GREAT-WEST
LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2013

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Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to March 31, 2013 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2013 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of $517 million for the three months ended March 31, 2013, an increase of 15% compared to $449 million in the first quarter of 2012. On a per common share basis, this represents $0.544 per common share for the three months ended March 31, 2013, compared to $0.474 per common share for the same period in 2012.

Highlights – Operating Results

- Consolidated assets under administration at March 31, 2013 were $582 billion, up $36 billion from December 31, 2012.
- Total Company premiums and deposits were $16.6 billion, up 15% from the first quarter of 2012, reflecting continued strong sales in each of its operating segments.
- Total Company sales in the first quarter of 2013 grew by 23% from first quarter 2012, notably the following:
  - Canada sales were $3 billion, up 13% compared to the first quarter of 2012.
  - Great-West Financial sales were US$2.5 billion, up 13% compared to the first quarter of 2012.
  - Europe sales were $961 million up 27% compared to the first quarter of 2012.
  - Putnam sales were US$7.4 billion, up 28% compared to the first quarter of 2012. Net asset outflows in first quarter 2013 were US$314 million compared to net outflows of US$1,969 million for the same period in 2012.
- The Company maintained a strong ROE of 16.8% based on operating earnings and 15.7% based on net earnings.
- The Company's capital position remained very strong. The Great-West Life Assurance Company reported a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 210% at March 31, 2013.
- Credit experience remained favourable with minimal impacts from credit downgrade and impairment activity.
- The Company declared a quarterly common dividend of $0.3075 per common share payable June 28, 2013.

Highlights – Proposed Acquisition and Capital Markets Activity

On February 19, 2013 the Company announced that it had reached an agreement with the Government of Ireland to acquire, through its subsidiary Canada Life Limited, all of the shares of Irish Life Group Limited (Irish Life) for $1.75 billion (€1.3 billion). In conjunction with the proposed acquisition, the Company has successfully completed two significant capital market transactions:

- On March 12, 2013, the Company completed an issuance of subscription receipts in both public and private offerings with aggregate gross proceeds to Lifeco of approximately $1.25 billion.
- On April 18, 2013, the Company issued €500 million of euro denominated ten year bonds, at an annual coupon of 2.50%, which were rated A+ by Standard & Poor's Ratings Services.

The Company has now raised all the funding required to complete the acquisition of Irish Life Group and has hedged all related euro currency exposures associated with the €1.3 billion purchase price.

OPERATING RESULTS

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

CANADA

Net earnings attributable to common shareholders for the first quarter of 2013 were $265 million compared to $242 million in the first quarter of 2012.

Total sales in the first quarter of 2013 were $3.0 billion compared to $2.7 billion in 2012, an increase of 13%. Sales of Group insurance products were up significantly for the quarter at $288 million from $134 million a year ago reflecting strong large case creditor/direct marketing sales. Wealth Management sales were $2.6 billion for the quarter, up 8% from a year ago, reflecting a 30% increase in sales of group retirement products. Wealth Management net cash flows for the quarter were $542 million. Individual Insurance product sales were down 8% year over year reflecting lower universal life sales.

Total Canada segment assets under administration at March 31, 2013 were $143 billion, compared to $138 billion at December 31, 2012.

UNITED STATES

Net earnings attributable to common shareholders for the first quarter of 2013 were $71 million compared to $74 million in the first quarter of 2012. Great-West Financial reported net earnings of $85 million in the first quarter compared to $86 million for the same period last year. Putnam reported a net loss of $14 million in the first quarter compared to a net loss of $12 million a year ago.

Great-West Financial sales in the first quarter of 2013 were US$2.5 billion, up 13% compared to the first quarter of 2012 reflecting strong sales in Retirement Services.

Putnam assets under management as at March 31, 2013 were US$135 billion compared to US$124 billion a year ago. Sales in the first quarter were US$7.4 billion, up 28% from a year ago, however redemptions at US$7.7 billion were at the same level as a year ago. Net asset outflows in first quarter 2013 were US$314 million compared to net outflows of US$1,969 million for the same period in 2012.

Total United States segment assets under administration at March 31, 2013 were $365 billion compared to $333 billion at December 31, 2012.

EUROPE

Net earnings attributable to common shareholders for the first quarter of 2013 were $192 million compared to $140 million in the first quarter of 2012.

Sales for the first quarter of 2013 were $961 million, up 27% compared to $755 million a year ago, reflecting strong sales of single premium savings products in the Isle of Man and payout annuities in the United Kingdom.

Total Europe segment assets under administration at March 31, 2013 were $74 billion, down slightly from $75 billion at December 31, 2012 primarily due to the strengthening of the Canadian dollar against the British pound.

CORPORATE

Net earnings in the Lifeco corporate segment attributable to common shareholders were a net loss of $11 million in the first quarter of 2013 compared to a net loss of $7 million in the first quarter of 2012.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3075 per share on the common shares of the Company payable June 28, 2013 to shareholders of record at the close of business May 31, 2013.

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

In addition, the Directors approved quarterly dividends on:

- Series F First Preferred Shares of $0.36875 per share;
- Series G First Preferred Shares of $0.3250 per share;
- Series H First Preferred Shares of $0.30313 per share;
- Series I First Preferred Shares of $0.28125 per share;
- Series J First Preferred Shares of $0.3750 per share;
- Series L First Preferred Shares of $0.353125 per share;
- Series M First Preferred Shares of $0.36250 per share;
- Series N First Preferred Shares of $0.228125 per share;
- Series P First Preferred Shares of $0.3375 per share;
- Series Q First Preferred Shares of $0.321875 per share; and
- Series R First Preferred Shares of $0.3000 per share

all payable June 28, 2013 to shareholders of record at the close of business May 31, 2013.

D. Allen Loney
President and Chief Executive Officer

May 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2013

DATED: MAY 2, 2013

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2013 compared to the same period in 2012, and to three months ended December 31, 2012. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated financial statements for the period ended March 31, 2013. Please also refer to the 2012 Annual MD&A and consolidated financial statements in the Company's 2012 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, are also forward-looking statements. Forward-looking statements are based on expectations and projections 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 actual events and results could differ materially from those expressed or implied by forward-looking statements due to, but not limited to, important factors and assumptions such as sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, information systems, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive, and there may be other factors, including factors set out in the Company's 2012 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates" and any listed in other filings with securities regulators, which are available for review at www.sedar.com. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-International Financial Reporting Standards ("IFRS") financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliation's of these non-IFRS financial measures to measures prescribed by IFRS.

CONSOLIDATED OPERATING RESULTS

Selected consolidated financial information
(in Canadian $ millions, except for per share amounts)

	As at or for the three months ended		
	March 31 2013	Dec. 31 2012**	March 31 2012**
Premiums and deposits:			
Life insurance, guaranteed annuities and insured health products	**$ 4,580**	$ 4,827	$ 4,529
Self-funded premium equivalents (ASO contracts)	**644**	677	685
Segregated funds deposits:			
Individual products	**1,768**	2,072	1,559
Group products	**2,006**	2,216	1,770
Proprietary mutual funds & institutional deposits	**7,642**	6,880	5,939
Total premiums and deposits	**16,640**	16,672	14,482
Fee and other income	**778**	767	724
Paid or credited to policyholders	**5,215**	5,122	4,743
Operating earnings - common shareholders**	**517**	491	449
Net earnings - common shareholders**	**517**	351	449
Per common share			
Operating earnings**	**$ 0.544**	$ 0.517	$ 0.474
Basic earnings**	**0.544**	0.370	0.474
Dividends paid	**0.3075**	0.3075	0.3075
Book value**	**12.87**	12.64	12.28
Return on common shareholders' equity (trailing four quarters*)			
Net operating earnings**	**16.8 %**	16.5 %	16.6 %
Net earnings**	**15.7 %**	15.3 %	17.6 %
Total assets**	**$ 261,338**	$ 253,612	$ 243,759
Proprietary mutual funds and institutional net assets	**146,031**	134,598	131,140
Total assets under management**	**407,369**	388,210	374,899
Other assets under administration	**174,487**	157,455	148,068
Total assets under administration**	**$ 581,856**	$ 545,665	$ 522,967
Total equity**	**$ 17,268**	$ 17,011	$ 15,974

The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of certain litigation provisions described in note 30 to the Company's December 31, 2012 consolidated financial statements.

* Return on common shareholders' equity is the trailing four quarter calculation of net earnings divided by common shareholders' equity.

** Comparative figures, where impacted, have been restated for the retroactive impact of new and revised IFRS effective during 2013 most notably IAS 19R, *Employee Benefits*.

LIFECO 2013 HIGHLIGHTS

Irish Life Group Limited Acquisition

On February 19, 2013 the Company announced that it had reached an agreement with the Government of Ireland to acquire, through its subsidiary Canada Life Limited, all of the shares of Irish Life Group Limited (Irish Life) for $1.75 billion (€1.3 billion).

The transaction is subject to customary regulatory approvals, including approvals from the European Commission under the EU (European Union) Merger Regulation, and certain closing conditions. Once the transaction has closed, the life and pensions operations of the Company's Irish subsidiary, Canada Life (Ireland), will be combined with the operations of Irish Life, retaining the Irish Life name. Irish Life has a strong brand with a broad product offering and wide, multi-channel distribution network, similar to the Company's operations in Canada.

This is an in-market acquisition that will transform the Company's business in Ireland into a market leader in the life insurance, pension and investment management sectors. Irish Life employs a similar and consistent strategy to Lifeco in that it aims to maximize shareholder returns in a low risk and capital efficient manner.

This acquisition represents compelling value to Lifeco shareholders and is expected to be accretive to the Company's 2014 earnings by adding an estimated 10 cents or 4% to Lifeco's consensus 2014 earnings per share (based on Institutional Brokers' Estimate System).

Funding for the transaction includes the net proceeds of the issuance of approximately $1.25 billion subscription receipts offering which was completed on March 12, 2013. That offering comprised a $650 million public bought deal offering as well as concurrent private placements of subscription receipts to Power Financial Corporation of $550 million and to IGM Financial Inc. of $50 million. The balance of the funding for the transaction will come from a euro-denominated debt issuance (described below) and internal cash resources.

During the first quarter of 2013, the Company entered into foreign exchange forward contracts in connection with the pending Irish Life investment as part of an overall strategy to manage euro currency risk. The contracts fix the euro to British pound rate on approximately €300 million of the pending Irish Life investment, and fix the euro to Canadian dollar rate on approximately €500 million.

Subsequent to the reporting period, on April 18, 2013 the Company issued €500 million of 10-year bonds denominated in euros with an annual coupon of 2.50%. The bonds are rated A+ by Standard & Poor's Ratings Services. The bonds are listed on the Irish Stock Exchange. The issuance of euro-denominated debt will result in a natural hedge of a portion of the Company's net investment in euro denominated foreign operations.

The Company has now raised all the funding required to complete the acquisition of Irish Life Group and has hedged all related currency exposures into euros. Pending regulatory approval, the transaction is expected to close in July of 2013.

Revised International Financial Reporting Standards

Effective January 1, 2013, the Company adopted several new and revised IFRS as discussed in the Accounting Policy section of this document. Other than IAS 19R, *Employee Benefits,* the new standards related primarily to enhanced disclosures and had no impact on the net earnings or equity of the Company. In accordance with the transitional requirements of IAS 19R, this change has been applied retroactively which resulted in a decrease to opening equity at January 1, 2012 of $392 million (decrease of $352 million to shareholders' equity and $40 million to participating account surplus) with an additional decrease to opening equity at January 1, 2013 of $183 million (decrease of $169 million to shareholders' equity and $14 million to participating account surplus). Net earnings for both the three month periods ended December 31, 2012 and March 31, 2012, decreased by $2 million as a result of the adoption of IAS 19R. Prior period figures throughout this document have been restated to reflect the retroactive adoption of these standards.

NET EARNINGS

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

Lifeco's net earnings attributable to common shareholders for the three-month period ended March 31, 2013 was $517 million compared to $449 million reported a year ago and $351 million in the previous quarter. On a per share basis, this represents $0.544 per common share ($0.544 diluted) for the first quarter of 2013 compared to $0.474 per common share ($0.471 diluted) a year ago and $0.370 per common share ($0.369 diluted) in the previous quarter. Fourth quarter 2012 results include a litigation provision adjustment, which negatively impacted net earnings by $140 million.

The subscription receipts issued in connection with the proposed acquisition of Irish Life are deemed contingent ordinary shares and have been excluded from the calculation of basic and diluted earnings per share until such time that all contingent terms (i.e., regulatory approvals) have been satisfied. In aggregate the subscription receipts are exchangeable on a one for one basis into 48,660,000 common shares of the Company.

Net earnings - common shareholders

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Canada			
Individual Insurance	**$ 56**	$ 11	$ 67
Wealth Management	**90**	69	68
Group Insurance	**95**	136	87
Canada Corporate	**24**	47	20
	265	263	242
United States			
Financial Services	**85**	95	86
Asset Management	**(14)**	(19)	(12)
U.S. Corporate	**-**	-	-
	71	76	74
Europe			
Insurance & Annuities	**130**	91	105
Reinsurance	**55**	64	34
Europe Corporate	**7**	(4)	1
	192	151	140
Lifeco Corporate	**(11)**	1	(7)
Operating earnings	**517**	491	449
Certain litigation provisions[1]	**-**	(140)	-
Net earnings	**$ 517**	$ 351	$ 449

1) Certain litigation provisions as noted in the Lifeco Corporate Operating Results section of the document.

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

Market Impacts

Interest Rate Environment
The interest rate environment in countries where the Company operates remained challenging as rates continued to hover around the low levels observed in the latter part of 2012. Ten-year government yields in Canada and in the United Kingdom declined by 4 basis points (bps) and by 6 bps respectively, while in the United States they increased by 9 bps from December 31, 2012. Credit spreads narrowed marginally in all three of these geographies, by 3 to 5 bps. There was no material impact on net earnings relative to the Company's expectations.

Effective January 1, 2013 the Company refined its methodology for estimating interest rate provisions. The total provision was realigned into provisions designed to cover shorter term modeling risks and those to cover inherent long-term modeling and cash flow mismatch risks, with no net impact on total provisions upon realignment. The realignment however will have an impact on the pattern of expected emergence of these provisions into net earnings. The Company estimates this realignment increases expected 2013 annual net earnings by approximately $70 million after tax compared to 2012 on the prior methodology. For further discussion, please refer to note 6 to the condensed consolidated interim financial statements.

Equity Markets
Equity markets mainly improved in the first quarter of 2013. The major equity indices finished the quarter up 2.5% in Canada (as measured by S&P TSX), up 10% in the United States (as measured by S&P 500), up 8.7% in the United Kingdom (as measured by FTSE 100), and down 0.1% in broader Europe (as measured by Eurostoxx 50) compared to December 31, 2012.

Comparing the first quarter of 2013 to the first quarter of 2012, the average equity market levels were up by 2.3% in Canada, up by 12% in the United States, and up by 8.2% in the United Kingdom, but declined by 9.2% in broader Europe.

As equity markets advanced in the quarter, the Company experienced higher than expected asset-based fee income and decreased costs of guarantees of death, maturity, or income benefits within certain wealth management products offered by the Company. In the first quarter of 2013, the impact was an increase of $13 million relative to the Company's expectations, primarily in the United States and United Kingdom.

Foreign Currency
At the end of the first quarter of 2013, the United States dollar appreciated by approximately 3.0% against the Canadian dollar, while the British pound and the euro depreciated by approximately 4.9% and 0.8% respectively. While stronger and improving economic data in the U.S. strengthened the U.S. dollar, the British pound and euro were affected by the continuing uncertainty in the Eurozone, exacerbated by such events in the quarter as the Italian elections and especially by the Cyprus bailout. The British pound was also negatively impacted by recent rating agency downgrading of U.K. sovereign debt. As the average currency translation rates of the British pound and euro had declined only modestly, which was offset by a stronger U.S. dollar, the overall impact of currency movement to the Company's net earnings was not material.

PREMIUMS AND DEPOSITS AND SALES

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

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

Premiums and deposits

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Canada			
Individual Insurance	**$ 1,001**	$ 1,037	$ 926
Wealth Management	**2,689**	2,869	2,481
Group Insurance	**1,875**	1,880	1,855
	5,565	5,786	5,262
United States			
Financial Services	**1,434**	1,712	1,506
Asset Management	**7,433**	6,683	5,731
	8,867	8,395	7,237
Europe			
Insurance & Annuities	**1,260**	1,567	1,047
Reinsurance	**948**	924	936
	2,208	2,491	1,983
Total	**$ 16,640**	$ 16,672	$ 14,482

Sales

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Canada*	**$ 3,012**	$ 2,917	$ 2,668
United States*	**9,950**	9,359	7,932
Europe	**961**	1,289	755
Total	**$ 13,923**	$ 13,565	$ 11,355

* Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across our platforms and with industry standards for sales measurement.

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

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Investment income earned (net of investment properties expenses)	**$ 1,336**	$ 1,360	$ 1,414
Provision for credit losses on loans and receivables	**(1)**	(6)	-
Net realized gains	**47**	29	47
Regular investment income	**1,382**	1,383	1,461
Investment expenses	**(20)**	(19)	(18)
Regular net investment income	**1,362**	1,364	1,443
Changes in fair value through profit or loss	**465**	182	(196)
Net investment income	**$ 1,827**	$ 1,546	$ 1,247

Net investment income in the first quarter of 2013, which includes changes in fair value through profit or loss, increased by $580 million compared to the same period last year. The change in fair values in the first quarter of 2013 was an increase of $465 million compared to a decrease of $196 million for the first quarter of 2012 primarily as a result of government bond rates decreasing in the first quarter of 2013 compared to increasing in first quarter of 2012.

Regular net investment income in the first quarter of 2013, which excludes changes in fair value through profit or loss, decreased by $81 million compared to the first quarter of 2012. The impact of currency movement due to a strengthening Canadian dollar against the British pound and the euro and lower fixed-income yields driven by the continuing low interest rate environment were the primary reasons for the $81 million decrease. Realized gains on available-for-sale securities were $35 million in the first quarter of 2013 compared to $36 million for the same period last year.

Net investment income in the first quarter of 2013 was higher by $281 million compared to the fourth quarter of 2012, primarily due to net increases in fair values of $465 million in the first quarter of 2013 compared to $182 million in the previous quarter. The fair value of the Company's bond investments increased more in the first quarter of 2013 as a result of a larger decline in interest rates in the first quarter of 2013 compared to the fourth quarter of 2012.

Credit Markets

In the first quarter of 2013, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $3 million. New impairments had a minimal impact.

In the first quarter of 2013, changes in credit ratings in the Company's bond portfolio were also minimal resulting in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $1 million.

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Canada			
Segregated funds, mutual funds and other	**$ 252**	$ 246	$ 239
ASO contracts	**37**	37	38
	289	283	277
United States			
Segregated funds, mutual funds and other	**331**	314	302
Europe			
Segregated funds, mutual funds and other	**158**	170	145
Total fee and other income	**$ 778**	$ 767	$ 724

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

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Canada	**$ 2,456**	$ 2,171	$ 2,185
United States	**760**	1,163	1,003
Europe	**1,999**	1,788	1,555
Total	**$ 5,215**	$ 5,122	$ 4,743

Amounts paid or credited to policyholders include life and health claims, policy surrenders, annuity and maturity payments, segregated funds 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 backing 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 March 31, 2013, consolidated amounts paid or credited to policyholders were $5.2 billion, including $4.7 billion of policyholder benefit payments and a $467 million increase in contract liabilities. The increase of $472 million from the same period in 2012 consisted of a $307 million contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and a $165 million increase in benefit payments.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $93 million. The increase consisted of a $478 million increase in benefit payments and a $385 million contract liability decrease, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe.

INCOME TAXES

The Company had an effective income tax rate of 18% for the first quarter of 2013 compared to 14% in the previous quarter and 11% in the first quarter of 2012. The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

The effective income tax rate for the first quarter of 2013 is higher than the same period last year. During the first quarter of 2012, the Company's effective income tax rate was decreased as a result of the reduction in the statutory corporate income tax rates in the U.K. from 26% to 24% as well as the impact of changes to statutory income tax rates on the adjustment within the insurance contract liabilities for deferred income taxes. Also contributing to the lower effective income tax rate in the first quarter of 2012 was the recognition of income tax benefits of $14 million in the U.S. segment primarily related to prior year income tax benefits.

The first quarter effective income tax rate was higher than the fourth quarter of 2012. The Company recorded $18 million of deferred income tax assets related to temporary differences and unused tax losses that were recognized during the fourth quarter of 2012 and which reduced the Company's effective income tax rate for the fourth quarter by 3%.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2013			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 60,351**	**$ 31,519**	**$ 31,854**	**$ 123,724**
Goodwill and intangible assets	**5,100**	**1,768**	**1,684**	**8,552**
Other assets	**3,372**	**3,749**	**12,685**	**19,806**
Segregated funds net assets	**56,420**	**25,426**	**27,410**	**109,256**
Total assets	**125,243**	**62,462**	**73,633**	**261,338**
Proprietary mutual funds and institutional net assets	**3,767**	**142,264**	**-**	**146,031**
Total assets under management	**129,010**	**204,726**	**73,633**	**407,369**
Other assets under administration	**13,600**	**160,774**	**113**	**174,487**
Total assets under administration	**$ 142,610**	**$ 365,500**	**$ 73,746**	**$ 581,856**

	December 31, 2012			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 58,506	$ 28,722	$ 32,828	$ 120,056
Goodwill and intangible assets	5,098	1,721	1,693	8,512
Other assets	3,229	3,359	13,508	20,096
Segregated funds net assets	54,341	23,809	26,798	104,948
Total assets	121,174	57,611	74,827	253,612
Proprietary mutual funds and institutional net assets	3,585	131,013	-	134,598
Total assets under management	124,759	188,624	74,827	388,210
Other assets under administration	13,184	144,164	107	157,455
Total assets under administration	$ 137,943	$ 332,788	$ 74,934	$ 545,665

Total assets under administration at March 31, 2013 increased by $36.2 billion from December 31, 2012, primarily as a result of market value gains and business growth in the first quarter of 2013.

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.

Bond portfolio quality

	March 31, 2013		December 31, 2012	
AAA	**$ 31,569**	**36 %**	$ 29,302	35 %
AA	**13,687**	**16**	13,463	16
A	**24,550**	**29**	23,812	29
BBB	**14,759**	**17**	14,662	18
BB or lower	**1,330**	**2**	1,342	2
Total	**$ 85,895**	**100 %**	$ 82,581	100 %

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 $85.9 billion or 69% of invested assets at March 31, 2013 and $82.6 billion or 69% at December 31, 2012. The overall quality of the bond portfolio remained high, with 98% of the portfolio rated investment grade and 81% rated A or higher.

Holdings of Debt Securities of Governments

	Carrying Value by Rating - March 31, 2013						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 10,405	$ 3,413	$ 2,434	$ -	$ -	$ 16,252	$ 14,969
U.K.	8,073	846	164	495	-	9,578	8,461
U.S.	6,815	1,292	139	10	-	8,256	7,833
	25,293	**5,551**	**2,737**	**505**	**-**	**34,086**	**31,263**
Portugal	-	-	-	-	9	9	9
Ireland	-	-	-	69	-	69	66
Italy	-	-	-	17	-	17	20
Greece	-	-	-	-	-	-	-
Spain	-	-	-	18	-	18	21
	-	**-**	**-**	**104**	**9**	**113**	**116**
Germany	927	6	-	-	-	933	903
France	276	29	-	-	-	305	286
Netherlands	598	-	-	-	-	598	570
Austria	99	-	-	-	-	99	99
Australia	85	-	-	-	-	85	84
Supranationals	798	92	-	-	-	890	800
All other (9 countries)	559	59	-	19	-	637	612
	3,342	**186**	**-**	**19**	**-**	**3,547**	**3,354**
Total	**$ 28,635**	**$ 5,737**	**$ 2,737**	**$ 628**	**$ 9**	**$ 37,746**	**$ 34,733**

* Includes certain funds held by ceding insurers with a carrying value of $2,997 million and an amortized cost of $2,695 million.

At March 31, 2013, the Company held government and government-related debt securities (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $37.7 billion up from $36.2 billion at December 31, 2012. Net purchases of Canadian and U.S. government bonds were partially offset by net dispositions of U.K. government bonds and the impact of the strengthening of the Canadian dollar against the Sterling. Included in this portfolio are debt securities issued by Portugal, Ireland, Italy and Spain, with an aggregate carrying value of $113 million, consistent with December 31, 2012. The Company does not hold any debt securities of the government of Greece.

Holdings of Debt Securities of Banks and Other Financial Institutions

	Carrying Value by Rating - March 31, 2013						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 61	$ 329	$ 1,055	$ 279	$ -	$ 1,724	$ 1,620
U.K.	217	394	1,670	780	530	3,591	3,399
U.S.	-	1,511	1,923	667	10	4,111	3,736
	278	**2,234**	**4,648**	**1,726**	**540**	**9,426**	**8,755**
Portugal	-	-	-	-	-	-	-
Ireland	-	-	-	68	4	72	96
Italy	-	-	31	103	-	134	146
Greece	-	-	-	-	-	-	-
Spain	65	-	43	94	-	202	209
	65	**-**	**74**	**265**	**4**	**408**	**451**
Germany	1	60	113	1	-	175	165
France	128	39	227	175	-	569	543
Netherlands	-	229	143	39	15	426	404
Australia	110	269	117	74	-	570	545
All other (12 institutions)	16	77	254	126	13	486	452
	255	**674**	**854**	**415**	**28**	**2,226**	**2,109**
Total	**$ 598**	**$ 2,908**	**$ 5,576**	**$ 2,406**	**$ 572**	**$ 12,060**	**$ 11,315**

	Carrying Value by Seniority - March 31, 2013							
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 67	$ 1,071	$ 254	$ 56	$ 276	$ -	$ 1,724	$ 1,620
U.K.	265	1,521	826	468	324	187	3,591	3,399
U.S.	366	2,648	895	-	202	-	4,111	3,736
	698	**5,240**	**1,975**	**524**	**$ 802**	**187**	**9,426**	**8,755**
Portugal	-	-	-	-	-	-	-	-
Ireland	68	-	-	-	4	-	72	96
Italy	31	27	17	-	59	-	134	146
Greece	-	-	-	-	-	-	-	-
Spain	71	-	56	36	39	-	202	209
	170	**27**	**73**	**36**	**102**	**-**	**408**	**451**
Germany	61	59	55	-	-	-	175	165
France	167	127	129	40	106	-	569	543
Netherlands	-	350	7	28	41	-	426	404
Australia	121	306	103	-	40	-	570	545
All other (12 institutions)	32	193	105	94	62	-	486	452
	381	**1,035**	**399**	**162**	**249**	**-**	**2,226**	**2,109**
Total	**$ 1,249**	**$ 6,302**	**$ 2,447**	**$ 722**	**$ 1,153**	**$ 187**	**$ 12,060**	**$ 11,315**

* Includes certain funds held by ceding insurers with a carrying value of $2,868 million and an amortized cost of $2,551 million.

At March 31, 2013, the Company held debt securities issued by banks and other financial institutions (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $12.1 billion, compared to $12.3 billion at December 31, 2012. Included in this portfolio is $408 million of debt securities issued by banks and other financial institutions domiciled in Ireland, Italy and Spain, compared to $410 million at December 31, 2012. Of the Spanish holdings of $202 million, $183 million are Sterling-denominated bonds issued by U.K. domiciled Financial Services Authority (FSA) regulated subsidiaries of Spanish financial institutions. The Company does not have any holdings of banks and other financial institutions domiciled in Greece or Portugal.

At March 31, 2013, 95% of the $12.1 billion carrying value of debt securities invested in banks and other financial institutions was rated investment grade.

Mortgage portfolio – It is the Company's practice to acquire only high-quality commercial loans 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 mortgages. 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.

The total mortgage portfolio was $17.9 billion or 14% of invested assets at March 31, 2013 consistent with December 31, 2012. Total insured loans were $3.7 billion or 21% of the mortgage portfolio.

Mortgage portfolio

	March 31, 2013				December 31, 2012	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	**$ 1,013**	**$ 669**	**$ 1,682**	**9 %**	$ 1,676	9 %
Multi-family residential	**2,496**	**1,953**	**4,449**	**25**	4,358	25
Commercial	**224**	**11,498**	**11,722**	**66**	11,841	66
Total	**$ 3,733**	**$ 14,120**	**$ 17,853**	**100 %**	$ 17,875	100 %

The weighted average remaining amortization period for the single family residential mortgage portfolio is 22 years. The majority of single family residential mortgage originations are insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfil its obligations related to the mortgage. For new originations of non-insured residential mortgages, 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.

Single family residential mortgage

Region	March 31, 2013		December 31, 2012	
Ontario	**$ 766**	**46 %**	$ 757	45 %
Quebec	**398**	**24**	398	24
Alberta	**122**	**7**	122	7
British Columbia	**106**	**6**	109	7
Newfoundland	**86**	**5**	86	5
Nova Scotia	**64**	**4**	63	4
Saskatchewan	**53**	**3**	54	3
Manitoba	**43**	**3**	43	3
New Brunswick	**40**	**2**	40	2
Other	**4**	**-**	4	-
	$ 1,682	**100 %**	$ 1,676	100 %

Provision for future credit losses

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

At March 31, 2013, the total provision for future credit losses in insurance contract liabilities was $2,540 million compared to $2,559 million at December 31, 2012, a decrease of $19 million primarily due to the impact of currency translation offset by growth in the business.

The aggregate of impairment provisions of $59 million ($73 million at December 31, 2012) and $2,540 million ($2,559 million at December 31, 2012) for future credit losses in insurance contract liabilities represents 2.3% of bond and mortgage assets including funds held by ceding insurers at March 31, 2013 (2.4% at December 31, 2012).

LIABILITIES

Total liabilities

	March 31 2013	Dec. 31 2012
Insurance and investment contract liabilities	**$ 120,335**	$ 120,658
Other general fund liabilities	**14,479**	10,995
Investment and insurance contracts on account of segregated fund policyholders	**109,256**	104,948
Total	**$ 244,070**	$ 236,601

Total liabilities increased by $7.5 billion to $244.1 billion at March 31, 2013, driven by increases in investment and insurance contracts on account of segregated fund policyholders and other general fund liabilities of $4.3 billion and $3.5 billion, respectively. These increases were partly offset by a $0.3 billion decrease in insurance and investment contract liabilities.

Investment and insurance contracts on account of segregated fund policyholders increased by approximately $4.3 billion primarily due to the impact of market value gains of $3.9 billion and net deposits of $0.4 billion. Other general fund liabilities increased by $3.5 billion primarily due to the impact of repurchase agreements of $1.9 billion in the U.S. segment and the issuance of subscription receipts of $1.25 billion for the funding of the acquisition of Irish Life.

Investment Guarantees Associated with Wealth Management Products

The Company offers retail segregated fund products, unitized with profits (UWP) products and variable annuity products that provide for certain guarantees that are tied to the market values of the investment funds. The guaranteed minimum withdrawal benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At March 31, 2013, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,282 million ($2,110 million at December 31, 2012). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated funds guarantee exposure

	Market Value		March 31, 2013 Investment deficiency by benefit type		
		Income	Maturity	Death	Total*
Canada	$ 24,997	$ -	$ 25	$ 134	$ 134
United States	7,882	-	-	57	57
Europe					
Insurance & Annuities	2,929	-	26	26	26
Reinsurance**	970	553	-	27	580
	3,899	**553**	**26**	**53**	**606**
Total	**$ 36,778**	**$ 553**	**$ 51**	**$ 244**	**$ 797**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2013.

** Reinsurance exposure is to markets in Canada and the United States.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity, or death) assuming it occurred on March 31, 2013. 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 $8 million in-quarter, with the majority arising in the Europe segment.

Share Capital and Surplus

Share capital outstanding at March 31, 2013 was $8,412 million, which comprises $5,868 million of common shares, $2,064 million of non-cumulative First Preferred Shares, and $480 million of five-year rate reset First Preferred Shares.

Subscription Receipt Offering

On March 12, 2013, the Company completed a bought deal offering of 25,300,000 subscription receipts at a price of $25.70 per subscription receipt for gross proceeds of approximately $650 million. Concurrently with the closing of the public offering, Great-West Lifeco completed private placements of 21,410,000 subscription receipts to a subsidiary of Power Financial Corporation and 1,950,000 subscription receipts to a subsidiary of IGM Financial Inc., at a price of $25.70 per subscription receipt, for gross proceeds of approximately $600 million. In aggregate, the public and private offerings will result in gross proceeds to Lifeco of approximately $1.25 billion.

Each subscription receipt entitles the holder thereof to receive, without payment of additional consideration or further action, upon closing of the acquisition, one common share of the Company plus an amount equal to the dividends Lifeco declares on the common shares, if any, for record dates which occur during the period from and including the closing date of the offering to but excluding the date the acquisition closes, net of any applicable withholding taxes.

The net proceeds from the sale of the subscription receipts is held by an escrow agent pending the fulfilment or waiver of all other outstanding conditions precedent to closing the acquisition, including, among other things, receipt of all regulatory and government approvals required to finalize the acquisition. In the event such approvals and conditions are not satisfied prior to October 31, 2013 or if the acquisition agreement is terminated prior to such time, or the Company advises the underwriters or discloses to the public that it does not intend to proceed with the acquisition of Irish life, the holders of the subscription receipts will be entitled to receive an amount equal to the full subscription price thereof plus their *pro rata* share of the interest or other income earned or deemed to be earned on the proceeds of the offering, net of any applicable withholding taxes.

Debt Issuance

On April 18, 2013, the Company issued €500 million, 10-year bonds denominated in euros as part of the Company's plan to finance its acquisition of Irish Life. The bonds pay an annual coupon of 2.50% and are priced at 99.755% of par to yield 2.528%. The bonds are rated A+ by Standard & Poor's Ratings Services (S&P). The bonds will be listed on the Irish Stock Exchange. This is Lifeco's first debt issuance in the euro market. The Company may, at its option, redeem all (but not a portion) of these bonds at 101% of the principal amount together with accrued interest in the event that the acquisition is not completed.

NON-CONTROLLING INTERESTS

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries.

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by generating internal funds and maintaining adequate levels of liquid investments. The Company holds cash and cash equivalents at the Lifeco holding company level and Lifeco consolidated subsidiary companies. At March 31, 2013, Lifeco held cash and government short-term investments of $6.4 billion ($5.0 billion at December 31, 2012) and government bonds of $25.3 billion ($25.8 billion at December 31, 2012), excluding funds related to subscription receipts. At March 31, 2013, the Company held cash and cash equivalents of approximately $0.6 billion and $1.24 billion of short-term investments held in escrow related to funds in exchange for subscription receipts at the Lifeco holding company level. In addition, the Company maintains sizable committed lines of credit with Canadian chartered banks for unanticipated liquidity needs if required.

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

CASH FLOWS

Cash flows

	For the three months ended March 31	
	2013	2012
Cash flows relating to the following activities:		
Operations	**$ 585**	$ 611
Financing	**1,097**	63
Investment	**(1,486)**	(1,105)
	196	(431)
Effects of changes in exchange rates on cash and cash equivalents	**(7)**	(4)
Increase (decrease) in cash and cash equivalents in the period	**189**	(435)
Cash and cash equivalents, beginning of period	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,084**	$ 1,621

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

In the first quarter, cash and cash equivalents increased by $189 million from March 31, 2012. Cash flows provided by operations during the first quarter of 2013 were $585 million, a decrease of $26 million compared to the first quarter of 2012. Cash flows related to financing were $1,097, primarily due to proceeds of $1.2 billion from the issuance of subscription receipts related to the purchase of Irish Life partially offset by the payment of dividends to the common and preferred shareholders of $325 million. For the three months ended March 31, 2013, cash flows were used by the Company to acquire an additional $1,486 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2012.

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.

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

In Canada, the Office of the Superintendent of Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. The internal target range of the MCCSR ratio for Lifeco's major Canadian operating subsidiaries was revised to 175% to 215% (previously 175% to 200%), on a consolidated basis.

Great-West Life's MCCSR ratio at March 31, 2013 was 210% (207% at December 31, 2012). London Life's MCCSR ratio at March 31, 2013 was 242% (243% at December 31, 2012). Canada Life's MCCSR ratio at March 31, 2013 was 209% (203% at December 31, 2012). The MCCSR ratio does not take into account any impact from $0.6 billion of liquidity at the Lifeco holding company level.

Commencing January 1, 2013, the Company's federally regulated subsidiaries elected to phase in over eight quarters the impact of $480 million on capital for MCCSR regulatory reporting purposes for the transition to IAS 19R - *Employee Benefits*. As at December 31, 2012, the Company's federally regulated subsidiaries completed the phase in of the impact on capital resulting from the conversion to IFRS. As a result of proposed future changes to the IFRS for measurement of insurance contract liabilities and the evolving nature of IFRS, there will likely be further regulatory capital and accounting changes, some of which may be significant.

OSFI 2013 MCCSR Guideline changes to lapse risk requirements favourably impacted the Great-West Life ratio by approximately 4 percentage points in the first quarter of 2013.

The MCCSR position of Great-West Life is negatively affected by the existence of a significant amount of goodwill and intangible assets, which, subject to a prescribed inclusion for a portion of intangible assets in Canada for MCCSR, are deducted in the calculation of available regulatory capital.

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

The Company is both a user and a provider of reinsurance, including both traditional reinsurance, which is undertaken primarily to mitigate against assumed insurance risks, and financial reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management pursuant to the annual capital plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy and business plans.

OSFI Regulatory Capital Initiatives

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

These initiatives are discussed in the 2012 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 operation 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 the work on credit, market and insurance risk. 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 The Great-West Life Assurance Company), 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 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	**March 31 2013**	Dec. 31 2012[3]	March 31 2012[3]
Canada	**22.8 %**	22.7 %	21.6 %
U.S. Financial Services [1]	**20.2 %**	20.9 %	19.6 %
U.S. Asset Management (Putnam)	**(2.5)%**	(2.4)%	1.0 %
Europe	**18.9 %**	18.2 %	18.5 %
Lifeco Corporate [2]	**(9.3)%**	(5.9)%	(6.2)%
Total Lifeco Net Earnings	**15.7 %**	15.3 %	17.6 %
Total Lifeco Operating Earnings [2]	**16.8 %**	16.5 %	16.6 %

(1) Includes U.S. Corporate.

(2) The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of certain provisions described in note 30 to the Company's December 31, 2012 consolidated financial statements.

(3) Comparative figures have been updated for the impact of the adoption of IAS 19R.

ROE is the trailing four quarter calculation of net earnings divided by common shareholders' equity.

The Company reported ROE based on net earnings of 15.7% compared to 15.3% at December 31, 2012. While the Company continues to maintain positive net earnings, the Company’s capital growth outpaced net earnings which resulted in a decrease in ROE from March 31, 2012. The Company achieved a 16.8% ROE on operating earnings, which compares favourably with its long-term objective of 15.0%.

RATINGS

Lifeco and its major operating subsidiaries receive strong ratings from the five rating agencies that rate the Company as set out below. The operating companies below have the same financial strength ratings from each rating agency, commonly known as a “fleet” rating which 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. There were no rating changes to the Company's credit ratings in the first quarter of 2013, and all the ratings were affirmed following the Irish Life acquisition announcement.

Rating agency	Measurement	Lifeco	Great-West	London Life	Canada Life	Great-West Financial
A.M. Best Company	Financial Strength		A+	A+	A+	A+
DBRS Limited	Claims Paying Ability		IC-1	IC-1	IC-1	NR
	Senior Debt	AA (low)				
	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-	

RISK MANAGEMENT AND CONTROL PRACTICES

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 Company's approach to risk management has not substantially changed from that described in Lifeco's 2012 Annual Report. For a complete discussion of the Company's risk governance structure and risk management approach, see the "Financial Instrument Risk Management" note in the Company's December 31, 2012 consolidated financial statements.

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

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 the first quarter of 2013. During the three-month period ended March 31, 2013 the outstanding notional amount of derivative contracts increased by $1,251 million.

During the first quarter of 2013, the Company entered into foreign exchange forward contracts in connection with the pending Irish Life investment as part of an overall strategy to manage euro currency risk. The contracts fix the euro to the British pound rate on approximately €300 million of the pending Irish Life investment, and fix the euro to the Canadian dollar rate on approximately €500 million.

The Company's exposure to credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $862 million at March 31, 2013 from $997 million at December 31, 2012.

ACCOUNTING POLICIES

Due to the evolving nature of IFRS, there are a number of IFRS changes that impacted the Company in 2013 as well as standards that could impact the Company in subsequent 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 changes in accounting policies for the revised standards noted below.

Accounting standard changes effective in 2013 are set out in the following table:

Revised Standard	Summary of Accounting Change
IAS 19R - Employee Benefits	The Company has adopted IAS 19R, *Employee Benefits*. The amendments made to IAS 19R include the elimination of the corridor approach for actuarial gains and losses which resulted in those gains and losses being recognized immediately through other comprehensive income. As a result the net pension asset or liability will reflect the funded status (deficit) of the pension plans (less any asset ceilings) on the Consolidated Balance Sheets. In addition, all service costs including curtailments and settlements are recognized immediately in profit or loss. Additionally, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. Under the revised standard, the same discount rate must be applied to the benefit obligation and the plan assets to determine the net interest expense (income). This discount rate for the net interest expense (income) is determined by reference to market yields at the beginning of the year on high quality corporate bonds. Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense would be presented and disclosed within the financial statements of an entity including the separation of the total amount of the pension plans and other post-employment benefits expense between amounts recognized in the Statement of Consolidated Operations (service costs and net interest costs) and in the Consolidated Statements of Comprehensive Income (re-measurements). Disclosures relating to retirement benefit plans include discussions on the Company's pension plan risk, sensitivity analysis, an explanation of items recognized in the consolidated financial statements and descriptions of the amount, timing and uncertainty on the Company’s future cash flows. In accordance with the transitional provisions in IAS 19R, this change has been applied retroactively, which resulted in a decrease to opening equity at January 1, 2012 of $392 (decrease of $352 million to shareholders’ equity and $40 million to participating account surplus) with an additional decrease to opening equity of $183 million (decrease of $169 million to shareholders’ equity and $14 million to participating account surplus) at January 1, 2013. For further information on the adoption of IAS19R, please refer to notes 3 and 15 to the condensed consolidated interim unaudited financial statements.

IFRS 10 - Consolidated Financial Statements and IFRS 12 - Disclosure of Interests in Other Entities	In accordance with IFRS 10, *Consolidated Financial Statements*, the Company has evaluated whether or not to consolidate an entity based on the definition of control within. The standard has defined control as dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits. In conjunction with the adoption of IFRS 10, the Company has adopted the guidance of IFRS 12, *Disclosure of Interests in Other Entities*. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented from subsidiaries, joint arrangements, associates, and structured entities. The adoption of this standard increased the amount of disclosure concerning the subsidiaries and investment in associates by the Company and has not impacted the financial results of the Company. Aside from the following discussion on the Company's segregated funds for the risk of policyholders and the Capital Trust Securities, the adoption of these standards did not impact the consolidated financial statements of the Company. The Company assessed the revised definition of control for the segregated funds for the risk of policyholders and concluded that the revised definition of control was not significantly impacted. The Company will continue to present the segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities within the Consolidated Balance Sheets and has expanded disclosure on the nature of these entities and the related risks. The application of IFRS 10 for segregated funds for the risk of policyholders may continue to evolve as European insurers are required to adopt IFRS 10 on January 1, 2014. The Company will continue to monitor these and other IFRS 10 developments. See note 9 to the condensed consolidated interim financial statements for additional information of the presentation and disclosure of these structures. Canada Life Capital Trust and Great-West Capital Trust (the capital trusts) were consolidated by the Company under IAS 27, *Consolidated and Separate Financial Statement*s. The capital trusts will no longer be consolidated in the Company's financial statements as the Company's investment in the capital trusts does not have exposure to variable returns and therefore does not meet the revised definition of control in IFRS 10. The change in consolidation did not impact the net earnings and equity of the Company, however the deconsolidation resulted in an increase to bonds of $282 million at January 1, 2012 and $45 million at December 31, 2012, both with corresponding increases to the capital trust debenture liability on the Consolidated Balance Sheets. For further information on the adoption of IFRS 10, please refer to notes 3 and 9 to the condensed consolidated interim financial statements.
IFRS 11 - Joint Arrangements	The Company has adopted the guidance in IFRS 11, *Joint Arrangements*, which separates jointly controlled entities between joint operations and joint ventures. The standard eliminated the option of using proportionate consolidation of accounting for the interests in joint ventures with requiring entities to use the equity method of accounting for interests in joint ventures. Where the Company is involved in joint operations, it recognizes its share of assets, liabilities and net earnings. The adoption of this standard has had no impact on the Company.

IFRS 13 - Fair Value Measurement	The Company has adopted the guidance of IFRS 13, *Fair Value Measurement* to increase consistency and comparability of fair value measurements through the use of a "fair value hierarchy". The inputs used in valuation techniques are categorized into three levels giving the highest priority to (unadjusted) quoted prices in active markets for identical assets of liabilities and the lowest priority to unobservable inputs. The adoption of this standard relates primarily to disclosure and has not impacted the financial results of the Company.
IAS 1 - Presentation of Financial Statements	The Company has adopted the guidance of the amended IAS 1, *Presentation of Financial Statements*. Under the amended standard, OCI is classified by nature and grouped between items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. This revised standard relates only to presentation and has not impacted the financial results of the Company.
IFRS 7 - Financial Instruments	The Company has adopted the guidance in the amendments to IFRS 7, *Financial Instruments*, which introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements. This revised standard relates only to disclosure and has not impacted the financial results of the Company.

IFRS that will change subsequent to 2013 and could impact the Company are set out in the following table:

Revised standard	**Summary of Future Changes**
IFRS 4 - Insurance Contracts	The IASB issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under the Canadian Asset Liability Method (CALM) and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements. Since the release of the exposure draft, there have been discussions within the insurance industry and between accounting standard setters globally recommending significant proposed changes to the 2010 exposure draft. At this time no new standard has been either re-exposed or released. The Company will continue to measure insurance contract liabilities using CALM until such time when a new IFRS for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.

IFRS 9 - Financial Instruments	The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available for sale, held to maturity, and loans and receivables. Amendments proposed to the standard have also introduced a new category for classification of certain financial assets of fair value through other comprehensive income. The new standard also requires: • embedded derivatives to be assessed for classification together with their financial asset host; • an expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge accounting and measuring effectiveness The full impact of IFRS 9, *Financial Instruments*, on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39, *Financial Instruments* impairment methodology, hedge accounting, and asset and liability offsetting are finalized. The Company continues to actively monitor developments in this area. The current timetable for adoption of IFRS 9 is for the annual period beginning January 1, 2015; however, the Company continues to monitor this standard in conjunction with the developments to IFRS 4.
IAS 17 - Leases	The IASB issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The full impact of adoption of the proposed changes will be determined once the final lease standard is issued.
IAS 18 - Revenue Recognition	The IASB issued a second exposure draft in November 2011, which proposed a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. 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. The full impact of adoption of the proposed changes will be determined once the final revenue recognition standard is issued, which is targeted for release in 2013.
IAS 32 - Financial Instruments: Presentation	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments: Presentation*. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco including the comparative figures are presented on an IFRS basis after capital allocation. The comparative operating results have been restated for the retroactive impact of new and revised IFRS effective during the year including IAS 19R. Consolidated operating results for Lifeco comprise the net earnings of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life), Great-West Life & Annuity Insurance Company (Great-West Financial), and Putnam Investments, LLC (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. There are three primary business units included in this segment. Through its Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through its Wealth Management business unit, the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through its Group Insurance business unit, the Company provides life, health, critical illness, disability and creditor insurance products to group clients in Canada.

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 5,565**	$ 5,786	$ 5,262
Sales*	**3,012**	2,917	2,668
Fee and other income	**289**	283	277
Net earnings - common shareholders	**265**	263	242
Total assets	**$ 125,243**	$ 121,174	$ 116,870
Proprietary mutual funds net assets	**3,767**	3,585	3,479
Total assets under management	**129,010**	124,759	120,349
Other assets under administration	**13,600**	13,184	12,393
Total assets under administration	**$ 142,610**	$ 137,943	$ 132,742

* Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

2013 DEVELOPMENTS

- Net earnings attributable to common shareholders for the first quarter of 2013 were $265 million as compared to $242 million for the first quarter of 2012.
- Sales in the first quarter of 2013 were $3,012 million, an increase of $344 million compared to the first quarter of 2012.
- Premiums and deposits grew to $5,565 million, an increase of $303 from the first quarter of 2012.
- The Group Insurance business unit introduced two new health support programs. The first is a diabetes program which can provide affected plan members with access to free blood glucose testing, a personal health plan and lifestyle management counselling. The second program can make prescription medication counselling available to plan members. Both are designed to assist employee benefit plan members in more effectively managing their personal health.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 1,001**	$ 1,037	$ 926
Sales*	**107**	133	116
Net earnings	**56**	11	67

* Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

Premiums and deposits

Individual Insurance premiums increased by $75 million to $1,001 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $72 million to $918 million compared to the same quarter last year, primarily due to a 9% increase in participating life premiums. Living Benefits premiums for the quarter increased by $3 million to $83 million compared to the same period last year.

Individual Insurance premiums decreased by $36 million to $1,001 million compared to the previous quarter, primarily due to a 7% decrease in participating life premiums due to the normal seasonality of life insurance sales.

Sales

For the quarter, Individual Life sales decreased by $11 million to $95 million compared to the same quarter last year. The largest contributor was a 44% decrease in universal life sales, this decrease was mostly attributable to strong first quarter 2012 sales which occurred in advance of announced price increases. Sales of Living Benefits of $12 million were $2 million higher than in the same quarter last year.

Individual Life sales decreased by $24 million to $95 million compared to the previous quarter. Living Benefits sales of $12 million were $2 million lower than in the previous quarter.

Net earnings

Net earnings for the quarter decreased by $11 million compared to the first quarter of 2012. This decrease was driven by a $36 million decrease in insurance contract liability basis changes and a $5 million unfavourable decrease in mortality and morbidity experience, partially offset by a $14 million favourable increase in investment experience and a $12 million reduction in new business strain.

Net earnings increased by $45 million compared to the previous quarter. This increase is primarily due to a $33 million favourable increase in investment and policyholder behaviour experience and a $6 million reduction in new business strain.

The net earnings attributable to the participating account were $15 million in the first quarter of 2013 compared to a net loss of $6 million in the first quarter of 2012.

The net earnings attributable to the participating account decreased by $191 million from the fourth quarter of 2012, the fourth quarter of 2012 included the impact of the revised litigation provision and insurance contract liability basis changes.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 2,689**	$ 2,869	$ 2,481
Sales*	**2,617**	2,630	2,418
Fee and other income	**238**	233	228
Net earnings	**90**	69	68

* Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

Premiums and deposits
Premiums and deposits to proprietary retail investment funds for the first quarter increased by $63 million to $1,137 million compared to the same quarter last year. This increase is consistent with fund flows in the overall investment funds marketplace as customers started to move back into the equity markets. Premiums and deposits to retail guaranteed interest rate and payout annuity products of $70 million were $13 million lower than the first quarter of 2012. Premiums and deposits to group retirement products of $1,482 million were $158 million higher compared to the same quarter last year. This result was driven by strong lump sum transfers from new group capital accumulation plan clients, increased deposits from existing group capital accumulation plan clients, and higher single premium group annuity sales premiums.

Premiums and deposits to proprietary retail investment funds increased by $63 million with retail guaranteed interest rate and payout annuity products increasing by $13 million compared to the previous quarter, due to Registered Retirement Savings Plan (RRSP) season. Premiums to group retirement products decreased by $256 million compared to the previous quarter. This decrease was due to a large case in the prior quarter that contributed $404 million of premium.

Sales
Sales for the quarter increased by $199 million compared to the same quarter last year. Sales of proprietary retail investment funds increased by $62 million to $1,454 million compared to the same quarter last year due to a $90 million increase in high net worth product sales slightly offset by lower guaranteed minimum withdrawal benefit (GMWB) sales. Sales of retail guaranteed interest rate and payout annuity products of $189 million were $33 million lower than in the same quarter last year due to the ongoing low-interest rate environment. Sales of group retirement products of $649 million were $148 million higher than in the same quarter last year due to significant increases in group capital accumulation plan and single premium group annuity sales.

Sales of proprietary retail investment funds decreased by $61 million compared to the previous quarter due to lower GMWB sales partially offset by higher non-GMWB segregated fund sales. Sales of retail guaranteed interest rate and payout annuity products increased by $3 million compared to the previous quarter. Group retirement products sales increased by $68 million due to higher group capital accumulation plan and single premium group annuity sales partially offset by lower investment only sales.

Fee and other income
Fee income for the first quarter increased by $10 million or 4% from the same quarter in 2012. This increase is due to market gains and positive net cash flows, contributing to growth in assets under management (AUM). This was partially offset by lower fee margins.

Fee and other income increased by $5 million compared to the previous quarter due to higher average TSX equity index levels as well as positive net cash flows.

Net earnings
Net earnings for the first quarter of 2013 increased by $22 million compared to the same quarter last year. The increase is primarily from higher fee income, more favourable mortality experience and higher insurance contract liability basis changes.

Net earnings increased by $21 million compared to the previous quarter. The increase is primarily from higher fee income, more favourable mortality experience and higher insurance contract liability basis changes.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 1,875**	$ 1,880	$ 1,855
Sales	**288**	154	134
Fee and other income	**37**	37	38
Net earnings	**95**	136	87

Premiums and deposits
Premiums and deposits for the first quarter of 2013 increased by $20 million to $1,875 million compared to the same period last year, primarily due to an increase in long-term disability premiums.

Premiums and deposits decreased by $5 million compared to the previous quarter mainly due to a decrease in large-case premiums and deposits.

Sales
Sales increased by $154 million to $288 million compared to the first quarter of 2012. The increase was due to higher sales in the creditor/direct marketing products mainly due to one large sale and higher sales in the large-case market. Sales in the large-case market can be highly variable from quarter to quarter. The increases were partly offset by lower sales in the small/mid-size case market.

Sales increased by $134 million to $288 million compared to the previous quarter due to increased sales in the creditor/direct marketing products mainly due to one large sale partly offset by lower sales in the small/mid-size case market and the large-case market. Sales in the large case market can be highly variable from quarter to quarter.

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

Fee and other income for the quarter was $1 million lower when compared to the first quarter of 2012 mainly due to a decrease in ASO premium equivalents.

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

Net earnings
Net earnings for the first quarter of 2013 increased by $8 million compared to the same period last year, primarily due to favourable morbidity results and higher expense gains partly offset by lower gains from insurance contract liability basis changes.

Net earnings decreased by $41 million when compared to the previous quarter primarily due to lower gains from insurance contract liability basis changes, unfavourable morbidity results and lower expense gains offset in part by favourable mortality results and higher investment gains.

CANADA CORPORATE

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

Canada Corporate reported net earnings for the quarter of $24 million, compared with net earnings of $20 million in the first quarter of 2012. During the first quarter the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings by $23 million. The first quarter of 2012 net earnings included an expense recovery in a private equity fund and mark-to-market gains on investment properties supporting surplus of $26 million which did not repeat in the first quarter of 2013.

Compared to the previous quarter, net earnings decreased $23 million primarily due to the release of provisions for certain Canadian retirement plans of $38 million in the fourth quarter of 2012 partially offset by the favourable impact in the first quarter of 2013 of the $23 million adjustment referred to above.

Update on certain Canada Revenue Agency GST/HST matters

The Company continues to review the position of the Canada Revenue Agency regarding the application of GST/HST on defined loading charges when a Canadian insurance company reinsures with a foreign related party reinsurer. The Company has filed notices of objection on reassessments for taxation years 2007 and 2008 which amounted to $15 million. For taxation years 2009 to 2012, there is a potential reassessment of $38 million. Based on its own calculation of potential loading charges, the Company has determined that any resulting tax liability should not be material and has set aside reasonable estimate reserves.

UNITED STATES

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

Through its Financial Services business unit, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, fund management, investment and advisory services. It also provides individual retirement accounts, life insurance and annuity products, and business-owned life insurance and executive benefits products. Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distributions and related services through a broad range of investment products.

Selected consolidated financial information - United States

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 8,867**	$ 8,395	$ 7,237
Sales**	**9,950**	9,359	7,932
Fee and other income	**331**	314	302
Net earnings - common shareholders	**71**	76	74
Net earnings - common shareholders (US$)	**70**	77	74
Total assets	**$ 62,462**	$ 57,611	$ 55,645
Proprietary mutual funds and institutional net assets	**142,264**	131,013	127,661
Total assets under management	**204,726**	188,624	183,306
Other assets under administration	**160,774**	144,164	135,568
Total assets under administration	**$ 365,500**	$ 332,788	$ 318,874

** Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

BUSINESS UNITS – UNITED STATES

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 which attempts to remove the impact of changes in currency translation rates on IFRS results. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

FINANCIAL SERVICES

2013 DEVELOPMENTS

- For the three months ended, sales were US$2.5 billion, up 13% over the same period last year primarily due to a 36% increase in 401(k) plan sales.
- Premiums and deposits for the three months ended were US$1.4 billion, down 6% compared to the same period last year.
- Net earnings for the first quarter of 2013 were US$84 million, down slightly from the same period last year which had included $14 million of income tax benefits not repeated in 2013.
- Fee and other income was US$140 million, an increase of US$17 million from the same period last year primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012*
Premiums and deposits	**$ 1,434**	$ 1,712	$ 1,506
Sales**	**2,517**	2,676	2,201
Fee and other income	**140**	128	123
Net earnings	**85**	95	86
Premiums and deposits (US$)	**$ 1,420**	$ 1,730	$ 1,506
Sales (US$)**	**2,492**	2,702	2,201
Fee and other income (US$)	**140**	129	123
Net earnings (US$)	**84**	96	86

* During 2012, the Company reallocated certain income tax and expense items initially recorded in United States Corporate to Great-West Financial to improve alignment with revenues. The comparative figures reflect the revised allocations where applicable.

** Prior period sales (a non-IFRS measure) results have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

Premiums and deposits

Premiums and deposits for the first quarter of 2013 decreased by US$86 million compared to the first quarter of 2012 due to a decrease of US$49 million in Individual Markets primarily related to lower sales in the retail bank market in 2013 and a decrease of US$37 million in Retirement Services due to one large group plan sale in 401(k) in 2012.

Compared to the previous quarter, premiums and deposits were down by US$310 million due to decreases of US$230 million and US$80 million in Retirement Services and Individual Markets, respectively. The decrease in Retirement Services is primarily due to decreased transfers of US$239 million from retail investment options to the general account. The decrease in Individual Markets is primarily due to lower business-owned life insurance sales due to seasonality.

Sales

For the first quarter, sales increased by US$291 million compared to the first quarter of 2012 due to an increase of US$305 million in Retirement Services offset by a decrease of US$14 million in Individual Markets. The increase in Retirement Services is primarily due to higher 401(k) plan sales and higher new public/non-profit participants offset by lower roll-ins into existing 401(k) accounts. The decrease in Individual Markets is primarily due to lower sales in the retail bank and business-owned life insurance markets partially offset by increased sales in the Individual Retirement Account (IRA) business.

Sales decreased by US$210 million compared to the previous quarter due to a decrease of US$125 million in Individual Markets and a decrease of US$85 million in Retirement Services. The decrease in Individual Markets is primarily related to lower sales in the business-owned life insurance market due to seasonality. The fourth quarter is the largest sales quarter of the year for the business-owned life insurance market. Retirement Services experienced decreases in the 401(k) market due to lower large plan sales partially offset by higher roll-ins from existing participants. The public/non-profit market decrease is a result of two large plan sales in the fourth quarter of 2012 not repeated in the first quarter of 2013.

Fee and other income

Fee and other income for the first quarter of 2013 increased by US$17 million compared to the first quarter of 2012 primarily due to increased average-asset levels driven by higher average equity market levels and positive cash flows.

Fee and other income increased by US$11 million compared to the previous quarter primarily due to higher variable fees in Retirement Services as a result of increased average asset levels driven by higher average equity market levels and positive cash flows.

Net earnings

Net earnings for the first quarter of 2013 decreased by US$2 million compared to the first quarter of 2012 primarily due to income tax benefits of US$14 million in first quarter 2012 and lower surplus income of US$5 million offset by improved mortality gains in 2013 of US$16 million.

Net earnings decreased by US$12 million compared to the previous quarter primarily due to income tax benefits experienced in the fourth quarter 2012 of US$14 million. Lower surplus income of US$5 million is offset by higher margins of US$9 million.

ASSET MANAGEMENT

2013 DEVELOPMENTS

- Putnam's ending assets under management at March 31, 2013 of US$135 billion increased by over US$10 billion compared to the same period a year ago primarily due to favourable financial markets.
- Putnam's gross sales for the three months ended March 31, 2013 increased by US$1.6 billion compared to the same period last year primarily from strong mutual fund sales in the current quarter, which directly attributed to total net asset flows improving by US$1.7 billion.
- Putnam launched six new funds in the first quarter of 2013 designed to address several significant ongoing challenges for the marketplace, including volatility, the need for new sources of income and adjusting to changing tax environment.
- Putnam was ranked number one in the annual *Barron's/Lipper Fund Families Report* for the second time in four years, based on its funds' performance in 2012 across various equity and bond asset types.
- Putnam was recognized for its strong long-term performance as three Putnam mutual funds: Putnam Capital Spectrum Fund, Putnam International Capital Opportunities Fund, and Putnam International Value Fund received 2013 Lipper Fund Awards for their consistent, strong risk-adjusted performance relative to peers for periods of three years or more. In the first quarter of 2013, approximately 86% of Putnam's assets were above the Lipper median, and on a five-year basis 82% of assets were above the Lipper median. Approximately 50% and 52% of assets, respectively, were in the Lipper top quartile for the same periods.

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 7,433**	$ 6,683	$ 5,731
Fee and other income			
Investment management fees	**140**	136	131
Performance fees	**1**	4	2
Service fees	**36**	35	34
Underwriting & distribution fees	**14**	11	12
Fee and other income	**191**	186	179
Net loss	**(14)**	(19)	(12)
Premiums and deposits (US$)	**$ 7,359**	$ 6,750	$ 5,731
Fee and other income (US$)			
Investment management fees (US$)	**139**	137	131
Performance fees (US$)	**1**	4	2
Service fees (US$)	**36**	36	34
Underwriting & distribution fees (US$)	**13**	11	12
Fee and other income (US$)	**189**	188	179
Net loss (US$)	**(14)**	(19)	(12)

Premiums and deposits

Premiums and deposits increased by US$1.6 billion in the first quarter of 2013 compared to the same period in 2012 as result of stronger overall mutual fund sales of US$1.2 billion and institutional sales of US$448 million.

Premiums and deposits increased by US$609 million compared to the previous quarter largely due to an increase in mutual fund sales of US$781 million in the current quarter, partially offset by a reduction in institutional sales of US$172 million.

Fee and other income

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

Putnam's average AUM for the first quarter of 2013 increased US$11 billion compared to the same period in 2012, as a 12% increase in the average S&P 500 was partially offset by cumulative net asset outflows. As a result, fee and other income for the first quarter of 2013 increased by US$10 million compared to the same period in 2012, primarily due to an increase in investment management fees from higher average AUM.

Fee and other income increased by US$1 million compared to the previous quarter, despite having two fewer days in the first quarter of 2013 to earn fees. This was primarily due to higher distribution fees earned from certain deferred sales charge share classes and higher investment management fees from higher average AUM, partially offset by lower performance fees due to the seasonality in which these fees are earned.

Net earnings

Net loss for the first quarter increased by US$2 million compared with the same period last year primarily due to a partial release of a legal provision of US$16 million in the first quarter of 2012, and an increase in operating expenses of US$4 million largely due to higher incentive compensation from improved investment performance. This was partially offset by higher fee revenue of US$10 million and lower expense from fair value adjustments related to share-based compensation by US$7 million.

Net loss decreased by US$5 million compared with the previous quarter due to lower expense from fair value adjustments related to share-based compensation of US$9 million, partially offset by lower income tax benefits in the current quarter by US$3 million.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Beginning assets	**$ 128,329**	$ 126,935	$ 116,652
Sales (includes dividends reinvested)	**7,359**	6,750	5,731
Redemptions	**(7,673)**	(6,901)	(7,700)
Net asset flows	**(314)**	(151)	(1,969)
Impact of market/performance	**6,699**	1,545	9,596
Ending assets	**$ 134,714**	$ 128,329	$ 124,279
Average assets under management	**$ 133,166**	$ 127,125	$ 122,345

Average AUM for the three months ended March 31, 2013 was US$133 billion, comprising mutual funds of US$65 billion and institutional accounts of US$68 billion. Average AUM increased by US$11 billion compared to the three months ended March 31, 2012 primarily due to the impact of positive market performance, slightly offset by cumulative net asset outflows.

Average AUM increased by US$6 billion compared to the previous quarter primarily due to the impact of positive market performance, partially offset by net asset outflows.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units. During 2012, the Company reallocated certain income tax and expense items initially recorded in United States Corporate to Great-West Financial to improve the alignment with revenues. The comparative figures reflect the revised allocations where applicable.

United States Corporate net earnings were nil for the current and comparative periods.

EUROPE

The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, together with an allocation of Lifeco's corporate results. Insurance & Annuities consists of operations in the U.K., the Isle of Man, Ireland and Germany, which offer protection and wealth management products including payout annuities, conducted through Canada Life and its subsidiaries. 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 which attempts to remove the impact of changes in currency translation rates on IFRS results. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 2,208**	$ 2,491	$ 1,983
Sales	**961**	1,289	755
Fee and other income	**158**	170	145
Net earnings - common shareholders	**192**	151	140
Total assets	**$ 73,633**	$ 74,827	$ 71,244
Other assets under administration	**113**	107	107
Total assets under administration	**$ 73,746**	$ 74,934	$ 71,351

2013 Developments

- During the first quarter of 2013, Great-West Lifeco announced it had reached an agreement to acquire Irish Life through its U.K. subsidiary Canada Life Limited. Irish Life is the largest life assurer and pensions and investment management company in Ireland, with more than one million customers and $50 billion of assets under management. The transaction is expected to close in July of 2013 and is subject to regulatory approvals.
- Net earnings for the three months ended March 31, 2013 were $192 million, up 37% from the same period last year.
- Insurance & Annuities sales for the three months ended March 31, 2013 of $961 million increased by $206 million, up 27% compared to the same period of 2012. The increase is due mainly to strong sales of single-premium savings products in the Isle of Man and payout annuities in the U.K.
- The implementation of the Retail Distribution Review occurred in the first quarter of 2013, which imposed changes on product design and distributor remuneration approaches in the U.K.
- In the U.K., a new retail investment fund proposition was launched with eight funds managed by Canada Life Investments and three Global Partner Series (GPS) funds managed by GLC Asset Management Group Ltd., Mackenzie Investments, and Putnam.
- The U.K. operations have been awarded an IPD/IPF Property Investment Award for the excellent performance of the Canlife U.K. Property Life Fund. The award was for highest three-year annualized return to December 2012 in the Balanced Pooled Funds category £100 - £500 million.

BUSINESS UNITS – EUROPE

Insurance & Annuities

Operating Results

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 1,260**	$ 1,567	$ 1,047
Sales	**961**	1,289	755
Fee and other income	**141**	149	132
Net earnings	**130**	91	105

Premiums and deposits
Premiums and deposits for the first quarter increased by $213 million compared to the same quarter last year, primarily due to higher sales of single-premium savings products in the Isle of Man and payout annuities in the U.K.

Premiums and deposits decreased by $307 million compared to the previous quarter mainly due to the sales decline in single-premium savings products in both the U.K. and Isle of Man. In addition, premiums and deposits in Ireland and Germany declined from the peak pension season in the fourth quarter.

Sales
Sales increased by $206 million compared to the same quarter last year due to $140 million higher sales of single-premium savings products in the Isle of Man, reflecting the normal fluctuations in the number of large cases, and from the $84 million sales increase in U.K. payout annuities resulting from market growth. These increases are partly offset by a sales reduction in single premium savings products in the U.K.

Sales decreased by $328 million from the previous quarter primarily due to $243 million lower sales of single-premium savings products in the U.K. and Isle of Man and reduced pension sales of $66 million in Ireland and Germany due to the peak pension season in the fourth quarter.

Fee and other income
Fee and other income increased by $9 million compared to the same quarter last year due mainly to higher fees in Germany resulting from growth in assets under management.

Fee and other income decreased by $8 million compared to the previous quarter due mainly to lower surrender fees in the U.K. The changes in the pattern of sales and surrenders on certain shorter-term single-premium investment products can cause the surrender fees to fluctuate from quarter to quarter.

Net earnings
Net earnings for the first quarter of 2013 increased by $25 million compared to the same quarter last year. The increase is due to $20 million of higher mortality gains in U.K. group life insurance and payout annuities and increased new business margins of $6 million. A $12 million strengthening to interest reserves in the first quarter of 2012 not repeated in 2013 also contributed to a net earnings increase in the first quarter of 2013. Partly offsetting these increases were a $6 million benefit in 2012 arising from a reduction in U.K. corporate tax rates and other tax adjustments in the first quarter of 2013.

Net earnings increased by $39 million compared to the fourth quarter of 2012. The increase is due to higher investment, mortality and new business gains in the first quarter of 2013. The impact of reserve changes and income tax adjustments in the fourth quarter of 2012 also contributed to the net earnings increase. These increases were partly offset by lower surrender fees in the U.K.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2013	Dec. 31 2012	March 31 2012
Premiums and deposits	**$ 948**	$ 924	$ 936
Fee and other income	**17**	21	13
Net earnings	**55**	64	34

Premiums and deposits
Premiums and deposits for the first quarter of 2013 increased by $12 million compared to last year primarily due to net new life business and currency movement.

Premiums and deposits increased by $24 million compared to the previous quarter primarily due to currency movement.

Fee and other income
The reinsurance business earns fee income primarily in the life business with the fees driven by volume of coverage provided.

Fee and other income increased by $4 million compared to the same quarter last year driven by higher volumes and new business.

Fee and other income decreased by $4 million compared to the previous quarter due to the recapture of a reinsurance contract in the fourth quarter of 2012 partly offset by volume growth and new business.

Net earnings
Net earnings for the first quarter of 2013 increased by $21 million compared to the same period last year. Net earnings increased as a result of interest reserve strengthening of $13 million in the first quarter of 2012 which did not occur in 2013 and improvements of $14 million in mortality experience from the unfavourable results in the first quarter of 2012. These increases were offset by lower new business gains of $7 million.

Net earnings for the first quarter of 2013 decreased by $9 million compared to the previous quarter. The positive impact of recaptured reinsurance treaties of $8 million and new business gains of $8 million in the fourth quarter were not repeated in the first quarter of 2013. These were partly offset by a $6 million improvement in claims in the annuity business.

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

Net earnings for the three months ended March 31, 2013 were $7 million compared to net earnings of $1 million for the same period in 2012. During the first quarter of 2013 the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings by $11 million. This increase was partially offset by expenses relating to the proposed acquisition of Irish Life.

Net earnings increased by $11 million compared to a net loss of $4 million in the fourth quarter of 2012. The increase is mainly due to the same reasons noted above. In addition, the fourth quarter of 2012 results included reserve strengthening in the legacy international operations which did not recur in the first 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.

For the three months ended March 31, 2013, Lifeco Corporate had a net loss of $11 million compared to a net loss of $7 million in the first quarter of 2012. The increase in net loss is primarily due to the impact of mark-to-market losses related to a macro balance sheet credit hedge of $4 million in the first quarter of 2013.

Compared to the previous quarter, the net loss in Lifeco Corporate decreased by $128 million. Included in the fourth quarter of 2012 were litigation provisions of $140 million as disclosed in note 30 of the Company's annual financial statements. Excluding the impact of these provisions, the net loss increased by $12 million. This adjusted increase is due to the positive impact of a reduction of reserves for uncertain tax positions (UTP) in the fourth quarter of 2012 which positively impacted net earnings by $20 million, partly offset mark-to-market losses related to a macro balance sheet credit hedge of $4 million compared to $12 million in the previous quarter.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information
(in $ millions, except per share amounts)

	2013	2012				2011		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue	**$ 7,185**	$ 7,140	$ 8,638	$ 7,797	$ 6,500	$ 8,003	$ 8,506	$ 7,134
Common Shareholders Net earnings								
Total	**517**	351	518	488	449	624	457	526
Basic - per share	**0.544**	0.370	0.546	0.512	0.474	0.657	0.481	0.553
Diluted - per share	**0.544**	0.369	0.542	0.509	0.471	0.651	0.478	0.550
Operating earnings(1)								
Total	**517**	491	518	488	449	500	457	526
Basic - per share	**0.544**	0.517	0.546	0.512	0.474	0.528	0.481	0.553
Diluted - per share	**0.544**	0.514	0.542	0.509	0.471	0.523	0.478	0.550

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

Lifeco's consolidated net earnings attributable to common shareholders were $517 million for the first quarter of 2013 compared to $449 million reported a year ago. On a per share basis, this represents $0.544 per common share ($0.544 diluted) for the first quarter of 2013 compared to $0.474 per common share ($0.471 diluted) a year ago.

Total revenue for the first quarter of 2013 was $7,185 million and comprises premium income of $4,580 million, regular net investment income of $1,362 million, a positive change in fair value through profit or loss on investment assets of $465 million, and fee and other income of $778 million. Total revenue for the first quarter of 2012 was $6,500 million, including premium income of $4,529 million, regular net investment income of $1,443 million, a negative change in fair value through profit or loss on investment assets of $196 million and fee and other income of $724 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 March 31, 2013 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer has 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.

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency **Period ended**	**Mar. 31 2013**	Dec. 31 2012	Sept. 30 2012	June 30 2012	Mar. 31 2012	Dec. 31 2011	Sept. 30 2011
United States dollar							
Balance sheet	**$1.02**	$0.99	$0.98	$1.02	$1.00	$1.02	$1.04
Income and expenses	**$1.01**	$0.99	$1.00	$1.01	$1.00	$1.02	$0.98
British pound							
Balance sheet	**$1.54**	$1.62	$1.59	$1.60	$1.60	$1.58	$1.62
Income and expenses	**$1.56**	$1.59	$1.57	$1.60	$1.57	$1.61	$1.58
Euro							
Balance sheet	**$1.30**	$1.31	$1.26	$1.29	$1.33	$1.32	$1.40
Income and expenses	**$1.33**	$1.29	$1.24	$1.30	$1.31	$1.38	$1.38

MUTUAL FUNDS DEPOSITS AND ASO PREMIUM EQUIVALENTS (ASO CONTRACTS)

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

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

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2013	December 31 2012 (restated - note 3)	March 31 2012 (restated - note 3)
Income			
Premium income			
Gross premiums written	**$ 5,319**	$ 5,763	$ 5,198
Ceded premiums	**(739)**	(936)	(669)
Total net premiums	**4,580**	4,827	4,529
Net investment income (note 5)			
Regular net investment income	**1,362**	1,364	1,443
Changes in fair value through profit or loss	**465**	182	(196)
Total net investment income	**1,827**	1,546	1,247
Fee and other income	**778**	767	724
	7,185	7,140	6,500
Benefits and expenses			
Policyholder benefits			
Insurance and investment contracts			
Gross	**4,755**	4,377	4,606
Ceded	**(374)**	(399)	(387)
Total net policyholder benefits	**4,381**	3,978	4,219
Policyholder dividends and experience refunds	**367**	292	364
Change in insurance and investment contract liabilities	**467**	852	160
Total paid or credited to policyholders	**5,215**	5,122	4,743
Commissions	**432**	515	410
Operating and administrative expenses	**674**	645	643
Premium taxes	**74**	75	72
Financing charges (note 11)	**67**	74	76
Amortization of finite life intangible assets	**27**	24	26
Earnings before income taxes	**696**	685	530
Income taxes (note 17)	**128**	97	56
Net earnings before non-controlling interests	**568**	588	474
Attributable to non-controlling interests	**18**	205	-
Net earnings	**550**	383	474
Preferred share dividends	**33**	32	25
Net earnings - common shareholders	**$ 517**	$ 351	$ 449
Earnings per common share (note 16)			
Basic	**$ 0.544**	$ 0.370	$ 0.474
Diluted	**$ 0.544**	$ 0.369	$ 0.471

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2013	December 31 2012 (restated - note 3)	March 31 2012 (restated - note 3)
Net earnings	**$ 550**	$ 383	$ 474
Other comprehensive income (loss)			
Items that may be reclassified subsequently to Consolidated Statements of Earnings			
Unrealized foreign exchange gains (losses) on translation of foreign operations	**(27)**	137	(61)
Income tax (expense) benefit	**-**	-	-
Unrealized gains (losses) on available for sale assets	**32**	(7)	(21)
Income tax (expense) benefit	**(5)**	1	1
Realized (gains) losses on available for sale assets	**(35)**	(22)	(36)
Income tax expense (benefit)	**5**	5	10
Unrealized gains (losses) on cash flow hedges	**(64)**	(17)	3
Income tax (expense) benefit	**14**	7	(1)
Realized (gains) losses on cash flow hedges	**-**	1	-
Income tax expense (benefit)	**-**	(1)	-
Non-controlling interests	**(8)**	8	24
Income tax (expense) benefit	**2**	(2)	(5)
Total items that may be reclassified	**(86)**	110	(86)
Items that will not be reclassified to Consolidated Statements of Earnings			
Actuarial gains (losses) on defined benefit pension and other post-employment benefit plans	**98**	79	(48)
Income tax (expense) benefit	**(26)**	(15)	10
Non-controlling interests (Participating account in subsidiaries)	**(3)**	(15)	3
Income tax (expense) benefit	**-**	4	(1)
Total items that will not be reclassified	**69**	53	(36)
Total other comprehensive income (loss)	**(17)**	163	(122)
Comprehensive income	**$ 533**	$ 546	$ 352

GREAT-WEST
LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2013	December 31 2012 (restated - note 3)	January 1 2012 (restated - note 3)
Assets			
Cash and cash equivalents	**$ 2,084**	$ 1,895	$ 2,056
Bonds (note 5)	**85,895**	82,581	78,355
Mortgage loans (note 5)	**17,853**	17,875	17,432
Stocks (note 5)	**7,296**	7,051	6,656
Investment properties (note 5)	**3,456**	3,572	3,249
Loans to policyholders	**7,140**	7,082	7,162
	123,724	120,056	114,910
Funds held by ceding insurers	**9,759**	10,537	9,923
Goodwill	**5,400**	5,397	5,401
Intangible assets	**3,152**	3,115	3,154
Derivative financial instruments	**862**	997	968
Owner occupied properties	**518**	514	491
Fixed assets	**153**	154	137
Reinsurance assets (note 10)	**2,097**	2,064	2,061
Other assets	**5,247**	4,688	4,062
Deferred tax assets	**1,170**	1,142	1,163
Investments on account of segregated fund policyholders (note 9)	**109,256**	104,948	96,582
Total assets	**$ 261,338**	$ 253,612	$ 238,852
Liabilities			
Insurance contract liabilities (note 10)	**$ 119,609**	$ 119,919	$ 114,730
Investment contract liabilities (note 10)	**726**	739	782
Debentures and other debt instruments	**4,483**	4,283	4,313
Funds held under reinsurance contracts	**333**	335	169
Derivative financial instruments	**477**	342	316
Other liabilities	**6,387**	5,163	4,600
Deferred tax liabilities	**688**	708	810
Repurchase agreements	**1,948**	-	23
Capital trust debentures	**163**	164	815
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**109,256**	104,948	96,582
Total liabilities	**244,070**	236,601	223,140
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,477**	2,451	2,187
Non-controlling interests in subsidiaries	**6**	5	3
Shareholders' equity			
Share capital (note 12)			
Preferred shares	**2,544**	2,544	1,894
Common shares	**5,868**	5,848	5,828
Accumulated surplus	**7,260**	7,035	6,417
Accumulated other comprehensive loss	**(949)**	(932)	(675)
Contributed surplus	**62**	60	58
Total equity	**17,268**	17,011	15,712
Total liabilities and equity	**$ 261,338**	$ 253,612	$ 238,852

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2013					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income (loss)**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 8,392**	**$ 60**	**$ 7,035**	**$ (932)**	**$ 2,456**	**$ 17,011**
Net earnings	**-**	**-**	**550**	**-**	**18**	**568**
Other comprehensive income (loss)	**-**	**-**	**-**	**(17)**	**9**	**(8)**
	8,392	**60**	**7,585**	**(949)**	**2,483**	**17,571**
Dividends to shareholders						
Preferred shares	**-**	**-**	**(33)**	**-**	**-**	**(33)**
Common shareholders (note 16)	**-**	**-**	**(292)**	**-**	**-**	**(292)**
Shares issued under stock option plan (note 12)	**20**	**-**	**-**	**-**	**-**	**20**
Share-based payments	**-**	**2**	**-**	**-**	**-**	**2**
Balance, end of period	**$ 8,412**	**$ 62**	**$ 7,260**	**$ (949)**	**$ 2,483**	**$ 17,268**

	December 31, 2012					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 7,722	$ 58	$ 6,417	$ (675)	$ 2,190	$ 15,712
Net earnings	-	-	1,921	-	277	2,198
Other comprehensive loss	-	-	-	(257)	(17)	(274)
	7,722	58	8,338	(932)	2,450	17,636
Share issue costs	-	-	(14)	-	-	(14)
Reallocation from participating account to shareholder account in London Life	-	-	(6)	-	6	-
Dividends to shareholders						
Preferred shares	-	-	(115)	-	-	(115)
Common shareholders	-	-	(1,168)	-	-	(1,168)
Shares issued under stock option plan (note 12)	20	-	-	-	-	20
Issuance of preferred shares	650	-	-	-	-	650
Share-based payments	-	2	-	-	-	2
Balance, end of year	$ 8,392	$ 60	$ 7,035	$ (932)	$ 2,456	$ 17,011

	March 31, 2012					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 7,722	$ 58	$ 6,417	$ (675)	$ 2,190	$ 15,712
Net earnings	-	-	474	-	-	474
Other comprehensive loss	-	-	-	(122)	(21)	(143)
	7,722	58	6,891	(797)	2,169	16,043
Share issue costs	-	-	(5)	-	-	(5)
Dividends to shareholders						
Preferred shares	-	-	(25)	-	-	(25)
Common shareholders (note 16)	-	-	(292)	-	-	(292)
Shares issued under stock option plan	1	-	-	-	-	1
Issuance of preferred shares	250	-	-	-	-	250
Share-based payments	-	2	-	-	-	2
Balance, end of period	$ 7,973	$ 60	$ 6,569	$ (797)	$ 2,169	$ 15,974

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2013	2012 (restated - note 3)
Operations		
Earnings before income taxes	**$ 696**	$ 530
Income taxes (paid), net of refunds received	**(85)**	38
Adjustments:		
Change in insurance and investment contract liabilities	**587**	149
Change in funds held by ceding insurers	**423**	(19)
Change in funds held under reinsurance contracts	**2**	11
Change in deferred acquisition costs	**10**	7
Change in reinsurance assets	**(31)**	75
Changes in fair value through profit or loss	**(465)**	196
Other	**(552)**	(376)
	585	611
Financing Activities		
Issue of common shares	**20**	1
Issue of preferred shares	**-**	250
Issue of subscription receipts (note 4)	**1,238**	-
Increase in line of credit of subsidiary	**166**	135
Increase in (repayment of) debentures and other debt instruments	**(2)**	(1)
Share issue costs	**-**	(5)
Dividends paid on common shares	**(292)**	(292)
Dividends paid on preferred shares	**(33)**	(25)
	1,097	63
Investment Activities		
Bond sales and maturities	**8,530**	4,927
Mortgage loan repayments	**375**	467
Stock sales	**493**	586
Investment property sales	**17**	-
Change in loans to policyholders	**79**	57
Change in repurchase agreements	**1,929**	811
Investment in bonds	**(11,971)**	(6,932)
Investment in mortgage loans	**(401)**	(439)
Investment in stocks	**(510)**	(560)
Investment in investment properties	**(27)**	(22)
	(1,486)	(1,105)
Effect of changes in exchange rates on cash and cash equivalents	**(7)**	(4)
Increase (decrease) in cash and cash equivalents	**189**	(435)
Cash and cash equivalents, beginning of period	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,084**	$ 1,621
Supplementary cash flow information		
Interest income received	**$ 1,083**	$ 1,142
Interest paid	**$ 37**	$ 29
Dividend income received	**$ 56**	$ 55

CONDENSED NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(unaudited)*

(in Canadian $ millions except per share amounts)

1. Corporate Information

Great-West Lifeco Inc. (Lifeco or the Company) is a publicly listed company (Toronto Stock Exchange: GWO), incorporated and domiciled in Canada. The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3. Lifeco is a member of the Power 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, Europe and Asia through its major operating subsidiaries The Great-West Life Assurance Company (Great-West Life), London Life Insurance Company (London Life), The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam LLC).

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2013 were approved by the Board of Directors on May 2, 2013.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at March 31, 2013 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2012. The Company has implemented changes in accounting policies on the adoption of new and revised accounting standards as described in note 3. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report dated December 31, 2012.

Use of Estimates and Assumptions

In preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some variability is inherent in these estimates, management believes that the amounts recorded are reasonable. Key sources of estimation uncertainty include: valuation of insurance and investment contracts, determination of the fair value of financial instruments, carrying value of goodwill and intangible assets, legal and other provisions, income taxes and pension plans and other post-employment benefits. Areas where significant estimates and assumptions have been used by management are further described in the relevant accounting policies as described in the consolidated financial statements and notes thereto in the Company's annual report dated December 31, 2012.

Significant Judgments

In preparation of these financial statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant judgments have been made in the following areas and are discussed when significant throughout the notes in these financial statements: insurance and investment contract liabilities, fair value of financial instruments, goodwill and intangible assets, pension plans and other post-employment benefits, income taxes, provisions, subsidiaries and special purpose entities, deferred acquisition costs, deferred income reserves, owner occupied properties and fixed assets and identification of operating segments. For full discussion of these judgments see the consolidated financial statements and notes thereto in the Company's annual report dated December 31, 2012.

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

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 and investment contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available.

<u>Future Accounting Policies</u>

The Company may be impacted in the future by the International Financial Reporting Standards set out in the following:

Revised/New Standard	**Summary of Future Changes**
IFRS 4 - Insurance Contracts	The International Accounting Standards Board issued an exposure draft proposing changes to the accounting standard for insurance contracts in July 2010. The proposal would require an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. This is vastly different from the connection between insurance assets and liabilities considered under the Canadian Asset Liability Method and may cause significant volatility in the results of the Company. The exposure draft also proposes changes to the presentation and disclosure within the financial statements. Since the release of the exposure draft, there have been discussions within the insurance industry and between accounting standard setters globally recommending significant proposed changes to the 2010 exposure draft. At this time no new standard has been either re-exposed or released. The Company will continue to measure insurance contract liabilities using the Canadian Asset Liability Method until such time when a new International Financial Reporting Standard for insurance contract measurement is issued. A final standard is not expected to be implemented for several years; the Company continues to actively monitor developments in this area.

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

Revised/New Standard	Summary of Future Changes
IFRS 9 - Financial Instruments	The new standard requires all financial assets to be classified on initial recognition at amortized cost or fair value while eliminating the existing categories of available for sale, held to maturity, and loans and receivables. Amendments proposed to the standard have also introduced a new category for classification of certain financial assets of fair value through other comprehensive income. The new standard also requires: • embedded derivatives to be assessed for classification together with their financial asset host; • an expected loss impairment method be used for financial assets; and • amendments to the criteria for hedge accounting and measuring effectiveness The full impact of IFRS 9, *Financial Instruments* on the Company will be evaluated after the remaining stages of the International Accounting Standards Board's project to replace IAS 39, *Financial Instruments* impairment methodology, hedge accounting, and asset and liability offsetting are finalized. The Company continues to actively monitor developments in this area. The current timetable for adoption of IFRS 9 is for the annual period beginning January 1, 2015, however, the Company continues to monitor this standard in conjunction with the developments to IFRS 4.
IAS 17 - Leases	The International Accounting Standards Board issued an exposure draft proposing a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The full impact of adoption of the proposed changes will be determined once the final lease standard is issued.
IAS 18 - Revenue Recognition	The International Accounting Standards Board issued a second exposure draft in November 2011 which proposed a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. 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. The full impact of adoption of the proposed changes will be determined once the final revenue recognition standard is issued, which is targeted for release in 2013.

Revised/New Standard	Summary of Future Changes
IAS 32 – Financial Instruments: Presentation	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments: Presentation*. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

3. Changes in Accounting Policies

(a) Pension Plans and Other Post-Employment Benefits

Effective January 1, 2013, the Company adopted revised IAS 19, (IAS 19R) *Employee Benefits*. In accordance with the required transitional provisions, the Company retrospectively applied the revised standard. The 2012 comparative financial information in the financial statements and notes to the financial statements has been restated accordingly.

The amendments made to IAS 19R include the elimination of the corridor approach for actuarial gains and losses which resulted in those gains and losses being recognized immediately through other comprehensive income. As a result the net pension asset or liability reflects the funded status (deficit) of the pension plans (less any asset ceilings) on the Consolidated Balance Sheets. In addition, all service costs including curtailments and settlements are recognized immediately in profit or loss.

Additionally, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. Under the revised standard, the same discount rate must be applied to the benefit obligation and the plan assets to determine the net interest expense (income). This discount rate for the net interest expense (income) is determined by reference to market yields at the beginning of the year on high quality corporate bonds.

Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense are presented and disclosed within the financial statements of an entity including the separation of the total amount of the pension plans and other post-employment benefits expense between amounts recognized in the Consolidated Statements of Earnings (service costs and net interest costs) and in the Consolidated Statements of Comprehensive Income (re-measurements). Disclosures relating to retirement benefit plans include discussions on the Company's pension plan risk, sensitivity analysis, an explanation of items recognized in the financial statements and descriptions of the amount, timing and uncertainty on the Company’s future cash flows (see note 15).

In accordance with the transitional provisions in IAS 19R, this change has been applied retrospectively which resulted in a decrease to opening equity at January 1, 2012 of $392 (decrease of $352 to shareholders’ equity and $40 to participating account surplus) with an additional decrease to opening equity of $183 (decrease of $169 to shareholders’ equity and $14 to participating account surplus) at January 1, 2013.

The financial statement items restated due to IAS 19R include other assets, deferred tax assets and deferred tax liabilities, other liabilities, accumulated surplus, and accumulated other comprehensive income disclosed in the financial statements.

<u>Restatement of Prior Periods</u>
A summary of the impact arising from the adoption of IAS 19R is as follows:

3. Changes in Accounting Policies (cont'd)

	Non-controlling interests, share capital, contributed surplus	Accumulated other comprehensive loss	Accumulated surplus	Total equity
Balance at January 1, 2012 previously reported	$ 10,010	$ (233)	$ 6,327	$ 16,104
Adjustments for retrospective application of IAS 19R	(40)	(442)	90	(392)
Revised equity at January 1, 2012	**$ 9,970**	**$ (675)**	**$ 6,417**	**$ 15,712**

	For the twelve months ended December 31, 2012		
	Net earnings	Other comprehensive income (loss)	Comprehensive income
Comprehensive income previously reported	$ 1,930	$ (97)	$ 1,833
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(13)	(223)	(236)
Income tax	4	63	67
	(9)	(160)	(169)
Revised comprehensive income at December 31, 2012	**$ 1,921**	**$ (257)**	**$ 1,664**

	For the three months ended March 31, 2012		
	Net earnings	Other comprehensive income (loss)	Comprehensive income
Comprehensive income previously reported	$ 476	$ (86)	$ 390
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(3)	(45)	(48)
Income tax	1	9	10
	(2)	**(36)**	**(38)**
Revised comprehensive income at March 31, 2012	**$ 474**	**$ (122)**	**$ 352**

The application of IAS 19R resulted in a decrease to assets of $198 and an increase to liabilities of $194 at January 1, 2012. In addition, assets increased by $47 and liabilities increased by $230 at December 31, 2012.

Due to the change in consolidated net earnings in 2012, basic and diluted earnings per share for the year ended December 31, 2012 were decreased by $0.010 and $0.009 respectively.

(b) IFRS 10 - *Consolidated Financial Statements*

In accordance with IFRS 10, *Consolidated Financial Statements* (IFRS 10) the Company has evaluated whether or not to consolidate an entity based on the definition of control within. The standard has defined control as dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits.

Investment/Insurance Contracts on Account of Segregated Fund Policyholders
The Company assessed the revised definition of control for the segregated funds for the risk of policyholders and concluded that the revised definition of control was not significantly impacted. The Company will continue to present the segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities within the Consolidated Balance Sheets and has expanded disclosure on the nature of these entities and the related risks. The application of IFRS 10 for segregated funds for the risk of policyholders may continue to evolve as European insurers are required to adopt IFRS 10 on January 1, 2014. The Company will continue to monitor these and other IFRS 10 developments.

See note 9 for additional information of the presentation and disclosure of these structures.

Capital Trust Securities
Canada Life Capital Trust and Great-West Life Capital Trust (the capital trusts) were consolidated by the Company under IAS 27, *Consolidated and Separate Financial Statements*. The capital trusts will no longer be consolidated in the Company's financial statements as the Company's investment in the capital trusts does not have exposure to variable returns and therefore does not meet the revised definition of control in IFRS 10. The change in consolidation did not impact the net earnings and equity of the Company, however the deconsolidation resulted in an increase to bonds of $282 at January 1, 2012 and $45 at December 31, 2012, both with corresponding increases to the capital trust debenture liability on the Consolidated Balance Sheets.

Also as a result of the adoption of IFRS 10 the Company reclassified $47 between stocks and investment properties at December 31, 2012 and $48 at January 1, 2012.

(c) IFRS 11 - *Joint Arrangements*

The Company has adopted the guidance in IFRS 11, *Joint Arrangements* which separates jointly controlled entities between joint operations and joint ventures. The standard eliminated the option of using proportionate consolidation of accounting for the interests in joint ventures with requiring entities to use the equity method of accounting for interests in joint ventures. Where the Company is involved in joint operations, it recognizes its share of assets, liabilities and net earnings. The adoption of this standard has had no impact on the financial statements of the Company.

(d) IFRS 12 - *Disclosure of Interests in Other Entities*

In conjunction with the adoption of IFRS 10, the Company has adopted the guidance of IFRS 12, *Disclosure of Interests in Other Entities*. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented from subsidiaries, joint arrangements, associates, and structured entities. The adoption of this standard increased the amount of disclosure concerning the subsidiaries and investment in associates by the Company and has not impacted the financial results of the Company.

(e) IFRS 13 - *Fair Value Measurement*

The Company has adopted IFRS 13, *Fair Value Measurement* (IFRS 13), effective January 1, 2013. In accordance with the transition provisions, IFRS 13 has been applied prospectively from that date. The change had no impact on the measurement of the Company's assets and liabilities. However, the Company has included new disclosures in the financial statements which are required under IFRS 13 (see note 7).

(f) IAS 1 - *Presentation of Financial Statements*

The Company has adopted the guidance of the amended IAS 1, *Presentation of Financial Statements*. Under the amended standard, other comprehensive income is classified by nature and grouped between items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. This revised standard relates only to presentation and has not impacted the financial results of the Company.

(g) IFRS 7 - *Financial Instruments*

The Company has adopted the guidance in the amendments to IFRS 7, *Financial Instruments* which introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements. This revised standard relates only to disclosure and has not impacted the financial results of the Company (see note 8).

4. Irish Life Group Limited Acquisition

On February 19, 2013 the Company announced that it had reached an agreement with the Government of Ireland to acquire, through its subsidiary Canada Life Limited, all of the shares of Irish Life Group Limited (Irish Life) for $1.75 billion (€1.3 billion).

The transaction is subject to customary regulatory approvals, including approvals from the European Commission under the EU (European Union) Merger Regulation, and certain closing conditions. Once the transaction has closed, the life and pensions operations of the Company's Irish subsidiary, Canada Life (Ireland), will be combined with the operations of Irish Life, retaining the Irish Life name. Irish Life has a strong brand with a broad product offering, and wide, multi-channel distribution network, similar to the Company’s operations in Canada.

This is an in-market acquisition that will transform the Company’s business in Ireland into a market leader in the life insurance, pension and investment management sectors. Irish Life employs a similar and consistent strategy to Lifeco in that it aims to maximize shareholder returns in a low risk and capital efficient manner.

Funding for the transaction includes the net proceeds of the issuance of approximately $1.25 billion subscription receipts offering which was completed on March 12, 2013. That offering was comprised of a $650 public bought deal offering as well as concurrent private placements of subscription receipts to Power Financial Corporation of $550 and to IGM Financial Inc. of $50. The subscription receipts, classified as financial liabilities, are being carried at amortized cost and are presented in other liabilities on the Consolidated Balance Sheets, with interest expense being recorded in the Consolidated Statements of Earnings. The proceeds of the offering, presented as bonds on the Consolidated Balance Sheets, will be held in escrow until the transaction closes. The balance of the funding for the transaction will come from a euro-denominated debt issuance (described below) and internal cash resources.

During the first quarter of 2013, the Company entered into foreign exchange forward contracts in connection with the pending Irish Life investment as part of an overall strategy to manage euro currency risk. The contracts fix the euro to British pound rate on approximately €300 of the pending Irish Life investment, and fix the euro to Canadian dollar rate on approximately €500.

Subsequent to the reporting period, on April 18, 2013 the Company issued €500 of 10-year bonds denominated in euros with an annual coupon of 2.50%. The bonds are rated A+ by Standard & Poor's Ratings Services. The bonds are listed on the Irish Stock Exchange. The issuance of euro-denominated debt will result in a natural hedge of a portion of the Company’s net investment in euro-denominated foreign operations.

4. Irish Life Group Limited Acquisition (cont'd)

The Company has now raised all the funding required to complete the acquisition of Irish Life Group and has hedged all related currency exposures into euros. Pending regulatory approval, the transaction is expected to close in July of 2013.

5. Portfolio Investments

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

	March 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Bonds						
Designated fair value through profit or loss [1]	**$ 63,121**	**$ 63,121**	$ 62,752	$ 62,752	$ 59,870	$ 59,870
Classified fair value through profit or loss [1]	**2,321**	**2,321**	2,113	2,113	1,853	1,853
Available for sale	**9,351**	**9,351**	6,782	6,782	6,888	6,888
Loans and receivables	**11,102**	**12,603**	10,934	12,438	9,744	10,785
	85,895	**87,396**	82,581	84,085	78,355	79,396
Mortgage loans						
Residential	**6,132**	**6,516**	6,034	6,439	5,996	6,424
Non-residential	**11,721**	**12,525**	11,841	12,628	11,436	12,238
	17,853	**19,041**	17,875	19,067	17,432	18,662
Stocks						
Designated fair value through profit or loss [1]	**6,187**	**6,187**	5,918	5,918	5,454	5,454
Available for sale	**763**	**763**	788	788	864	864
Other	**346**	**421**	345	383	338	406
	7,296	**7,371**	7,051	7,089	6,656	6,724
Investment properties	**3,456**	**3,456**	3,572	3,572	3,249	3,249
Total	**$ 114,500**	**$ 117,264**	$ 111,079	$ 113,813	$ 105,692	$ 108,031

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

As at March 31, 2013, the Consolidated Balance Sheets value of portfolio investments which were sold in repurchase agreements related to mortgages was $1,969 (nil at December 31, 2012 and January 1, 2012).

As at March 31, 2013, available for sale bonds include $1,238 that is held in escrow related to the subscription receipts described in note 4.

5. Portfolio Investments (cont'd)

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2013	December 31 2012
Impaired amounts by type		
Fair value through profit or loss	**$ 375**	$ 365
Available for sale	**27**	27
Loans and receivables	**41**	41
Total	**$ 443**	$ 433

The above carrying values for loans and receivables are net of provisions of $21 at March 31, 2013 and at December 31, 2012.

(c) Net investment income comprises the following:

For the three months ended March 31, 2013	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 907	$ 219	$ 62	$ 64	$ 99	$ 1,351
Net realized gains						
Available for sale	35	-	-	-	-	35
Other classifications	6	6	-	-	-	12
Net recovery (provision) for credit losses on loans and receivables	-	(1)	-	-	-	(1)
Other income and expenses	-	-	-	(15)	(20)	(35)
	948	224	62	49	79	1,362
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	3	-	-	-	-	3
Designated fair value through profit or loss	228	-	236	9	(11)	462
	231	-	236	9	(11)	465
Total	$ 1,179	$ 224	$ 298	$ 58	$ 68	$ 1,827

5. Portfolio Investments (cont'd)

For the three months ended March 31, 2012	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 929	$ 226	$ 56	$ 62	$ 156	$ 1,429
Net realized gains						
Available for sale	35	-	1	-	-	36
Other classifications	3	8	-	-	-	11
Other income and expenses	-	-	-	(15)	(18)	(33)
	967	234	57	47	138	1,443
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	(7)	-	-	-	-	(7)
Designated fair value through profit or loss	(374)	-	243	36	(94)	(189)
	(381)	-	243	36	(94)	(196)
Total	$ 586	$ 234	$ 300	$ 83	$ 44	$ 1,247

Investment income earned comprises income from investments that are classified as available for sale, loans and receivables and 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 Financial Inc. 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.

6. 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 Company's approach to risk management has not substantially changed from that described in Lifeco's 2012 Annual Report. Certain risks have been outlined below. For a complete discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the Company's December 31, 2012 Consolidated Financial Statements.

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

(a) Credit Risk

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

<u>Concentration of Credit Risk</u>
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2012.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit or the capital markets. The Company maintains a $200 committed line of credit with a Canadian chartered bank. As well, Putnam LLC maintains a U.S. $500 revolving credit agreement with a consortium of banks and a U.S. $304 Putnam LLC non-revolving term loan facility, guaranteed by Lifeco, maturing in 2015.
- Bonds on the Consolidated Balance Sheets include $1,238 of restricted funds held in escrow in connection with the issue of subscription receipts on March 12, 2013 (note 4).

(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.

<u>Caution Related to Risk Sensitivities</u>
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.

6. Risk Management (cont'd)

(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 International Financial Reporting Standards, 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 share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted.

- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Valuation assumptions have been made regarding rates of returns on supporting assets, fixed income, equity and inflation. The valuation assumptions use best estimates of future reinvestment rates and inflation assumptions with an assumed correlation together with margins for adverse deviation set in accordance with professional standards. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Testing under a number of interest rate scenarios (including increasing, decreasing and fluctuating rates) is done to assess reinvestment risk. The total provision for interest rates is sufficient to cover a broader or more severe set of risks than the minimum arising from the current Canadian Institute of Actuaries prescribed scenarios.

Effective January 1, 2013 the Company refined its methodology for estimating interest rate provisions. The total provision was realigned into provisions designed to cover shorter term modeling risks and those to cover inherent long-term modeling and cash flow mismatch risks, with no net impact on total provisions upon realignment. The realignment however will have an impact on the pattern of expected emergence of these provisions into net earnings. The Company estimates this realignment increases expected 2013 annual net earnings by approximately $70 after-tax compared to 2012 on the prior methodology.

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 be to increase these insurance and investment contract liabilities by approximately $159 causing a decrease in net earnings of approximately $116.

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 $65 causing an increase in net earnings of approximately $45.
- 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 $688 causing a decrease in net earnings of approximately $476.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits. The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives. For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE75) level.

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity market values. There will be additional impacts on these liabilities as equity market values fluctuate. A 10% increase in equity markets would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $22 causing an increase in net earnings of approximately $18. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $115 causing a decrease in net earnings of approximately $86.

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 $428 causing an increase in net earnings of approximately $330. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $479 causing a decrease in net earnings of approximately $365.

7. Fair Value Measurement

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

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

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

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

7. Fair Value Measurement (cont'd)

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

	March 31, 2013			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 2,084	$ -	$ -	$ 2,084
Financial assets at fair value through profit or loss				
Bonds	-	65,164	278	65,442
Stocks	6,161	7	19	6,187
Total financial assets at fair value through profit or loss	6,161	65,171	297	71,629
Available for sale financial assets				
Bonds	-	9,323	28	9,351
Stocks	93	3	1	97
Total available for sale financial assets	93	9,326	29	9,448
Investment properties	-	-	3,456	3,456
Derivatives (1)	-	862	-	862
Other assets:				
Trading account assets in Putnam LLC	89	356	11	456
Other (2)	47	-	-	47
Total assets measured at fair value	$ 8,474	$ 75,715	$ 3,793	$ 87,982
Liabilities measured at fair value				
Derivatives (3)	$ 1	$ 476	$ -	$ 477
Investment contract liabilities	-	697	29	726
Other liabilities - other	47	-	-	47
Total liabilities measured at fair value	$ 48	$ 1,173	$ 29	$ 1,250

(1) Excludes collateral received of $9.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $147.

There were no transfers between Level 1 and Level 2 in the period.

7. Fair Value Measurement (cont'd)

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

	March 31, 2013							
	Fair value through profit or loss bonds	**Available for sale bonds**	**Fair value through profit or loss stocks [(2)]**	**Available for sale stocks**	**Investment properties**	**Other assets - trading account [(3)]**	**Total assets**	**Investment contract liabilities**
Balance, January 1, 2013	**$ 273**	**$ 27**	**$ 12**	**$ 1**	**$ 3,572**	**$ 9**	**$ 3,894**	**$ 33**
Total gains (losses)								
Included in net earnings	**21**	**1**	**-**	**-**	**9**	**2**	**33**	**-**
Included in other comprehensive income	**-**	**1**	**-**	**-**	**(113)**	**-**	**(112)**	**-**
Purchases	**-**	**-**	**7**	**-**	**4**	**-**	**11**	**-**
Sales	**-**	**-**	**-**	**-**	**(16)**	**-**	**(16)**	**-**
Repayments	**(16)**	**(1)**	**-**	**-**	**-**	**-**	**(17)**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**
Transfers into Level 3 [(1)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers out of Level 3 [(1)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 278**	**$ 28**	**$ 19**	**$ 1**	**$ 3,456**	**$ 11**	**$ 3,793**	**$ 29**
Total gains (losses) for the period included in net investment income	**$ 21**	**$ 1**	**$ -**	**$ -**	**$ 9**	**$ 2**	**$ 33**	**$ -**
Change in unrealized gains (losses) for the period included in net earnings for assets held at March 31, 2013	**$ 21**	**$ -**	**$ -**	**$ -**	**$ 9**	**$ 2**	**$ 32**	**$ -**

[(1)] 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.

[(2)] Includes investments in mutual and segregated funds where there are redemption restrictions. The fair value is based on observable, quoted prices.

[(3)] 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.

7. Fair Value Measurement (cont'd)

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Asset-backed securities (included with bonds)	Discounted cash flow	Prepayment speed assumption (estimated % of collateral that prepays annually) Constant default rate assumption (estimated % of defaults in the collateral pool annually) Adjusted ABX index spread assumption (adjusted for internally calculated liquidity premium)	5% (weighted average) 5% (weighted average) 625 bps (weighted average)	The Company does not believe that changing one or more of the inputs to reasonably alternate assumptions would change their fair values significantly.
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 & operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 4.0% - 11.0%	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.

8. Enforceable Master Netting Arrangements or Similar Agreements

The following disclosure shows 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.

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 below as it would become part of a pooled settlement process.

8. Enforceable Master Netting Arrangements or Similar Agreements (cont'd)

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.

	March 31, 2013			
		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	$ 862	$ (237)	$ (9)	$ 616
Reverse repurchase agreements [3]	773	-	(773)	-
Total financial instruments (assets)	**$ 1,635**	**$ (237)**	**$ (782)**	**$ 616**
Financial instruments (liabilities)				
Derivative instruments	$ 477	$ (237)	$ (144)	$ 96
Total financial instruments (liabilities)	**$ 477**	**$ (237)**	**$ (144)**	**$ 96**

8. Enforceable Master Netting Arrangements or Similar Agreements (cont'd)

	December 31, 2012			
		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	$ 997	$ (212)	$ (25)	$ 760
Reverse repurchase agreements [3]	101	-	(101)	-
Total financial instruments (assets)	$ 1,098	$ (212)	$ (126)	$ 760
Financial instruments (liabilities)				
Derivative instruments	$ 342	$ (212)	$ (96)	$ 34
Total financial instruments (liabilities)	$ 342	$ (212)	$ (96)	$ 34

[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 $9 ($25 at December 31, 2012), received on reverse repurchase agreements was $789 ($103 at December 31, 2012), and pledged on derivative liabilities was $162 ($118 at December 31, 2012).

[3] Assets related to reverse repurchase agreements are included in bonds, in the Consolidated Balance Sheets.

9. Segregated Funds

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 of rewards of the market 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 investments 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 a line item within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal and offsetting liability titled investment and insurance contracts on account of segregated fund policyholders.

9. Segregated Funds (cont'd)

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including market 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.

<u>Segregated Funds Guarantee Exposure</u>

The Company offers retail segregated fund products, unitized with profits 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 and guaranteed minimum accumulation on maturity benefits.

In the U.S., the Company offers variable annuities with guaranteed minimum death benefits through Great-West Financial and Great-West Life & Annuity Insurance Company of New York. Most are a return of premium on death with the guarantee expiring at age 70.

In Europe, the Company offers unitized with profits products, which are similar to segregated fund products, but with pooling of policyholders' funds and minimum credited interest rates.

The Company also offers a guaranteed minimum withdrawal benefits product in Canada, the U.S. and Europe. The guaranteed minimum withdrawal benefits products offered by the Company offer levels of death and maturity guarantees. At March 31, 2013, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,282 ($2,110 at December 31, 2012).

The Company's exposure to these guarantees is set out as follows:

	March 31, 2013				
		Investment deficiency by benefit type			
	Fair value	**Income**	**Maturity**	**Death**	**Total***
Canada	$ 24,997	$ -	$ 25	$ 134	$ 134
United States	7,882	-	-	57	57
Europe	3,899	553	26	53	606
Total	**$ 36,778**	**$ 553**	**$ 51**	**$ 244**	**$ 797**

*A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2013.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on March 31, 2013. The actual cost to the Company will depend on the trigger event having occurred and the fair values at that time. The actual claims before tax associated with these guarantees was approximately $8 in quarter, 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, 2012 Management's Discussion and Analysis.

9. Segregated Funds (cont'd)

The following presents further details of the investments on account of segregated fund policyholders:

(a) Investments on account of segregated fund policyholders

	March 31 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 5,480**	$ 4,837	$ 5,334
Bonds	**23,869**	24,070	21,594
Mortgage loans	**2,372**	2,303	2,303
Stocks	**36,657**	35,154	32,651
Mutual funds	**36,247**	34,100	31,234
Investment properties	**6,057**	6,149	5,457
	110,682	106,613	98,573
Accrued income	**316**	239	287
Other liabilities/assets	**(1,742)**	(1,904)	(2,278)
Total	**$ 109,256**	$ 104,948	$ 96,582

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

	For the three months ended March 31	
	2013	2012
Balance, beginning of year	**$ 104,948**	$ 96,582
Additions (deductions):		
Policyholder deposits	**3,774**	3,329
Net investment income	**93**	122
Net realized capital gains on investments	**911**	541
Net unrealized capital gains on investments	**3,222**	3,213
Unrealized gains (losses) due to changes in foreign exchange rates	**(321)**	(144)
Policyholder withdrawals	**(3,388)**	(3,181)
Net transfer from General Fund	**17**	12
Total	**4,308**	3,892
Balance, end of period	**$ 109,256**	$ 100,474

(c) Investment income on account of segregated fund policyholders and offsetting change in liability

	For the three months ended March 31	
	2013	2012
Net investment income	**$ 93**	$ 122
Net realized capital gains on investments	**911**	541
Net unrealized capital gains on investments	**3,222**	3,213
Unrealized gains (losses) due to changes in foreign exchange rates	**(321)**	(144)
Total	**3,905**	3,732
Change in segregated fund contract liability on account of policyholders	**3,905**	3,732
Net	**$ -**	$ -

9. Segregated Funds (cont'd)

(d) Investments on account of segregated fund policyholders (by fair value hierarchy level (note 7))

	March 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 76,614**	**$ 27,844**	**$ 6,177**	**$ 110,635**

[(1)] Excludes other liabilities, net of other assets, of $1,379.

During 2013 certain foreign equity holdings valued at $1,755 have been transferred from Level 2 to Level 1, based on the Company's ability to utilize observable, quoted prices in active markets.

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value:

	March 31 2013
Balance, beginning of year	**$ 6,287**
Total gains included in segregated fund earnings	**16**
Purchases	**9**
Sales	**(135)**
Balance, end of period	**$ 6,177**

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors. There were no transfers into or out of Level 3 in the period.

10. Insurance and Investment Contract Liabilities

	March 31, 2013		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 119,609**	**$ 2,097**	**$ 117,512**
Investment contract liabilities	**726**	**-**	**726**
Total	**$ 120,335**	**$ 2,097**	**$ 118,238**

	December 31, 2012		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 119,919	$ 2,064	$ 117,855
Investment contract liabilities	739	-	739
Total	$ 120,658	$ 2,064	$ 118,594

11. Financing Charges

Financing charges consist of the following:

	For the three months ended March 31	
	2013	2012
Operating charges:		
Interest on operating lines and short-term debt instruments	**$ 1**	$ 1
Financial charges:		
Interest on long-term debentures and other debt instruments	**58**	58
Interest on capital trust debentures	**3**	12
Other	**5**	5
	66	75
Total	**$ 67**	$ 76

12. Share Capital

Common Shares
Issued and outstanding

	March 31, 2013		December 31, 2012	
	Number	**Carrying value**	Number	Carrying value
Common shares:				
Balance, beginning of year	**950,596,440**	**$ 5,848**	949,764,141	$ 5,828
Issued under stock option plan (exercised)	**800,800**	**20**	832,299	20
Balance, end of period	**951,397,240**	**$ 5,868**	950,596,440	$ 5,848

13. Capital Management

(a) Policies and Objectives

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

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

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

13. Capital Management (cont'd)

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, 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 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:

	March 31 2013	December 31 2012
Adjusted Net Tier 1 Capital	**$ 8,667**	$ 8,699
Net Tier 2 Capital	**1,720**	1,710
Total Capital Available	**$ 10,387**	$ 10,409
Total Capital Required	**$ 4,951**	$ 5,018
Tier 1 Ratio	**175%**	173%
Total Ratio	**210%**	207%

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, 2012 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

14. Share-Based Payments

Under the Company's stock option plan, 1,810,600 options were granted during the three months ended March 31, 2013 (2,138,100 options were granted during the first quarter of 2012). The weighted average fair value of options granted was $4.33 per option during the three months ended March 31, 2013 ($3.17 per option in the first quarter of 2012). Compensation expense relating to the Company's stock option plan of $2 after-tax has been recognized in the Consolidated Statements of Earnings for the three months ended March 31, 2013 ($2 after-tax for the three months ended March 31, 2012). The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

15. Pension Benefits 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.

Subsidiaries of the Company have declared partial windups in respect of certain defined benefit pension plans. The Company holds provisions in the amount of $34 for these plans.

Effective January 1, 2013, both the Great-West Life Assurance Company Canadian Employees' Pension Plan and the London Life Staff Pension Plan added a defined contribution provision to their plans. All new hires after this date are eligible only for defined contribution benefits. This change is consistent with the benefit provisions of the majority of the Company's pension plans and will continue to reduce the Company's defined benefit plan exposure in future years.

The defined contribution pension plans provide pension benefits based on accumulated employee and Company contributions. 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. 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. Significant changes to the 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 annual 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 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.

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

The following reflects the financial position of the Company's contributory and non-contributory defined benefit plans:

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans			Other post-employment benefits		
	March 31 2013	December 31 2012	January 1 2012	**March 31 2013**	December 31 2012	January 1 2012
Change in Fair Value of Plan Assets						
Fair value of plan assets, beginning of period	**$ 3,308**	$ 3,137	$ 3,137	**$ -**	$ -	$ -
Reclassifications	**-**	(17)	-	**-**	-	-
Interest income	**36**	156	-	**-**	-	-
Actual return over interest income	**114**	108	-	**-**	-	-
Employer contributions	**21**	86	-	**4**	17	-
Employee contributions	**4**	16	-	**-**	-	-
Benefits paid	**(43)**	(169)	-	**(4)**	(17)	-
Administrative expenses	**(1)**	(5)	-	**-**	-	-
Foreign exchange rate changes	**(3)**	(4)	-	**-**	-	-
Fair value of plan assets, end of period	**$ 3,436**	$ 3,308	$ 3,137	**$ -**	$ -	$ -
Change in Defined Benefit Obligation						
Defined benefit obligation, beginning of period	**$ 3,912**	$ 3,470	$ 3,470	**$ 420**	$ 406	$ 406
Reclassifications	**-**	(17)	-	**-**	-	-
Current service cost	**23**	75	-	**1**	2	-
Interest cost	**43**	171	-	**4**	20	-
Employee contributions	**4**	16	-	**-**	-	-
Benefits paid	**(43)**	(169)	-	**(4)**	(17)	-
Actuarial loss (gain) on financial assumption changes	**17**	361	-	**4**	42	-
Actuarial loss (gain) on demographic assumption changes	**-**	9	-	**-**	13	-
Actuarial loss (gain) arising from member experience	**-**	4	-	**-**	(46)	-
Foreign exchange rate changes	**(1)**	(8)	-	**-**	-	-
Defined benefit obligation, end of period	**$ 3,955**	$ 3,912	$ 3,470	**$ 425**	$ 420	$ 406
Asset (Liability) recognized in the Consolidated Balance Sheets						
Funded status of plans - surplus (deficit)	**$ (519)**	$ (604)	$ (333)	**$ (425)**	$ (420)	$ (406)
Unrecognized amount due to asset ceiling	**(36)**	(41)	(71)	**-**	-	-
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (555)**	$ (645)	$ (404)	**$ (425)**	$ (420)	$ (406)
Recorded in:						
Other assets	**$ 218**	$ 202	$ 198	**$ -**	$ -	$ -
Other liabilities	**(773)**	(847)	(602)	**(425)**	(420)	(406)
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (555)**	$ (645)	$ (404)	**$ (425)**	$ (420)	$ (406)
Analysis of defined benefit obligation						
Wholly or partly funded plans	**$ 3,687**	$ 3,647	$ 3,230			
Wholly unfunded plans	**$ 268**	$ 265	$ 240	**$ 425**	$ 420	$ 406

15. Pension Benefits 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 the pension 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		
	March 31 2013	December 31 2012	January 1 2012
Change in Asset Ceiling			
Asset ceiling, beginning of period	**$ 41**	$ 71	$ 71
Interest on beginning of period asset ceiling	**-**	4	-
Change in asset ceiling	**(5)**	(34)	-
Asset ceiling, end of period	**$ 36**	$ 41	$ 71

(b) Pension and Other Post-Employment Benefits Expense

	All pension plans		
	For the three months ended		
	March 31 2013	December 31 2012	March 31 2012
Defined benefit current service cost	**$ 27**	$ 23	$ 23
Defined contribution current service cost	**7**	6	6
Employee contributions	**(4)**	(4)	(4)
Employer current service cost	**30**	25	25
Past service costs	**-**	(1)	-
Administrative expense	**1**	1	1
Net interest cost	**7**	5	6
Pension expense - profit or loss	**38**	30	32
Actuarial (gain) loss recognized	**17**	(6)	133
Return on assets (greater) less than assumed	**(114)**	(30)	(87)
Change in effect of the asset ceiling	**(5)**	(10)	(10)
Pension expense recognized - other comprehensive income	**(102)**	(46)	36
Total pension expense	**$ (64)**	$ (16)	$ 68

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

	Other post-employment benefits		
	For the three months ended		
	March 31 2013	December 31 2012	March 31 2012
Defined benefit current service cost	**$ 1**	$ 1	$ -
Employer current service cost	**1**	1	-
Net interest cost	**4**	5	5
Other post-employment benefits expense - profit or loss	**5**	6	5
Actuarial (gain) loss recognized	**4**	(33)	12
Other post-employment benefits expense - other comprehensive income	**4**	(33)	12
Total other post-employment benefits expense	**$ 9**	$ (27)	$ 17

(c) Asset Allocation by Major Category Weighted by Plan Assets

	Defined benefit pension plans	
	December 31 2012	January 1 2012
Equity securities	51%	46%
Debt securities	38%	41%
Real estate	5%	4%
Cash and cash equivalents	6%	9%
Total	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated funds managed by subsidiaries of the Company in the Consolidated Balance Sheets of $1,523 at December 31, 2012 and $1,430 at January 1, 2012. 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 Salaries

	Defined benefit pension plans	**Other post-employment benefits**
	December 31 2012	December 31 2012
Benefit obligation without future salary increases	$ 3,619	$ 420
Effect of assumed future salary increases	293	-
Defined benefit obligation	$ 3,912	$ 420

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

(ii) Maturity Profile of Plan Membership

	Defined benefit pension plans	**Other post-employment benefits**
	December 31 2012	December 31 2012
Actives	41 %	23 %
Deferred vesteds	17 %	- %
Retirees	42 %	77 %
Total	100 %	100 %
Weighted average duration of defined benefit obligation	16.7 years	12.7 years

(e) Cash Flow Information

	Defined benefit pension plans	**Other post-employment benefits**	**Total**
Expected employer contributions for 2013:			
Funded (wholly or partly) defined benefit plans	$ 73	$ -	$ 73
Unfunded plans	14	20	34
Defined contribution plans	28	-	28
Total	$ 115	$ 20	$ 135

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans	**Other post-employment benefits**
	December 31 2012	December 31 2012
To determine benefit cost:		
Discount rate	5.1%	5.1%
Expected rate of compensation increase	3.5%	-
Future pension increases	2.0%	-
To determine defined benefit obligation:		
Discount rate	4.4%	4.2%
Rate of compensation increase	3.1%	-
Future pension increases	1.9%	-
% of defined benefit obligation subject to future pension increases	38.0%	-
Medical cost trend rates:		
Initial medical cost trend rate		6.5%
Ultimate medical cost trend rate		4.5%
Year ultimate trend rate is reached		2024

	Defined benefit pension plans	**Other post-employment benefits**
	March 31 2013	March 31 2013
To determine defined benefit obligation all assumptions are the same as at the prior fiscal year with the following exception:		
Discount rate	**4.3%**	4.1%

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans	**Other post-employment benefits**
	December 31 2012	December 31 2012
Sample life expectancies based on mortality assumption:		
Male		
Age 65 in fiscal year	21.1	20.9
Age 65 in fiscal year + 30 years	23.4	23.0
Female		
Age 65 in fiscal year	23.2	23.3
Age 65 in fiscal year + 30 years	24.6	24.4

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. Mortality assumptions are significant in measuring the defined benefit obligation for defined benefit plans. The mortality assumptions applied by the Company take into consideration average life expectancy, including allowances for future mortality improvement as appropriate, and reflect variations in such factors as age, gender and geographic location. The assumptions also take into consideration an estimation of future improvements in longevity. This estimate is subject to considerable uncertainty and judgment is required in establishing this assumption.

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 $122 for the defined benefit pension plans and $19 for other post-employment benefits.

15. Pension Benefits and Other Post-Employment Benefits (cont'd)

(iii) Impact of Changes to Assumptions

	1% increase December 31 2012	1% decrease December 31 2012
Defined benefit pension plans:		
Impact of a change to the discount rate on defined benefit obligation	$ (551)	$ 705
Impact of a change to the rate of compensation increase on defined benefit obligation	124	(109)
Impact of a change to the rate of inflation on defined benefit obligation	289	(242)
Other post-employment benefits:		
Changes to assumed medical cost trend rates		
Impact on defined benefit obligation	40	(33)
Impact on current service cost and interest cost	2	(2)
Impact of a change to the discount rate on defined benefit obligation	(48)	59

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.

16. Earnings per Common Share

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

	For the three months ended March 31	
	2013	2012
Earnings		
Net earnings	**$ 550**	$ 474
Preferred share dividends	**(33)**	(25)
Net earnings - common shareholders	**517**	449
Capital trust securities	**-**	3
Net earnings - common shareholders - diluted basis	**$ 517**	$ 452
Number of common shares		
Average number of common shares outstanding	**950,998,752**	949,781,011
Add:		
- Conversion of capital trust units	**-**	10,405,100
- Potential exercise of outstanding stock options	**485,466**	297,241
Average number of common shares outstanding - diluted basis	**951,484,218**	960,483,352
Basic earnings per common share	**$ 0.544**	$ 0.474
Diluted earnings per common share	**$ 0.544**	$ 0.471
Dividends per common share	**$ 0.3075**	$ 0.3075

The subscription receipts described in note 4 are deemed contingent ordinary shares and have been excluded from the calculation of basic and diluted earnings per share until such time that all contingent terms have been satisfied. In aggregate, the subscription receipts are exchangeable on a one for one basis into 48,660,000 common shares of the Company.

17. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

		For the three months ended March 31		
		2013		2012
Current income taxes	**$**	**141**	$	86
Deferred income taxes		**(13)**		(30)
Total income tax expense	**$**	**128**	$	56

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the three months ended March 31, 2013 was 18% compared to 14% for the full year 2012 and 11% for the three months ended March 31, 2012. The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

The full year 2012 effective income tax rate was further reduced by the impact of changes to the statutory income tax rates on the adjustment within the insurance contract liabilities for deferred income taxes and the recognition of income tax benefits on previously unrecognized losses and temporary differences. In addition, during the second quarter of 2012 the Company entered into an audit agreement with the Canada Revenue Agency. The audit agreement resolved several outstanding issues including transfer pricing and other international taxation matters for taxation years 2004 to 2011. The Company held uncertain tax position reserves for these items which, upon release, resulted in a positive earnings impact of $47 and which reduced the effective income tax rate for the twelve months ended December 31, 2012 by 2%.

The three months ended March 31, 2012 effective income tax rate was reduced by the impact of reductions to statutory income tax rates in the Company's European segment, the impact of changes to statutory income tax rates on the adjustment within the insurance contract liabilities for deferred income taxes and the recognition of prior year income tax benefits in the U.S. Segment.

(c) Deferred Tax Assets

A deferred income tax asset is recognized for deductible temporary differences and unused losses and carryforwards only to the extent that realization of the related income tax benefit through future taxable profits is probable.

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities 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 deferred income tax asset includes balances which are dependent on future taxable profits while the relevant entities have incurred losses in either the current year or the preceding year. The aggregate deferred income tax asset for the most significant entities where this applies is $1,198 at March 31, 2013 ($1,153 at December 31, 2012).

18. Legal Provisions and Contingent Liabilities (changes since December 31, 2012 annual report)

During the first quarter of 2013 Lifeco subsidiaries London Life and Great-West Life reallocated an amount of $298 to the participating account surplus in accordance with the January 24, 2013 decision of the Ontario Superior Court of Justice in regard to the involvement of the participating accounts of London Life and Great-West Life in the financing of the acquisition of London Insurance Group Inc. in 1997, and therefore reduced the litigation provision in the common shareholders account. London Life and Great-West Life has filed an appeal of the January 24, 2013 decision.

During the first quarter of 2013 the Company completed a review of the contingencies relating to the cost of acquiring Canada Life Financial Corporation in 2003 and reduced the existing provision from $41 to $7.

19. Segmented Information

Consolidated Net Earnings
For the three months ended March 31, 2013

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,515	$ 629	$ 1,436	$ -	$ 4,580
Net investment income					
Regular net investment income	619	323	427	(7)	1,362
Changes in fair value through profit or loss	56	(6)	415	-	465
Total net investment income	675	317	842	(7)	1,827
Fee and other income	289	331	158	-	778
Total income	3,479	1,277	2,436	(7)	7,185
Benefits and expenses:					
Paid or credited to policyholders	2,456	760	1,999	-	5,215
Other	633	372	172	3	1,180
Financing charges	29	34	4	-	67
Amortization of finite life intangible assets	12	13	2	-	27
Earnings before income taxes	349	98	259	(10)	696
Income taxes	67	20	43	(2)	128
Net earnings before non-controlling interests	282	78	216	(8)	568
Non-controlling interests	15	3	-	-	18
Net earnings	267	75	216	(8)	550
Preferred share dividends	27	-	6	-	33
Net earnings before capital allocation	240	75	210	(8)	517
Impact of capital allocation	25	(4)	(18)	(3)	-
Net earnings - common shareholders	$ 265	$ 71	$ 192	$ (11)	$ 517

19. Segmented Information (cont'd)

For the three months ended March 31, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,365	$ 821	$ 1,343	$ -	$ 4,529
Net investment income					
Regular net investment income	658	324	463	(2)	1,443
Changes in fair value through profit or loss	(150)	21	(67)	-	(196)
Total net investment income	508	345	396	(2)	1,247
Fee and other income	277	302	145	-	724
Total income	3,150	1,468	1,884	(2)	6,500
Benefits and expenses:					
Paid or credited to policyholders	2,185	1,003	1,555	-	4,743
Other	648	331	142	4	1,125
Financing charges	38	33	5	-	76
Amortization of finite life intangible assets	11	13	2	-	26
Earnings before income taxes	268	88	180	(6)	530
Income taxes	33	9	16	(2)	56
Net earnings before non-controlling interests	235	79	164	(4)	474
Non-controlling interests	(6)	2	4	-	-
Net earnings	241	77	160	(4)	474
Preferred share dividends	18	-	6	1	25
Net earnings before capital allocation	223	77	154	(5)	449
Impact of capital allocation	19	(3)	(14)	(2)	-
Net earnings - common shareholders	$ 242	$ 74	$ 140	$ (7)	$ 449

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