million compared to the same quarter last year, primarily due to a 12% increase in participating life premiums. Living Benefits premiums of $83 million were comparable to same quarter last year.

For the twelve months ended December 31, 2015, Individual Insurance premiums increased by $376 million to $4,894 million compared to the same period last year. Individual Life premiums increased by $373 million to $4,563 million compared to the same period last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums of $331 million were comparable to the same period last year.

Individual Insurance premiums for the fourth quarter of 2015 increased by $84 million compared to the previous quarter, primarily due to a 9% increase in participating life premiums.

Sales

Individual Insurance sales for the fourth quarter of 2015 increased by $20 million to $137 million compared to the same quarter last year. Participating life sales remained strong, up $16 million or 19%, while Universal Life and Term Life insurance product sales were comparable to the same quarter last year.

For the twelve months ended December 31, 2015, Individual Insurance sales increased by $36 million to $530 million compared to the same period last year. Participating life sales increased $50 million or 15%, while Universal Life and Term Life insurance product sales decreased $16 million or 13%, primarily due to application processing delays earlier in the year.

Individual Insurance sales for the fourth quarter of 2015 decreased by $5 million compared to the previous quarter, primarily due to a 5% decrease in participating life sales.

Net earnings

Net earnings for the fourth quarter of 2015 decreased by $69 million to $51 million compared to the same quarter last year. The decrease was primarily due to lower insurance contract liability basis changes and less favourable mortality results, partially offset by higher contributions from investment experience and favourable policyholder behaviour experience. In 2014, insurance contract liability basis changes mostly reflected the impact of changes to actuarial standards related to economic reinvestment assumptions.

For the twelve months ended December 31, 2015, net earnings decreased by $88 million to $307 million compared to the same period last year. The decrease was primarily due to lower insurance contract liability basis changes, discussed for the in-quarter results, and higher new business strain, partially offset by higher contributions from investment experience and favourable policyholder behaviour experience. In addition, net earnings in 2015 were positively impacted by changes to certain income tax estimates.

Net earnings for the fourth quarter of 2015 decreased by $40 million compared to the previous quarter. The decrease was primarily due to lower insurance contract liability basis changes. In addition, net earnings in the third quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not recur in the fourth quarter of 2015.

For the fourth quarter of 2015, the net earnings attributable to the participating account increased by $16 million to $40 million compared to the same quarter last year, primarily due to higher contributions from insurance contract liability basis changes and lower new business strain.

For the twelve months ended December 31, 2015, the net earnings attributable to the participating account increased by $23 million to $111 million compared to the same period last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and investment experience on participating surplus assets, as well as the positive impacts of changes to certain income tax estimates.

The net earnings attributable to the participating account for the fourth quarter of 2015 increased by $18 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes. In addition, net earnings in the third quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not recur in the fourth quarter of 2015.

Outlook – Individual Insurance

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

The Individual Insurance division delivered strong results in 2015. The Company's reputation for strength and stability, combined with prudent business practices as well as the depth and breadth of its distribution channels positions the Company well for 2016 and beyond. The Company has reviewed its strategies with the goal of achieving superior organic growth from profitable products.

In 2016, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term financial security regardless of market fluctuations. This approach is beneficial to strong client retention as well as helping advisors attract new clients to the Company. A key distribution strategy will be to maximize the use of common tools, processes and support, while tailoring support to specific segments of advisors where appropriate. The lower service levels associated with the new business process implemented in 2014 were mostly addressed during 2015 and the Company expects continued improvements during 2016.

The Company's broad spectrum of distribution associates, including exclusive and independent channels, and multiple brands provides important strategic advantages within the Canadian market. The Company will continue to competitively develop, price and market its comprehensive range of Individual Insurance products while maintaining its focus on sales and service support for large cases in all channels.

The Company's diversified offering of Individual Insurance products including participating whole life, term, universal life, disability, and critical illness insurance, combined with a commitment to new business service will position it to continue to achieve market leading sales in 2016. The Company will continue to enhance its suite of product solutions and services and will continue to focus on growing its business organically by constantly improving service to clients.

Operational expense management continues to be critically important to delivering strong financial results. This will be achieved through disciplined expense controls and effective development and implementation of strategic investments. Management has identified a number of areas of focus for these investments to facilitate the objective of organic growth.

Wealth Management

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 2,804**	$ 2,504	$ 2,741	**$ 10,832**	$ 11,914
Sales	**3,220**	2,551	3,073	**11,472**	11,087
Fee and other income	**316**	310	297	**1,247**	1,200
Net earnings	**119**	116	69	**479**	383

Premiums and deposits

Premiums and deposits for the fourth quarter of 2015 increased by $63 million to $2,804 million compared to the same quarter last year. The increase was primarily due to higher premiums and deposits related to the Company's in-force group capital accumulation plan (GCAP) products and single premium group annuities (SPGAs).

Excluding the impact of the conversion of certain pension plan assets into segregated fund products of $1,066 million in the first quarter of 2014, premiums and deposits for the twelve months ended December 31, 2015 of $10,832 million were comparable to the same period last year. Higher premiums and deposits related to individual investment funds were offset by lower premiums and deposits related to GCAP products, group investment only (IO) products and individual payout annuities.

Premiums and deposits for the fourth quarter of 2015 increased by $300 million compared to the previous quarter. The increase was primarily driven by higher premiums and deposits related to the Company's in-force GCAP products, SPGAs and individual investment funds.

Sales

Sales for the fourth quarter of 2015 increased by $147 million to $3,220 million compared to the same quarter last year. The increase was primarily due to higher sales of individual investment funds, driven by growth in high-net-worth product sales.

For the twelve months ended December 31, 2015, sales increased by $385 million to $11,472 million compared to the same period last year, primarily due to higher sales of individual investment funds, partially offset by lower sales of group IO products, GCAP products and individual payout annuities.

Sales for the fourth quarter of 2015 increased by $669 million compared to the previous quarter. The increase was primarily driven by higher sales of individual investment funds, GCAP products and SPGAs.

For the GCAP and proprietary individual investment fund business, net cash inflows for the fourth quarter of 2015 were $358 million compared to $264 million in the same quarter last year and $21 million in the previous quarter. For the twelve months ended December 31, 2015, net cash inflows were $788 million compared to $2,152 million for the same period last year, which included $1,066 million related to the conversion of certain pension plan assets into segregated fund products. Excluding this conversion, net cash inflows decreased by $298 million primarily due to higher withdrawals and slightly lower premiums and deposits on the GCAP business. Withdrawal rates are consistent with the prior year, but withdrawals have increased as a result of higher asset levels.

Assets under administration

	December 31	
	2015	2014
Assets under management		
Individual Retirement & Investment Services		
Risk-based products	**$ 5,739**	$ 6,181
Segregated funds	**29,836**	29,250
Proprietary mutual funds	**4,917**	4,620
Group Retirement Services		
Risk-based products	**7,161**	7,006
Segregated funds	**40,433**	39,122
Institutional assets	**122**	98
Total assets under management	**$88,208**	$ 86,277
Other assets under administration (1)		
Individual Retirement & Investment Services	**6,620**	6,050
Group Retirement Services	**526**	515
Total other assets under administration	**$ 7,146**	$ 6,565
Total assets under administration	**$95,354**	$ 92,842
Summary by business/product		
Individual Retirement & Investment Services	**47,112**	46,101
Group Retirement Services	**48,242**	46,741
Total assets under administration	**$95,354**	$ 92,842

(1) Includes mutual funds distributed by Quadrus Investment Services Ltd., stock purchase plans administered by London Life and portfolio assets managed by GLC Asset Management Group.

Fee and other income

Fee and other income for the fourth quarter of 2015 increased by $19 million to $316 million compared to the same quarter last year, primarily due to growth in average assets under administration driven by positive fund performance and net cash flows, partially offset by lower margins. The growth in assets under administration was driven by positive fixed-income and U.S. equity fund returns due to lower interest rates and the strengthening of the U.S. dollar, respectively. This was partially offset by negative returns on Canadian equity funds due to lower average equity market levels. Lower margins were primarily driven by the development of the market for high-net-worth segregated fund and mutual fund products. In addition, fee income for the fourth quarter of 2014 was negatively impacted by a fee income provision.

Fee and other income for the twelve months ended December 31, 2015 increased by $47 million to $1,247 million compared to the same period last year. The increase was primarily due to the same reasons discussed for the in-quarter results.

Fee and other income for the fourth quarter of 2015 increased by $6 million compared to the previous quarter, primarily due to growth in other income related to distribution arrangements.

Net earnings

Net earnings for the fourth quarter of 2015 increased by $50 million to $119 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes and higher net fee income, partially offset by increased operating expenses. In 2014, insurance contract liability basis changes mostly reflected changes to actuarial standards related to economic reinvestment assumptions that negatively impacted earnings.

For the twelve months ended December 31, 2015, net earnings increased by $96 million to $479 million compared to the same period last year. The increase was primarily due to higher contributions from insurance contract liability basis changes, as discussed for the in-quarter results, and investment experience, higher net fee income and more favourable longevity experience, partially offset by increased operating expenses.

Net earnings for the fourth quarter of 2015 increased by $3 million compared to the previous quarter, primarily due to higher contributions from insurance contract liability basis changes and investment experience, partially offset by increased operating expenses.

Outlook – Wealth Management

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

The Company's reputation for strength and stability, combined with prudent business practices as well as the depth and breadth of Wealth Management's distribution channels, positions the Company well for 2016 and beyond. Wealth Management's strategy and organization are focused on achieving growth from profitable products.

In 2016, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term investment success. This approach benefits the Company by improving existing asset retention and by helping advisors attract new client deposits to the Company. A key distribution strategy is to maximize use of common tools, processes and support, while tailoring support to specific segments of advisors where appropriate.

Wealth Management's multiple brands and broad spectrum of distribution associates, including exclusive and independent channels, provide important strategic advantages within the Canadian market. The Company will continue to develop, price and market its comprehensive and competitive range of wealth management products to both retail and group clients. The Company continues to observe fee income compression due to the competitive market; however, the Company targets to offset these impacts by growing assets under management and continuing to improve the Company's operational efficiency.

In 2015, the Company launched the HelloLife™ retirement program. This program allows the Company's financial security advisors to help individuals create a retirement program tailored to their specific needs. The HelloLife™ retirement program is expected to generate higher net cash flow and associated fee income from segregated funds as well as higher sales of individual payout annuities in future years. The Company will continue to focus on serving the needs of the aging demographic and enhancing the client's experience through various initiatives targeted at both individual and group customers.

The Company will focus on strategic investment in the business, operational efficiency improvements and disciplined expense management to deliver strong financial results.

Group Insurance

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 2,002**	$ 1,948	$ 1,931	**$ 7,838**	$ 7,708
Sales	**135**	251	121	**633**	583
Fee and other income	**41**	38	40	**157**	153
Net earnings	**74**	153	96	**432**	422

Premiums and deposits

Premiums and deposits for the fourth quarter of 2015 increased by $71 million to $2,002 million compared to the same quarter last year, primarily due to an increase in mid-size and large case market premiums and deposits.

For the twelve months ended December 31, 2015, premiums and deposits increased by $130 million to $7,838 million compared to the same period last year, for the same reasons discussed for the in-quarter results.

Premiums and deposits for the fourth quarter of 2015 increased by $54 million compared to the previous quarter, primarily due to an increase in large case market premiums and deposits.

Sales

Sales for the fourth quarter of 2015 increased by $14 million to $135 million compared to the same quarter last year. The increase was primarily due to higher sales in the mid-size case and large case markets, partially offset by lower creditor sales. Sales of creditor products can be highly variable from quarter to quarter.

For the twelve months ended December 31, 2015, sales increased by $50 million to $633 million compared to the same period last year. The increase was primarily due to higher sales across all market segments.

Sales for the fourth quarter of 2015 decreased by $116 million compared to the previous quarter, primarily due to lower sales in the large case market, which included a large government plan sale in the previous quarter, and lower creditor sales, partially offset by higher sales in the mid-size case market.

Fee and other income

Fee and other income of $41 million for the fourth quarter of 2015 was both comparable to the same quarter last year and the previous quarter.

Fee and other income of $157 million for the twelve months ended December 31, 2015 was comparable to the same period last year.

Net earnings

Net earnings for the fourth quarter of 2015 decreased by $22 million to $74 million compared to the same quarter last year. The decrease was primarily due to less favourable morbidity experience, particularly related to long-term disability experience, and higher operating expenses primarily supporting business growth.

For the twelve months ended December 31, 2015, net earnings increased by $10 million to $432 million compared to the same period last year. The increase was primarily due to the positive impact of changes to certain income tax estimates in the third quarter of 2015 and higher contributions from investment experience, partially offset by less favourable morbidity experience and higher operating expenses.

Net earnings for the fourth quarter of 2015 decreased by $79 million compared to the previous quarter, primarily due to less favourable morbidity experience, lower contributions from investment experience and higher operating expenses, partially offset by higher contributions from insurance contract liability basis changes. In addition, net earnings for the third quarter of 2015 were positively impacted by changes to certain income tax estimates, which did not recur in the fourth quarter of 2015.

Outlook – Group Insurance

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

During 2015, the Company maintained its strong competitive position in the Canadian group insurance market with leading or strong market shares in all case size, regional and benefit market segments. The Company believes that this market share position, together with its expense management capabilities and distribution capacity, will facilitate continued growth in revenue premium. In particular, through effective investment in digital technologies and innovative benefit solutions, the Company expects to continue to enhance its competitive position in the marketplace.

Canada Corporate

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

For the fourth quarter of 2015, Canada Corporate had net earnings of $18 million compared to $15 million for the same quarter last year. The change in net earnings was primarily due to higher net investment income and lower operating expenses, partially offset by increased allocated financing charges.

For the twelve months ended December 31, 2015, Canada Corporate had a net loss of $23 million compared to net earnings of $28 million for the same period last year. The change in net earnings was primarily due to changes to certain income tax estimates, which did not occur in 2014, and increased allocated financing charges, partially offset by higher net investment income and lower operating expenses.

For the fourth quarter of 2015, Canada Corporate had net earnings of $18 million compared to a net loss of $34 million in the previous quarter. The change in net earnings was primarily due to lower income taxes and higher net investment income. Net earnings for the third quarter of 2015 were negatively impacted by changes to certain income tax estimates, which did not recur in the fourth quarter of 2015.

UNITED STATES

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

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

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

TRANSLATION OF FOREIGN CURRENCY

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

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

BUSINESS PROFILE

FINANCIAL SERVICES

Great-West Financial provides an array of financial security products, including employer-sponsored defined contribution plans, individual retirement accounts, life insurance, annuity products and executive benefits products. Under the Empower Retirement brand name, Great-West Financial offers employer-sponsored defined contribution plans, individual retirement accounts, enrollment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Through its FASCore subsidiary, the Company offers private label recordkeeping and administrative services for other providers of defined contribution plans. Through relationships with government plan sponsors, the Company is the largest provider of services to state defined contribution plans, with 21 recordkeeping and two investment only state clients as well as the Government of Guam.

ASSET MANAGEMENT

Putnam provides investment management, certain administrative functions and distribution services. Putnam offers a broad range of investment products, including equity, fixed-income, absolute return and alternative strategies, through Putnam Funds, Putnam World Trust Funds and institutional portfolios. Revenue is derived from the value and composition of assets under management, performance fees as well as service and distribution fees. Accordingly, fluctuations in the financial markets and changes in the composition of assets or accounts affect revenues and results of operations.

MARKET OVERVIEW

PRODUCTS AND SERVICES

The Company provides a focused product offering that is distributed through a variety of channels.

FINANCIAL SERVICES

MARKET POSITION

- Second largest defined contribution recordkeeper in the country[4], providing services for over 7.5 million participant accounts and 35,495 plans[1]
- 23% market share in state and local government deferred compensation plans, based on number of participant accounts[2]
- 20% market share of individual life insurance sold through the retail bank channel[3]
- 7% market share of executive benefits markets life insurance purchased by financial institutions[3]
- Great-West Lifetime Funds are the 13th largest target date fund offering in the United States[1]

PRODUCTS AND SERVICES

- Employer-sponsored defined contribution plans, enrollment services, communication materials, investment options and education services
- Administrative and recordkeeping services for financial institutions and employer-sponsored defined contribution plans and associated defined benefit plans
- Fund management, investment and advisory services
- Individual retirement accounts (IRAs), individual term and single premium life insurance and individual annuity products
- Executive benefits markets life insurance products

DISTRIBUTION

- Retirement services products distributed to plan sponsors through brokers, consultants, advisors, third-party administrators and banks
- FASCore recordkeeping and administrative services distributed through institutional clients
- Individual life and annuity products distributed through wholesale and retail sales force, banks, broker dealers and investment advisors
- IRAs available to individuals through the Retirement Solutions Group
- Executive benefits markets life insurance products distributed through wholesalers and specialized consultants

(1) As at December 31, 2015
(2) As at September 30, 2015
(3) Market share based on annualized Q1 – Q3 2015 sales data
(4) As at June 30, 2015

Asset Management
Market Position • A global asset manager with assets under management of US$148 billion[(1)] • Global distribution includes sales teams that are focused on major institutional markets in the U.S., Europe, the Middle East, Asia and Australia and through a strategic distribution relationship in Japan
Products and Services ***Investment Management Products & Services*** • Individual retail investors – a family of open-end and closed-end mutual funds, college savings plans and variable annuity products • Institutional investors – defined benefit and defined contribution investment only plans sponsored by corporations, state, municipal and other governmental authorities, university endowment funds, charitable foundations, and collective investment vehicles (both U.S. and non-U.S.) • Investment services for defined contribution investment only plans • Alternative investment products across the fixed-income, quantitative and equity groups ***Administrative Services*** • Transfer agency, underwriting, distribution, shareholder services, trustee and other fiduciary services
Distribution ***Individual Retail Investors*** • A broad network of distribution relationships with unaffiliated broker dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam Funds and defined contribution investment only services to their customers, which, in total, includes approximately 158,000 advisors • Sub-advisory relationships and Putnam-labeled funds as investment options for insurance companies and non-U.S. residents • Retail distribution channels are supported by Putnam's sales and relationship management team • Retirement plan sponsors and participants are supported by Putnam's dedicated retirement plan professionals and through a relationship with Empower Retirement. ***Institutional Investors*** • Supported by Putnam's dedicated account management, product management and client service professionals • Strategic relationships with several investment management firms outside of the U.S.

(1) As at December 31, 2015

Competitive Conditions

Financial Services

The life insurance, savings and investments marketplace is competitive. The Company's competitors include mutual fund companies, insurance companies, banks, investment advisors and certain service and professional organizations. No one competitor or small number of competitors is dominant. Competition focuses on name recognition, service, technology, cost, variety of investment options, investment performance, product features, price and financial strength as indicated by ratings issued by nationally recognized agencies.

Asset Management

The investment management business is highly competitive. Putnam competes with other providers of investment products and services, primarily based on the range of investment products offered, investment performance, distribution, scope and quality of shareholder and other services as well as general reputation in the marketplace. Putnam's investment management business is also influenced by general securities market conditions, government regulations, global economic conditions as well as advertising and sales promotional efforts. Putnam competes with other mutual fund firms and institutional asset managers that offer investment products similar to Putnam as well as products that Putnam does not offer. Putnam also competes with a number of mutual fund sponsors that offer their funds directly to the public. Conversely, Putnam offers its funds only through intermediaries.

Selected consolidated financial information – United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 15,956**	$ 13,719	$ 12,810	**$ 53,648**	$ 46,541
Sales	**31,630**	25,831	15,105	**95,715**	54,430
Fee and other income	**637**	591	522	**2,378**	1,820
Net earnings – common shareholders	**125**	96	89	**409**	306
Net earnings – common shareholders (US$)	**92**	73	77	**318**	274
Total assets	**$ 86,775**	$ 83,600	$ 72,902		
Proprietary mutual funds and institutional net assets	**218,231**	206,579	190,817		
Total assets under management	**305,006**	290,179	263,719		
Other assets under administration	**503,125**	468,712	433,754		
Total assets under administration	**$ 808,131**	$ 758,891	$ 697,473		

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Financial services	**$ 86**	$ 106	$ 93	**$ 384**	$ 382
Asset management	**41**	(8)	(1)	**32**	(71)
Corporate	**(2)**	(2)	(3)	**(7)**	(5)
	$ 125	$ 96	$ 89	**$ 409**	$ 306
Financial services (US$)	**$ 63**	$ 81	$ 80	**$ 299**	$ 343
Asset management (US$)	**31**	(6)	(1)	**25**	(65)
Corporate (US$)	**(2)**	(2)	(2)	**(6)**	(4)
	$ 92	$ 73	$ 77	**$ 318**	$ 274

2015 Developments

- Under the Empower Retirement brand, effective January 1, 2015, the retirement services businesses of Great-West Financial, the acquired J.P. Morgan Retirement Plan Services (RPS) and Putnam have merged, creating the second largest recordkeeping provider in the U.S. The number of participant accounts has grown from 7.1 million at December 31, 2014 to over 7.5 million at December 31, 2015. Empower Retirement also includes the individual retirement account (IRA) business that was previously reported with Great-West Financial's Individual Markets results.
- Within the business unit sections, 2015 figures are aligned with the new business structure, while 2014 comparative figures reflect the previous structure.
- Net earnings for the twelve months ended December 31, 2015 were US$318 million, an increase of US$44 million compared to the same period in 2014. Net earnings for the three months ended December 31, 2015 were US$92 million, an increase of US$15 million compared to the same quarter last year.

Business Units – United States

Financial Services

2015 Developments

- Sales for the twelve months ended December 31, 2015 were US$43.2 billion, up from US$15.3 billion during the same period last year. Sales in the fourth quarter of 2015 were US$15.5 billion, an increase of US$11.5 billion compared to the same quarter in 2014, primarily due to higher large plan sales in Empower Retirement.
- Premiums and deposits for the twelve months ended December 31, 2015 were US$10.7 billion, a 31% increase from the same period last year. Premiums and deposits for the three months ended December 31, 2015 were US$3.8 billion, a 91% increase from the same quarter last year, primarily due to higher sales in Empower Retirement.
- Fee and other income for the twelve months ended December 31, 2015 was US$973 million compared to US$727 million for the same period in 2014. Fee and other income for the three months ended December 31, 2015 was US$260 million, an increase of US$45 million from the same quarter last year, primarily due to increased average assets driven by positive cash flows and higher average equity market levels.
- Net earnings for the twelve months ended December 31, 2015 were US$299 million compared to US$343 million for the same period in 2014. Net earnings for the three months ended December 31, 2015 were US$63 million, a decrease of US$17 million over the same quarter last year, primarily due to higher operating expenses and lower contributions from basis changes.
- Empower Retirement continues to incur strategic and business development expenses as it focuses on enhancements, which will improve the client-facing experience as well as streamline the back-office processing over the next several years. The Company anticipates investing approximately US$150 million in total on this multi-year initiative. For the three and twelve months ended December 31, 2015, these costs have decreased net earnings by US$9 million and US$34 million, respectively, with an expected decrease to net earnings of approximately US$20 million in 2016.
- The Company has set an annual cost savings target of US$40 million to US$50 million pre-tax. Integration activities are expected to be completed by the second quarter of 2017 with the annual reduction of operating costs fully reflected upon the completion of the business transformation in the next three to four years. These synergies are expected to be achieved through efficiencies from the conversion of business onto a single back-office platform, increased utilization of Great-West Global, which launched in the third quarter of 2015 with over 314 professionals based in India, as well as scale-driven cost improvement. Ongoing operations will include amortization expense from system and infrastructure enhancements. The Company expects that these enhancements will increase market share by driving future sales and improving the retention of participants and assets.

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 5,087**	$ 3,477	$ 2,268	**$ 13,798**	$ 9,028
Sales	**20,761**	15,589	4,563	**55,865**	16,917
Fee and other income	**349**	306	245	**1,247**	805
Net earnings	**86**	106	93	**384**	382
Premiums and deposits (US$)	**$ 3,796**	$ 2,655	$ 1,990	**$ 10,688**	$ 8,172
Sales (US$)	**15,493**	11,900	4,003	**43,195**	15,310
Fee and other income (US$)	**260**	233	215	**973**	727
Net earnings (US$)	**63**	81	80	**299**	343

Premiums and deposits

Premiums and deposits for the fourth quarter of 2015 increased by US$1.8 billion to US$3.8 billion compared to the same quarter last year, due to an increase of US$1.9 billion in Empower Retirement, partially offset by a decrease of US$0.1 billion in Individual Markets. The increase in Empower Retirement was primarily due to higher plan sales. In the fourth quarter of 2014, IRA premiums and deposits of US$0.1 billion were included in Individual Markets; in 2015, these are included in Empower Retirement.

For the twelve months ended December 31, 2015, premiums and deposits increased by US$2.5 billion to US$10.7 billion compared to the same period last year, due to an increase of US$3.2 billion in Empower Retirement, partially offset by a decrease of US$0.7 billion in Individual Markets. The increase in Empower Retirement was primarily due to the same reason discussed for the in-quarter results. The decrease in Individual Markets was primarily due to lower sales in the executive benefits and retail bank life insurance lines of business. For the twelve months ended December 31, 2014, IRA premiums and deposits of US$0.3 billion were included in Individual Markets; in 2015, these are included in Empower Retirement.

Premiums and deposits for the fourth quarter of 2015 increased by US$1.1 billion compared to the previous quarter, primarily due to higher sales relating to Empower Retirement and higher sales in the executive benefits line of business for Individual Markets.

Sales

Sales in the fourth quarter of 2015 increased by US$11.5 billion to US$15.5 billion compared to the same quarter last year, due to an increase of US$11.9 billion in Empower Retirement, partially offset by a decrease of US$0.4 billion in Individual Markets. The increase in Empower Retirement sales was primarily due to an increase in large plan sales. Approximately 50% of the in-quarter sales increase related to two new clients with approximately 140,000 participants. In the fourth quarter of 2014, IRA sales of US$0.4 billion were included in Individual Markets; in 2015, these are included in Empower Retirement.

For the twelve months ended December 31, 2015, sales increased by US$27.9 billion to US$43.2 billion compared to the same period last year. The increase was due to an increase of US$29.1 billion in Empower Retirement, partially offset by a decrease in Individual Markets of US$1.2 billion. The increase in Empower Retirement sales was primarily due to an increase in large plan sales. For the twelve months ended December 31, 2014, IRA sales of US$0.9 billion were included in Individual Markets; in 2015, these are included in Empower Retirement.

Sales in the fourth quarter of 2015 increased by US$3.6 billion compared to the previous quarter, due to an increase of US$3.4 billion in Empower Retirement as well as an increase of US$0.2 billion in Individual Markets. The increase in Empower Retirement sales was due to an increase in large plan sales, while the increase in Individual Markets was due to higher sales in the executive benefits line of business.

Empower Retirement – customer account values (US$)

	Change for the twelve months ended December 31		Total at December 31		
	2015	2014	**2015**	2014	**% Change**
General account – fixed options	**$ 527**	$ 303	**$ 10,993**	$ 10,466	5%
Segregated funds – variable options	**(801)**	129	**19,583**	20,384	(4)
Proprietary mutual funds [1]	**9,212**	1,217	**16,285**	7,073	130
Unaffiliated retail investment options & administrative services only [2]	**(12,930)**	193,921	**364,582**	377,512	(3)
	$ (3,992)	$ 195,570	**$ 411,443**	$ 415,435	(1)%

(1) At December 31, 2015, proprietary mutual funds included US$6.6 billion in Putnam managed funds (US$0.9 billion at December 31, 2014) and US$0.7 billion of IRA assets transferred from Individual Markets.

(2) At December 31, 2015, unaffiliated retail investment options & administrative services only account values included US$1.0 billion of IRA assets transferred from Individual Markets. At December 31, 2014, unaffiliated retail investment options & administrative services only account values included US$4.6 billion where Empower Retirement provided administrative services for Putnam managed funds.

Empower Retirement customer account values at December 31, 2015 decreased by US$4.0 billion compared to December 31, 2014. Included in the US$12.9 billion decrease in unaffiliated retail investment options and administrative services only assets is the impact of the transfer of the defined contribution business from Putnam to Empower Retirement on January 1, 2015 which resulted in US$4.6 billion of these assets being recategorized to proprietary mutual funds and is reflected in the US$9.2 billion increase for proprietary mutual funds. Excluding the impact of the transfer, the decrease in the unaffiliated retail investment options and administrative services only account values was primarily due to a decline in the equity markets and net asset outflows. These items were partially offset by an increase in proprietary mutual funds due to net cash inflows.

Fee and other income

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

Fee and other income for the fourth quarter of 2015 increased by US$45 million to US$260 million compared to the same quarter last year. The increase was primarily due to a one-time adjustment to fee income relating to variable asset-based fees of US$18 million, the impact of the transfer of the defined contribution business from Putnam to Empower Retirement on January 1, 2015 and higher-asset based fees, driven by growth in these assets, due to positive net cash flows and higher average equity market levels. In the fourth quarter of 2014, Putnam fees included US$8 million related to the transferred defined contribution business.

For the twelve months ended December 31, 2015, fee and other income increased by US$246 million to US$973 million compared to the same period last year, for the same reasons discussed for the in-quarter results. RPS fee income for the twelve months ended December 31, 2015 was US$183 million, an increase of US$129 million compared to the same period last year. For the twelve months ended December 31, 2014, Putnam fees included US$31 million related to the transferred defined contribution business.

Fee and other income for the fourth quarter of 2015 increased by US$27 million compared to the previous quarter. Excluding the adjustment discussed for the in-quarter results, fee and other income increased by US$9 million, primarily due to increased average assets under administration driven by higher average equity market levels and net positive cash flows in the fourth quarter.

Net earnings

Net earnings for the fourth quarter of 2015 decreased by US$17 million to US$63 million compared to the same quarter last year. Fourth quarter 2015 results include US$7 million of strategic and business development expenses related to Empower Retirement, compared to US$8 million for the fourth quarter of 2014. Excluding these expenses, net earnings decreased by US$18 million, primarily due to lower contributions from contract liability basis changes, lower contributions from investment experience, the impact of the transfer of the defined contribution business from Putnam to Empower Retirement as well as higher operating expenses. These decreases were partially offset by an adjustment of US$11 million to the contingent consideration related to the RPS acquisition to reflect current expectations for client retention. In the fourth quarter of 2014, Putnam's net loss included a net loss of US$4 million related to the transferred defined contribution business.

For the twelve months ended December 31, 2015, net earnings decreased by US$44 million to US$299 million compared to the same period last year. Included in the year-to-date net earnings was US$28 million of strategic and development expenses related to Empower Retirement, compared to US$11 million for the same period in 2014. Excluding these expenses, net earnings decreased by US$27 million, primarily due to lower contributions from contract liability basis changes, higher operating expenses and the impact of the transfer of the defined contribution business from Putnam to Empower Retirement. These decreases were partially offset by an adjustment to the RPS acquisition related contingent consideration discussed for the in-quarter results as well as higher contributions from investment experience. For the twelve months ended December 31, 2014, Putnam's net loss included a net loss of US$19 million related to the transferred defined contribution business.

Net earnings for the fourth quarter of 2015 decreased by US$18 million compared to the previous quarter, primarily due to lower contributions from basis changes, higher operating expenses, less favourable mortality experience, partially offset by an adjustment to the RPS acquisition related contingent consideration discussed for the in-quarter results.

Outlook – Financial Services

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

In 2015, continued progress of Great-West Financial's strategic initiatives positioned the Company for solid growth. Empower Retirement successfully completed its first full year of operations in 2015. Uniting three strong, established retirement businesses with unique yet complementary products and services, Empower Retirement is positioned for significant growth opportunities across all market segments.

In 2016, Empower Retirement's strategies to drive sales growth will continue to include active marketing of the brand, investing in product differentiation and offering a best-in-class service model. Empower Retirement combined the unique technology strengths of Great-West Financial, RPS and Putnam's retirement business to a single recordkeeping platform, including the 2015 launch of a unique, interactive web-based experience to help participants understand their retirement income needs. In 2016, service enhancements to this platform will include standardizing and improving client-facing tools, optimizing advisor relationship management and client alignment as well as adopting best practices for participant communications. The Company expects that these enhancements will increase customer retention and ultimately increase participant retirement savings.

Great-West Financial continually examines opportunities to structure products and develop strategies to stimulate growth in assets under management. The Company expects that the Great-West Lifetime funds and managed account offerings in defined contribution plans will continue to contribute to this growth.

In 2016, Great-West Financial will continue to pursue operational efficiencies. The conversion of the recordkeeping business to a single back-office platform and the migration of selected systems and non-client facing operations to the Great-West Global entity in India are significant initiatives to lower unit costs.

The Individual Markets segment will continue to focus on value oriented products with unique benefits distributed through channels that Great-West Financial understands. Great-West Financial focuses on providing value and innovative products to the partners, brokers and the customers they serve.

Great-West Financial was the second largest distributor of life insurance through banks in 2015. The Company's strategy focuses on protecting customers' wealth and income in retirement with a comprehensive suite of asset growth, income protection and wealth transfer products. To distribute retail retirement income products, the Company has established strategic partnerships with banks and independent broker dealers, which has more than doubled the number of advisors selling Great-West Financial's annuity products to nearly 20,000. This allows Great-West Financial to

better market the retirement income products to a larger number of individuals. New products, announced in 2015, will be launched in 2016 to reposition its retirement income product within the market. The Company expects the innovative distribution and product strategies will increase Great-West Financial's market share in the retirement income marketplace.

In the executive benefits market, Great-West Financial provides unique solutions to address the complex needs of organizations for funding employee benefits and retaining key executives. Great-West Financial partners with a network of specialized benefit consultants and brokers to create customized solutions based on clients' needs. The longstanding broker relationships and new partnerships that generated higher regional bank sales and record corporate bank sales in 2015 are expected to drive future sales growth.

Asset Management

2015 Developments

- Putnam's ending assets under management (AUM) at December 31, 2015 of US$148.4 billion decreased by US$9.2 billion compared to the same period last year, while average AUM for the twelve months ended December 31, 2015 of US$155.8 billion increased by US$0.6 billion compared to the same period last year.
- Sales for the twelve months ended December 31, 2015 were US$31.1 billion compared to US$33.9 billion for the same period in 2014. Putnam's sales for the three months ended December 31, 2015 were US$8.1 billion, a decrease of US$1.1 billion compared to the same period last year.
- Fee income for the twelve months ended December 31, 2015 was US$885 million compared to US$918 million for the same period in 2014. For the three months ended December 31, 2015, fee income was US$216 million, a decrease of US$27 million compared to the same period last year.
- Putnam continues to sustain strong investment performance relative to its peers. As of December 31, 2015, approximately 69% of Putnam's fund assets performed at levels above the Lipper median on a three-year basis.
- For the 26th consecutive year, Putnam has been recognized by DALBAR Inc. for mutual fund service quality, citing industry-leading consistency and reliability. This recognition includes Putnam being named as a DALBAR Mutual Fund Service Award winner for 24 of those years and the winner of DALBAR's Total Client Experience award for the past four years.
- Subsequent to December 31, 2015, in January 2016, Putnam launched Maneuver in Markets™, a multifaceted program to assist advisors and their clients to navigate four key challenges facing them today:
  - Navigating interest rates
  - Expanding short term choices
  - Diversifying to reduce risk
  - Pursuing greater returns

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Sales	**$ 10,869**	$ 10,242	$ 10,542	**$ 39,850**	$ 37,513
Fee income					
Investment management fees	**218**	219	197	**864**	743
Performance fees	**14**	5	13	**28**	30
Service fees	**44**	45	47	**173**	178
Underwriting & distribution fees	**12**	16	20	**66**	64
Fee income	**288**	285	277	**1,131**	1,015
Core net earnings (loss) (1)	**23**	8	14	**56**	(1)
Less: Financing and other expenses (after-tax) (1)	**18**	(16)	(15)	**(24)**	(70)
Reported net earnings (loss)	**41**	(8)	(1)	**32**	(71)
Sales (US$)	**$ 8,111**	$ 7,818	$ 9,248	**$ 31,097**	$ 33,908
Fee income (US$)					
Investment management fees (US$)	**163**	167	173	**676**	672
Performance fees (US$)	**11**	4	12	**23**	27
Service fees (US$)	**33**	34	41	**135**	161
Underwriting & distribution fees (US$)	**9**	12	17	**51**	58
Fee income (US$)	**216**	217	243	**885**	918
Core net earnings (loss) (US$) (1)	**17**	6	12	**43**	(2)
Less: Financing and other expenses (after-tax) (US$) (1)	**14**	(12)	(13)	**(18)**	(63)
Reported net earnings (loss) (US$)	**31**	(6)	(1)	**25**	(65)
Pre-tax operating margin (US$) (2)	**13.5%**	5.2%	13.4%	**8.5%**	4.9%

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

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

Sales

Sales in the fourth quarter of 2015 decreased by US$1.1 billion to US$8.1 billion compared to the same quarter last year, due to a decrease in mutual fund sales of US$2.0 billion, partially offset by higher institutional sales of US$0.9 billion.

For the twelve months ended December 31, 2015, sales decreased by US$2.8 billion to US$31.1 billion compared to the same period last year, due to a decrease in mutual fund sales of US$5.1 billion, partially offset by higher institutional sales of US$2.3 billion.

Sales in the fourth quarter of 2015 increased by US$0.3 billion compared to the previous quarter, due to a US$0.3 billion increase in institutional sales, while mutual fund sales were comparable to the previous quarter.

Fee income

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

Fee income for the fourth quarter of 2015 decreased by US$27 million to US$216 million compared to the same quarter last year. Fee income for the fourth quarter of 2014 included US$8 million related to the defined contribution business, which was transferred to Empower Retirement (transferred defined contribution business) on January 1, 2015. Excluding the impact of the transferred defined contribution business, fee income decreased by US$19 million, primarily due to a decrease in investment management fees, driven by lower average AUM, and lower other asset and sales-based fees.

For the twelve months ended December 31, 2015, fee income decreased by US$33 million to US$885 million compared to the same period last year. Fee income for the twelve months ended December 31, 2014 included US$31 million related to the transferred defined contribution business. Excluding the impact of the transferred defined contribution business, fee income was comparable to the same period last year as lower performance fees and other asset and sales-based fees were offset by increased investment management fees, driven by a slightly higher average AUM.

Fee income for the fourth quarter of 2015 was comparable to the previous quarter as increased performance fees due to the seasonality in which these fees were earned were offset by decreased investment management fees and other asset and sales-based fees, driven by lower average AUM.

Net earnings

Core net earnings (a non-IFRS financial measure) for the fourth quarter of 2015 were US$17 million compared to US$12 million for the same quarter last year. Core net earnings for the fourth quarter of 2014 included a net loss of US$4 million attributable to the transferred defined contribution business and an expense recovery related to the settlement of a legal matter of US$12 million in the fourth quarter of 2014. Excluding the impact of these items, core net earnings increased US$13 million, primarily due to higher net investment income as well as lower income taxes, compensation costs and volume-related expenses, partially offset by lower fee income. In the fourth quarter of 2015, reported net earnings, including financing and other expenses, were US$31 million compared to a net loss of US$1 million for the same quarter last year. Financing and other expenses for the fourth quarter of 2015 represent an expense recovery of US$14 million, which includes the positive impact of an adjustment to certain income tax estimates of US$27 million, compared to expenses of US$13 million for the same quarter last year. Excluding the impact of the adjustment to certain tax estimates, financing and other expenses were comparable to the same quarter last year.

For the twelve months ended December 31, 2015, core net earnings were US$43 million compared to a net loss of US$2 million for the same period last year. Core net earnings for the twelve months ended December 31, 2014 included a net loss of US$19 million attributable to the transferred defined contribution business, tax expenses of US$13 million related to a one-time tax adjustment from prior years pertaining to foreign seed capital and the expense recovery of US$12 million discussed for the in-quarter results. Excluding the impact of these items, core net earnings increased US$25 million, primarily due to lower operating expenses, mostly offset by lower net investment income. For the twelve months ended December 31, 2015, reported net earnings, including financing and other expenses, were US$25 million compared to a net loss of US$65 million for the same period last year. Financing and other expenses for the twelve month period ended December 31, 2015 decreased by US$45 million to US$18 million compared to the same period last year. Current year financing and other expenses includes the previously discussed adjustment of certain income tax estimates of US$27 million. Financing and other expenses in 2014 included the impact of share-based liability compensation expenses of US$23 million, and proxy expenses for the Putnam Funds of US$4 million, partially offset by the release of certain tax reserves of US$8 million related to the completion of prior year tax audits, which did not recur in 2015.

Core net earnings for the fourth quarter of 2015 increased by US$11 million compared to the previous quarter, primarily due to an increase in net investment income and lower compensation costs, partially offset by higher income taxes. Reported net earnings, including financing and other expenses, for the fourth quarter of 2015 were US$31 million compared to a net loss of US$6 million for the previous quarter. Financing and other expenses for the fourth quarter of 2015 represent an expense recovery of US$14 million compared to expenses of US$12 million for previous quarter. This change was primarily due to the positive impact of an adjustment to certain income tax estimates discussed for the in-quarter results.

Assets Under Management

Assets under management ($US)

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Beginning assets	**$ 146,638**	$ 156,348	$ 157,047	**$ 157,572**	$ 149,556
Sales – Mutual funds	**4,252**	4,233	6,244	**18,593**	23,693
Redemptions – Mutual funds	**(6,543)**	(5,518)	(5,573)	**(22,735)**	(17,803)
Net asset flows – Mutual funds	**(2,291)**	(1,285)	671	**(4,142)**	5,890
Sales – Institutional	**3,859**	3,585	3,004	**12,504**	10,215
Redemptions – Institutional	**(2,772)**	(2,164)	(4,913)	**(11,221)**	(14,803)
Net asset flows – Institutional	**1,087**	1,421	(1,909)	**1,283**	(4,588)
Net asset flows – Total	**(1,204)**	136	(1,238)	**(2,859)**	1,302
Impact of market/performance	**2,936**	(9,846)	1,763	**(6,343)**	6,714
Ending assets	**$ 148,370**	$ 146,638	$ 157,572	**$ 148,370**	$ 157,572
Average assets under management					
Mutual funds	**80,180**	83,584	85,462	**84,689**	82,735
Institutional assets	**71,036**	69,757	71,769	**71,089**	72,394
Total average assets under management	**$ 151,216**	$ 153,341	$ 157,231	**$ 155,778**	$ 155,129

Average AUM for the three months ended December 31, 2015 decreased by US$6.0 billion to US$151.2 billion compared to the same quarter last year, primarily due to the cumulative impact of negative markets over the twelve month period as well as net asset outflows. Net asset outflows for the fourth quarter of 2015 of US$1.2 billion were comparable to the same quarter last year. In-quarter mutual fund net asset outflows were US$2.3 billion and institutional net asset inflows were US$1.1 billion.

Average AUM for the twelve months ended December 31, 2015 increased by US$0.6 billion to US$155.8 billion compared to the same period last year, primarily due to the impact of overall positive market and investment performance, mostly offset by net asset outflows. Net asset outflows for the twelve months ended December 31, 2015 were US$2.9 billion compared to net asset inflows of US$1.3 billion for the same period last year. Year-to-date mutual fund net asset outflows were US$4.1 billion and institutional net asset inflows were US$1.3 billion.

Average AUM decreased by US$2.1 billion compared to the previous quarter, primarily due to the impact of markets, driven by the timing of market movements during the quarters, and net asset outflows.

Outlook – Asset Management

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

In 2016, Putnam will continue to focus efforts on driving growth and market share through new sales and asset retention in all markets it serves including Global Institutional, PanAgora (Putnam's quantitative institutional manager), U.S. Retail, Defined Contribution Investment Only and Registered Investment Advisors, while maintaining its industry recognized reputation for service excellence.

Putnam continues to build strong, long-term investment performance across asset classes that have been recognized in the marketplace through accolades from industry observers. Putnam remains committed to providing clients with superior, risk-adjusted performance.

Innovation will remain a powerful differentiator in 2016, as Putnam further develops its product offerings, service features and operational functions, while bolstering its corporate and business/product brand image with a wide range of key constituents. Further, Putnam intends to continue to invest in technology in order to scale its business model more cost effectively and expand its distribution reach.

United States Corporate

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

In the fourth quarter of 2015, United States Corporate had a net loss of US$2 million, which was comparable to the same period in 2014.

For the twelve months ended December 31, 2015, United States Corporate's net loss increased by US$2 million to US$6 million compared to the same period in 2014, due to RPS related restructuring and acquisition expenses.

The net loss for the three months ended December 31, 2015 of US$2 million was comparable to the previous quarter.

EUROPE

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

TRANSLATION OF FOREIGN CURRENCY

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

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

BUSINESS PROFILE

INSURANCE & ANNUITIES

The core products offered in the U.K. are payout annuities, savings and group insurance. These products are distributed through independent financial advisors (IFAs) and employee benefit consultants. The offshore operations based in the Isle of Man and Ireland provide investment, savings and individual protection products that are sold through IFAs and private banks in the U.K. Canada Life Investments is the fund management division in the U.K. and manages over £36 billion of assets. These include equities, fixed-income, property, mortgages and cash for companies in the Lifeco group as well as a wide range of life, pension and collective funds. The funds are distributed mainly through financial advisors as well as wealth managers and discretionary fund managers in the U.K.

The core products offered in Ireland are savings and investments, individual and group insurance as well as pension products through Irish Life. These products are distributed through independent brokers, a direct sales force and tied agent bank branches. Irish Life Investment Managers (ILIM) is the Company's fund management operation in Ireland. ILIM manages assets on behalf of a wide range of institutional and retail clients, occupational defined benefit and defined contribution pensions, large multinational corporations, charities and domestic companies and is the largest manager of Irish pension assets.

The German operation focuses on pension, lifetime GMWB and individual protection products that are distributed through independent brokers and multi-tied agents.

Insurance & Annuities continues to expand its presence in its defined market segments by focusing on the introduction of innovative products and services, the quality of its service offerings as well as the enhancement of distribution capabilities and intermediary relationships.

REINSURANCE

Reinsurance operates primarily in the U.S., Barbados and Ireland. In the U.S., the reinsurance business operates through branches of Canada Life, London Life, subsidiaries of London Life and an indirect subsidiary of Great-West Financial. In Barbados, the reinsurance business operates primarily through branches of Canada Life, London Life and subsidiaries of London Life. In Ireland, the reinsurance business operates through subsidiaries of Canada Life.

The Company's business includes both reinsurance and retrocession business transacted directly with clients or through reinsurance brokers. As a retrocessionaire, the Company provides reinsurance to other reinsurers to allow those companies to spread their insurance risk.

The product portfolio offered by the Company includes life, annuity as well as property and casualty reinsurance, provided on both a proportional and non-proportional basis.

In addition to providing reinsurance products to third parties, the Company also utilizes internal reinsurance transactions between companies in the Lifeco group. These transactions are undertaken to better manage insurance risks relating to retention, volatility and concentration; and to facilitate capital management for the Company, its subsidiaries and branch operations. These internal reinsurance transactions may produce benefits that are reflected in one or more of the Company's other business units.

MARKET OVERVIEW

PRODUCTS AND SERVICES

INSURANCE & ANNUITIES
MARKET POSITION
U.K.
• The market leader of the group life market, with 26% share[(1)]
• A market leader in group income protection with 20% share[(1)]
• Among the top five insurers in payout annuities, with 20% market share[(2)]
• A market leading offshore life company selling into the U.K. market, with 25% market share[(3)]
• Among the top ten in the onshore unit-linked single premium bond market with a 9% market share[(2)]
Ireland
• The market leading life assurance company with 36% share[(4)]
• Strong position in the retail life and pensions market with a 30% share[(4)]
• Leading positions in the group pensions, group risk and corporate annuities markets
• ILIM is the largest institutional fund manager in Ireland with over €50 billion assets under management
Germany
• One of the top three insurers in the independent intermediary unit-linked market[(4)]
• Among the top ten in the overall unit-linked market[(3)]

(1) As at December 31, 2014

(2) Market share based on annualized Q1 to Q3 2015 data through IFAs, restricted whole market advisors and Non-Advised Distributor

(3) As at September 30, 2015

(4) As at June 30, 2015

INSURANCE & ANNUITIES (CONT'D)
PRODUCTS AND SERVICES ***U.K.*** • Individual and Bulk Payout Annuities • Fixed Term Annuities • Pension Investment • Savings • Life Insurance • Income Protection (Disability) • Critical Illness ***Ireland*** • Individual and Group Risk & Pensions • Individual and Bulk Annuities • Wealth Management Services • Individual Savings and Investment • Institutional Investment Management ***Germany*** • Pensions • Income Protection (Disability) • Critical Illness • Variable Annuities (GMWB) • Individual Life Insurance
DISTRIBUTION ***U.K.*** • IFAs • Private Banks • Employee Benefit Consultants ***Ireland*** • Independent Brokers • Pensions and Investment Consultants • Direct Sales Force • Tied Bank Branch Distribution with various Irish Banks ***Germany*** • Independent Brokers • Multi-tied Agents

REINSURANCE
MARKET POSITION • Among the top two life reinsurers in the U.S. for assumed structured life reinsurance[1] • Positioned to participate in the developments of the evolving European structured life reinsurance market • Long-standing provider of a range of Property and Casualty catastrophe retrocession protection coverages • Leading provider of U.K. and other European annuity / longevity reinsurance
PRODUCTS AND SERVICES ***Life*** • Yearly Renewable Term • Co-insurance • Modified Co-insurance • Capital Relief Solutions ***Property & Casualty*** • Catastrophe retrocession ***Annuity / Longevity*** • Payout Annuity • Fixed Annuity • Longevity Protection
DISTRIBUTION • Independent Reinsurance Brokers • Direct Placements

(1) As at December 31, 2014

COMPETITIVE CONDITIONS

UNITED KINGDOM

In the U.K., the Company has strong market positions for group risk, payout annuities and wealth management.

The U.K. Budget changes became effective April 2015, which provided greater flexibility for individuals retiring after April 1, 2015, causing a reduction in the demand for payout annuity products. In 2015, the Company continued to offer both standard and enhanced annuities, where prospective policyholders are medically underwritten before acceptance, and was able to maintain its market share. During 2015, the Company introduced new products under the CanRetire brand for individuals who want to take advantage of the greater pension flexibility. The Company also launched a bulk annuity offering, which is aimed at trustees of defined benefit plans, who want to insure pension annuities in payment. There have been a number of new entrants into this market, increasing competition, following the reduction in the overall size of the individual payout annuity market.

In 2015, the offshore wealth management operations experienced a relatively flat market, mainly the result of continued lower volumes of business from the private banking sector. The more profitable retail sales have been maintained as have sales via discretionary fund management firms. Future estate planning continues to be an area of focus for U.K. advisors and Canada Life International holds a market leading position in this sector of the market.

In July 2015, Canada Life acquired Legal & General International (Ireland) Limited (LGII), providing additional scale to its offshore operation in Ireland and gaining access to new institutional relationships within the U.K. market.

The onshore wealth management market has continued to stabilize after the decline in 2013 of investment bond business, resulting from the change in regulation affecting distribution.

IRELAND

The Company maintained its market-leading presence in Ireland through Irish Life and continues to be the largest life assurance company with a market share of 36%. Irish Life follows a multi-channel distribution strategy with the largest broker distribution network, the largest direct sales force and the largest Bancassurance distribution network where it has tied relationships with five banks.

Irish Life Investment Managers (ILIM) is Ireland's largest institutional fund manager with over €50.4 billion of assets under management as at December 31, 2015.

Setanta Asset Management (Setanta), a subsidiary of Canada Life, manages assets for a number of institutional clients, both third-party institutions as well as for companies in the Lifeco group, and has €7.6 billion of assets under management as at December 31, 2015.

GERMANY

Canada Life has established a leading position among providers of unit-linked products to the German independent intermediary market. This market remains competitive as more companies enter the market due to the projected strong growth over the coming years. Throughout this period of increased competition, the Company has maintained a top three position in this segment of the market through continuous product, technology and service improvements.

In 2015, there was a decrease in the demand for traditional German insurance products following the reduction in the statutory guaranteed interest rate on these products. This created a growth opportunity for Canada Life and its unit-linked products.

Reinsurance

In the U.S. life reinsurance market, the demand for capital relief remains strong because of continuing conservative reserving requirements on term and universal life products. Several competitors are now focusing on growing their share of this market, which increased competition for this business. However, industry surveys released in 2015 confirmed that the Company remains one of the top two providers of capital relief solutions in the U.S. market.

The Company has also had success in traditional life reinsurance as the number of remaining life reinsurers is reducing due to consolidation and clients' value diversification. The Company's financial strength and ability to offer both capital solutions and traditional mortality reinsurance continues to be a competitive advantage.

In Europe, Solvency II dominates the regulatory landscape and interest in capital relief transactions that produce capital benefits under the new regime continues to grow. Demand for longevity reinsurance remains very strong in the U.K. and some continental European countries. As a result, there are now more reinsurers participating in this market, but even so demand for longevity coverage continues to exceed supply.

Property insurers/reinsurers saw few major catastrophes in 2015. The 2015 Atlantic hurricane season had a below average number of major storms. As a result, pricing in the property catastrophe market continues to be challenging.

Selected consolidated financial information – Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 6,056**	$ 9,841	$ 5,340	**$ 27,763**	$ 19,359
Fee and other income	**327**	284	290	**1,221**	1,193
Net earnings – common shareholders	**303**	296	274	**1,174**	1,038
Total assets	**$ 167,265**	$ 162,402	$ 142,317		
Proprietary mutual funds and institutional net assets	**29,210**	27,575	20,736		
Total assets under management	**196,475**	189,977	163,053		
Other assets under administration	**41,587**	41,146	41,806		
Total assets under administration	**$ 238,062**	$ 231,123	$ 204,859		

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Insurance & Annuities	**$ 234**	$ 229	$ 218	**$ 886**	$ 810
Reinsurance	**73**	71	71	**313**	265
Europe Corporate	**(4)**	(4)	(15)	**(25)**	(37)
Net earnings	**$ 303**	$ 296	$ 274	**$ 1,174**	$ 1,038

2015 Developments

- Net earnings for the twelve months ended December 31, 2015 were $1,174 million, an increase of $136 million compared to the same period in 2014. Net earnings for the three months ended December 31, 2015 were $303 million, an increase of $29 million from the same quarter last year.
- Premiums and deposits for the twelve months ended December 31, 2015 increased by $8.4 billion to $27.8 billion compared to the same period in 2014. Premiums and deposits for the three months ended December 31, 2015 were $6.1 billion, an increase of $0.7 billion from the same quarter last year, primarily due to higher sales across most product lines.
- Fee and other income for the twelve months ended December 31, 2015 increased by $28 million to $1,221 million compared to the same period in 2014. Fee and other income for the three months ended December 31, 2015 increased by $37 million to $327 million compared to the same quarter last year, primarily due to higher asset management fees.
- On March 3, 2015, the Company announced that it reached an agreement with The Equitable Life Assurance Society (Equitable Life) in the U.K. to acquire, through its wholly owned subsidiary, Canada Life Limited, the assets and liabilities associated with Equitable Life's annuity business. The transaction involved the initial reinsurance of approximately 31,000 policies, with liabilities and supporting assets of approximately $1.6 billion. The initial reinsurance arrangement was effective January 1, 2015 and the ultimate transfer is expected to be completed in 2016, subject to court approval.
- During the second quarter of 2015, the last of the policy migration activities for the Irish Life integration was successfully concluded. The Company now expects to realize €48 million of annualized synergies from the acquisition of Irish Life, exceeding the annualized synergy target of €40 million by 20%.
- On July 1, 2015, the Company, through its wholly owned subsidiary The Canada Life Group (U.K.) Limited, completed the acquisition of Legal & General International (Ireland) Limited (LGII), a Dublin-based subsidiary of the Legal & General Group Plc. LGII provides quality investment and wealth management solutions, primarily focused on the U.K. high-net-worth market. LGII now operates as Canada Life International Assurance (Ireland) (CLIAI). Prior to the acquisition, these assets were included in other assets under administration, as a subsidiary of Irish Life provided recordkeeping and administrative functions for the LGII portfolio; these assets are now included in segregated funds.
- One year since the re-launch of the Irish Life brand under the slogan "We know Irish life. We are Irish Life." the Company is now the preferred brand for consumers in the Pensions and Life Insurance categories and has strengthened its brand position into the top three in the Retail Investments category. The re-launch campaign won a number of awards, including best integrated campaign at the All Ireland Marketing Awards.
- At the 2015 Irish Pensions Awards, Irish Life Investment Managers was awarded the Investment Manager of the Year award for the third year in a row. In addition, Setanta Asset Management was awarded Equities Manager of the Year for the fourth consecutive year, reflecting very strong active equity performance.

Business Units – Europe

Insurance & Annuities

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 4,497**	$ 8,354	$ 3,875	**$ 22,127**	$ 14,931
Sales	**3,917**	7,716	3,155	**19,485**	12,388
Fee and other income	**320**	278	284	**1,197**	1,155
Net earnings	**234**	229	218	**886**	810

Premiums and deposits

Premiums and deposits for the fourth quarter of 2015 increased by $0.6 billion to $4.5 billion compared to the same quarter last year. The increase was due to higher sales across most product lines in the U.K., including the contribution from the acquired LGII business, Germany and Ireland as well as the impact of currency movement.

For the twelve months ended December 31, 2015, premiums and deposits increased by $7.2 billion to $22.1 billion compared to the same period last year. The increase was primarily due the acquisition of Equitable Life's annuity business in the first quarter of 2015, higher fund management sales, including $3.5 billion relating to Ark Life in the third quarter of 2015, as well as higher sales across most product lines in the U.K., Ireland and Germany. The increase was partially offset by the impact of currency movement, driven by the weakening of the euro in the first half of 2015, compared to the same period in 2014.

Premiums and deposits for the fourth quarter of 2015 decreased by $3.9 billion compared to the previous quarter, primarily due to lower fund management sales in Ireland, which included $3.5 billion related to Ark Life in the third quarter of 2015. The decrease was partially offset by higher sales across most product lines in Ireland and Germany as well as higher sales of wealth management products in the U.K.

Sales

Sales for the fourth quarter of 2015 increased by $0.8 billion to $3.9 billion compared to the same quarter last year. For the twelve months ended December 31, 2015, sales increased by $7.1 billion to $19.5 billion compared to the same period last year. The increases in both the three month and twelve month periods were due to the same reasons discussed for premiums and deposits for the respective periods.

Sales for the fourth quarter of 2015 decreased by $3.8 billion from the previous quarter, due to the same reasons discussed for premiums and deposits for the same period.

Fee and other income

Fee and other income for the fourth quarter of 2015 increased by $36 million to $320 million compared to the same quarter last year, primarily due to higher asset management fees in Ireland and Germany, driven by growth in assets under management and the impact of currency movement.

For the twelve months ended December 31, 2015, fee and other income increased by $42 million to $1,197 million compared to the same period last year, primarily due to the higher asset management fees in Ireland and Germany, driven by growth in assets under management, partially offset by the impact of currency movement, driven by the weakening of the euro in the first half of 2015, compared to the same period in 2014.

Fee and other income for fourth quarter of 2015 increased by $42 million compared the previous quarter, primarily due to higher asset management fees in Ireland and Germany, driven by growth in assets under management as well as higher gain related fee income amounts associated with a closed block of Irish unit-linked business. The fee income on this block of business is particularly sensitive to market levels at the start and end of a reporting period.

Net earnings

Net earnings for the fourth quarter of 2015 increased by $16 million to $234 million compared to the same quarter last year. The increase was primarily due to favourable morbidity experience in the U.K., higher contributions from investment experience in Ireland, a higher percentage of income subject to lower rates of income tax in foreign jurisdictions and the impact of currency movement. The increase was partially offset by less favourable mortality experience in the U.K. and lower contributions from insurance contract liability basis changes. In 2014, insurance contract liability basis changes mostly reflected the impact of changes to actuarial standards related to economic reinvestment assumptions. Net earnings included $110 million in Ireland, up $40 million from the same quarter in 2014, primarily due to higher contributions from investment experience and benefits from integration related activities.

Net earnings for the twelve months ended December 31, 2015 increased by $76 million to $886 million compared to the same period last year. The increase was primarily due to the impact of currency movement, higher contributions from insurance contract liability basis changes, higher asset management fees and favourable morbidity experience. These items were mostly offset by the impact of lower contributions from investment experience, lower U.K. payout annuity new business volumes and less favourable mortality experience in the U.K. Net earnings included $290 million in Ireland, up $27 million from the same period in 2014. The increase was primarily due to higher net fee income, higher contributions from investment experience and an increase in benefits from integration synergies and integration related activities, partially offset by lower contributions from insurance contract liability changes and the impact of currency movement, resulting from the weakening of the euro in the first half of 2015 compared to the same period in 2014.

Net earnings for the fourth quarter of 2015 increased by $5 million compared to the previous quarter as higher contributions from investment experience in Ireland were largely offset by lower contributions from insurance contract liability changes.

Outlook – Insurance & Annuities

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

In Europe, the implementation of Solvency II regulations has been the focus of the Company's regulated European businesses during 2015. Transitional measures, matching adjustments and volatility adjustments were applied for by a number of the Company's European subsidiaries and were approved as planned in 2015. In 2016, work will continue on developing the Company's internal risk models and undertaking steps to help manage the potential capital volatility under the new regulations.

United Kingdom – The outlook for payout annuities in 2016 is stable as the U.K. budget changes previously disclosed became effective in April 2015. These changes provide greater flexibility for those individuals with defined contribution pensions to access their savings in retirement. As expected, some individuals have chosen to retain their previous investments while drawing a pension income, rather than buying a payout annuity. However, the Company expects there will still be a demand from individuals for the guaranteed income provided by payout annuities. In 2016, the Company will look to develop its presence in the bulk annuity market, where trustees want to insure pension annuities in payment, and under the CanRetire brand will continue to develop additional products for individuals who prefer a more flexible product. The overall size of the retirement market is expected to grow as more retirees will have defined contribution pensions due to the closure of defined benefit schemes.

Canada Life continues to be a key player in the single premium investment bond marketplace. It will continue to develop a presence in both the offshore and onshore market segments. In 2016, the Company's distribution strategy for onshore will remain focused on IFAs. In the offshore wealth management segment, the outlook for 2016 is cautiously optimistic with an expectation that the market will experience modest growth. The private banking business is expected to stabilize in 2016. The Company expects business growth in 2016 will be driven by discretionary fund management wealth advisors, the retail market and through tax and estate planning products.

The outlook for the group life and health insurance operations remains positive. The business is benefiting from its strong segmental pricing discipline. With the market fundamentals of increased membership and salary inflation expected to slowly improve, the Company is well placed as the U.K. economy improves. The Group business will continue to show Group Income Protection pricing discipline, reflecting the low interest rate environment. The business has benefited from additional risk benefits within the operation's customer base as a result of the U.K. Government's Pensions Auto Enrolment initiative in

the workplace. This initiative started in October 2012 and will be complete in 2018. During 2015, small employers began to enroll in this initiative and now present an opportunity to increase the penetration of the U.K. group market with new business sales. Larger Canada Life plans have grown, as the pension legislation has increased the membership of the associated group plans. The Company expects the expansion of the existing customer base experienced in recent years will moderate as larger employers cease to be greatly influenced by the legislation.

Ireland – The economic recovery experienced in Ireland in 2014 continued into 2015, with private consumption increasing. The industry welcomed the elimination of the annual pension levy at the end of 2015, which was first introduced in 2011. These developments, coupled with an increase in employment levels and a projected strong gross domestic product (GDP) growth rate, are expected to positively influence growth in the life and pension new business markets in 2016.

During 2015, ILIM expanded into Canada and the U.S. with a number of newly attained relationships and specific mandates that utilize ILIM's active Quant solutions and ILIM's indexation capabilities. This creates a significant growth opportunity for ILIM, which is directly linked to relationships developed through companies in the Lifeco group.

Germany – The outlook for the German business is positive and the Company expects continued growth in assets under management in 2016.

Sales of unit-linked products grew significantly in 2015, with sales up 50% from 2014 levels. In 2016, the Company expects to continue to grow its market share of unit-linked products, as the market for traditional fixed interest guaranteed products declines, due to lower interest rates and increasing costs of guarantees. The Company is positioning itself to further strengthen its presence in the unit-linked market through continued investments in product development, distribution technology and service improvements.

Sales of occupational pension and protection products have continued to grow in 2015 and the Company expects the growth to continue in 2016.

Reinsurance

Operating Results

	For the three months ended			For the twelve months ended	
	Dec. 31 2015	Sept. 30 2015	Dec. 31 2014	**Dec. 31 2015**	Dec. 31 2014
Premiums and deposits	**$ 1,559**	$ 1,487	$ 1,465	**$ 5,636**	$ 4,428
Fee and other income	**7**	6	6	**24**	38
Net earnings	**73**	71	71	**313**	265

Premiums and deposits

Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded. Earnings are not directly correlated to premiums received.

Premiums and deposits for the fourth quarter of 2015 increased by $0.1 billion to $1.6 billion compared to the same quarter last year, primarily due to new and restructured reinsurance agreements and the impact of currency movement.

For the twelve months ended December 31, 2015, premiums and deposits increased by $1.2 billion to $5.6 billion compared to the same period last year. The increase was primarily due to new and restructured reinsurance agreements as well as the impact of currency movement, partially offset by commuted treaties and an annuity reinsurance agreement entered into during 2014.

Premiums and deposits for the fourth quarter of 2015 increased by $0.1 billion compared to the previous quarter, primarily due to higher business volumes and the impact of currency movement.

Fee and other income

Fee and other income for the fourth quarter of 2015 of $7 million was comparable to both the same quarter last year and the previous quarter.

For the twelve months ended December 31, 2015, fee and other income decreased by $14 million to $24 million compared to the same period last year. Certain life treaties were restructured in the fourth quarter of 2014 and result in lower fee income on an ongoing basis.

Net earnings

Net earnings for the fourth quarter of 2015 increased by $2 million to $73 million compared to the same quarter last year. The increase was primarily due to lower new business strain and currency movement, mostly offset by lower contributions from insurance contract liability basis changes.

For the twelve months ended December 31, 2015, net earnings increased by $48 million to $313 million compared to the same period last year. The increase was primarily due to favorable mortality experience, changes to certain income tax estimates, higher contributions from insurance contract liability basis changes as well as the impact of currency movement. These increases were partially offset by higher new business strain in the traditional life business and less favorable morbidity experience.

Net earnings for the fourth quarter of 2015 increased by $2 million compared to the previous quarter, primarily due to due to higher contributions from insurance contract liability basis changes, partially offset by less favourable claims experience.

Outlook – Reinsurance

Refer to Cautionary Note regarding Forward-looking Information and Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

The U.S. life reinsurance industry is focused on accessing certain demographics, including the low to middle income families market. If the industry is successful, this could create renewed growth, otherwise expected sales and volume will remain stable. In 2016, new state specific regulations will impact the collateral needed for non-licensed reinsurance entities. This will affect the types of insurance products sold and the reinsurance needs over the next few years. Market demand for health reinsurance is expected to increase due to the *Affordable Care Act*. Additionally, new U.S. regulatory rules affecting the calculation of statutory reserves are expected to be effective in 2017.

In Europe, Solvency II is expected to continue to be the main driver of the business in 2016 and beyond. The Company's reinsurance operation is preparing to help European clients and other affiliated companies meet the potential capital challenges and business opportunities arising from these regulatory changes.

As 2015 saw few major catastrophes, the Company expects 2016 pricing for the property and casualty market will continue to soften, although not as significantly as in the previous two years. Hedge fund capacity, collateralized covers and catastrophe bond issuance are expected to continue to grow in 2016, while buyer demand is under downward pressure due to increasing client retention. The primary focus for 2016 will be to continue to move further away from the exposure risk, continue to utilize the most recent U.S. modeling updates from Risk Management Solutions (RMS) and manage geographic exposures without significant impact on margins.

Europe Corporate

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

In the fourth quarter of 2015, Europe Corporate had a net loss of $4 million compared to a net loss of $15 million for the same quarter last year. The change was primarily due to lower expense provisions on the Company's legacy international businesses and lower restructuring and acquisition costs. Fourth quarter 2015 results include restructuring and acquisition costs of $2 million relating to the acquisition of LGII, compared to $6 million relating to the acquisition of Irish Life for the same quarter last year.

For the twelve months ended December 31, 2015, Europe Corporate had a net loss of $25 million compared to a net loss of $37 million for the same period last year. The change was due to the same reasons discussed for the in-quarter results. Included in the year-to-date net loss was $20 million of Irish Life and LGII related restructuring and acquisition costs in 2015, compared to $25 million of Irish Life restructuring costs for the same period in 2014.

The net loss for the three months ended December 31, 2015 was comparable to the previous quarter.

Lifeco Corporate Operating Results

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

The net loss for the three months ended December 31, 2015 of $7 million was comparable to the same quarter last year, as lower preferred share dividend payments were mostly offset by lower investment income. In 2015, preferred share dividends related to preferred shares issued in the second quarter of 2014 were allocated to the Canada segment.

For the twelve months ended December 31, 2015, Lifeco Corporate had a net loss of $16 million, compared to a net loss of $26 million for the same period last year. The change was primarily due to lower preferred share dividends and higher investment income.

The net loss for the three months ended December 31, 2015 of $7 million decreased from net earnings of $2 million for the previous quarter, primarily due to lower investment income. In addition, net earnings for the third quarter of 2015 were positively impacted by changes to certain income tax estimates.

OTHER INFORMATION

SELECTED ANNUAL INFORMATION

(in $ millions, except per share amounts)	Years ended December 31 2015	2014	2013
Total revenue	**$ 33,820**	$ 39,181	$ 26,446
Net earnings – common shareholders			
Operating earnings [(1)]	**$ 2,762**	$ 2,546	$ 2,052
Net earnings	**2,762**	2,546	2,278
Net earnings per common share			
Operating [(1)]	**$ 2.774**	$ 2.549	$ 2.108
Basic	**2.774**	2.549	2.340
Diluted	**2.768**	2.546	2.297
Total assets			
Total assets	**$ 399,935**	$ 356,709	$ 325,876
Proprietary mutual funds and institutional net assets	**252,480**	216,271	185,243
Total assets under management	**652,415**	572,980	511,119
Other assets under administration	**560,102**	490,353	247,139
Total assets under administration	**$1,212,517**	$1,063,333	$ 758,258
Total liabilities	**$ 374,675**	$ 334,812	$ 306,046
Dividends paid per share			
Series F First Preferred	**1.4750**	1.4750	1.4750
Series G First Preferred	**1.3000**	1.3000	1.3000
Series H First Preferred	**1.21252**	1.21252	1.21252
Series I First Preferred	**1.1250**	1.1250	1.1250
Series J First Preferred [(2)]	**–**	–	1.50000
Series L First Preferred	**1.41250**	1.41250	1.41250
Series M First Preferred	**1.450**	1.450	1.450
Series N First Preferred	**0.912500**	0.912500	0.912500
Series O First Preferred [(3)]	**–**	–	–
Series P First Preferred	**1.350**	1.350	1.350
Series Q First Preferred	**1.2875**	1.2875	1.2875
Series R First Preferred	**1.200**	1.200	1.200
Series S First Preferred [(4)]	**1.312500**	0.799185	–
Common	**1.304**	1.230	1.230

(1) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions. Refer to the "Cautionary Note Regarding Non-IFRS Financial Measures" section of this document.

(2) The Series J First Preferred Shares were redeemed on December 31, 2013.

(3) The Series O First Preferred Shares were issued on December 31, 2015.

(4) The Series S First Preferred Shares were issued on May 22, 2014. The first dividend payment was made on September 30, 2014 in the amount of $0.47106 per share. Regular quarterly dividends are $0.328125 per share.

Quarterly Financial Information

(in $ millions, except per share amounts)	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue [(1)]	$ **8,321**	$ 8,596	$ 4,224	$ 12,679	$ 10,723	$ 8,451	$ 10,070	$ 9,937
Common shareholders								
Net earnings								
Total	**683**	720	659	700	657	687	615	587
Basic – per share	**0.688**	0.724	0.661	0.702	0.658	0.687	0.616	0.587
Diluted – per share	**0.686**	0.722	0.659	0.700	0.657	0.686	0.615	0.587

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

Lifeco's consolidated net earnings attributable to common shareholders were $683 million for the fourth quarter of 2015 compared to $657 million reported a year ago. On a per share basis, this represents $0.688 per common share ($0.686 diluted) for the fourth quarter of 2015 compared to $0.658 per common share ($0.657 diluted) a year ago.

Total revenue for the fourth quarter of 2015 was $8,321 million and comprises premium income of $6,162 million, regular net investment income of $1,670 million, a negative change in fair value through profit or loss on investment assets of $844 million and fee and other income of $1,333 million.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2015 and, based on such evaluation, 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.

Internal Control Over Financial Reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining effective internal control over financial reporting. All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting based on the 2013 *Internal Control - Integrated Framework* (COSO Framework) published by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management adopted the revised 2013 COSO Framework in 2015 as the basis to evaluate the effectiveness of the Lifeco's internal control over financial reporting.

Management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2015 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting.

Transactions with Related Parties

In the normal course of business, Great-West Life provided insurance benefits to other companies within the Power Financial Corporation, Lifeco's parent, group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West Life provided to and received from IGM Financial Inc. and its subsidiaries (IGM), a member of the Power Financial Corporation group of companies, certain administrative services. Great-West Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. London Life provided distribution services to IGM.

At December 31, 2015 the Company held $43 million ($43 million in 2014) of debentures issued by IGM.

During the normal course of business in 2015, Great-West Life, London Life and segregated funds maintained by London Life purchased residential mortgages of $206 million from IGM ($184 million in 2014).

The Company provides asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of the Company and its subsidiaries.

As at December 31, 2015 and December 31, 2014, there were no significant outstanding loans or guarantees and no loans or guarantees issued during 2015 or 2014. There were no provisions for uncollectible amounts from related parties during 2015 and 2014.

Translation of Foreign Currency

Through its operating subsidiaries, Lifeco conducts business in multiple currencies. The four primary currencies are the Canadian dollar, the U.S. dollar, the British pound and the euro. Throughout this document, foreign currency assets and liabilities are translated into Canadian dollars at the market rate at the end of the reporting period. All income and expense items are translated at an average rate for the period. The rates employed are:

Translation of foreign currency

	2015				2014			
Period ended	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
United States dollar								
Balance sheet	**$ 1.38**	$ 1.34	$ 1.25	$ 1.27	$ 1.16	$ 1.12	$ 1.07	$ 1.11
Income and expenses	**$ 1.34**	$ 1.31	$ 1.23	$ 1.24	$ 1.14	$ 1.09	$ 1.09	$ 1.10
British pound								
Balance sheet	**$ 2.04**	$ 2.02	$ 1.96	$ 1.88	$ 1.81	$ 1.82	$ 1.83	$ 1.84
Income and expenses	**$ 2.03**	$ 2.03	$ 1.89	$ 1.88	$ 1.80	$ 1.82	$ 1.84	$ 1.83
Euro								
Balance sheet	**$ 1.50**	$ 1.50	$ 1.39	$ 1.36	$ 1.40	$ 1.42	$ 1.46	$ 1.52
Income and expenses	**$ 1.46**	$ 1.46	$ 1.36	$ 1.40	$ 1.42	$ 1.44	$ 1.50	$ 1.51

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

FINANCIAL REPORTING RESPONSIBILITY

The consolidated financial statements are the responsibility of management and are prepared in accordance with International Financial Reporting Standards (IFRS). The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements. The consolidated financial statements necessarily include amounts that are based on management's best estimates. These estimates are based on careful judgments and have been properly reflected in the consolidated financial statements. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements present fairly, in all material respects, the financial position of the Company and the results of its operations and its cash flows in accordance with IFRS.

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The consolidated financial statements were approved by the Board of Directors, which has oversight responsibilities with respect to financial reporting. The Board of Directors carries out this responsibility principally through the Audit Committee, which comprises independent directors. The Audit Committee is charged with, among other things, the responsibility to:

- Review the interim and annual consolidated financial statements and report thereon to the Board of Directors.
- Review internal control procedures.
- Review the independence of the external auditors and the terms of their engagement and recommend the appointment and compensation of the external auditors to the Board of Directors.
- Review other audit, accounting and financial reporting matters as required.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the Company's external and internal auditors to review their respective audit plans and to review their audit findings. The Committee is readily accessible to the external and internal auditors.

The Board of Directors of each of The Great-West Life Assurance Company and Great-West Life & Annuity Insurance Company appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries. The Actuary:

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives.
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations. Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion.

Deloitte LLP Chartered Accountants, as the Company's external auditors, have audited the consolidated financial statements. The Auditors' Report to the Shareholders is presented following the consolidated financial statements. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the consolidated financial statements present fairly, in all material respects, the financial position of the Company and the results of its operations and its cash flows in accordance with IFRS.

Paul Mahon
President and
Chief Executive Officer

Garry MacNicholas
Executive Vice-President and
Chief Financial Officer

February 11, 2016

CONSOLIDATED STATEMENTS OF EARNINGS

(in Canadian $ millions except per share amounts)

For the years ended December 31	2015	2014
Income		
Premium income		
Gross premiums written	$ 28,129	$ 24,686
Ceded premiums	(3,628)	(3,464)
Total net premiums	24,501	21,222
Net investment income (note 5)		
Regular net investment income	6,271	6,010
Changes in fair value through profit or loss	(2,010)	7,527
Total net investment income	4,261	13,537
Fee and other income	5,058	4,422
	33,820	39,181
Benefits and expenses		
Policyholder benefits		
Gross	22,553	19,363
Ceded	(2,000)	(1,928)
Total net policyholder benefits	20,553	17,435
Policyholder dividends and experience refunds	1,477	1,496
Changes in insurance and investment contract liabilities	812	10,229
Total paid or credited to policyholders	22,842	29,160
Commissions	2,218	2,084
Operating and administrative expenses (note 29)	4,466	3,741
Premium taxes	339	339
Financing charges (note 16)	303	304
Amortization of finite life intangible assets (note 11)	146	132
Restructuring and acquisition expenses	35	32
Earnings before income taxes	3,471	3,389
Income taxes (note 28)	460	628
Net earnings before non-controlling interests	3,011	2,761
Attributable to non-controlling interests (note 20)	123	93
Net earnings	2,888	2,668
Preferred share dividends	126	122
Net earnings – common shareholders	$ 2,762	$ 2,546
Earnings per common share (note 25)		
Basic	$ 2.774	$ 2.549
Diluted	$ 2.768	$ 2.546

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in Canadian $ millions)

For the years ended December 31	2015	2014
Net earnings	**$ 2,888**	$ 2,668
Other comprehensive income		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains on translation of foreign operations	**2,058**	539
Unrealized foreign exchange gains (losses) on euro debt designated as hedge of the net investment in foreign operations	**(50)**	35
Income tax benefit	**9**	–
Unrealized gains (losses) on available-for-sale assets	**(20)**	313
Income tax (expense) benefit	**7**	(62)
Realized gains on available-for-sale assets	**(104)**	(52)
Income tax expense	**17**	10
Unrealized losses on cash flow hedges	**(251)**	(107)
Income tax benefit	**95**	41
Realized losses on cash flow hedges	**2**	2
Income tax benefit	**(1)**	(1)
Non-controlling interests	**(57)**	(77)
Income tax benefit	**3**	20
Total items that may be reclassified	**1,708**	661
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans	**167**	(523)
Income tax (expense) benefit	**(32)**	130
Non-controlling interests	**(5)**	32
Income tax (expense) benefit	**2**	(8)
Total items that will not be reclassified	**132**	(369)
Total other comprehensive income	**1,840**	292
Comprehensive income	**$ 4,728**	$ 2,960

CONSOLIDATED BALANCE SHEETS

(in Canadian $ millions)

December 31	2015	2014
Assets		
Cash and cash equivalents (note 4)	**$ 2,813**	$ 2,498
Bonds (note 5)	**114,943**	103,168
Mortgage loans (note 5)	**22,021**	20,546
Stocks (note 5)	**7,873**	7,820
Investment properties (note 5)	**5,237**	4,613
Loans to policyholders	**8,694**	7,711
	161,581	146,356
Funds held by ceding insurers (note 6)	**15,512**	12,154
Goodwill (note 11)	**5,913**	5,855
Intangible assets (note 11)	**4,036**	3,625
Derivative financial instruments (note 30)	**461**	652
Owner occupied properties (note 12)	**653**	619
Fixed assets (note 12)	**298**	228
Other assets (note 13)	**2,643**	2,368
Premiums in course of collection, accounts and interest receivable	**3,553**	3,056
Reinsurance assets (note 15)	**5,131**	5,151
Current income taxes (note 28)	**69**	48
Deferred tax assets (note 28)	**1,891**	1,631
Investments on account of segregated fund policyholders (note 14)	**198,194**	174,966
Total assets	**$ 399,935**	$ 356,709
Liabilities		
Insurance contract liabilities (note 15)	**$ 158,492**	$ 145,198
Investment contract liabilities (note 15)	**2,180**	857
Debentures and other debt instruments (note 17)	**5,395**	5,355
Capital trust securities (note 18)	**161**	162
Funds held under reinsurance contracts	**356**	313
Derivative financial instruments (note 30)	**2,624**	1,195
Accounts payable	**1,755**	1,480
Other liabilities (note 19)	**3,367**	3,099
Current income taxes (note 28)	**492**	737
Deferred tax liabilities (note 28)	**1,659**	1,450
Investment and insurance contracts on account of segregated fund policyholders (note 14)	**198,194**	174,966
Total liabilities	**374,675**	334,812
Equity		
Non-controlling interests (note 20)		
Participating account surplus in subsidiaries	**2,611**	2,480
Non-controlling interests in subsidiaries	**195**	163
Shareholders' equity		
Share capital (note 21)		
Preferred shares	**2,514**	2,514
Common shares	**7,156**	7,102
Accumulated surplus	**10,431**	9,134
Accumulated other comprehensive income (note 26)	**2,218**	378
Contributed surplus	**135**	126
Total equity	**25,260**	21,897
Total liabilities and equity	**$ 399,935**	$ 356,709

Approved by the Board of Directors:

Jeffrey Orr
Director

Paul Mahon
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian $ millions)

	December 31, 2015					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	**$ 9,616**	**$ 126**	**$ 9,134**	**$ 378**	**$ 2,643**	**$ 21,897**
Net earnings	**–**	**–**	**2,888**	**–**	**123**	**3,011**
Other comprehensive income	**–**	**–**	**–**	**1,840**	**57**	**1,897**
	9,616	**126**	**12,022**	**2,218**	**2,823**	**26,805**
Dividends to shareholders						
Preferred shareholders (note 21)	**–**	**–**	**(126)**	**–**	**–**	**(126)**
Common shareholders (note 25)	**–**	**–**	**(1,298)**	**–**	**–**	**(1,298)**
Shares exercised and issued under share-based payment plans (note 21)	**99**	**(49)**	**–**	**–**	**39**	**89**
Share-based payment plans expense	**–**	**58**	**–**	**–**	**–**	**58**
Equity settlement of Putnam share-based plans	**–**	**–**	**–**	**–**	**(47)**	**(47)**
Shares purchased and cancelled under Normal Course Issuer Bid (note 21)	**(221)**	**–**	**–**	**–**	**–**	**(221)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 21)	**176**	**–**	**(176)**	**–**	**–**	**–**
Dilution gain on non-controlling interests	**–**	**–**	**9**	**–**	**(9)**	**–**
Balance, end of year	**$ 9,670**	**$ 135**	**$ 10,431**	**$ 2,218**	**$ 2,806**	**$ 25,260**

	December 31, 2014					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income	Non-controlling interests	Total equity
Balance, beginning of year	$ 9,426	$ 57	$ 7,899	$ 86	$ 2,362	$ 19,830
Net earnings	–	–	2,668	–	93	2,761
Other comprehensive income	–	–	–	292	33	325
	9,426	57	10,567	378	2,488	22,916
Dividends to shareholders						
Preferred shareholders (note 21)	–	–	(122)	–	–	(122)
Common shareholders (note 25)	–	–	(1,228)	–	–	(1,228)
Shares exercised and issued under share-based payment plans (note 21)	10	(6)	–	–	–	4
Share-based payment plans expense	–	41	–	–	–	41
Modification to share-based plans (note 23)	–	34	–	–	211	245
Equity settlement of Putnam share-based plans	–	–	–	–	(60)	(60)
Shares purchased and cancelled under Normal Course Issuer Bid (note 21)	(95)	–	–	–	–	(95)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 21)	75	–	(75)	–	–	–
Issuance of preferred shares (note 21)	200	–	–	–	–	200
Share issue costs (note 21)	–	–	(4)	–	–	(4)
Reallocation from shareholder account to participating account in London Life (note 20)	–	–	(4)	–	4	–
Balance, end of year	$ 9,616	$ 126	$ 9,134	$ 378	$ 2,643	$ 21,897

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian $ millions)

For the years ended December 31	2015	2014
Operations		
Earnings before income taxes	**$ 3,471**	$ 3,389
Income taxes paid, net of refunds received	**(361)**	(490)
Adjustments:		
Change in insurance and investment contract liabilities	**(1,088)**	9,726
Change in funds held by ceding insurers	**821**	428
Change in funds held under reinsurance contracts	**28**	(34)
Change in deferred acquisition costs	**32**	41
Change in reinsurance assets	**367**	(160)
Changes in fair value through profit or loss	**2,010**	(7,527)
Other	**(157)**	70
	5,123	5,443
Financing Activities		
Issue of common shares (note 21)	**99**	10
Issue of preferred shares (note 21)	**–**	200
Share issue costs (note 21)	**–**	(4)
Purchased and cancelled common shares (note 21)	**(221)**	(95)
Decrease in line of credit of subsidiary	**(130)**	(98)
Decrease in debentures and other debt instruments	**(7)**	(348)
Dividends paid on common shares	**(1,298)**	(1,228)
Dividends paid on preferred shares	**(126)**	(122)
	(1,683)	(1,685)
Investment Activities		
Bond sales and maturities	**29,082**	26,962
Mortgage loan repayments	**2,926**	2,525
Stock sales	**2,107**	3,099
Investment property sales	**206**	98
Change in loans to policyholders	**8**	73
Business acquisitions, net of cash and cash equivalents acquired	**(4)**	(43)
Investment in bonds	**(32,015)**	(31,104)
Investment in mortgage loans	**(3,033)**	(3,543)
Investment in stocks	**(2,423)**	(2,069)
Investment in investment properties	**(278)**	(127)
	(3,424)	(4,129)
Effect of changes in exchange rates on cash and cash equivalents	**299**	78
Increase (decrease) in cash and cash equivalents	**315**	(293)
Cash and cash equivalents, beginning of year	**2,498**	2,791
Cash and cash equivalents, end of year	**$ 2,813**	$ 2,498
Supplementary cash flow information		
Interest income received	**$ 5,386**	$ 4,988
Interest paid	**$ 295**	$ 298
Dividend income received	**$ 239**	$ 246

(in Canadian $ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

Lifeco is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses, primarily in Canada, the United States and Europe through its major operating subsidiaries The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam).

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2015 were approved by the Board of Directors on February 11, 2016.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Company's consolidated financial statements.

The Company adopted the narrow scope amendments to International Financial Reporting Standards (IFRS) for *Annual Improvements 2010 - 2012 Cycle, Annual Improvements 2011 - 2013 Cycle* and IAS 19 *Employee Benefits* effective January 1, 2015. The adoption of these narrow scope amendments did not have a significant impact on the Company's financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company as at and for the year ended December 31, 2015 with comparatives for December 31, 2014. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The Company has control when it has the power to direct the relevant activities, has significant exposure to variable returns from these activities and has the ability to use its power to affect the Company's variable returns. All intra-group balances, transactions, income and expenses and profits or losses, including dividends resulting from intra-group transactions, are eliminated on consolidation.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some uncertainty is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty and areas where significant judgments have been made are listed below and discussed throughout the notes to these financial statements including:

- Management uses independent qualified appraisal services, which utilize judgments and estimates. These appraisals are adjusted by applying management judgments and estimates for material changes in property cash flows, capital expenditures or general market conditions in determining the fair value of investment properties (note 5).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the determination of fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 8).
- Management evaluates the synergies and future benefit for initial recognition and measurement of goodwill and intangible assets as well as testing the recoverable amounts. The determination of the carrying value and recoverable amounts of the cash generating unit groupings for goodwill and intangible assets relies upon the determination of fair value using valuation methodologies (note 11).
- Cash generating units for goodwill and indefinite life intangible assets have been determined by management as the lowest level that the goodwill is monitored for internal reporting purposes, which requires management judgment in the determination of the lowest level of monitoring (note 11).
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs meet the definition of an asset and are incremental and related to the issuance of the investment contract. Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 13 and 19).
- The actuarial assumptions, such as policyholder behaviour, mortality and morbidity of policyholders, used in the valuation of insurance and certain investment contract liabilities under the Canadian Asset Liability Method require significant judgment and estimation (note 15).
- The actuarial assumptions used in determining the expense and benefit obligations for the Company's defined benefit pension plans and other post-employment benefits requires significant judgment and estimation. Management reviews previous experience of its plan members and market conditions including interest rates and inflation rates in evaluating the assumptions used in determining the expense for the current year (note 24).

- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 28).
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed to a third-party to settle the obligation. Management uses judgment to evaluate the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 31).
- The operating segments of the Company, which are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company, are aligned with the Company's geographic operations. Management applies judgment in the aggregation of the business units into the Company's operating segments (note 33).
- Management uses judgment to evaluate the classification of insurance and reinsurance contracts to determine whether these arrangements should be accounted for as insurance, investment or service contracts.
- Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.
- Management uses judgments, such as the determination of the risks and benefits associated with the transaction that are used in determining whether the Company retains the primary obligation with a client in sub-advisor arrangements. Where the Company retains the risks and benefits, revenue and expenses are recorded on a gross basis.
- Within the Consolidated Statements of Cash Flows, purchases and sales of portfolio investments are recorded within investment activities due to the long-term nature of these investing activities.
- The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The provision for future credit losses within the Company's insurance contract liabilities relies upon investment credit ratings. The Company's practice is to use third-party independent credit ratings where available. Management judgment is required when setting credit ratings for instruments that do not have a third-party rating.

The significant accounting policies are as follows:

(a) Portfolio Investments

Portfolio investments include bonds, mortgage loans, stocks and investment properties. 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 relating to the purpose and nature of the instrument or characteristics of the investment. The Company 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. A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities. A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income. 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. Realized gains and losses are reclassified from other comprehensive income 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 net investment income in the Consolidated Statements of Earnings.

Investments in equity instruments where a fair value cannot be measured reliably are classified as available-for-sale, carried at cost and fair value disclosure is not applicable. 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 over which the Company exerts significant influence but does not control include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Financial group of companies, and Allianz Ireland, an unlisted general insurance company operating in Ireland. The investments are 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 net investment income.

Investment properties are real estate held to earn rental income or for capital appreciation. 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 net investment income in the Consolidated Statements of Earnings. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included within investment properties.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

Fair Value Measurement

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

Fair value movement on the assets supporting insurance contract liabilities is a major factor in the movement of insurance contract liabilities. Changes in the fair value of bonds designated or classified as fair value through profit or loss that support insurance and investment contract liabilities are largely offset by corresponding changes in the fair value of liabilities except when the bond has been deemed impaired.

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 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.

Bonds and Mortgages – Loans and Receivables

For disclosure purposes only, fair values for bonds and mortgages classified as loans and receivables are determined by discounting expected future cash flows using current market rates. Valuation inputs typically include benchmark yields and risk-adjusted spreads based on current lending activities and market activity.

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 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.

Investment Properties

Fair 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. The determination of the fair value of investment property requires the use of estimates including future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market conditions. Investment property under construction is valued at fair value if such values can be reliably determined; otherwise they are recorded at cost.

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 objective evidence that timely collection of future cash flows can no longer be reliably estimated. The fair 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 is 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 is reclassified to net investment income. Impairments on available-for-sale debt instruments 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 net investment income; therefore a reduction due to impairment of these assets will be recorded in net investment income. As well, when determined to be impaired, interest is no longer accrued and previous interest accruals are reversed.

Securities Lending

The Company engages in securities lending through its securities custodians as lending agents. Loaned securities are not derecognized, and continue to be reported within invested assets, as the Company retains substantial risks and rewards and economic benefits related to the loaned securities.

(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 included in 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 comprise cash, current operating accounts, overnight bank and term deposits with maturities of three months or less held for the purpose of meeting short-term cash requirements. 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 sponsored funds, open ended investment companies and sponsored unit-trusts in Europe, 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) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities 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 financing charges in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Assets and Other Liabilities

Other assets, which include prepaid expenses, deferred acquisition costs and miscellaneous other assets, are measured at amortized cost. Other liabilities, which include, deferred income reserves and bank overdraft, are measured at amortized cost. Pension and other post-employment benefits also included within other assets and other liabilities are measured in accordance with IAS 19, *Employee Benefits*.

(g) 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 in note 30 as prescribed by the Office of the Superintendent of Financial Institutions Canada.

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. 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, 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. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

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 risk are recorded in net investment income and consequently any ineffective portion of the hedge is recorded immediately in net investment income.

The Company currently uses interest rate swaps designated as fair value hedges.

Cash flow hedges

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 other comprehensive income while the ineffective portion is recognized immediately in net investment income. Gains and losses that accumulate in other comprehensive income 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 other comprehensive income to net investment income if and when it is probable that a forecasted transaction is no longer expected to occur.

The Company currently uses interest rate swaps and cross-currency swaps designated as cash flow hedges.

Net investment hedges

For net investment hedges the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. The unrealized foreign exchange gains (losses) on the instruments are recorded within accumulated other comprehensive income and will be reclassified into net earnings when the instruments are derecognized.

The Company currently has instruments designated as net investment hedges.

(h) Embedded Derivatives

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. 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.

(i) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. 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 recorded in unrealized foreign exchange gains (losses) on translation of foreign operations in other comprehensive income.

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 translation of the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. 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.

(j) Loans to Policyholders

Loans to policyholders are classified as loans and receivables and measured at amortized cost. 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.

(k) Reinsurance Contracts

The Company, in the normal course of business, is a user of reinsurance in order to limit the potential for losses arising from certain exposures and a provider of reinsurance. 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.

Reinsurance contracts are insurance contracts and undergo the classification as described within the Insurance and Investment Contract Liabilities section of this note. 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. The Company considers various factors in the impairment evaluation process, including but not limited to, collectability of 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 in accordance with the Canadian Asset Liability Method.

Assets and liabilities related to reinsurance are reported on a gross basis in the Consolidated Balance Sheets. The amount of liabilities ceded to reinsurers is estimated in a manner consistent with the claim liability associated with reinsured risks.

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

On the asset side, funds held by ceding insurers are assets that would normally be paid to the Company but are withheld by the cedant to reduce potential credit risk. Under certain forms of reinsurance contracts it is customary for the cedant to retain amounts on a funds withheld basis supporting the insurance or investment contract liabilities ceded. For the funds withheld assets where the underlying asset portfolio is managed by the Company, the credit risk is retained by the Company. The funds withheld balance where the Company assumes the credit risk is measured at the fair value of the underlying asset portfolio with the change in fair value recorded in net investment income. See note 6 for funds held by ceding insurers that are managed by the Company. Other funds held by ceding insurers are general obligations of the cedant and serve as collateral for insurance contract liabilities assumed from cedants. Funds withheld assets on these contacts do not have fixed maturity dates, their release generally being dependent on the run-off of the corresponding insurance contract liabilities.

On the liability side, funds held under reinsurance contracts consist mainly of amounts retained by the Company from ceded business written on a funds withheld basis. The Company withholds assets related to ceded insurance contract liabilities in order to reduce credit risk.

(m) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less 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 technology/software, customer contracts and distribution channels. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 5 and 30 years.

Indefinite life intangible assets include brands and trademarks, customer contracts and the shareholders' 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. Following initial recognition, indefinite life intangible assets are measured at cost less accumulated impairment losses.

Impairment Testing

Goodwill and indefinite life 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.

Goodwill and indefinite life intangible assets have been allocated to cash generating units, representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each cash generating unit grouping containing the assets to its recoverable amount. An impairment loss is recognized for the amount by which the asset carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs of disposal and value-in-use.

Finite life intangible assets are reviewed at least annually to determine if there are indicators of impairment and assess whether the amortization period and method are appropriate.

(n) 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.

Interest income on bonds and mortgages is recognized and accrued using the effective yield method.

Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed stocks, and usually the notification date or date when the shareholders have approved the dividend for private equity instruments.

Investment property income includes rents earned from tenants under lease agreements and property tax and operating cost recoveries. Rental income leases with contractual rent increases and rent-free periods are recognized on a straight-line basis over the term of the lease.

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

The Company has sub-advisor arrangements where the Company retains the primary obligation with the client; as a result, fee income earned is reported on a gross basis with the corresponding sub-advisor expense recorded in operating and administrative expenses.

(o) Owner Occupied Properties and Fixed Assets

Property held for own use and fixed assets are carried at cost less accumulated depreciation and impairments. Depreciation is charged 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 fixed assets	3 – 10 years

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted if necessary.

(p) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs. These are recognized as assets if the costs are incremental and incurred due to the contract being issued and are primarily amortized on a straight-line basis over the policy term, not to exceed 20 years.

(q) Segregated Funds

Segregated funds assets and liabilities arise from contracts where all financial risks associated with the related assets are borne by policyholders and are presented separately in the Consolidated Balance Sheets. The assets and liabilities are set equal to the fair value of the underlying asset portfolio. Investment income and changes in fair value of the segregated fund assets are offset by a corresponding change in the segregated fund liabilities.

(r) Insurance and Investment Contract Liabilities

Contract Classification

When significant insurance risk exists, the Company's products are classified at contract inception as insurance contracts, in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). 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. Refer to note 15 for discussion of insurance risk.

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

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 7 for discussion of Financial Instruments 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 using generally accepted actuarial practices, according to the standards established by the Canadian Institute of Actuaries. The valuation uses the Canadian Asset Liability Method. 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.

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of mis-estimation and/for 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.

Investment contract liabilities are measured at fair value determined using discounted cash flows utilizing the yield curves of financial instruments with similar cash flow characteristics.

(s) Deferred Income Reserves

Included in other liabilities are deferred income reserves relating to investment contracts. These are amortized on a straight-line basis to recognize the initial policy fees over the policy term, not to exceed 20 years.

(t) 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 other comprehensive income 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 income 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 income tax assets and current income 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.

A provision for tax uncertainties which meet the probable threshold for recognition is measured based on the probability weighted average approach.

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 income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and carryforwards can be utilized.

Deferred income 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 income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to net current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income 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 probable that the temporary differences will not reverse in the foreseeable future.

(u) Policyholder Benefits

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

(v) Repurchase Agreements

The Company accounts for certain forward settling to be announced “TBA” security transactions as derivatives as the Company does not regularly accept delivery of such securities when issued.

(w) 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 provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents.

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 24). Pension plan assets are recorded at fair value.

For the defined benefit plans of the Company’s subsidiaries, service costs and net interest costs are recognized in the Consolidated Statements of Earnings. Service costs include current service cost, administration expenses, past service costs and the impact of curtailments and settlements. To determine the net interest costs (income) recognized in the Consolidated Statements of Earnings, the Company’s subsidiaries apply a discount rate to the net benefit liability (asset), where the discount rate is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

For the defined benefit plans of the Company’s subsidiaries, re-measurements of the net defined benefit liability (asset) due to asset returns less (greater) than interest income, actuarial losses (gains) and changes in the asset ceiling are recognized immediately in the Consolidated Statements of Comprehensive Income.

The Company’s subsidiaries also maintain defined contribution pension plans for certain employees and advisors. For the defined contribution plans of the Company’s subsidiaries, the current service costs are recognized in the Consolidated Statements of Earnings.

2. Basis of Presentation and Summary of Accounting Policies (cont'd)

(x) 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 expense on unexercised equity instruments under share-based payment plans.

Accumulated other comprehensive income (loss) represents the total of the unrealized foreign exchange gains (losses) on translation of foreign operations, the unrealized foreign exchange gains (losses) on euro debt designated as a hedge of the net investment of foreign operations, the unrealized gains (losses) on available-for-sale assets, the unrealized gains (losses) on cash flow hedges, and the remeasurements on defined benefit pension and other post-employment benefit plans.

Non-controlling interests in subsidiaries represents the proportion of equity that is attributable to minority shareholders.

Participating account surplus in subsidiaries represents the proportion of equity attributable to the participating account of the Company's subsidiaries.

(y) Share-Based Payments

The Company provides share-based compensation to certain employees and Directors of the Company and its subsidiaries.

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 (note 23). This share-based payment expense is recognized in operating and administrative expenses in the Consolidated Statements of Earnings and as 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, are transferred to share capital.

The Company and certain of its affiliates have established Deferred Share Unit Plans (DSU Plans) in which Directors of the Company participate. Units issued under the DSU Plans vest when granted. The Company recognizes an increase in operating and administrative expenses for the units granted under the DSU Plans. The Company recognizes a liability for units granted under the DSU Plans which is re-measured at each reporting period based on the market value of the Company's common shares.

Certain employees of the Company are entitled to participate in the Performance Share Unit Plan (PSU Plan). Units issued under the Performance Share Unit Plan vest over a three year period. The Company uses the fair value method to recognize compensation expense for the units granted under the plan with a corresponding increase in the liability based on the market value of the Company's common shares.

The Company has an Employee Share Ownership Program (ESOP) where, subject to certain conditions being met, the Company will match contributions up to a maximum amount. The Company's contributions are expensed within operating and administrative expenses as incurred.

From January 1, 2014 to March 31, 2014, share-based payment awards for restricted Class B shares and options on Class B shares granted to employees under the Putnam Investments, LLC Equity Incentive Plan and for awards issued under PanAgora's Management Equity Plan were accounted for as liabilities. As of March 31, 2014 (the "Modification date"), the Company modified these plans. As a result, these plans are now classified as equity-settled share-based payment transactions wherein compensation expense is measured by reference to the fair value of the equity instruments at grant date (or Modification date for those grants existing at such date) with a corresponding increase to equity. On the Modification date, the Company reclassified the share-based liability into equity.

(z) 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. Diluted earnings per share is calculated by adjusting common shareholders' net earnings and the weighted average number of common shares outstanding for the effects of all potential dilutive common shares assuming that all convertible instruments are converted and outstanding options are exercised.

(aa) 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.

Investments in a lease that transfers substantially all the risks and rewards of ownership to the lessee are classified as a finance lease. The Company is the lessor under a finance lease and the investment is recognized as a receivable at an amount equal to the net investment in the lease, which is represented as the present value of the minimum lease payments due from the lessee and is presented within the Consolidated Balance Sheets. Payments received from the lessee are apportioned between the recognition of finance lease income and the reduction of the finance lease receivable. Income from the finance leases is recognized in the Consolidated Statements of Earnings at a constant periodic rate of return on the Company's net investment in the finance lease.

(ab) 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 operating segments are categorized by geographic region and include Canada, the United States and Europe. Great-West Financial and Putnam are reported in the United States segment. The Europe segment comprises Insurance & Annuities and Reinsurance. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

(ac) Future Accounting Policies

IFRS that have been issued by the IASB and could impact the Company are as follows:

New Standard	Summary of Future Changes
IFRS 9 – *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. The standard is effective January 1, 2018. The Company is evaluating the impact of the adoption of this standard.
IFRS 15 – *Revenue from Contracts with Customers*	In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from insurance contracts, leases and financial instruments are not required to apply the revenue recognition requirements in IFRS 15. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer. In September 2015, the IASB issued an amendment to IFRS 15 providing a deferral of one year of the effective date of the standard, from January 1, 2017 to January 1, 2018. The Company is evaluating the impact of the adoption of this standard.
IFRS 16 – *Leases*	In January 2016, the IASB issued IFRS 16, *Leases*, which introduces new guidance for identifying leases as well as a new right-of-use accounting model for lessees, replacing the operating and finance lease accounting models that currently exist. The new accounting model will generally require all lessees to recognize lease assets and liabilities on the balance sheet, initially measured at the present value of unavoidable lease payments for all leases with a maximum possible term of more than 12 months. In contrast to the significant changes for lessees, the new standard will retain many key aspects of the current lessor accounting model. The standard is effective January 1, 2019. The Company is evaluating the impact of the adoption of this standard.
Annual Improvements 2012 – 2014 Cycle	In September 2014, the IASB issued *Annual Improvements 2012 – 2014 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Five amendments were included in this issue relating to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosures*, IFRS 1, *First-time Adoption of International Financial Reporting Standards*, IAS 19, *Employee Benefits* and IAS 34 *Interim Financial Reporting*. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IAS 16 – *Property, Plant and Equipment* and IAS 38 – *Intangible Assets*	In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets* that the use of revenue-based methods to calculate the depreciation of property, plant and equipment and intangible assets is not appropriate. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IFRS 10 – *Consolidated Financial Statements* and IAS 28 – *Investments in Associates and Joint Ventures*	In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to clarify that any gain or loss recognized in a transaction involving an associate or joint venture depends on whether the assets sold or contributed constitute a business as defined under IFRS 3, *Business Combinations*. In December 2014, the IASB issued additional amendments to IFRS 10 and IAS 28 clarifying the accounting requirements for investment entities. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IFRS 11 – *Joint Arrangements*	In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* on the accounting for acquisitions of an interest in a joint operation when the operations constitute a business as defined under IFRS 3, *Business Combinations*. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.
IAS 1 – *Presentation of Financial Statements*	In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to add clarity and flexibility to financial statement presentation, ensuring entities use judgment in applying materiality, and presentation of financial statements and structure of the notes. The amendments are effective January 1, 2016. Adoption of these amendments is not expected to have a significant impact on the Company's consolidated financial statements.

3. Business Acquisitions

(a) J.P. Morgan Retirement Plan Services

On August 29, 2014, the Company, through its wholly owned subsidiary Great-West Financial, completed the acquisition of all of the voting equity interests in the J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business. The Company disclosed the allocation of the purchase price to the amounts of assets acquired, goodwill and liabilities assumed in note 3 to the December 31, 2014 consolidated annual audited financial statements. During the first quarter of 2015 the Company finalized the purchase price allocation with no adjustments from those balances reported as at December 31, 2014.

(b) Legal & General International (Ireland) Limited

On July 1, 2015, the Company, through its indirect wholly owned subsidiary The Canada Life Group (UK) Ltd., acquired Legal & General International (Ireland) Limited (LGII), a provider of investment and wealth management solutions for high net worth individuals primarily in the United Kingdom.

At the date of acquisition, the Company recognized $5,465 of unit-linked funds within investments on account of segregated fund policyholders and investment and insurance contracts on account of segregated fund policyholder liabilities (note 14) on the Company's balance sheet.

The revenue and net earnings from LGII, along with the goodwill from the acquisition, was not significant.

4. Cash and Cash Equivalents

Cash and cash equivalents include amounts held at the Lifeco holding company level and amounts held in Lifeco's consolidated subsidiary companies.

	2015	2014
Cash	$ **1,792**	$ 1,588
Short-term deposits	**1,021**	910
Total	$ **2,813**	$ 2,498

At December 31, 2015 cash of $159 was restricted for use by the Company ($142 at December 31, 2014) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, client monies held by brokers and cash held in escrow.

5. Portfolio Investments

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

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1][3]	**$ 83,688**	**$ 83,688**	$ 77,714	$ 77,714
Classified fair value through profit or loss [1][3]	**2,815**	**2,815**	2,286	2,286
Available-for-sale	**11,535**	**11,535**	9,990	9,990
Loans and receivables	**16,905**	**18,253**	13,178	14,659
	114,943	**116,291**	103,168	104,649
Mortgage loans				
Residential	**7,783**	**8,148**	7,238	7,653
Commercial	**14,238**	**15,298**	13,308	14,514
	22,021	**23,446**	20,546	22,167
Stocks				
Designated fair value through profit or loss [1]	**6,647**	**6,647**	6,617	6,617
Available-for-sale	**57**	**57**	50	50
Available-for-sale, at cost [2]	**534**	**N/A**	560	N/A
Equity method	**635**	**601**	593	664
	7,873	**7,305**	7,820	7,331
Investment properties	**5,237**	**5,237**	4,613	4,613
Total	**$ 150,074**	**$ 152,279**	$ 136,147	$ 138,760

(1) A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.
A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

(2) Fair value cannot be reliably measured, therefore the investments are held at cost and excluded from the total fair value amount presented.

(3) During the year, the Company reclassified $119 of bonds from designated fair value through profit or loss to classified fair value through profit or loss at December 31, 2014 to conform to the current year's presentation.

(b) Carrying value of bonds and mortgages by term to maturity are as follows:

	2015			
	Term to maturity			
	1 year or less	**Over 1–5 years**	**Over 5 years**	**Total**
Bonds	**$ 11,679**	**$ 25,784**	**$ 77,113**	**$ 114,576**
Mortgage loans	**1,358**	**6,037**	**14,598**	**21,993**
Total	**$ 13,037**	**$ 31,821**	**$ 91,711**	**$ 136,569**

	2014			
	Term to maturity			
	1 year or less	Over 1–5 years	Over 5 years	Total
Bonds	$ 10,817	$ 19,299	$ 72,687	$ 102,803
Mortgage loans	1,373	6,532	12,628	20,533
Total	$ 12,190	$ 25,831	$ 85,315	$ 123,336

The above excludes the carrying value of impaired bonds and mortgage loans, as the ultimate timing of collectability is uncertain.

5. Portfolio Investments (cont'd)

(c) Certain stocks where equity method earnings are computed are discussed below:

(i) Stocks include the Company's investment, held through Great-West Life, in an affiliated company, IGM, a member of the Power Financial group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,203,174 shares of IGM at December 31, 2015 (9,202,886 at December 31, 2014) representing a 3.73% ownership interest (3.65% at December 31, 2014). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Financial, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and services agreements that influence the financial and operating policies of both companies.

	2015	2014
Carrying value, beginning of year	$ 356	$ 350
Equity method share of IGM earnings	23	26
Dividends received	(21)	(20)
Carrying value, end of year	$ 358	$ 356
Share of equity, end of year	$ 180	$ 178
Fair value, end of year	$ 325	$ 426

The Company and IGM both have a year-end date of December 31. The Company's year-end results are approved and reported before IGM publicly reports its financial result; therefore, the Company reports IGM's financial information by estimating the amount of earnings attributable to the Company, based on prior quarter information as well as consensus expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's financial statements.

IGM's financial information as at December 31, 2015 can be obtained in its publicly available information.

At December 31, 2015 and 2014 IGM owned 39,737,388 common shares of the Company.

(ii) Stocks include the Company's 30.43% investment (30.43% at December 31, 2014), held through Irish Life Group Limited (Irish Life), in Allianz Ireland, an unlisted general insurance company operating in Ireland.

	2015	2014
Carrying value, beginning of year	$ 191	$ 217
Equity method share of Allianz comprehensive income	18	7
Dividends received	(4)	(24)
Changes in foreign exchange rate	13	(9)
Carrying value, end of year	$ 218	$ 191
Share of equity, end of year	$ 161	$ 140

The fair value of Allianz Ireland as at December 31, 2015 and December 31, 2014 is not readily available as it is not publicly traded.

The Company and Allianz Ireland both have a year-end date of December 31. The Company's year-end financial results are approved and reported before Allianz Ireland reports its financial results; therefore, the Company reports Allianz Ireland's financial information by estimating the amount of income attributable to the Company, based on prior quarter information, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is not material to the Company's financial statements.

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

	2015	2014
Impaired amounts by classification		
Fair value through profit or loss	$ 355	$ 355
Available-for-sale	11	14
Loans and receivables	30	15
Total	$ 396	$ 384

The carrying amount of impaired investments includes bonds, stocks and mortgage loans. The above carrying values for loans and receivables are net of allowances of $20 at December 31, 2015 and $18 at December 31, 2014.

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2015			2014		
	Bonds	Mortgage loans	Total	Bonds	Mortgage loans	Total
Balance, beginning of year	$ –	$ 18	$ 18	$ –	$ 25	$ 25
Net provision for credit losses – in year	–	–	–	–	8	8
Write-offs, net of recoveries	–	–	–	–	(15)	(15)
Other (including foreign exchange rate changes)	–	2	2	–	–	–
Balance, end of year	$ –	$ 20	$ 20	$ –	$ 18	$ 18

The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

(e) Net investment income comprises the following:

	2015					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 4,252	$ 965	$ 279	$ 356	$ 416	$ 6,268
Net realized gains						
Available-for-sale	104	–	2	–	–	106
Other classifications	10	97	–	–	–	107
Other income and expenses	–	–	–	(100)	(110)	(210)
	4,366	1,062	281	256	306	6,271
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	13	–	–	–	–	13
Designated fair value through profit or loss	(2,000)	–	(409)	–	137	(2,272)
Recorded at fair value through profit or loss	–	–	–	249	–	249
	(1,987)	–	(409)	249	137	(2,010)
Total	$ 2,379	$ 1,062	$ (128)	$ 505	$ 443	$ 4,261

	2014					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 4,108	$ 948	$ 238	$ 319	$ 487	$ 6,100
Net realized gains						
Available-for-sale	47	–	11	–	–	58
Other classifications	18	25	–	–	–	43
Net allowances for credit losses on loans and receivables	(9)	(8)	–	–	–	(17)
Other income and expenses	–	–	–	(75)	(99)	(174)
	4,164	965	249	244	388	6,010
Changes in fair value on fair value through profit or loss assets:						
Classified fair value through profit or loss	72	–	–	–	–	72
Designated fair value through profit or loss	6,533	–	480	–	180	7,193
Recorded at fair value through profit or loss	–	–	–	262	–	262
	6,605	–	480	262	180	7,527
Total	$ 10,769	$ 965	$ 729	$ 506	$ 568	$ 13,537

5. Portfolio Investments (cont'd)

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and investments classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends and equity income from the investment in IGM and Allianz Ireland. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties. Other income includes policyholder loan income, foreign exchange gains and losses, income earned from derivative financial instruments and other miscellaneous income.

(f) The carrying value of investment properties and changes in the carrying value of investment properties are as follows:

	2015	2014
Balance, beginning of year	**$ 4,613**	$ 4,288
Additions	**278**	127
Change in fair value through profit or loss	**249**	262
Disposals	**(282)**	(98)
Transferred to owner occupied properties	**–**	(13)
Foreign exchange rate changes	**379**	56
Other	**–**	(9)
Balance, end of year	**$ 5,237**	$ 4,613

(g) Transferred Financial Assets

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. There was no cash collateral included in the collateral deposited with the Company's lending agent as of December 31, 2015 ($16 at December 31, 2014). In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2015, the Company had loaned securities (which are included in invested assets) with a fair value of $6,833 ($5,890 at December 31, 2014).

6. Funds Held by Ceding Insurers

Included in funds held by ceding insurers of $15,512 at December 31, 2015 ($12,154 at December 31, 2014) are the following agreements.

During 2015, Canada Life Limited, an indirect wholly owned subsidiary of the Company, entered into an agreement with The Equitable Life Assurance Society (Equitable Life) to assume, by way of indemnity reinsurance, the assets and liabilities of the annuity business of Equitable Life totaling $1,620.

During December 2015, an indirect wholly-owned subsidiary of the Company entered into a retrocession agreement to assume a block of investment contract liabilities totaling $1,323 in the form of structured settlements with fixed terms and amounts. The subsidiary has assumed the credit risk on the portfolio of assets, included in funds held by the ceding reinsurer, that back the related investment contract liabilities. The ceding reinsurer has the right to recapture the retrocession transaction if certain conditions are not met.

During 2014, an indirect wholly owned reinsurance subsidiary of the Company entered into an agreement to assume by way of indemnity reinsurance, a block of payout annuities. Under the agreement, the subsidiary is required to put amounts on deposit with the counterparty and the subsidiary has assumed the credit risk on the portfolio of assets included in the amounts on deposit.

During 2008, Canada Life International Re Limited (CLIRE), the Company's indirect wholly owned Irish reinsurance subsidiary, signed an agreement with Standard Life, a U.K.-based provider of life, pension and investment products, to assume by way of indemnity reinsurance, a large block of payout annuities. Under the agreement, CLIRE is required to put amounts on deposit with Standard Life and CLIRE has assumed the credit risk on the portfolio of assets included in the amounts on deposit.

The assets for these agreements are included in funds held by ceding insurers on the Consolidated Balance Sheets. Income and expenses arising from the agreements are included in net investment income on the Consolidated Statements of Earnings.

At December 31, 2015 the Company had amounts on deposit of $13,830 ($10,758 at December 31, 2014) for these four agreements.

The details of the funds on deposit and related credit risk on the funds related to these agreements are as follows:

(a) Carrying values and estimated fair values:

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Cash and cash equivalents	**$ 180**	**$ 180**	$ 200	$ 200
Bonds	**13,472**	**13,472**	10,397	10,397
Other assets	**178**	**178**	161	161
Total	**$ 13,830**	**$ 13,830**	$ 10,758	$ 10,758
Supporting:				
Reinsurance liabilities	**13,222**	**13,222**	10,386	10,386
Surplus	**608**	**608**	372	372
Total	**$ 13,830**	**$ 13,830**	$ 10,758	$ 10,758

(b) The following presents the amounts on deposit for funds held by ceding insurers measured at fair value on recurring basis by hierarchy level (note 8):

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 180**	**$ –**	**$ –**	**$ 180**
Bonds	**–**	**13,472**	**–**	**13,472**
Total	**$ 180**	**$ 13,472**	**$ –**	**$ 13,652**

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 200	$ –	$ –	$ 200
Bonds	–	10,397	–	10,397
Total	$ 200	$ 10,397	$ –	$ 10,597

6. Funds Held by Ceding Insurers (cont'd)

(c) The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	2015	2014
Bonds issued or guaranteed by:		
Canadian federal government	$ –	$ 49
Provincial, state, and municipal governments	5	16
U.S. Treasury and other U.S. agencies	72	25
Other foreign governments	3,224	1,923
Government related	561	548
Supranationals	195	167
Asset-backed securities	319	260
Residential mortgage-backed securities	117	107
Banks	1,967	1,944
Other financial institutions	1,098	1,087
Basic materials	134	110
Communications	176	168
Consumer products	1,117	862
Industrial products/services	398	174
Natural resources	531	389
Real estate	932	778
Transportation	328	231
Utilities	1,762	1,411
Miscellaneous	512	130
Total long-term bonds	$ 13,448	$ 10,379
Short-term bonds	24	18
Total	$ 13,472	$ 10,397

(d) Asset quality

Bond Portfolio By Credit Rating

	2015	2014
AAA	$ 3,697	$ 2,312
AA	3,405	2,944
A	5,186	4,194
BBB	798	596
BB and lower	386	351
Total	$ 13,472	$ 10,397

7. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks.

The following sections describe how the Company manages each of these risks.

(a) Credit Risk

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

The following policies and procedures are in place to manage this risk:

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.
- Investment guidelines also specify collateral requirements.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.
- The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.
- Reinsurance is placed with counterparties that have a good credit rating, and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	2015	2014
Cash and cash equivalents	**$ 2,813**	$ 2,498
Bonds		
Fair value through profit or loss	**86,503**	80,000
Available-for-sale	**11,535**	9,990
Loans and receivables	**16,905**	13,178
Mortgage loans	**22,021**	20,546
Loans to policyholders	**8,694**	7,711
Funds held by ceding insurers [1]	**15,512**	12,154
Reinsurance assets	**5,131**	5,151
Interest due and accrued	**1,430**	1,286
Accounts receivable	**1,420**	1,172
Premiums in course of collection	**703**	598
Trading account assets	**590**	405
Finance leases receivable	**293**	285
Other assets [2]	**772**	715
Derivative assets	**461**	652
Total	**$ 174,783**	$ 156,341

(1) Includes $13,830 ($10,758 at December 31, 2014) of funds held by ceding insurers where the Company retains the credit risk of the assets supporting the liabilities ceded (note 6).

(2) Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 13).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $107 of collateral received as at December 31, 2015 ($52 of collateral received as at December 31, 2014) relating to derivative assets.

7. Financial Instruments Risk Management (cont'd)

(ii) 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. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

The following provides details of the carrying value of bonds by issuer, industry sector and geographic distribution:

	2015			
	Canada	**United States**	**Europe**	**Total**
Bonds issued or guaranteed by:				
Canadian federal government	**$ 5,745**	**$ 4**	**$ 31**	**$ 5,780**
Provincial, state, and municipal governments	**7,075**	**3,186**	**46**	**10,307**
U.S. Treasury and other U.S. agencies	**429**	**5,835**	**1,306**	**7,570**
Other foreign governments	**206**	**7**	**12,470**	**12,683**
Government related	**3,242**	**–**	**2,112**	**5,354**
Supranationals	**415**	**5**	**680**	**1,100**
Asset-backed securities	**2,607**	**3,581**	**595**	**6,783**
Residential mortgage-backed securities	**64**	**204**	**230**	**498**
Banks	**1,852**	**382**	**2,854**	**5,088**
Other financial institutions	**834**	**2,061**	**2,644**	**5,539**
Basic materials	**416**	**1,228**	**542**	**2,186**
Communications	**596**	**373**	**771**	**1,740**
Consumer products	**2,217**	**2,947**	**2,958**	**8,122**
Industrial products/services	**1,210**	**1,708**	**1,170**	**4,088**
Natural resources	**1,453**	**1,444**	**820**	**3,717**
Real estate	**1,502**	**786**	**3,228**	**5,516**
Transportation	**2,406**	**1,298**	**1,100**	**4,804**
Utilities	**6,200**	**4,910**	**4,341**	**15,451**
Miscellaneous	**1,410**	**1,876**	**538**	**3,824**
Total long-term bonds	**39,879**	**31,835**	**38,436**	**110,150**
Short-term bonds	**3,241**	**216**	**1,336**	**4,793**
Total	**$ 43,120**	**$ 32,051**	**$ 39,772**	**$ 114,943**

	2014			
	Canada	United States	Europe	Total
Bonds issued or guaranteed by:				
Canadian federal government	$ 5,356	$ 3	$ 46	$ 5,405
Provincial, state, and municipal governments	6,926	2,567	51	9,544
U.S. Treasury and other U.S. agencies	352	4,786	937	6,075
Other foreign governments	198	24	11,865	12,087
Government related	2,895	–	2,021	4,916
Supranationals	433	8	643	1,084
Asset-backed securities	2,648	3,161	789	6,598
Residential mortgage-backed securities	52	236	206	494
Banks	2,025	346	2,747	5,118
Other financial institutions	647	1,705	2,461	4,813
Basic materials	316	1,087	349	1,752
Communications	571	265	693	1,529
Consumer products	2,030	2,558	2,305	6,893
Industrial products/services	1,078	1,292	718	3,088
Natural resources	1,250	984	710	2,944
Real estate	1,407	452	2,849	4,708
Transportation	1,967	985	898	3,850
Utilities	5,460	4,206	3,912	13,578
Miscellaneous	1,416	1,281	456	3,153
Total long-term bonds	37,027	25,946	34,656	97,629
Short-term bonds	3,616	236	1,687	5,539
Total	$ 40,643	$ 26,182	$ 36,343	$ 103,168

The following provides details of the carrying value of mortgage loans by geographic location:

	2015			
	Single family residential	**Multi-family residential**	**Commercial**	**Total**
Canada	**$ 1,962**	**$ 3,674**	**$ 7,055**	**$ 12,691**
United States	**–**	**1,770**	**3,162**	**4,932**
Europe	**–**	**377**	**4,021**	**4,398**
Total	**$ 1,962**	**$ 5,821**	**$ 14,238**	**$ 22,021**

	2014			
	Single family residential	Multi-family residential	Commercial	Total
Canada	$ 1,916	$ 3,660	$ 7,017	$ 12,593
United States	–	1,324	2,888	4,212
Europe	–	338	3,403	3,741
Total	$ 1,916	$ 5,322	$ 13,308	$ 20,546

(iii) Asset Quality

Bond Portfolio By Credit Rating

	2015	2014
AAA	**$ 36,434**	$ 34,332
AA	**20,364**	18,954
A	**35,623**	31,133
BBB	**20,984**	17,370
BB and lower	**1,538**	1,379
Total	**$ 114,943**	$ 103,168

Derivative Portfolio By Credit Rating

	2015	2014
Over-the-counter contracts (counterparty ratings):		
AAA	**$ –**	$ 10
AA	**209**	66
A	**248**	576
Exchange-traded	**4**	–
Total	**$ 461**	$ 652

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following provides carrying values of the loans past due, but not impaired:

	2015	2014
Less than 30 days	**$ 33**	$ 7
30 – 90 days	**2**	5
Greater than 90 days	**3**	3
Total	**$ 38**	$ 15

(v) The following outlines the future asset credit losses provided for in insurance contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	2015	2014
Participating	**$ 1,395**	$ 1,186
Non-participating	**2,163**	1,947
Total	**$ 3,558**	$ 3,133

7. Financial Instruments Risk Management (cont'd)

(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. Approximately 69% (approximately 70% in 2014) of insurance and investment contract liabilities are non-cashable prior to maturity or subject to fair value adjustments.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains $350 of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a $150 liquidity facility at Great-West Life, a U.S. $500 revolving credit agreement with a syndicate of banks for use by Putnam, and a U.S. $50 line of credit at Great-West Financial.

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule of certain of the Company's financial liabilities.

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
Debentures and other debt instruments	$ 5,417	$ 467	$ 300	$ 200	$ –	$ 500	$ 3,950
Capital trust securities (1)	150	–	–	–	–	–	150
Purchase obligations	227	85	45	33	30	27	7
Pension contributions	198	198	–	–	–	–	–
Total	$ 5,992	$ 750	$ 345	$ 233	$ 30	$ 527	$ 4,107

(1) Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($50 carrying value).

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities

These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income. Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total equity. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted. The following policies and procedures are in place to mitigate the Company's exposure to currency risk:

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts.
- 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. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims) the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.18% (0.18% in 2014). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios.

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on

the Company's view of the range of interest rates to be covered by the provisions. If sustained however, the parallel shift could impact the Company's range of scenarios covered.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries prescribed scenarios:

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would not change the total provision for interest rates.

Another way of measuring the interest rate risk associated with this assumption is to determine the effect on the insurance and investment contract liabilities impacting the shareholders earnings of the Company of a 1% change in the Company's view of the range of interest rates to be covered by these provisions:

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $163 causing an increase in net earnings of approximately $109.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $614 causing a decrease in net earnings of approximately $430.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets and liabilities arising from changes in equity markets and other pricing risk. To mitigate pricing risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $53 causing an increase in net earnings of approximately $45. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $139 causing a decrease in net earnings of approximately $108.

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows. A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $534 causing an increase in net earnings of approximately $433. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $573 causing a decrease in net earnings of approximately $457.

8. Fair Value Measurement

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

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

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

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

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

	2015			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 2,813	$ –	$ –	$ 2,813
Financial assets at fair value through profit or loss				
Bonds	–	86,493	10	86,503
Stocks	6,573	8	66	6,647
Total financial assets at fair value through profit or loss	6,573	86,501	76	93,150
Available-for-sale financial assets				
Bonds	–	11,534	1	11,535
Stocks	56	–	1	57
Total available-for-sale financial assets	56	11,534	2	11,592
Investment properties	–	–	5,237	5,237
Derivatives [1]	4	457	–	461
Other assets:				
Trading account assets	381	204	5	590
Total assets measured at fair value	$ 9,827	$ 98,696	$ 5,320	$ 113,843
Liabilities measured at fair value				
Derivatives [2]	$ 3	$ 2,621	$ –	$ 2,624
Investment contract liabilities	–	2,153	27	2,180
Total liabilities measured at fair value	$ 3	$ 4,774	$ 27	$ 4,804

(1) Excludes collateral received of $107.
(2) Excludes collateral pledged of $608.

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

8. Fair Value Measurement (cont'd)

	2014			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash and cash equivalents	$ 2,498	$ –	$ –	$ 2,498
Financial assets at fair value through profit or loss				
Bonds	–	79,914	86	80,000
Stocks	6,594	6	17	6,617
Total financial assets at fair value through profit or loss	6,594	79,920	103	86,617
Available-for-sale financial assets				
Bonds	–	9,989	1	9,990
Stocks	49	–	1	50
Total available-for-sale financial assets	49	9,989	2	10,040
Investment properties	–	–	4,613	4,613
Derivatives (1)	1	651	–	652
Other assets:				
Trading account assets	262	143	–	405
Other (2)	16	–	–	16
Total assets measured at fair value	$ 9,420	$ 90,703	$ 4,718	$ 104,841
Liabilities measured at fair value				
Derivatives (3)	$ 4	$ 1,191	$ –	$ 1,195
Investment contract liabilities	–	829	28	857
Other liabilities	16	–	–	16
Total liabilities measured at fair value	$ 20	$ 2,020	$ 28	$ 2,068

(1) Excludes collateral received of $52.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $273.

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

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

	2015							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks [3]	Available-for-sale stocks	Investment properties	Other assets – trading account [4]	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 86	$ 1	$ 17	$ 1	$ 4,613	$ –	$ 4,718	$ 28
Total gains								
Included in net earnings	5	–	7	–	249	–	261	–
Included in other comprehensive income [1]	–	–	–	–	379	–	379	–
Purchases	–	–	50	–	278	5	333	–
Sales	–	–	(4)	–	(282)	–	(286)	–
Repayments	(47)	–	–	–	–	–	(47)	–
Other	–	–	–	–	–	–	–	(1)
Transfers into Level 3 [2]	–	–	–	–	–	–	–	–
Transfers out of Level 3 [2]	(34)	–	(4)	–	–	–	(38)	–
Balance, end of year	$ 10	$ 1	$ 66	$ 1	$ 5,237	$ 5	$ 5,320	$ 27
Total gains for the year included in net investment income	$ 5	$ –	$ 7	$ –	$ 249	$ –	$ 261	$ –
Change in unrealized gains for the year included in earnings for assets held at December 31, 2015	$ 5	$ –	$ 7	$ –	$ 243	$ –	$ 255	$ –

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

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

(3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

(4) Includes illiquid equities where prices are not quoted; however, the Company does not believe changing the inputs to reasonably alternate assumptions would change the values significantly.

8. Fair Value Measurement (cont'd)

	2014							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks [3]	Available-for-sale stocks	Investment properties	Other assets – trading account [4]	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 333	$ 24	$ 24	$ 1	$ 4,288	$ 21	$ 4,691	$ 30
Total gains (losses)								
Included in net earnings	6	–	(1)	–	262	1	268	–
Included in other comprehensive income [1]	–	1	–	–	56	–	57	–
Purchases	33	–	8	–	127	–	168	–
Sales	–	–	(13)	–	(98)	(22)	(133)	–
Repayments	(1)	–	–	–	–	–	(1)	–
Transferred to owner occupied properties	–	–	–	–	(13)	–	(13)	–
Other	–	–	–	–	(9)	–	(9)	(2)
Transfers into Level 3 [2]	–	–	–	–	–	–	–	–
Transfers out of Level 3 [2]	(285)	(24)	(1)	–	–	–	(310)	–
Balance, end of year	$ 86	$ 1	$ 17	$ 1	$ 4,613	$ –	$ 4,718	$ 28
Total gains (losses) for the year included in net investment income	$ 6	$ –	$ (1)	$ –	$ 262	$ 1	$ 268	$ –
Change in unrealized gains (losses) for the year included in earnings for assets held at December 31, 2014	$ 6	$ –	$ (3)	$ –	$ 229	$ 1	$ 233	$ –

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

(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

(3) Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

(4) Includes illiquid equities where prices are not quoted; however, the Company does not believe changing the inputs to reasonably alternate assumptions would change the values significantly.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.2% – 10.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 4.8% – 8.3%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 3.9%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

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

	2015				
	Level 1	**Level 2**	**Level 3**	**Other assets/ liabilities not held at fair value**	**Total**
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	**$ –**	**$ 18,145**	**$ 108**	**$ –**	**$ 18,253**
Mortgage loans	**–**	**23,446**	**–**	**–**	**23,446**
Total loans and receivables financial assets	**–**	**41,591**	**108**	**–**	**41,699**
Other stocks [1]	**325**	**–**	**–**	**276**	**601**
Total assets disclosed at fair value	**$ 325**	**$ 41,591**	**$ 108**	**$ 276**	**$ 42,300**
Liabilities disclosed at fair value					
Debentures and other debt instruments	**$ 467**	**$ 5,565**	**$ –**	**$ –**	**$ 6,032**
Capital trust securities	**–**	**215**	**–**	**–**	**215**
Total liabilities disclosed at fair value	**$ 467**	**$ 5,780**	**$ –**	**$ –**	**$ 6,247**

(1) Other stocks include the Company's investments in an affiliated company, IGM, a member of the Power Financial group of companies and Allianz Ireland, an unlisted general insurance company operating in Ireland over which the Company exerts significant influence but does not control.

	2014				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 14,533	$ 126	$ –	$ 14,659
Mortgage loans	–	22,167	–	–	22,167
Total loans and receivables financial assets	–	36,700	126	–	36,826
Other stocks [1]	426	–	–	238	664
Total assets disclosed at fair value	$ 426	$ 36,700	$ 126	$ 238	$ 37,490
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ 526	$ 5,506	$ 70	$ –	$ 6,102
Capital trust securities	–	220	–	–	220
Total liabilities disclosed at fair value	$ 526	$ 5,726	$ 70	$ –	$ 6,322

(1) Other stocks include the Company's investments in an affiliated company, IGM, a member of the Power Financial group of companies; Allianz Ireland, an unlisted general insurance company operating in Ireland; and a joint venture in GloHealth, a health insurance company operating in Ireland, over which the Company exerts significant influence but does not control.

9. Enforceable Master Netting Arrangements or Similar Agreements

The Company enters into International Swaps and Derivative Association's master agreements for transacting over-the-counter derivatives. The Company receives and pledges collateral according to the related International Swaps and Derivative Association's Credit Support Annexes. The International Swaps and Derivative Association's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy.

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default. Initial margin is excluded from the table within this disclosure as it would become part of a pooled settlement process.

The Company's reverse repurchase agreements are also subject to right of set-off in the event of default. These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between the Company and its counterparties in the event of default.

The table sets out the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets.

	2015			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position [1]	Financial collateral received/ pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	$ 461	$ (302)	$ (104)	$ 55
Reverse repurchase agreements [3]	43	–	(43)	–
Total financial instruments (assets)	$ 504	$ (302)	$ (147)	$ 55
Financial instruments (liabilities)				
Derivative instruments	$ 2,624	$ (302)	$ (586)	$ 1,736
Total financial instruments (liabilities)	$ 2,624	$ (302)	$ (586)	$ 1,736

	2014			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position [1]	Financial collateral received/ pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	$ 652	$ (302)	$ (51)	$ 299
Reverse repurchase agreements [3]	44	–	(44)	–
Total financial instruments (assets)	$ 696	$ (302)	$ (95)	$ 299
Financial instruments (liabilities)				
Derivative instruments	$ 1,195	$ (302)	$ (260)	$ 633
Total financial instruments (liabilities)	$ 1,195	$ (302)	$ (260)	$ 633

(1) Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet, excluding collateral.

(2) Financial collateral presented above excludes overcollateralization and, for exchange-traded derivatives, initial margin. Financial collateral received on reverse repurchase agreements is held by a third party. Total financial collateral, including initial margin and overcollateralization, received on derivative assets was $107 ($52 at December 31, 2014), received on reverse repurchase agreements was $44 ($45 at December 31, 2014), and pledged on derivative liabilities was $671 ($299 at December 31, 2014).

(3) Assets related to reverse repurchase agreements are included in bonds, in the Consolidated Balance Sheets.

10. Pledging of Assets for Reinsurance Agreements

The amount of assets included in the Company's balance sheet which have a security interest by way of pledging is $645 ($598 at December 31, 2014) in respect of reinsurance agreements.

11. Goodwill and Intangible Assets

(a) Goodwill

(i) The carrying value of goodwill and changes in the carrying value of goodwill are as follows:

	2015	2014
Balance, beginning of year	**$ 5,855**	$ 5,812
Business acquisitions	**–**	50
Changes in foreign exchange rates	**58**	(7)
Balance, end of year	**$ 5,913**	$ 5,855

Accumulated goodwill impairment losses and changes in accumulated goodwill impairment losses are as follows:

	2015	2014
Balance, beginning of year	**$ 1,043**	$ 953
Changes in foreign exchange rates	**198**	90
Balance, end of year	**$ 1,241**	$ 1,043

(ii) Within each of the three operating segments, goodwill has been assigned to cash generating unit groupings, representing the lowest level in which goodwill is monitored for internal reporting purposes. Lifeco does not allocate insignificant amounts of goodwill and indefinite life intangible assets across multiple cash generating unit groupings. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit grouping to which goodwill has been assigned to its recoverable amount as follows:

	2015	2014
Canada		
Group	**$ 1,047**	$ 1,047
Individual Insurance/Wealth Management	**2,740**	2,740
Europe		
Insurance and Annuities	**1,915**	1,887
Reinsurance	**1**	1
United States		
Financial Services	**210**	180
Total	**$ 5,913**	$ 5,855

11. Goodwill and Intangible Assets (cont'd)

(b) Intangible Assets

Intangible assets of $4,036 ($3,625 in 2014) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite life intangible assets:

	2015			
	Brands and trademarks	**Customer contract related**	**Shareholders' portion of acquired future participating account profit**	**Total**
Cost				
Balance, beginning of year	**$ 921**	**$ 2,592**	**$ 354**	**$ 3,867**
Business acquisitions	**–**	**3**	**–**	**3**
Changes in foreign exchange rates	**99**	**424**	**–**	**523**
Balance, end of year	**$ 1,020**	**$ 3,019**	**$ 354**	**$ 4,393**
Accumulated impairment				
Balance, beginning of year	**$ (140)**	**$ (939)**	**$ –**	**$ (1,079)**
Changes in foreign exchange rates	**(22)**	**(177)**	**–**	**(199)**
Balance, end of year	**$ (162)**	**$ (1,116)**	**$ –**	**$ (1,278)**
Net carrying amount	**$ 858**	**$ 1,903**	**$ 354**	**$ 3,115**

	2014			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	$ 893	$ 2,398	$ 354	$ 3,645
Changes in foreign exchange rates	28	194	–	222
Balance, end of year	$ 921	$ 2,592	$ 354	$ 3,867
Accumulated impairment				
Balance, beginning of year	$ (132)	$ (858)	$ –	$ (990)
Changes in foreign exchange rates	(8)	(81)	–	(89)
Balance, end of year	$ (140)	$ (939)	$ –	$ (1,079)
Net carrying amount	$ 781	$ 1,653	$ 354	$ 2,788

(ii) Indefinite life intangible assets have been assigned to the cash generating unit groupings as follows:

	2015	2014
Canada		
Individual Insurance/Wealth Management	**$ 973**	$ 973
Europe		
Insurance and Annuities	**246**	221
United States		
Asset Management	**1,896**	1,594
Total	**$ 3,115**	$ 2,788

(iii) Finite life intangible assets:

	2015			
	Customer contract related	**Distribution channels**	**Technology/ Software**	**Total**
Amortization period range	**9–20 years**	**30 years**	**3–10 years**	
Weighted average remaining amortization period	**9 years**	**18 years**	**–**	
Amortization method	**Straight-line**	**Straight-line**	**Straight-line**	
Cost				
Balance, beginning of year	**$ 745**	**$ 109**	**$ 864**	**$ 1,718**
Additions	**–**	**–**	**161**	**161**
Changes in foreign exchange rates	**65**	**9**	**81**	**155**
Balance, end of year	**$ 810**	**$ 118**	**$ 1,106**	**$ 2,034**
Accumulated amortization and impairment				
Balance, beginning of year	**$ (338)**	**$ (42)**	**$ (501)**	**$ (881)**
Impairment	**–**	**–**	**(2)**	**(2)**
Changes in foreign exchange rates	**(31)**	**(3)**	**(50)**	**(84)**
Amortization	**(49)**	**(4)**	**(93)**	**(146)**
Balance, end of year	**$ (418)**	**$ (49)**	**$ (646)**	**$ (1,113)**
Net carrying amount	**$ 392**	**$ 69**	**$ 460**	**$ 921**

	2014			
	Customer contract related	Distribution channels	Technology/ Software	Total
Amortization period range	9–20 years	30 years	3–10 years	
Weighted average remaining amortization period	10 years	19 years	–	
Amortization method	Straight-line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 707	$ 110	$ 709	$ 1,526
Business acquisitions	18	–	–	18
Additions	–	–	120	120
Disposals	–	–	(16)	(16)
Changes in foreign exchange rates	20	(1)	32	51
Other	–	–	19	19
Balance, end of year	$ 745	$ 109	$ 864	$ 1,718
Accumulated amortization and impairment				
Balance, beginning of year	$ (280)	$ (38)	$ (407)	$ (725)
Impairment	–	–	(7)	(7)
Changes in foreign exchange rates	(11)	–	(20)	(31)
Disposals	–	–	14	14
Amortization	(47)	(4)	(81)	(132)
Balance, end of year	$ (338)	$ (42)	$ (501)	$ (881)
Net carrying amount	$ 407	$ 67	$ 363	$ 837

11. Goodwill and Intangible Assets (cont'd)

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates goodwill and indefinite life intangible assets to cash generating unit groupings. Any potential impairment of goodwill or indefinite life intangible assets is identified by comparing the recoverable amount of a cash generating unit grouping to its carrying value. Recoverable amount is based on fair value less cost of disposal.

Fair value is initially assessed with reference to valuation multiples of comparable publicly-traded financial institutions and precedent business acquisitions transactions. These valuation multiples may include price-to-earnings or price-to-book measures for life insurers and asset managers. This assessment may give regard to a variety of relevant considerations, including expected growth, risk and capital market conditions, among other factors. The valuation multiples used in assessing fair value represent Level 2 inputs.

In the fourth quarter of 2015, the Company conducted its annual impairment testing of goodwill and indefinite life intangible assets based on September 30, 2015 asset balances. It was determined that the recoverable amounts of cash generating unit groupings were in excess of their carrying values and there was no evidence of impairment.

Any reasonable changes in assumptions and estimates used in determining recoverable amounts of cash generating unit groupings is unlikely to cause carrying values to exceed recoverable amounts.

12. Owner Occupied Properties and Fixed Assets

The carrying value of owner occupied properties and the changes in the carrying value of owner occupied properties is as follows:

	2015	2014
Carrying value, beginning of year	**$ 671**	$ 634
Less: accumulated depreciation/impairments	**(52)**	(44)
Net carrying value, beginning of year	**619**	590
Additions	**10**	13
Impairments	**(1)**	–
Disposals	**(1)**	–
Transferred from investment properties	**–**	13
Depreciation	**(9)**	(8)
Foreign exchange	**35**	11
Net carrying value, end of year	**$ 653**	$ 619

The net carrying value of fixed assets is $298 at December 31, 2015 ($228 at December 31, 2014).

The following provides details of the net carrying value of owner occupied properties and fixed assets by geographic location:

	2015	2014
Canada	**$ 531**	$ 507
United States	**277**	212
Europe	**143**	128
Total	**$ 951**	$ 847

There are no restrictions on the title of the owner occupied properties and fixed assets, nor are they pledged as security for debt.

13. Other Assets

	2015	2014
Deferred acquisition costs [(1)]	**$ 704**	$ 685
Trading account assets [(2)]	**590**	405
Finance leases receivable	**293**	285
Defined benefit pension plan assets (note 24)	**250**	275
Prepaid expenses	**103**	92
Miscellaneous other assets [(1)]	**703**	626
Total	**$ 2,643**	$ 2,368

(1) During the year, the Company reclassified $41 of other assets from miscellaneous other assets to deferred acquisitions costs at December 31, 2014 ($37 at January 1, 2014) to conform to the current year's presentation.

(2) Includes bonds of $124 and stocks of $466 at December 31, 2015 (bonds of $78 and stocks of $327 at December 31, 2014).

Total other assets of $1,421 ($1,151 at December 31, 2014) are expected to be realized within 12 months from the reporting date. This amount excludes deferred acquisition costs, the changes in which are noted below.

Deferred acquisition costs	2015	2014
Balance, beginning of year	**$ 685**	$ 724
Additions	**120**	119
Amortization	**(111)**	(102)
Changes in foreign exchange	**66**	3
Disposals	**(56)**	(59)
Balance, end of year	**$ 704**	$ 685

Finance leases receivable

The Company has a finance lease on one property in Canada which has been leased for a 25-year term. The Company has two finance leases on properties in Europe. These properties have been leased for a 35-year term.

The finance lease receivable for the three properties, in aggregate, is as follows:

	2015	
	Minimum lease payments	Present value of minimum lease payments
One year	$ 25	$ 23
Over one to five years	95	77
Over five years	590	193
	710	293
Less: unearned finance lease income	417	–
Total finance leases receivable	**$ 293**	**$ 293**

The internal rate of return for the leases is fixed at the contract date and will remain fixed for the duration of the contract, ranging between 5.4% and 7.5%.

14. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the investment results to the segregated fund policyholder and the Company segregates these investments from those of the Company.

In Canada and the U.S., the segregated fund and separate account assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company. In Europe, the assets of the funds are functionally and constructively segregated from those of the Company. As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as line items within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal liability titled investment and insurance contracts on account of segregated fund policyholders.

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $1,390 at December 31, 2015 ($1,012 at December 31, 2014).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

In Canada, the Company offers retail segregated fund products through Great-West Life, London Life and Canada Life. These products provide guaranteed minimum death benefits (GMDB) and guaranteed minimum accumulation on maturity benefits.

In the U.S., the Company offers variable annuities with GMDB through Great-West Financial. Most are a return of premium on death with the guarantee expiring at age 70.

In Europe, the Company offers UWP products through Canada Life and unit-linked products with investment guarantees through Irish Life. These products are similar to segregated fund products, but include pooling of policyholders' funds and minimum credited interest rates.

The Company also offers a guaranteed minimum withdrawal benefits (GMWB) product in Canada, the U.S. and Germany. The GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2015, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,488 ($3,016 at December 31, 2014).

The Company's exposure to these guarantees is set out as follows:

	2015			
	Investment deficiency by benefit type			
	Income	**Maturity**	**Death**	**Total [(1)]**
Canada	$ –	$ 48	$ 213	$ 213
United States	28	–	55	83
Europe	444	–	473	914
Total	**$ 472**	**$ 48**	**$ 741**	**$ 1,210**

	2014			
	Investment deficiency by benefit type			
	Income	Maturity	Death	Total [(1)]
Canada	$ –	$ 30	$ 97	$ 97
United States	1	–	43	44
Europe	351	36	72	422
Total	$ 352	$ 66	$ 212	$ 563

(1) A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on December 31, 2015 and December 31, 2014.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on December 31, 2015. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees was approximately $15 for the year ended December 31, 2015 ($10 for the year ended December 31, 2014), with the majority arising in the Europe segment.

For further details on the Company's risk and guarantee exposure and the management of these risks, refer to the Risk Management and Control Practice section of the Company's December 31, 2015 Management's Discussion and Analysis.

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

(a) Investments on account of segregated fund policyholders

	2015	2014
Cash and cash equivalents	**$ 11,656**	$ 11,052
Bonds	**42,160**	37,912
Mortgage loans	**2,596**	2,508
Stocks and units in unit trusts	**80,829**	68,911
Mutual funds	**50,101**	46,707
Investment properties	**10,839**	9,533
	198,181	176,623
Accrued income	**382**	364
Other liabilities	**(1,759)**	(3,033)
Non-controlling mutual funds interest	**1,390**	1,012
Total	**$ 198,194**	$ 174,966

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

	2015	2014
Balance, beginning of year	**$ 174,966**	$ 160,779
Additions (deductions):		
Policyholder deposits	**21,592**	20,909
Net investment income	**2,855**	2,997
Net realized capital gains on investments	**4,780**	5,683
Net unrealized capital gains (losses) on investments	**(2,938)**	5,301
Unrealized gains due to changes in foreign exchange rates	**12,933**	826
Policyholder withdrawals	**(21,934)**	(21,057)
Business acquisition (note 3)	**5,465**	–
Segregated fund investment in General Fund	**43**	(382)
General Fund investment in Segregated Fund	**(11)**	(401)
Net transfer from General Fund	**65**	71
Non-controlling mutual funds interest	**378**	240
Total	**23,228**	14,187
Balance, end of year	**$ 198,194**	$ 174,966

(c) Investment income on account of segregated fund policyholders

	2015	2014
Net investment income	**$ 2,855**	$ 2,997
Net realized capital gains on investments	**4,780**	5,683
Net unrealized capital gains (losses) on investments	**(2,938)**	5,301
Unrealized gains due to changes in foreign exchange rates	**12,933**	826
Total	**17,630**	14,807
Change in investment and insurance contracts liability on account of segregated fund policyholders	**17,630**	14,807
Net	**$ –**	$ –

14. Segregated Funds and Other Structured Entities (cont'd)

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 8)

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 120,283**	**$ 67,333**	**$ 11,765**	**$ 199,381**

(1) Excludes other liabilities, net of other assets, of $1,187.

	2014			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	$ 112,189	$ 54,942	$ 10,390	$ 177,521

(1) Excludes other liabilities, net of other assets, of $2,555.

During 2015, certain foreign stock holdings valued at $412 have been transferred from Level 1 to Level 2 ($2,234 were transferred from Level 1 to Level 2 at December 31, 2014) based on the Company's ability to utilize observable, quoted prices in active markets.

Level 2 assets include those assets where fair value is not available from normal market pricing sources and where the Company does not have visibility through to the underlying assets.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	2015	2014
Balance, beginning of year	**$ 10,390**	$ 9,298
Total gains included in segregated fund investment income	**1,039**	782
Purchases	**944**	919
Sales	**(607)**	(603)
Transfers into Level 3	**–**	4
Transfers out of Level 3	**(1)**	(10)
Balance, end of year	**$ 11,765**	$ 10,390

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

In addition to the segregated funds, the Company has interests in a number of structured unconsolidated entities including mutual funds, open-ended investment companies, and unit trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2015, fee and other income earned by the Company resulting from the Company's interests in these structured entities was $4,291 ($3,813 during 2014).

Included within other assets (note 13) at December 31, 2015 is $501 ($327 at December 31, 2014) of investments by the Company in bonds and stocks of Putnam sponsored funds and $89 ($78 at December 31, 2014) of investments in stocks of sponsored unit trusts in Europe.

15. Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	2015		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 158,492	$ 5,131	$ 153,361
Investment contract liabilities	2,180	–	2,180
Total	$ 160,672	$ 5,131	$ 155,541

	2014		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 145,198	$ 5,151	$ 140,047
Investment contract liabilities	857	–	857
Total	$ 146,055	$ 5,151	$ 140,904

(b) Composition of insurance and investment contract liabilities and related supporting assets

(i) The composition of insurance and investment contract liabilities is as follows:

	2015		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 32,072	$ (419)	$ 32,491
United States	12,278	16	12,262
Europe	1,519	–	1,519
Non-Participating			
Canada	28,162	794	27,368
United States	27,625	339	27,286
Europe	59,016	4,401	54,615
Total	$ 160,672	$ 5,131	$ 155,541

	2014		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 31,181	$ (156)	$ 31,337
United States	10,362	12	10,350
Europe	1,377	–	1,377
Non-Participating			
Canada	28,094	832	27,262
United States	22,611	233	22,378
Europe	52,430	4,230	48,200
Total	$ 146,055	$ 5,151	$ 140,904

15. Insurance and Investment Contract Liabilities (cont'd)

(ii) The composition of the assets supporting liabilities and equity is as follows:

2015	Bonds	Mortgage loans	Stocks (1)	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	**$ 15,332**	**$ 7,816**	**$ 4,112**	**$ 1,341**	**$ 3,471**	**$ 32,072**
United States	**5,887**	**485**	**–**	**–**	**5,906**	**12,278**
Europe	**1,087**	**40**	**154**	**71**	**167**	**1,519**
Non-participating liabilities						
Canada	**18,848**	**3,839**	**1,732**	**7**	**3,736**	**28,162**
United States	**23,023**	**3,813**	**–**	**–**	**789**	**27,625**
Europe	**32,985**	**4,358**	**226**	**3,342**	**18,105**	**59,016**
Other	**12,045**	**941**	**–**	**65**	**200,952**	**214,003**
Total equity	**5,736**	**729**	**1,649**	**411**	**16,735**	**25,260**
Total carrying value	**$ 114,943**	**$ 22,021**	**$ 7,873**	**$ 5,237**	**$ 249,861**	**$ 399,935**
Fair value	**$ 116,291**	**$ 23,446**	**$ 7,305**	**$ 5,237**	**$ 249,861**	**$ 402,140**

2014	Bonds	Mortgage loans	Stocks (1)	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 13,856	$ 7,810	$ 4,270	$ 1,167	$ 4,078	$ 31,181
United States	5,080	278	–	–	5,004	10,362
Europe	968	38	144	63	164	1,377
Non-participating liabilities						
Canada	18,991	3,941	1,740	5	3,417	28,094
United States	18,678	3,330	–	–	603	22,611
Europe	30,723	3,702	191	2,738	15,076	52,430
Other	9,998	690	4	107	177,958	188,757
Total equity	4,874	757	1,471	533	14,262	21,897
Total carrying value	$ 103,168	$ 20,546	$ 7,820	$ 4,613	$ 220,562	$ 356,709
Fair value	$ 104,649	$ 22,167	$ 7,331	$ 4,613	$ 220,562	$ 359,322

(1) Fair value excludes stocks classified as available-for-sale and carried at cost when a fair value cannot be reliably measured.

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are essentially offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

(c) Change in insurance contract liabilities

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

2015

	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	**$ 42,893**	**$ (144)**	**$ 43,037**
Impact of new business	**23**	**–**	**23**
Normal change in force	**1,046**	**(70)**	**1,116**
Management action and changes in assumptions	**(276)**	**(192)**	**(84)**
Impact of foreign exchange rate changes	**2,158**	**3**	**2,155**
Balance, end of year	**$ 45,844**	**$ (403)**	**$ 46,247**

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	**$ 102,305**	**$ 5,295**	**$ 97,010**	**$ 140,047**
Impact of new business	**4,380**	**126**	**4,254**	**4,277**
Normal change in force	**(5,711)**	**(178)**	**(5,533)**	**(4,417)**
Management action and changes in assumptions	**(489)**	**(78)**	**(411)**	**(495)**
Business movement from/to external parties	**1,588**	**(2)**	**1,590**	**1,590**
Impact of foreign exchange rate changes	**10,575**	**371**	**10,204**	**12,359**
Balance, end of year	**$ 112,648**	**$ 5,534**	**$ 107,114**	**$ 153,361**

2014

	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 39,663	$ (121)	$ 39,784
Impact of new business	20	–	20
Normal change in force	2,312	8	2,304
Management action and changes in assumptions	(42)	(32)	(10)
Impact of foreign exchange rate changes	940	1	939
Balance, end of year	$ 42,893	$ (144)	$ 43,037

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 91,511	$ 5,191	$ 86,320	$ 126,104
Impact of new business	6,062	152	5,910	5,930
Normal change in force	2,588	162	2,426	4,730
Management action and changes in assumptions	(440)	(24)	(416)	(426)
Business movement from/to external parties	(100)	(25)	(75)	(75)
Impact of foreign exchange rate changes	2,684	(161)	2,845	3,784
Balance, end of year	$ 102,305	$ 5,295	$ 97,010	$ 140,047

Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

On May 15, 2014, the Canadian Actuarial Standards Board published the Standards of Practice (Standards) effective October 15, 2014, reflecting revisions to economic reinvestment assumptions used in the valuation of insurance contract liabilities.

In 2015, the major contributors to the increase in net insurance contract liabilities were the impact of foreign exchange rate changes of $12,359, the impact of new business of $4,277, and business movement from/to external parties of $1,590, which was primarily due to the acquisition of Equitable Life's annuity business during the first quarter of 2015, partially offset by decreases due to the normal changes in the in force business of $4,417, which was primarily due to the change in fair value, and management actions and assumption changes of $495.

15. Insurance and Investment Contract Liabilities (cont'd)

Net non-participating insurance contract liabilities decreased by $411 in 2015 due to management actions and assumption changes including a $50 decrease in Canada, a $331 decrease in Europe and a $30 decrease in the United States.

The decrease in Canada was primarily due to updated mortality assumptions of $159, updated economic assumptions of $15 and updated expense and tax assumptions of $12, partially offset by increases due to updated policyholder behaviour assumptions of $85, and modeling refinements of $49.

The decrease in Europe was primarily due to updated longevity assumptions of $292, updated economic assumptions of $184, updated morbidity assumptions of $12 and updates to other provisions of $10, partially offset by increases due to updated mortality assumptions of $64, updated expense and tax assumptions of $55, modeling refinements of $37 and updated policyholder behaviour assumptions of $11.

The decrease in the United States was primarily due to updated economic assumptions of $30 and updated mortality assumptions of $8, partially offset by increases due to updated policyholder behaviour assumptions of $6.

Net participating insurance contract liabilities decreased by $84 in 2015 due to management actions and assumption changes. The decrease was primarily due to provisions for future policyholder dividends of $4,991, updated expense and tax assumptions of $545 and updated mortality assumptions of $412, partially offset by increases due to lower investment returns of $5,527, updated policyholder behaviour assumptions of $188, and modeling refinements of $149.

In 2014, the major contributors to the increase in net insurance contract liabilities were the impact of new business of $5,930, the normal change in the in force business of $4,730 which was primarily due to the change in fair value and the impact of foreign exchange rate changes of $3,784. This was partially offset by decreases due to management actions and assumption changes of $426.

Net non-participating insurance contract liabilities decreased by $416 in 2014 due to management actions and assumption changes including a $193 decrease in Canada, a $135 decrease in Europe and an $88 decrease in the United States.

The decrease in Canada was primarily due to modeling refinements of $83, updated economic assumptions including the change in Standards of $77, updated policyholder behaviour assumptions of $60, updated morbidity assumptions of $44, updated expenses and taxes of $10 and updates to other provisions of $6, partially offset by increases due to updated mortality assumptions of $62 and updated longevity assumptions of $25.

The decrease in Europe was primarily due to updated longevity assumptions of $110, updated economic assumptions including the change in Standards of $107, modeling refinements of $63 and updated morbidity assumptions of $22 partially offset by increases due to updated policyholder behaviour assumptions of $142, updated mortality assumptions of $20 and updates to other provisions of $5.

The decrease in the United States was primarily due to updated mortality assumptions of $103, updated policyholder behaviour assumptions of $67 and updated longevity assumptions of $6, partially offset by increases due to modeling refinements of $51 and updated economic assumptions including the change in Standards of $37.

Net participating insurance contract liabilities decreased by $10 in 2014 due to management actions and assumption changes. The decrease was primarily due to higher investment returns of $152, updated expenses and taxes of $144, modeling refinements of $68 and updated mortality assumptions of $20, partially offset by increases due to increased provisions for future policyholder dividends of $360, updated policyholder behaviour assumptions of $13 and updated morbidity assumptions of $1.

(d) Change in investment contract liabilities measured at fair value

	2015	2014
Balance, beginning of year	**$ 857**	$ 889
Normal change in force business	**(89)**	(78)
Investment experience	**18**	43
Management action and changes in assumptions	**7**	(10)
Business movement from/to external parties	**1,330**	–
Impact of foreign exchange rate changes	**57**	13
Balance, end of year	**$ 2,180**	$ 857

The carrying value of investment contract liabilities approximates their fair value. No investment contract liabilities have been reinsured.

In 2015, business movement from/to external parties is primarily due to a retrocession agreement to assume a block of investment contract liabilities in the form of structured settlements with fixed terms and amount. See note 6 for more information.

(e) Gross premiums written and gross policyholder benefits

(i) Premium Income

	2015	2014
Direct premiums	**$ 22,120**	$ 19,926
Assumed reinsurance premiums	**6,009**	4,760
Total	**$ 28,129**	$ 24,686

(ii) Policyholder Benefits

	2015	2014
Direct	**$ 15,880**	$ 14,892
Assumed reinsurance	**6,673**	4,471
Total	**$ 22,553**	$ 19,363

(f) Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. 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.

The methods for arriving at these valuation assumptions are outlined below:

Mortality

A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. The actuarial standards were amended in 2011 to remove the requirement that, for life insurance, any reduction in liabilities due to mortality improvement assumptions be offset by an equal amount of provision for adverse deviation. Appropriate provisions have been made for future mortality deterioration on term insurance.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity

The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

Property and casualty reinsurance

Insurance contract liabilities for property and casualty reinsurance written by London Reinsurance Group (LRG), a subsidiary of London Life, are determined using accepted actuarial practices for property and casualty insurers in Canada. The insurance contract liabilities have been established using cash flow valuation techniques including discounting. The insurance contract liabilities are based on cession statements provided by ceding companies. In certain instances, LRG management adjusts cession statement amounts to reflect management's interpretation of the treaty. Differences will be resolved via audits and other loss mitigation activities. In addition, insurance contract liabilities also include an amount for incurred but not reported losses which may differ significantly from the ultimate loss development. The estimates and underlying methodology are continually reviewed and updated, and adjustments to estimates are reflected in earnings. LRG analyzes the emergence of claims experience against expected assumptions for each reinsurance contract separately and at the portfolio level. If necessary, a more in-depth analysis is undertaken of the cedant experience.

Investment returns

The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (note 7(c)).

Expenses

Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the Canadian Asset Liability Method as inflation is assumed to be correlated with new money interest rates.

Policy termination

Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Reinsurance. Industry experience has guided the Company's assumptions for these products as the Company's own experience is very limited.

Utilization of elective policy options

There are a wide range of elective options embedded in the policies issued by the Company. Examples include term renewals, conversion to whole life insurance (term insurance), settlement annuity purchase at guaranteed rates (deposit annuities) and guarantee re-sets (segregated fund maturity guarantees). The assumed rates of utilization are based on Company or industry experience when it exists and when not on judgment considering incentives to utilize the option. Generally, whenever it is clearly in the best interests of an informed policyholder to utilize an option, then it is assumed to be elected.

Policyholder dividends and adjustable policy features

Future policyholder dividends and other adjustable policy features are included in the determination of insurance contract liabilities with the assumption that policyholder dividends or adjustable benefits will change in the future in response to the relevant experience. The dividend and policy adjustments are determined consistent with policyholders' reasonable expectations, such expectations being influenced by the participating policyholder dividend policies and/or policyholder communications, marketing material and past practice. It is the Company's expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders earnings is reflected in the impacts of changes in best estimate assumptions above.

(g) Risk Management

(i) Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, expense variations and investment returns.

The Company is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of the Company's underwriting strategy guidelines, and through the use of reinsurance arrangements.

The following provides information about the Company's insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

	Increase (decrease) in net earnings after-tax	
	2015	2014
Mortality – 2% increase	**$ (282)**	$ (238)
Annuitant mortality – 2% decrease	**$ (314)**	$ (272)
Morbidity – 5% adverse change	**$ (225)**	$ (220)
Investment returns		
Parallel shift in yield curve		
1% increase	**$ –**	$ –
1% decrease	**$ –**	$ –
Change in range of interest rates		
1% increase	**$ 109**	$ 41
1% decrease	**$ (430)**	$ (383)
Change in equity markets		
10% increase	**$ 45**	$ 34
10% decrease	**$ (108)**	$ (113)
Change in best estimate returns for equities		
1% increase	**$ 433**	$ 355
1% decrease	**$ (457)**	$ (372)
Expenses – 5% increase	**$ (108)**	$ (99)
Policy termination and renewal – 10% adverse change	**$ (602)**	$ (568)

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

	2015			2014		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net
Canada	**$ 60,234**	**$ 375**	**$ 59,859**	$ 59,275	$ 676	$ 58,599
United States	**39,903**	**355**	**39,548**	32,973	245	32,728
Europe	**60,535**	**4,401**	**56,134**	53,807	4,230	49,577
Total	**$ 160,672**	**$ 5,131**	**$ 155,541**	$ 146,055	$ 5,151	$ 140,904

(ii) Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance, and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

16. Financing Charges

Financing charges consist of the following:

	2015	2014
Operating charges:		
Interest on operating lines and short-term debt instruments	**$ 5**	$ 3
Financial charges:		
Interest on long-term debentures and other debt instruments	**260**	265
Interest on capital trust securities	**11**	11
Other	**27**	25
	298	301
Total	**$ 303**	$ 304

17. Debentures and Other Debt Instruments

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Short-term				
Commercial paper and other short-term debt instruments with interest rates from 0.213% to 0.223% (0.21% to 0.22% at December 31, 2014), unsecured	**$ 129**	**$ 129**	$ 114	$ 114
Revolving credit facility with interest equal to LIBOR plus 0.70% or U.S. Prime Rate Loan (U.S. $245; U.S. $355 at December 31, 2014), unsecured	**338**	**338**	412	412
Total short-term	**467**	**467**	526	526
Long-term				
Capital:				
Lifeco				
6.14% Debentures due March 21, 2018, unsecured	**200**	**220**	200	226
6.74% Debentures due November 24, 2031, unsecured	**192**	**264**	192	268
6.67% Debentures due March 21, 2033, unsecured	**391**	**527**	391	536
5.998% Debentures due November 16, 2039, unsecured	**342**	**438**	342	450
4.65% Debentures due August 13, 2020, unsecured	**499**	**561**	498	557
2.50% Debentures due April 18, 2023, unsecured, (500 euro)	**745**	**798**	695	773
	2,369	**2,808**	2,318	2,810
Canada Life				
6.40% subordinated debentures due December 11, 2028, unsecured	**100**	**127**	100	129
Irish Life				
5.25% 200 euro subordinated debentures due February 8, 2017, includes associated fixed to floating swap, unsecured	**311**	**324**	298	313
2.3% 50 euro mortgage payable, matured during 2015	**–**	**–**	70	70
	311	**324**	368	383
Great-West Life & Annuity Insurance Capital, LP				
6.625% Deferrable debentures due November 15, 2034, unsecured (U.S. $175)	**238**	**282**	200	230
Great-West Life & Annuity Insurance Capital, LP II				
Subordinated debentures due May 16, 2046, bearing an interest rate of 7.153% until May 16, 2016 and thereafter, a rate of 2.538% plus the 3-month LIBOR rate, unsecured (U.S. $300)	**414**	**412**	348	354
Great-West Lifeco Finance (Delaware) LP				
Subordinated debentures due June 21, 2067 bearing an interest rate of 5.691% until June 21, 2017 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1.49%, unsecured	**998**	**1,052**	997	1,087
Great-West Lifeco Finance (Delaware) LP II				
Subordinated debentures due June 26, 2068 bearing an interest rate of 7.127% until June 26, 2018 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 3.78%, unsecured	**498**	**560**	498	583
Total long-term	**4,928**	**5,565**	4,829	5,576
Total	**$ 5,395**	**$ 6,032**	$ 5,355	$ 6,102

18. Capital Trust Securities

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
Canada Life Capital Trust (CLCT)				
7.529% due June 30, 2052, unsecured	$ 150	$ 215	$ 150	$ 220
Acquisition related fair value adjustment	11	–	12	–
Total	$ 161	$ 215	$ 162	$ 220

CLCT, a trust established by Canada Life, had issued $150 of Canada Life Capital Securities – Series B (CLiCS – Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150.

Distributions and interest on the capital trust securities are classified as financing charges on the Consolidated Statements of Earnings (note 16). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 7 for financial instrument risk management disclosures.

Subject to regulatory approval, CLCT may redeem the CLiCS – Series B, in whole or in part, at any time.

19. Other Liabilities

	2015	2014
Pension and other post-employment benefits (note 24)	$ 1,261	$ 1,313
Bank overdraft	479	447
Deferred income reserve	437	429
Other	1,190	910
Total	$ 3,367	$ 3,099

Total other liabilities of $1,669 ($1,357 at December 31, 2014) are expected to be realized within 12 months from the reporting date. This amount excludes deferred income reserve, the changes in which are noted below.

Deferred income reserve	2015	2014
Balance, beginning of year	$ 429	$ 451
Additions	42	57
Amortization	(39)	(38)
Changes in foreign exchange	51	10
Disposals	(46)	(51)
Balance, end of year	$ 437	$ 429

20. Non-Controlling Interests

The Company had a controlling equity interest in Great-West Life, London Life, Canada Life, Great-West Financial, and Putnam at December 31, 2015 and December 31, 2014.

Non-controlling interests attributable to participating account surplus is the proportion of the equity attributable to the participating account of the Company's subsidiaries.

Non-controlling interests in subsidiaries includes Nippon Life's interest in PanAgora, a subsidiary of Putnam, and non-controlling interests for the issued and outstanding shares of Putnam and PanAgora held by the employees of their respective share-based compensation plans.

(a) The non-controlling interests of Great-West Life, London Life, Canada Life, Great-West Financial and Putnam and their subsidiaries reflected in the Consolidated Statements of Earnings and other comprehensive income are as follows:

	2015	2014
Net earnings attributable to participating account before policyholder dividends		
Great-West Life	$ **177**	$ 162
London Life	**844**	837
Canada Life	**349**	314
Great-West Financial	**4**	4
	1,374	1,317
Policyholder dividends		
Great-West Life	**(150)**	(142)
London Life	**(805)**	(806)
Canada Life	**(301)**	(277)
Great-West Financial	**(4)**	(3)
	(1,260)	(1,228)
Net earnings – participating account	**114**	89
Non-controlling interests in subsidiaries	**9**	4
Total	$ **123**	$ 93

The non-controlling interests of Great-West Life, London Life, Canada Life, Great-West Financial and Putnam and their subsidiaries recorded in other comprehensive income for the year ended December 31, 2015 was $57 ($33 for the year ended December 31, 2014).

(b) The carrying value of non-controlling interests consists of the following:

	2015	2014
Participating account surplus in subsidiaries:		
Great-West Life	$ **607**	$ 579
London Life	**1,765**	1,720
Canada Life	**222**	167
Great-West Financial	**17**	14
Total	$ **2,611**	$ 2,480
Non-controlling interests in subsidiaries	$ **195**	$ 163

During 2014, London Life re-allocated $4 from the shareholder account to the London Life participating account. This adjustment was for the commutation of certain reinsurance transactions completed during the year. Under the terms of the 2012 re-allocation of the 11% investment in London Reinsurance Group (LRG) from the participating account to its shareholder account, this adjustment was required upon finalization of these transactions.

21. Share Capital

Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares

Unlimited Common Shares

Issued and outstanding and fully paid

	2015		2014	
	Number	**Carrying value**	Number	Carrying value
First Preferred Shares				
Series F, 5.90% Non-Cumulative	**7,740,032**	**$ 194**	7,740,032	$ 194
Series G, 5.20% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series H, 4.85% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series I, 4.50% Non-Cumulative	**12,000,000**	**300**	12,000,000	300
Series L, 5.65% Non-Cumulative	**6,800,000**	**170**	6,800,000	170
Series M, 5.80% Non-Cumulative	**6,000,000**	**150**	6,000,000	150
Series N, Non-Cumulative 5-Year Rate Reset	**8,524,422**	**213**	10,000,000	250
Series O, Non-Cumulative Floating Rate	**1,475,578**	**37**	–	–
Series P, 5.40% Non-Cumulative	**10,000,000**	**250**	10,000,000	250
Series Q, 5.15% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series R, 4.80% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Series S, 5.25% Non-Cumulative	**8,000,000**	**200**	8,000,000	200
Total	**100,540,032**	**$ 2,514**	100,540,032	$ 2,514
Common shares				
Balance, beginning of year	**996,699,371**	**$ 7,102**	999,402,079	$ 7,112
Purchased and cancelled under Normal Course Issuer Bid	**(6,279,856)**	**(221)**	(3,024,050)	(95)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**–**	**176**	–	75
Exercised and issued under stock option plan	**2,930,816**	**99**	321,342	10
Balance, end of year	**993,350,331**	**$ 7,156**	996,699,371	$ 7,102

21. Share Capital (cont'd)

Preferred Shares

On December 31, 2015, at the election of certain holders of Series N, Non-Cumulative 5-Year Rate Reset First Preferred Shares, the Company converted 1,475,578 Series N Shares on a one-for-one basis into Series O, Non-Cumulative Floating Rate First Preferred Shares. The floating dividend rate for the Series O Shares issued on December 31, 2015 will be 1.742% for the period commencing on December 31, 2015 and ending on March 30, 2016. For the remaining Series N Shares, the annual fixed dividend rate for the five-year period commencing on December 31, 2015 and ending on December 30, 2020 will be 2.176% per annum. The remaining Series N Shares are redeemable at the option of the Company on December 31, 2020 and on December 31 every five years thereafter for $25.00 per share plus all declared and unpaid dividends to the date fixed for redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O share at the option of the holders on December 31, 2020 and on December 31 every five years thereafter. The Series O Shares are redeemable at the option of the Company for $25.50 per share, unless the shares are redeemed on December 31, 2020 or on December 31 every five years thereafter in which case the redemption price will be $25.00 per share, together in each case with all declared and unpaid dividends to but excluding the date of redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series O share conditions, each Series O share is convertible into one Series N share at the option of the holders on December 31, 2020 and on December 31 every five years thereafter.

On May 22, 2014 the Company issued 8,000,000 Series S, 5.25% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after June 30, 2019 for $25.00 per share plus a premium if redeemed prior to June 30, 2023, together in each case with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $5 ($4 after-tax) were charged to accumulated surplus.

The Series F, 5.90% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series G, 5.20% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series H, 4.85% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series I, 4.50% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

The Series L, 5.65% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share plus a premium if the shares are redeemed before December 31, 2018, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series M, 5.80% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25.00 per share plus a premium if redeemed prior to March 31, 2019, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

The Series P, 5.40% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after March 31, 2017 for $25.00 per share plus a premium if redeemed prior to March 31, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The Series Q, 5.15% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after September 30, 2017 for $25.00 per share plus a premium if redeemed prior to September 30, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The Series R, 4.80% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after December 31, 2017 for $25.00 per share plus a premium if redeemed prior to December 31, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The Series S, 5.25% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after June 30, 2019 for $25.00 per share plus a premium if redeemed prior to June 30, 2023, together in each case with all declared and unpaid dividends up to but excluding the date of redemption.

Common Shares

Normal Course Issuer Bid

During 2015, the Company repurchased and subsequently cancelled 6,279,856 common shares pursuant to its previous normal course issuer bid at a cost of $221 (3,024,050 during 2014 under the previous normal course issuer bid at a cost of $95). The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of stated capital was $176 and was recognized as a reduction to equity ($75 during 2014 under the previous normal course issuer bid).

Subsequent Event

On January 5, 2016, the Company announced a normal course issuer bid commencing January 8, 2016 and terminating January 7, 2017 to purchase for cancellation up to but not more than 8,000,000 of its common shares at market prices.

22. Capital Management

(a) Policies and Objectives

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

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

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

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is reviewed by the Executive Committee of the Board of Directors and approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions Canada has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements. For this purpose, various additions or deductions from capital are mandated by the guidelines issued by the Office of the Superintendent of Financial Institutions Canada. The following provides a summary of the Minimum Continuing Capital and Surplus Requirements information and ratios for Great-West Life:

	2015	2014
Adjusted Net Tier 1 Capital	**$ 13,195**	$ 11,132
Net Tier 2 Capital	**2,535**	2,530
Total Capital Available	**$ 15,730**	$ 13,662
Total Capital Required	**$ 6,599**	$ 6,092
Tier 1 Ratio	**200%**	183%
Total Ratio	**238%**	224%

At December 31, 2015, the Risk Based Capital ratio of Great-West Financial, Lifeco's regulated U.S. operating company was estimated to be 441% of the Company Action Level set by the National Association of Insurance Commissioners. Great-West Financial reports its Risk Based Capital ratio annually to U.S. insurance regulators.

In the United Kingdom, Canada Life Limited (CLL) is required to satisfy the capital resources requirements set out in the Integrated Prudential Sourcebook, part of the Prudential Regulatory Authority Handbook. The capital requirements are prescribed by a formulaic capital requirement (Pillar 1) and an individual capital adequacy framework which requires an entity to self-assess an appropriate amount of capital it should hold, based on the risks encountered from its business activities. At the end of 2015, CLL complied with the minimum capital resource requirements in the United Kingdom. During the year, the Company's European regulated insurance and reinsurance businesses have been preparing for the implementation of the new Solvency II regulations, effective January 1, 2016.

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2015 and December 31, 2014 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

23. Share-Based Payments

(a) The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Compensation Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Options vest over a period of five years, and have a maximum exercise period of ten years. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee. The maximum number of Lifeco common shares that may be issued under the Plan is currently 65,000,000.

During 2015, 2,793,820 common share options were granted (1,724,580 common share options were granted during 2014). The weighted average fair value of common share options granted during 2015 was $5.54 per option ($5.76 per option in 2014). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2015: dividend yield 3.66%, expected volatility 22.79%, risk-free interest rate 1.09%, and expected life of seven years.

The following summarizes the status of, and changes in, options outstanding and the weighted average exercise price:

	2015		2014	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**14,995,388**	**$ 29.18**	13,761,930	$ 28.89
Granted	**2,793,820**	**35.66**	1,724,580	31.12
Exercised	**(2,930,816)**	**28.71**	(321,342)	25.54
Forfeited/expired	**(234,560)**	**30.01**	(169,780)	32.11
Outstanding, end of year	**14,623,832**	**$ 30.50**	14,995,388	$ 29.18
Options exercisable at end of year	**9,395,978**	**$ 29.78**	10,557,926	$ 29.75

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2015 was $35.88 ($30.62 in 2014).

Compensation expense due to the Plan transactions accounted for as equity-settled share-based payments of $10 after-tax in 2015 ($9 after-tax in 2014) arising from transactions in which the services received did not qualify for recognition as an asset, has been recognized in the Consolidated Statements of Earnings.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2015:

	Outstanding			**Exercisable**		
Exercise price ranges	**Options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**	**Expiry**
$23.16 – $35.62	226,350	0.56	31.09	226,350	31.09	2016
$27.13 – $37.22	1,305,902	1.18	36.97	1,305,902	36.97	2017
$23.16 – $31.27	3,619,655	2.38	30.71	3,619,655	30.71	2018
$23.16 – $31.14	268,700	3.54	28.79	268,700	28.79	2019
$23.16 – $35.62	777,846	4.37	28.13	777,846	28.13	2020
$21.73 – $27.16	1,190,884	5.17	27.10	1,004,804	27.08	2021
$23.16	1,685,554	6.16	23.16	1,111,257	23.16	2022
$27.13 – $28.36	1,491,540	7.17	27.15	746,880	27.14	2023
$30.33 – $33.02	1,432,082	8.19	31.10	317,784	31.11	2024
$35.62 – $36.63	2,625,319	9.17	35.66	16,800	35.62	2025

(b) In order to promote a greater alignment of interests between Directors and the shareholders of the Company, the Company and certain of its affiliates have established voluntary Deferred Share Unit Plans and/or mandatory Deferred Share Unit Plans (the "Voluntary DSU Plans" and the "Mandatory DSU Plans" respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States is required to receive 50% of his or her annual Board retainer in the form of Deferred Share Units (DSUs). Under the Voluntary DSU Plans, each Director may elect to receive the balance of his or her annual Board retainer (including Board Committee fees) and his or her attendance fees entirely in the form of DSUs, entirely in cash, or equally in cash and DSUs. In both cases the number of DSUs granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Common Share on the Toronto Stock Exchange for the last five trading days of the preceding fiscal quarter (such weighted average trading price being the "value of a Deferred Share Unit"). Directors receive additional DSUs in respect of dividends payable on the Common Shares based on the value of a Deferred Share Unit at that time. DSUs are generally redeemable at the time that an individual ceases to be a Director by a lump sum cash payment, based on the value of the DSUs on the date of redemption. In 2015, $3 in directors fees were used to acquire Deferred Share Units ($2 in 2014).

(c) Certain employees of the Company are entitled to receive Performance Share Units (PSUs). Under these PSU plans, these employees are granted PSUs equivalent to the Company's common shares vesting over a three-year period. Employees receive additional PSUs in respect of dividends payable on the common shares based on the value of a PSU at that time. At the maturity date, employees receive cash representing the value of the PSU at this date. The Company uses the fair-value based method to account for the Performance Share Units granted to employees under the plan. For the year ended December 31, 2015, the Company recognized compensation expense of $12 ($10 in 2014) for the PSU plans recorded in operating and administrative expenses on the Consolidated Statements of Earnings. At December 31, 2015, the carrying value of the PSU liability is $22 ($19 in 2014) recorded within other liabilities.

(d) The Company's Employee Share Ownership Plan (ESOP) is a voluntary plan where eligible employees can contribute up to 5% of their previous year's eligible earnings to purchase common shares of Great-West Lifeco Inc. The Company matches 50% of the total employee contributions. The contributions from the Company vest immediately and are expensed. For the year ended December 31, 2015, the Company recognized compensation expense of $10 ($11 in 2014) for the ESOP recorded in operating and administrative expenses on the Consolidated Statements of Earnings.

(e) Putnam sponsors the Putnam Investments, LLC Equity Incentive Plan. Under the terms of the Equity Incentive Plan, Putnam is authorized to grant or sell Class B Shares of Putnam (the Putnam Class B Shares), subject to certain restrictions, and to grant options to purchase Putnam Class B Shares (collectively, the Awards) to certain senior management and key employees of Putnam at fair value at the time of the award. Fair value is determined under the valuation methodology outlined in the Equity Incentive Plan. Awards vest over a period of up to five years and are specified in the individual's award letter. Holders of Putnam Class B Shares are not entitled to vote other than in respect of certain matters in regards to the Equity Incentive Plan and have no rights to convert their shares into any other securities. The number of Putnam Class B Shares that may be subject to Awards under the Equity Incentive Plan is limited to 10,555,555.

Under the requirements of IFRS 2, *Share-based Payment*, prior to the amendment to the share plan, Class B shares were treated as cash-settled liabilities on the Consolidated Balance Sheets. During the period ended March 31, 2014, the Company amended the share plan, which resulted in Class B shares being treated as equity-settled, with compensation expense recorded at grant-date fair value (or modification-date fair value for those grants existing at such date), with a corresponding increase to equity.

During 2015, Putnam granted 1,525,218 (2,009,500 in 2014) restricted Class B common shares and no options in 2015 or 2014 to certain members of senior management and key employees.

Compensation expense recorded for the year ended December 31, 2015 related to restricted Class B common shares and Class B stock options earned was $36 ($46 in 2014) and is recorded in operating expenses on the Consolidated Statements of Earnings.

(f) Certain employees of PanAgora, a subsidiary of Putnam, are eligible to participate in the PanAgora Management Equity Plan under which Class C Shares of PanAgora and options and stock appreciation rights on Class C Shares of PanAgora may be issued. Holders of PanAgora Class C Shares are not entitled to vote and have no rights to convert their shares into any other securities. The number of PanAgora Class C Shares may not exceed 20% of the equity of PanAgora on a fully exercised and converted basis.

Class C shares were also treated as cash-settled liabilities on the Consolidated Balance Sheets prior to the amendment of the share plan. As of March 31, 2014, the Company amended the share plan, resulting in Class C shares to be treated as equity-settled, with compensation expense recorded at grant date fair value (or modification date fair value for those grants existing at such date), with a corresponding increase to equity.

Compensation expense recorded for the year ended December 31, 2015 related to restricted Class C Shares and stock appreciation rights was $11 in 2015 ($16 in 2014) and is included as a component of operating expenses in the Consolidated Statements of Earnings.

24. Pension Plans and Other Post-Employment Benefits

Characteristics, Funding and Risk

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 defined benefit pension plans provide pensions based on length of service and final average pay. For most plans, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. The assets supporting the funded pension plans are held in separate trusteed pension funds. The obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

The significant defined benefit plans of the Company's subsidiaries are closed to new entrants. All new hires are eligible only for defined contribution benefits. The Company's defined benefit plan exposure will continue to be reduced in future years.

The defined contribution pension plans provide pension benefits based on accumulated employee and subsidiary Company contributions. Subsidiary Company contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company's subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans of the Company's subsidiaries. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements of the Company's subsidiares. Significant changes to the subsidiary Company's benefit plans require approval from that Company's Board of Directors.

The Company's subsidiaries' funding policy for the funded pension plans is to make contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit pension plan asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

The following reflects the financial position of the Company's subsidiaries contributory and non-contributory defined benefit plans:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans		Other post-employment benefits	
	2015	2014	**2015**	2014
Change in fair value of plan assets				
Fair value of plan assets, beginning of year	**$ 5,628**	$ 5,053	**$ –**	$ –
Interest income	**200**	236	**–**	–
Actual return over interest income	**87**	429	**–**	–
Employer contributions	**104**	138	**19**	18
Employee contributions	**21**	21	**–**	–
Benefits paid	**(213)**	(220)	**(19)**	(18)
Administrative expenses	**(9)**	(6)	**–**	–
Net transfer in	**(2)**	1	**–**	–
Foreign exchange rate changes	**277**	(24)	**–**	–
Fair value of plan assets, end of year	**$ 6,093**	$ 5,628	**$ –**	$ –
Change in defined benefit obligation				
Defined benefit obligation, beginning of year	**$ 6,248**	$ 5,164	**$ 395**	$ 386
Reclassification of liability	**–**	(29)	**–**	–
Current service cost	**138**	112	**2**	2
Interest cost	**221**	237	**15**	18
Employee contributions	**21**	21	**–**	–
Benefits paid	**(213)**	(220)	**(19)**	(18)
Plan amendments	**15**	21	**–**	(1)
Actuarial loss (gain) on financial assumption changes	**(135)**	855	**(3)**	33
Actuarial loss (gain) on demographic assumption changes	**(7)**	97	**(6)**	(16)
Actuarial loss (gain) arising from member experience	**1**	(1)	**6**	(13)
Business acquisitions	**–**	–	**–**	3
Net transfer in	**(2)**	1	**–**	–
Foreign exchange rate changes	**340**	(10)	**4**	1
Defined benefit obligation, end of year	**$ 6,627**	$ 6,248	**$ 394**	$ 395
Asset (liability) recognized in the Consolidated Balance Sheets				
Funded status of plans – surplus (deficit)	**$ (534)**	$ (620)	**$ (394)**	$ (395)
Unrecognized amount due to asset ceiling	**(83)**	(23)	**–**	–
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (617)**	$ (643)	**$ (394)**	$ (395)
Recorded in:				
Other assets (note 13)	**$ 250**	$ 275	**$ –**	$ –
Other liabilities (note 19)	**(867)**	(918)	**(394)**	(395)
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (617)**	$ (643)	**$ (394)**	$ (395)
Analysis of defined benefit obligation				
Wholly or partly funded plans	**$ 6,336**	$ 5,961	**$ –**	$ –
Wholly unfunded plans	**$ 291**	$ 287	**$ 394**	$ 395

24. Pension Plans and Other Post-Employment Benefits (cont'd)

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether each pension plan's asset has economic benefit to the Company through future contribution reductions or refunds; in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans	
	2015	2014
Change in asset ceiling		
Asset ceiling, beginning of year	**$ 23**	$ 44
Interest on beginning of period asset ceiling	**4**	2
Change in asset ceiling	**56**	(23)
Asset ceiling, end of year	**$ 83**	$ 23

(b) Pension and Other Post-Employment Benefits Expense

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

	All pension plans	
	2015	2014
Defined benefit current service cost	**$ 159**	$ 133
Defined contribution current service cost	**54**	42
Employee contributions	**(21)**	(21)
Employer current service cost	**192**	154
Administrative expense	**7**	6
Plan amendments	**15**	3
Net interest cost	**25**	3
Pension expense – profit or loss	**239**	166
Actuarial (gain) loss recognized	**(141)**	951
Return on assets greater than assumed	**(85)**	(429)
Change in the asset ceiling	**56**	(23)
Actuarial loss – investment in associate [(1)]	**6**	20
Pension re-measurements – other comprehensive (income) loss	**(164)**	519
Total pension expense including re-measurements	**$ 75**	$ 685

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

	Other post-employment benefits	
	2015	2014
Employer current service cost	**$ 2**	$ 2
Plan amendments	**–**	(1)
Net interest cost	**15**	18
Other post-employment benefits expense – profit or loss	**17**	19
Actuarial (gain) loss recognized	**(3)**	4
Other post-employment benefits re-measurements – other comprehensive (income) loss	**(3)**	4
Total other post-employment benefits expense including re-measurements	**$ 14**	$ 23

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	2015	2014
Equity securities	**51%**	51%
Debt securities	**36%**	38%
Real estate	**6%**	5%
Cash and cash equivalents	**7%**	6%
Total	**100%**	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds and other funds managed by subsidiaries of the Company of $4,764 at December 31, 2015 and $4,478 at December 31, 2014, of which $4,701 ($4,445 at December 31, 2014) are included in the Consolidated Balance Sheets. Plan assets do not include any property occupied or other assets used by the Company.

(d) Details of Defined Benefit Obligation

(i) Portion of Defined Benefit Obligation Subject to Future Salary and Pension Increases

	Defined benefit pension plans		Other post-employment benefits	
	2015	2014	**2015**	2014
Benefit obligation without future salary increases	**$ 5,987**	$ 5,595	**$ 394**	$ 395
Effect of assumed future salary increases	**640**	653	**–**	–
Defined benefit obligation	**$ 6,627**	$ 6,248	**$ 394**	$ 395

The portion of defined benefit obligation without future pension increases is $6,053 with the effect of assumed future pension increases of $574. The other post-employment benefits are not subject to future pension increases.

(ii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2015	2014	**2015**	2014
Actives	**45%**	45%	**22%**	23%
Deferred vesteds	**17%**	17%	**–%**	–%
Retirees	**38%**	38%	**78%**	77%
Total	**100%**	100%	**100%**	100%
Weighted average duration of defined benefit obligation	**18.9 years**	19.3 years	**12.4 years**	12.8 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2016:			
Funded (wholly or partly) defined benefit plans	$ 105	$ –	$ 105
Unfunded plans	16	19	35
Defined contribution plans	58	–	58
Total	**$ 179**	**$ 19**	**$ 198**

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2015	2014	**2015**	2014
To determine benefit cost:				
Discount rate – past service liabilities	**3.5%**	4.7%	**3.9%**	4.8%
Discount rate – future service liabilities	**3.6%**	4.7%	**4.0%**	4.8%
Rate of compensation increase	**3.2%**	3.3%	**–**	–
Future pension increases (1)	**1.1%**	1.8%	**–**	–
To determine defined benefit obligation:				
Discount rate – past service liabilities	**3.8%**	3.5%	**4.1%**	3.9%
Rate of compensation increase	**3.2%**	3.2%	**–**	–
Future pension increases (1)	**1.5%**	1.1%	**–**	–
Medical cost trend rates:				
Initial medical cost trend rate			**5.2%**	5.2%
Ultimate medical cost trend rate			**4.5%**	4.5%
Year ultimate trend rate is reached			**2029**	2029

(1) Represents the weighted average of plans subject to future pension increases.

24. Pension Plans and Other Post-Employment Benefits (cont'd)

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2015	2014	**2015**	2014
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	**22.8**	22.8	**22.2**	22.2
Age 65 in fiscal year + 30 years	**25.2**	25.2	**23.9**	23.8
Female				
Age 65 in fiscal year	**24.7**	24.8	**24.7**	24.7
Age 65 in fiscal year + 30 years	**26.9**	26.9	**26.2**	26.1

The period of time over which benefits are assumed to be paid is based on best estimates of future mortality, including allowances for mortality improvements. This estimate is subject to considerable uncertainty, and judgment is required in establishing this assumption. As mortality assumptions are significant in measuring the defined benefit obligation, the mortality assumptions applied by the Company take into consideration such factors as age, gender and geographic location, in addition to an estimation of future improvements in longevity.

The mortality tables are reviewed at least annually, and assumptions are in accordance with accepted actuarial practice. Emerging plan experience is reviewed and considered in establishing the best estimate for future mortality.

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one-year increase in life expectancy would be an increase in the defined benefit obligation of $182 for the defined benefit pension plans and $15 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2015	2014	**2015**	2014
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (1,026)**	$ (992)	**$ 1,353**	$ 1,309
Impact of a change to the rate of compensation increase	**314**	334	**(272)**	(276)
Impact of a change to the rate of inflation	**551**	593	**(536)**	(474)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**34**	34	**(28)**	(29)
Impact of a change to the discount rate	**(44)**	(45)	**54**	55

To measure the impact of a change in an assumption, all other assumptions were held constant. It would be expected that there would be interaction between at least some of the assumptions.

25. Earnings Per Common Share

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

	2015	2014
Earnings		
Net earnings	**$ 2,888**	$ 2,668
Preferred share dividends	**(126)**	(122)
Net earnings – common shareholders	**$ 2,762**	$ 2,546
Number of common shares		
Average number of common shares outstanding	**995,609,685**	998,614,069
Add:		
– Potential exercise of outstanding stock options	**2,245,143**	1,272,650
Average number of common shares outstanding – diluted basis	**997,854,828**	999,886,719
Basic earnings per common share	**$ 2.774**	$ 2.549
Diluted earnings per common share	**$ 2.768**	$ 2.546
Dividends per common share	**$ 1.304**	$ 1.230

26. Accumulated Other Comprehensive Income

	2015							
	Unrealized foreign exchange gains on translation of foreign operations	Unrealized foreign exchange gains (losses) on euro debt designated as hedge of the net investment in foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Total	Non-controlling interest	Shareholders
Balance, beginning of year	**$ 953**	**$ (17)**	**$ 223**	**$ (122)**	**$ (611)**	**$ 426**	**$ (48)**	**$ 378**
Other comprehensive income (loss)	**2,058**	**(50)**	**(124)**	**(249)**	**167**	**1,802**	**(62)**	**1,740**
Income tax	**–**	**9**	**24**	**94**	**(32)**	**95**	**5**	**100**
	2,058	**(41)**	**(100)**	**(155)**	**135**	**1,897**	**(57)**	**1,840**
Balance, end of year	**$ 3,011**	**$ (58)**	**$ 123**	**$ (277)**	**$ (476)**	**$ 2,323**	**$ (105)**	**$ 2,218**

	2014							
	Unrealized foreign exchange gains on translation of foreign operations	Unrealized foreign exchange gains (losses) on euro debt designated as hedge of the net investment in foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Re-measurements on defined benefit pension and other post-employment benefit plans	Total	Non-controlling interest	Shareholders
Balance, beginning of year	$ 414	$ (52)	$ 14	$ (57)	$ (218)	$ 101	$ (15)	$ 86
Other comprehensive income (loss)	539	35	261	(105)	(523)	207	(45)	162
Income tax	–	–	(52)	40	130	118	12	130
	539	35	209	(65)	(393)	325	(33)	292
Balance, end of year	$ 953	$ (17)	$ 223	$ (122)	$ (611)	$ 426	$ (48)	$ 378

27. Related Party Transactions

Power Financial, which is incorporated and domiciled in Canada, is the Company's parent and has voting control of the Company. The Company is related to other members of the Power Financial group including IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group, Mackenzie Financial and Investment Planning Council and Pargesa, a holding company with substantial holdings in a diversified industrial group based in Europe.

(a) Principal subsidiaries

The financial statements of the Company include the operations of the following subsidiaries:

Company	Incorporated in	Primary business operation	% Held
The Great-West Life Assurance Company	Canada	Insurance and wealth management	100.00%
London Life Insurance Company	Canada	Insurance and wealth management	100.00%
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Irish Life Group Limited	Ireland	Insurance and wealth management	100.00%
Great-West Life & Annuity Insurance Company	United States	Insurance and wealth management	100.00%
Putnam Investments, LLC	United States	Financial services	100.00%[1]

(1) Lifeco holds 100% of the voting shares and 95.2% of the total outstanding shares.

27. Related Party Transactions (cont'd)

(b) Transactions with related parties included in the consolidated financial statements

In the normal course of business, Great-West Life and Putnam enter into various transactions with related companies which include providing insurance benefits and sub-advisory services to other companies within the Power Financial group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West Life provided to and received from IGM and its subsidiaries, a member of the Power Financial group of companies, certain administrative services. Great-West Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. London Life provided distribution services to IGM. All transactions were provided at market terms and conditions.

The Company held debentures issued by IGM; the interest rates and maturity dates are as follows:

	2015	2014
6.65%, matures December 13, 2027	$ 16	$ 16
7.45%, matures May 9, 2031	14	14
7.00%, matures December 31, 2032	13	13
Total	$ 43	$ 43

During 2015, Great-West Life, London Life, and segregated funds maintained by London Life purchased residential mortgages of $206 from IGM ($184 in 2014).

The Company provides asset management, employee benefits and administrative services for employee benefit plans relating to pension and other post-employment benefits for employees of the Company and its subsidiaries.

There were no significant outstanding loans or guarantees at the Balance Sheets date and no loans or guarantees issued during 2015 or 2014. There were no provisions for uncollectible amounts from related parties during 2015 and 2014.

(c) Key management compensation

Key management personnel constitute those individuals that have the authority and responsibility for planning, directing and controlling the activities of Lifeco, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2015	2014
Salary	$ 14	$ 11
Share-based awards	11	4
Option-based awards	5	2
Annual non-equity incentive plan compensation	20	20
Pension value	8	9
Total	$ 58	$ 46

28. Income Taxes

(a) Current income tax receivable (payable)

	2015	2014
Balance, beginning of year	$ (689)	$ (816)
Current income tax expense	(296)	(381)
Recorded in other comprehensive income	2	(29)
Payments made on account	361	490
Other	199	47
Balance, end of year	$ (423)	$ (689)
Recorded as:		
Current income taxes – asset	$ 69	$ 48
Current income taxes – liability	(492)	(737)
Total	$ (423)	$ (689)

(b) Deferred income taxes consist of the following losses carried forward and deductible (taxable) temporary differences:

	2015	2014
Insurance and investment contract liabilities	$ (1,126)	$ (594)
Portfolio assets [1]	(636)	(835)
Losses carried forward	1,784	1,494
Intangible assets	(303)	(153)
Other [1]	513	269
Net deferred income tax asset	$ 232	$ 181
Balance, beginning of year	$ 181	$ 222
Amounts recorded in:		
Statement of net earnings	(164)	(247)
Statement of other comprehensive income	93	147
Statement of changes in equity	2	1
Insurance and investment contract liabilities	(9)	(18)
Foreign exchange rate changes	129	76
Balance, end of year	$ 232	$ 181
Recorded as:		
Deferred tax assets	$ 1,891	$ 1,631
Deferred tax liabilities	(1,659)	(1,450)
Total	$ 232	$ 181

(1) During the year, the Company reclassified $39 of deferred income tax asset from portfolio assets to other at December 31, 2014 to conform to the current year's presentation.

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Management assesses the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets at December 31, 2015 are recoverable.

At December 31, 2015 the Company had tax loss carryforwards totaling $5,073 ($4,200 in 2014). Of this amount, $4,828 expires between 2016 and 2035, while $245 has no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

One of the Company's subsidiaries has had a history of losses. The subsidiary has a net deferred income tax asset (DTA) balance of $1,303 (U.S. $944) as at December 31, 2015 comprised principally of net operating losses and future deductions related to goodwill which has been, in prior years, impaired for book accounting purposes. Management has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated U.S. income tax return will generate sufficient taxable income against which the unused U.S. losses and deductions will be utilized. The future taxable income is derived principally from tax planning strategies, some of which have already been executed. The DTA excludes the tax effect of certain state net operating losses, in the amount of $90 (U.S. $65); and federal charitable contributions of $14 (U.S. $10).

28. Income Taxes (cont'd)

(c) Income tax expense for the year comprises current and deferred tax:

(i) Current income tax

	2015	2014
Current income tax expense	$ 307	$ 387
Previously unrecognized tax loss; tax credit or temporary difference	–	27
Other	(11)	(33)
Total current income tax	**$ 296**	$ 381

(ii) Deferred income tax

	2015	2014
Origination and reversal of temporary difference [1]	$ 199	$ 259
Changes in tax rates or imposition of new taxes	1	13
Write-down or reversal of previous write-down of deferred tax assets [1]	–	(1)
Previously unrecognized tax loss; tax credit or temporary difference	(7)	(29)
Other	(29)	5
Total deferred income tax	**$ 164**	$ 247
Total income tax expense	**$ 460**	$ 628

(1) During the year, the Company reclassified $61 of deferred income tax from origination and reversal of temporary difference to write-down or reversal of previous write-down of deferred tax assets for the year ended December 31, 2014 to conform to the current year's presentation.

(iii) Income tax recorded in other comprehensive income (note 26)

	2015	2014
Current income tax	$ (2)	$ 29
Deferred income tax	(93)	(147)
Total	**$ (95)**	$ (118)

(iv) Income tax recorded in equity

	2015	2014
Current income tax	$ –	$ –
Deferred income tax	(2)	(1)
Total	**$ (2)**	$ (1)

(d) The effective income tax rate reported in the Consolidated Statements of Earnings varies from the income tax rate of 26.75% for the year ended December 31, 2015 (26.50% for the year ended December 31, 2014) for the following items:

	2015		2014	
Earnings before income taxes	$ 3,471		$ 3,389	
Combined basic Canadian federal and provincial tax rate	929	26.75%	898	26.50%
Increase (decrease) in the income tax rate resulting from:				
Non-taxable investment income	(219)	(6.31)%	(150)	(4.43)%
Lower effective income tax rates on income not subject to tax in Canada	(228)	(6.56)%	(172)	(5.09)%
Other	(23)	(0.66)%	52	1.53%
Impact of rate changes on future income taxes	1	0.04%	–	–%
Total income tax expense and effective income tax rate	**$ 460**	**13.26%**	$ 628	18.51%

There are no income tax consequences attached to the payment of dividends by the Company to its shareholders.

29. Operating and Administrative Expenses

	2015	2014
Salaries and other employee benefits	$ 2,923	$ 2,544
General and administrative	1,463	1,129
Amortization of fixed assets	80	68
Total	**$ 4,466**	$ 3,741

30. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end-user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 7 illustrates the credit quality of the Company's exposure to counterparties. As at December 31, 2015, the Company received assets of $107 ($52 in 2014) as collateral for derivative contracts from counterparties and pledged assets of $608 ($273 in 2014) as collateral for derivative contracts to counterparties.

(a) The following summarizes the Company's derivative portfolio and related credit exposure using the following definitions of risk as prescribed by the Office of the Superintendent of Financial Institutions Canada:

Maximum Credit Risk — The total replacement cost of all derivative contracts with positive values.

Future Credit Exposure — The potential future credit exposure is calculated based on a formula prescribed by the Office of the Superintendent of Financial Institutions Canada. The factors prescribed by the Office of the Superintendent of Financial Institutions Canada for this calculation are based on derivative type and duration.

Credit Risk Equivalent — The sum of maximum credit risk and the potential future credit exposure less any collateral held.

Risk Weighted Equivalent — Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by the Office of the Superintendent of Financial Institutions Canada.

	2015				
	Notional amount	**Maximum credit risk**	**Future credit exposure**	**Credit risk equivalent (1)**	**Risk weighted equivalent**
Interest rate contracts					
Futures – long	**$ 2**	**$ –**	**$ –**	**$ –**	**$ –**
Futures – short	**160**	**–**	**–**	**–**	**–**
Swaps	**3,085**	**179**	**29**	**208**	**15**
Options purchased	**342**	**49**	**2**	**38**	**5**
	3,589	**228**	**31**	**246**	**20**
Foreign exchange contracts					
Forward contracts	**1,501**	**84**	**37**	**59**	**7**
Cross-currency swaps	**10,804**	**143**	**692**	**803**	**61**
	12,305	**227**	**729**	**862**	**68**
Other derivative contracts					
Equity contracts	**68**	**2**	**4**	**7**	**–**
Futures – long	**13**	**–**	**–**	**–**	**–**
Futures – short	**606**	**4**	**–**	**–**	**–**
Other forward contracts	**131**	**–**	**–**	**–**	**–**
	818	**6**	**4**	**7**	**–**
Total	**$ 16,712**	**$ 461**	**$ 764**	**$ 1,115**	**$ 88**

(1) Credit risk equivalent amounts are presented net of collateral received ($107).

	2014				
	Notional amount	Maximum credit risk	Future credit exposure	Credit risk equivalent (1)	Risk weighted equivalent
Interest rate contracts					
Futures – long	$ 10	$ –	$ –	$ –	$ –
Futures – short	12	–	–	–	–
Swaps	3,497	389	28	414	42
Options purchased	478	50	2	37	5
	3,997	439	30	451	47
Foreign exchange contracts					
Forward contracts	1,242	41	32	46	5
Cross-currency swaps	9,631	169	605	767	56
	10,873	210	637	813	61
Other derivative contracts					
Equity contracts	156	2	10	13	1
Futures – long	10	–	–	–	–
Futures – short	317	1	–	–	–
Other forward contracts	107	–	–	–	–
	590	3	10	13	1
Total	$ 15,460	$ 652	$ 677	$ 1,277	$ 109

(1) Credit risk equivalent amounts are presented net of collateral received ($52).

30. Derivative Financial Instruments (cont'd)

(b) The following provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2015				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1–5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures – long	$ 2	$ –	$ –	$ 2	$ –
Futures – short	79	80	–	159	–
Swaps	619	847	1,589	3,055	130
Options purchased	49	190	103	342	49
	749	1,117	1,692	3,558	179
Foreign exchange contracts					
Forward contracts	948	–	–	948	(28)
Cross-currency swaps	426	2,138	6,740	9,304	(1,885)
	1,374	2,138	6,740	10,252	(1,913)
Other derivative contracts					
Equity contracts	68	–	–	68	2
Futures – long	13	–	–	13	–
Futures – short	606	–	–	606	1
Other forward contracts	131	–	–	131	–
	818	–	–	818	3
Cash flow hedges					
Interest rate contracts					
Swaps	–	–	31	31	12
Foreign exchange contracts					
Cross-currency swaps	–	1,500	–	1,500	(524)
Net investment hedges					
Foreign exchange forward contracts	–	553	–	553	80
Total	$ 2,941	$ 5,308	$ 8,463	$ 16,712	$ (2,163)

	2014				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1–5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures – long	$ 10	$ –	$ –	$ 10	$ –
Futures – short	12	–	–	12	–
Swaps	939	1,043	1,389	3,371	340
Options purchased	218	182	78	478	50
	1,179	1,225	1,467	3,871	390
Foreign exchange contracts					
Forward contracts	751	–	–	751	(14)
Cross-currency swaps	354	2,285	5,492	8,131	(751)
	1,105	2,285	5,492	8,882	(765)
Other derivative contracts					
Equity contracts	156	–	–	156	(3)
Futures – long	10	–	–	10	–
Futures – short	317	–	–	317	(2)
Other forward contracts	107	–	–	107	–
	590	–	–	590	(5)
Cash flow hedges					
Interest rate contracts					
Swaps	–	–	36	36	14
Foreign exchange contracts					
Cross-currency swaps	–	1,500	–	1,500	(219)
Net investment hedges [1]					
Foreign exchange forward	–	491	–	491	41
Fair value hedges					
Interest rate contracts					
Swaps	–	18	72	90	1
Total	$ 2,874	$ 5,519	$ 7,067	$ 15,460	$ (543)

(1) During the year, the Company reclassified the contract now presented in net investment hedges from foreign exchange contracts – forward contracts to conform to the current year's presentation.

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) ***Interest Rate Contracts***

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest-rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.

Foreign Exchange Contracts

Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities, and insurance and investment contract liabilities. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

The ineffective portion of the cash flow hedges during 2015, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) reclassified out of accumulated other comprehensive income within the next twelve months is $1. The maximum time frame for which variable cash flows are hedged is 30 years.

Other Derivative Contracts

Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

31. Legal Provisions and Contingent Liabilities

The Company and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company. Actual results could differ from management's best estimates.

A subsidiary of the Company, Canada Life, has declared four partial wind-ups in respect of an Ontario defined benefit pension plan. The partial wind-ups will involve the distribution of the amount of actuarial surplus attributable to the wind-ups. A settlement of the class action proceeding commenced in Ontario relating to the partial wind-ups received court approval in 2014. The settlement remains subject to regulatory approval. The provision has been adjusted to $21 as at December 31, 2015.

A subsidiary of the Company, Putnam Advisory Company, LLC, is a defendant in an action in relation to its role as collateral manager of a collateralized debt obligation brought by an institution involved in the collateralized debt obligation. On April 28, 2014, the matter was dismissed. On July 2, 2014, the complainant filed an appeal of the dismissal and on April 15, 2015 the United States Court of Appeals for the Second Circuit issued its decision overturning the dismissal of the action and remanding the matter for further proceedings, which are ongoing. The resolution of this matter will not have a material adverse effect on the consolidated financial position of the Company.

Subsidiaries of the Company in the United States are defendants in proposed class actions relating to the administration of their staff retirement plans, or to the costs and features of certain of their retirement or fund products. These actions are at their early stages. Management believes the claims are without merit and will be aggressively defending these actions. Based on the information presently known these actions will not have a material adverse effect on the consolidated financial position of the Company.

32. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $2,891 of which U.S. $2,739 were issued as of December 31, 2015.

The Reinsurance operation periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $203 as at December 31, 2015 maturing within 1 year.

(c) Lease Obligations

The Company enters into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2016	2017	2018	2019	2020	2021 and thereafter	Total
Future lease payments	$ 116	101	87	52	39	76	$ 471

Subsequent to year-end, one of the Company's subsidiaries signed an office lease for 15 years commencing in 2018, for an additional commitment of $271 over the period of the lease.

(d) Other Pledged Assets

In addition to the assets pledged by the Company disclosed elsewhere in the financial statements the Company has pledged, in the normal course of business, $70 of assets of the Company for the purpose of providing collateral for the counterparty.

33. Segmented Information

The operating segments of the Company are Canada, United States, Europe and Lifeco Corporate. These segments reflect the Company's management structure and internal financial reporting and are aligned to its geographic operations. Each of these segments operates in the financial services industry and the revenues from these segments are derived principally from life, health and disability insurance, annuity products, investment management services, savings products and life, property and casualty, accident and health reinsurance. Business activities that are not associated with the specific business units are attributed to the Lifeco Corporate segment.

Transactions between operating segments occur at market terms and conditions and have been eliminated upon consolidation.

The Company has established a capital allocation model to better measure the performance of the operating segments. This segmented information is presented below.

(a) Consolidated Net Earnings

	2015				
	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 11,303	$ 3,858	$ 9,340	$ –	$ 24,501
Net investment income					
Regular net investment income	2,512	1,676	2,081	2	6,271
Changes in fair value through profit or loss	(358)	(532)	(1,120)	–	(2,010)
Total net investment income	2,154	1,144	961	2	4,261
Fee and other income	1,459	2,378	1,221	–	5,058
	14,916	7,380	11,522	2	33,820
Benefits and expenses					
Paid or credited to policyholders	9,991	4,138	8,713	–	22,842
Other (1)	3,143	2,515	1,349	16	7,023
Financing charges	116	144	42	1	303
Amortization of finite life intangible assets	59	69	18	–	146
Restructuring and acquisition expenses	–	12	23	–	35
Earnings (loss) before income taxes	1,607	502	1,377	(15)	3,471
Income taxes (recovery)	285	77	105	(7)	460
Net earnings (loss) before non-controlling interests	1,322	425	1,272	(8)	3,011
Non-controlling interests	111	10	2	–	123
Net earnings (loss)	1,211	415	1,270	(8)	2,888
Preferred share dividends	103	–	23	–	126
Net earnings (loss) before capital allocation	1,108	415	1,247	(8)	2,762
Impact of capital allocation	87	(6)	(73)	(8)	–
Net earnings (loss) – common shareholders	$ 1,195	$ 409	$ 1,174	$ (16)	$ 2,762

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

33. Segmented Information (cont'd)

	2014				
	Canada	United States	Europe	Lifeco Corporate	Total
Income					
Total net premiums	$ 10,883	$ 3,527	$ 6,812	$ –	$ 21,222
Net investment income					
Regular net investment income	2,548	1,420	2,045	(3)	6,010
Changes in fair value through profit or loss	2,588	784	4,155	–	7,527
Total net investment income	5,136	2,204	6,200	(3)	13,537
Fee and other income	1,409	1,820	1,193	–	4,422
	17,428	7,551	14,205	(3)	39,181
Benefits and expenses					
Paid or credited to policyholders	12,676	4,901	11,583	–	29,160
Other (1)	2,916	1,994	1,237	17	6,164
Financing charges	115	140	48	1	304
Amortization of finite life intangible assets	55	57	20	–	132
Restructuring and acquisition expenses	–	3	29	–	32
Earnings (loss) before income taxes	1,666	456	1,288	(21)	3,389
Income taxes (recovery)	355	128	150	(5)	628
Net earnings (loss) before non-controlling interests	1,311	328	1,138	(16)	2,761
Non-controlling interests	88	6	(1)	–	93
Net earnings (loss)	1,223	322	1,139	(16)	2,668
Preferred share dividends	93	–	23	6	122
Net earnings (loss) before capital allocation	1,130	322	1,116	(22)	2,546
Impact of capital allocation	98	(16)	(78)	(4)	–
Net earnings (loss) – common shareholders	$ 1,228	$ 306	$ 1,038	$ (26)	$ 2,546

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

(b) Consolidated Total Assets and Liabilities

	2015			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 67,701**	**$ 43,809**	**$ 50,071**	**$ 161,581**
Goodwill and intangible assets	**5,132**	**2,465**	**2,352**	**9,949**
Other assets	**2,793**	**4,535**	**22,883**	**30,211**
Investments on account of segregated fund policyholders	**70,269**	**35,966**	**91,959**	**198,194**
Total	**$ 145,895**	**$ 86,775**	**$ 167,265**	**$ 399,935**

	2015			
	Canada	**United States**	**Europe**	**Total**
Liabilities				
Insurance and investment contract liabilities	**$ 60,234**	**$ 39,903**	**$ 60,535**	**$ 160,672**
Other liabilities	**6,703**	**5,189**	**3,917**	**15,809**
Investment and insurance contracts on account of segregated fund policyholders	**70,269**	**35,966**	**91,959**	**198,194**
Total	**$ 137,206**	**$ 81,058**	**$ 156,411**	**$ 374,675**

	2014			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 64,718	$ 36,198	$ 45,440	$ 146,356
Goodwill and intangible assets	5,123	2,061	2,296	9,480
Other assets	3,277	3,613	19,017	25,907
Investments on account of segregated fund policyholders	68,372	31,030	75,564	174,966
Total	$ 141,490	$ 72,902	$ 142,317	$ 356,709

	2014			
	Canada	United States	Europe	Total
Liabilities				
Insurance and investment contract liabilities	$ 59,274	$ 32,973	$ 53,808	$ 146,055
Other liabilities	5,590	4,517	3,684	13,791
Investment and insurance contracts on account of segregated fund policyholders	68,372	31,030	75,564	174,966
Total	$ 133,236	$ 68,520	$ 133,056	$ 334,812

34. Comparative Figures

The Company reclassified certain comparative figures to conform to the current year's presentation. The reclassifications had no impact on the net earnings of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Great-West Lifeco Inc.

We have audited the accompanying consolidated financial statements of Great-West Lifeco Inc., which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great-West Lifeco Inc. as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

Winnipeg, Manitoba
February 11, 2016

SOURCES OF EARNINGS

The following is provided in accordance with the OSFI guideline requiring Sources of Earnings (SOE) disclosure. SOE is not an International Financial Reporting Standards (IFRS) measure. There is no standard SOE methodology. The calculation of SOE is dependent on and sensitive to the methodology, estimates and assumptions used.

The SOE disclosure for Great-West Lifeco has been enhanced in 2015 to include Putnam earnings in the core sources of earnings analysis rather than including as an adjustment to after-tax earnings. The prior year comparatives have been restated in order to measure the change in the Company's earnings consistently. Expected profit for Putnam is driven primarily by fees, net of expenses while the impact of new business includes non-deferrable sales costs.

SOE identifies various sources of IFRS net earnings. It provides an analysis of the difference between actual net income and expected net income based on assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

Expected Profit on In-Force Business

This component represents the portion of the consolidated net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best-estimate assumptions. It includes releases of provisions for adverse deviations, expected net earnings on deposits, and expected net management fees.

Impact of New Business

This component represents the point-of-sale impact on net income of writing new business during the reporting period. This is the difference between the premium received and the sum of the expenses incurred as a result of the sale and the new liabilities established at the point of sale.

Experience Gains and Losses

This component represents gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period.

Management Actions and Changes in Assumptions

This component represents the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors.

Other

This component represents the amounts not included in any other line of the sources of earnings.

Earnings on Surplus

This component represents the earnings on the Company's surplus funds.

Great-West Lifeco's sources of earnings are shown below for 2015 and 2014.

Sources of Earnings

(in Canadian $ millions)

	Shareholders net earnings				
For year to date at December 31, 2015	Canada	United States	Europe	Lifeco Corporate	Total
Expected profit on in-force business	$ 1,209	$ 561	$ 1,006	$ (13)	$ 2,763
Impact of new business	(11)	(86)	(122)	–	(219)
Experience gains and losses	241	4	53	(3)	295
Management actions and changes in assumptions	79	54	331	–	464
Other	–	(12)	(23)	–	(35)
Earnings on surplus	56	(27)	57	(7)	79
Net earnings before tax	1,574	494	1,302	(23)	3,347
Taxes	(276)	(76)	(105)	7	(450)
Net earnings before non-controlling interests	1,298	418	1,197	(16)	2,897
Non-controlling interests	–	(9)	–	–	(9)
Net earnings – shareholders	1,298	409	1,197	(16)	2,888
Preferred share dividends	(103)	–	(23)	–	(126)
Net earnings – common shareholder before adjustments	1,195	409	1,174	(16)	2,762
Adjustments after tax	–	–	–	–	–
Net earnings – common shareholders	$ 1,195	$ 409	$ 1,174	$ (16)	$ 2,762

Sources of Earnings
(in Canadian $ millions)

For year to date at December 31, 2014	Shareholders net earnings				
	Canada	United States	Europe	Lifeco Corporate	Total
Expected profit on in-force business	$ 1,210	$ 468	$ 951	$ (16)	$ 2,613
Impact of new business	3	(50)	(87)	–	(134)
Experience gains and losses	180	(34)	222	(1)	367
Management actions and changes in assumptions	195	88	139	–	422
Other	–	(3)	(29)	–	(32)
Earnings on surplus	56	(31)	15	(8)	32
Net earnings before tax	1,644	438	1,211	(25)	3,268
Taxes	(323)	(128)	(150)	5	(596)
Net earnings before non-controlling interests	1,321	310	1,061	(20)	2,672
Non-controlling interests	–	(4)	–	–	(4)
Net earnings – shareholders	1,321	306	1,061	(20)	2,668
Preferred share dividends	(93)	–	(23)	(6)	(122)
Net earnings – common shareholder before adjustments	1,228	306	1,038	(26)	2,546
Adjustments after tax	–	–	–	–	–
Net earnings – common shareholders	$ 1,228	$ 306	$ 1,038	$ (26)	$ 2,546

Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 83% of pre-tax earnings in 2015. The expected profit on in-force business of $2,763 in 2015 was $150 higher than 2014. The improvement year-over-year is primarily a result of currency movement and growth in business, including a higher starting point for fee based businesses. These increases were partially offset by higher expenses.

The strain on new sales of $219 in 2015 was $85 higher than 2014 primarily as a result of a shift in sales mix in the U.S. driving an increase in non-deferrable acquisition expenses, lower volumes of annuity business written in the U.K. and a change in the mix of business for Reinsurance. In addition, the shift in new business for Canada was mainly a result of higher acquisition costs and lower sales for Individual Insurance. These were partially offset by higher profits in Ireland and Germany primarily due to re-pricing and the release of a new product.

Experience gains of $295 in 2015 were $72 lower than 2014. The gains in 2015 were primarily a result of investment experience (including yield enhancements) in Canada and the U.S., annuitant mortality results in all segments and morbidity and policyholder behavior results in Europe. These gains were partially offset by expenses and life mortality results in all segments and morbidity and policyholder behavior results in Canada. The gains in 2014 were primarily due to investment experience (including yield enhancements) and annuitant mortality, life mortality and morbidity results in Europe, partially offset by morbidity experience for Group Canada and policyholder behavior experience for Individual Insurance Canada.

Management actions and changes in assumptions contributed $464 to pre-tax earnings in 2015 compared to $422 in 2014. The assumption changes and management actions were $79 in Canada, $54 in U.S. and $331 in Europe.

The most significant contributors to the Canada amount of $79 were $165 due to updated life mortality assumptions, $18 due to economic assumption updates, $16 due to updated morbidity assumptions and $15 due to expense and tax assumption updates, partially offset by $85 due to strengthened policyholder behavior assumptions and $49 due to modeling refinement updates.

The most significant contributors to the U.S. amount of $54 were $30 due to economic assumption updates, $22 due to expense and tax assumption updates and $9 due to updated life mortality assumptions, partially offset by $6 due to strengthened policyholder behavior assumptions.

The most significant contributors to the Europe amount of $331 were $292 due to updated annuitant mortality assumptions, $168 due to economic assumption updates and $12 due to updated morbidity assumptions, partially offset by $64 due to strengthened life mortality assumptions, $37 due to expense and tax assumption updates and $37 due to modeling refinement updates.

Other of $(35) in 2015 consists of restructuring and acquisition costs related to Irish Life, Legal & General International (Ireland) Limited and J.P. Morgan.

Earnings on surplus of $79 in 2015 was $47 higher than 2014 primarily due to higher OCI and real estate gains, partially offset by lower investment income.

FIVE-YEAR SUMMARY

(in Canadian $ millions except per share amounts)	**2015**	2014	2013 [1]	2012	2011
At December 31					
Total assets under administration	**$1,212,517**	$1,063,333	$ 758,258	$ 545,903	$ 501,965
For the Year Ended December 31					
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products, net	**$ 24,501**	$ 21,222	$ 20,236	$ 19,257	$ 17,293
Self-funded premium equivalents (Administrative services only contracts)	**2,625**	2,603	2,567	2,666	2,645
Segregated funds deposits:					
Individual products	**12,983**	11,826	8,308	6,557	7,345
Group products	**8,609**	9,083	7,553	7,262	6,117
Proprietary mutual funds and institutional deposits [2]	**56,257**	45,306	38,046	24,496	28,888
Total premiums and deposits	**$ 104,975**	$ 90,040	$ 76,710	$ 60,238	$ 62,288
Condensed Statements of Earnings					
Income					
Total net premiums	**$ 24,501**	$ 21,222	$ 20,236	$ 19,257	$ 17,293
Net investment income					
Regular net investment income	**6,271**	6,010	5,604	5,642	5,538
Changes in fair value through profit or loss	**(2,010)**	7,527	(2,979)	2,668	4,164
Total net investment income	**4,261**	13,537	2,625	8,310	9,702
Fee and other income	**5,058**	4,422	3,585	3,030	2,903
Total income	**33,820**	39,181	26,446	30,597	29,898
Benefits and expenses					
Paid or credited to policyholders	**22,842**	29,160	17,811	22,875	23,043
Other	**7,326**	6,468	5,633	5,057	4,051
Amortization of finite life intangible assets	**146**	132	117	103	100
Restructuring and acquisition expenses	**35**	32	104	–	–
Earnings before income taxes	**3,471**	3,389	2,781	2,562	2,704
Income taxes	**460**	628	463	364	465
Net earnings before non-controlling interests	**3,011**	2,761	2,318	2,198	2,239
Non-controlling interests	**123**	93	(90)	277	121
Net earnings – shareholders	**2,888**	2,668	2,408	1,921	2,118
Preferred share dividends	**126**	122	130	115	96
Net earnings – common shareholders	**$ 2,762**	$ 2,546	$ 2,278	$ 1,806	$ 2,022
Earnings per common share	**$ 2.774**	$ 2.549	$ 2.340	$ 1.902	$ 2.129
Return on common shareholders' equity	**14.7%**	15.7%	16.8%	15.3%	17.6%
Book value per common share	**$ 20.07**	$ 16.80	$ 15.16	$ 12.64	$ 12.61
Dividends to common shareholders – per share	**$ 1.304**	$ 1.230	$ 1.230	$ 1.230	$ 1.230

(1) Comparative figures have been restated as described in note 35 to the Company's December 31, 2014 consolidated financial statements.

(2) 2013 comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated for consistency.

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

R. Jeffrey Orr [2,3,4,6,7]
Chairman of the Board of the Corporation
President and Chief Executive Officer,
Power Financial Corporation

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Corporate Director

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Power Corporation of Canada
Executive Co-Chairman,
Power Financial Corporation

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Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Executive Co-Chairman,
Power Financial Corporation

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Executive Vice-President,
Power Corporation of Canada and
Power Financial Corporation

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President Emeritus,
The Canadian Institute for Advanced Research

J. David A. Jackson [2,3,4,6,7]
Senior Counsel,
Blake, Cassels & Graydon LLP

Paul A. Mahon [3,6]
President and Chief Executive Officer
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The Great-West Life Assurance Company,
London Life Insurance Company,
Canada Life Financial Corporation,
The Canada Life Assurance Company

Susan J. McArthur [3,6,7]
Managing Partner,
GreenSoil Investments

Michel Plessis-Bélair, FCPA, FCA
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

Henri-Paul Rousseau, Ph.D. [3,6,7]
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

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Corporate Director

Jerome J. Selitto [3,5,6,7]
President,
Avex Funding Corporation

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University of Manitoba

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Executive Vice-President and
Chief Financial Officer,
Power Corporation of Canada and
Power Financial Corporation

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Corporate Director

Brian E. Walsh [2,3,4,6,7]
Principal and Chief Strategist,
Titan Advisors LLC

James W. Burns, O.C., O.M.
Director Emeritus

1 member of the Audit Committee
2 member of the Compensation Committee
3 member of the Executive Committee
4 member of the Governance and Nominating Committee
5 member of the Conduct Review Committee
6 member of the Investment Committee
7 member of the Risk Committee

SENIOR OFFICERS

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President and Chief Executive Officer

Arshil Jamal
President and Chief Operating Officer,
Europe

J. Dave Johnston
President and Chief Operating Officer,
Canada

Robert L. Reynolds
President and Chief Executive Officer,
Great-West Lifeco U.S. Inc.

Philip Armstrong
Executive Vice-President,
Global Chief Information Officer

Graham R. Bird
Executive Vice-President and
Chief Risk Officer

Andrew D. Brands
Executive Vice-President,
General Counsel and Compliance

S. Mark Corbett
Executive Vice-President,
Global Chief Investment Officer

Garry MacNicholas
Executive Vice-President and
Chief Financial Officer

Grace M. Palombo
Executive Vice-President,
Chief Human Resources Officer

Ross J. Petersmeyer
Senior Vice-President,
Regulatory Affairs

Nancy D. Russell
Senior Vice-President and
Chief Compliance Officer

Laurie A. Speers
Vice-President and
Corporate Secretary

Douglas J. Tkach
Senior Vice-President and
Chief Internal Auditor

Dervla M. Tomlin
Executive Vice-President and
Chief Actuary

SHAREHOLDER INFORMATION

Registered Office

100 Osborne Street North, Winnipeg, Manitoba, Canada R3C 1V3

Stock Exchange Listings

Symbol: GWO

The following shares are listed on the Toronto Stock Exchange: Common Shares (**GWO**); Non-Cumulative First Preferred Shares Series F (**GWO.PR.F**), Series G (**GWO.PR.G**), Series H (**GWO.PR.H**), Series I (**GWO.PR.I**), Series L (**GWO.PR.L**), Series M (**GWO.PR.M**), Series P (**GWO.PR.P**), Series Q (**GWO.PR.Q**), Series R (**GWO.PR.R**), Series S (**GWO.PR.S**); and Non-Cumulative 5-Year Reset First Preferred Shares Series N (**GWO.PR.N**); and Non-Cumulative Floating Rate First Preferred Shares O (**GWO.PR.O**).

Transfer Agent and Registrar

The transfer agent and registrar of Great-West Lifeco Inc. is **Computershare Investor Services Inc.**

Shareholders wishing to contact the transfer agent by email can do so at GWO@computershare.com.

In Canada, the Common Shares and Non-Cumulative First Preferred Shares, Series F are transferable at the following locations:

Canadian Offices

Computershare Investor Services Inc.
Phone: 1-888-284-9137 (toll free in Canada and the United States), 514-982-9557 (direct dial)
8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1
600, 530 8th Avenue S.W., Calgary, Alberta T2P 3S8
1500 Robert-Bourassa Boulevard, 7th Floor, Montréal, Québec H3A 3S8
2nd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9
1969 Upper Water Street, Purdy's Wharf Tower 2, Suite 2008, Halifax, Nova Scotia B3J 3R7

The Non-Cumulative First Preferred Shares, Series G, H, I, L, M, N, O, P, Q, R and S are only transferable at the Toronto Office of Computershare Investor Services Inc.

Internationally, the Common Shares and Non-Cumulative First Preferred Shares, Series F are also transferable at the following locations:

United States Offices

Computershare Trust Company, N.A.
Phone: 1-888-284-9137 (toll free in Canada and the United States)
250 Royall Street, Canton MA 02021
480 Washington Boulevard, Jersey City NJ 07310
211 Quality Circle, College Station TX 77845-4470

United Kingdom Office

Computershare Investor Services PLC
Phone: 001 870 702 0003
The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom

Ireland Office

Computershare Investor Services (Ireland) Limited
Phone: 447 5566
Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland

Dividends

Common Shares and First Preferred Shares Series F, G, H, I, L, M, N, O, P, Q, R and S – Dividend record dates are usually between the 1st and 4th of March, June, September and December. Dividends are usually paid the last day of each quarter.

Shareholder Services

For information or assistance regarding your registered share account, including dividends, changes of address or ownership, lost certificates, to eliminate duplicate mailings or to receive shareholder material electronically, please contact our Transfer Agents in Canada, the United States, United Kingdom or in Ireland directly. If you hold your shares through a broker, please contact your broker directly.

Investor Information

For financial information about Great-West Lifeco Inc. visit **www.greatwestlifeco.com** or contact:

Canada Operations Senior Vice-President and Chief Financial Officer, Canada 204-946-4558

United States Operations Senior Vice President and Chief Financial Officer 303-737-4002

Europe Operations Senior Vice-President and Chief Financial Officer, Europe +44 1707 423198

For copies of our annual or quarterly reports, please contact the Corporate Secretary's Office at 204-946-4388 or visit **www.greatwestlifeco.com**.

Common Share Investment Data

	Market price per common share ($)			Dividends paid ($)	Dividend payout ratio (1)(2)	Dividend yield (3)
	High	Low	Close			
2015	**37.52**	**31.31**	**34.53**	**1.304**	**47.0%**	**3.8%**
2014	33.87	28.95	33.59	1.23	48.3%	3.9%
2013	33.34	24.20	32.75	1.23	58.3%	4.3%
2012	25.01	19.82	24.35	1.23	60.0%	5.5%
2011	27.77	19.17	20.40	1.23	61.5%	5.2%
2010	29.17	23.73	26.40	1.23	64.1%	4.7%
2009	27.01	11.35	26.88	1.23	71.4%	6.4%
2008	35.29	19.49	20.70	1.20	52.1%	4.4%

(1) Ratio based on operating earnings from 2010 to present.
(2) Ratio based on adjusted basic earnings in 2009 and prior.
(3) Dividends as a percent of average high and low market price for the reporting period.

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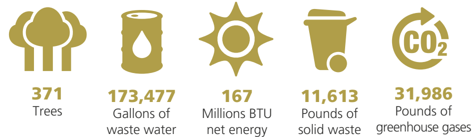

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