GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Second Quarter Results

For the period ended June 30, 2013

E1138(6/13)-6/13

Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to June 30, 2013 Six Months Results

The condensed consolidated interim unaudited financial statements including notes at June 30, 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 $521 million for the three months ended June 30, 2013, an increase of 7% compared to $488 million in the second quarter of 2012. On a per common share basis, this represents $0.548 per common share for the three months ended June 30, 2013, compared to $0.512 per common share for the same period in 2012.

For the six months ended June 30, 2013, net earnings attributable to common shareholders were $1,038 million, compared to $937 million a year ago. This represents $1.092 per common share for the six months ended June 30, 2013, compared to $0.986 per common share for the same period in 2012.

Highlights – Operating Results

- Consolidated assets under administration at June 30, 2013 were $596 billion, up $50 billion from December 31, 2012.
- Total Company premiums and deposits during the quarter were $15.0 billion, up 14% from a year ago.
- Total Company sales in the second quarter of 2013 were up 30% from the same period in 2012, reflecting strong momentum and growth across all geographies:
  - Canada sales were $2.5 billion, up 17% compared to the second quarter of 2012.
  - Great-West Financial sales were US$2.5 billion, up 34% compared to the second quarter of 2012.
  - Europe Insurance & Annuities sales were $889 million up 7% compared to the second quarter of 2012.
  - Putnam sales were US$6.4 billion, up 36% compared to the second quarter of 2012.
- The Company maintained a strong ROE of 16.8% based on operating earnings and 15.6% 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 233% at June 30, 2013. This includes the impact of capital activity in advance of the closing of the Irish Life Group Limited (Irish Life) acquisition which contributed approximately 15 points to the ratio.
- Credit experience remained benign with minimal impacts from credit downgrade and impairment activity.
- The Company declared a quarterly common dividend of $0.3075 per common share payable September 30, 2013.

Highlights – Irish Life Acquisition

On July 18, 2013, the Company, through its wholly-owned subsidiary Canada Life Limited, completed its previously announced €1.3 billion acquisition of Irish Life. Coincident with the closing, Lifeco's 48,660,000 outstanding subscription receipts have been exchanged, on a one for one basis, for common shares of Great-West Lifeco Inc. The subscription receipt exchange increased the total number of outstanding common shares at July 18, 2013 to 1,000,450,840.

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 second quarter of 2013 were $281 million compared to $253 million in the second quarter of 2012. For the six months ended June 30, 2013 net earnings attributable to common shareholders were $546 million compared to $495 million for the same period in 2012.

Total sales in the second quarter of 2013 were $2.5 billion, an increase of 17% compared to the second quarter of 2012. This increase was due to strong Wealth Management sales which were up 22% from a year ago, reflecting a 49% increase in sales of group retirement products. Wealth Management had positive net cash flow of $162 million during the quarter. Individual Insurance and Group insurance sales were lower than a year ago by 11% and 24% respectively. Total sales for the six months ended June 30, 2013 were $5.6 billion compared to $4.8 billion in 2012.

Total Canada segment assets under administration at June 30, 2013 were $142 billion, compared to $138 billion at December 31, 2012.

UNITED STATES

Net earnings attributable to common shareholders for the second quarter of 2013 were $73 million compared to $85 million in the second quarter of 2012. Great-West Financial reported net earnings of $87 million in the second quarter compared to $90 million for the same period last year. Putnam reported a net loss of $14 million in the second quarter compared to a net loss of $5 million a year ago. For the six months ended June 30, 2013 net earnings attributable to common shareholders were $144 million compared to $159 million in 2012.

Great-West Financial sales in the second quarter of 2013 were US$2.5 billion, up 34% compared to the second quarter of 2012 reflecting strong sales results in both the public/non-profit and 401(k) markets. Sales for the six months ended June 30, 2013 were US$5.0 billion compared to US$4.1 billion in 2012.

Putnam assets under management as at June 30, 2013 were US$134 billion compared to US$120 billion a year ago. Sales in the second quarter were US$6.4 billion, up 36% from a year ago. In quarter redemptions of US$6.8 billion resulted in net asset outflows of US$0.4 billion compared to net outflows of US$0.3 billion for the same period in 2012.

Total United States segment assets under administration at June 30, 2013 were $378 billion compared to $333 billion at December 31, 2012.

EUROPE

Net earnings attributable to common shareholders for the second quarter of 2013 were $178 million compared to $159 million in the second quarter of 2012. For the six months ended June 30, 2013 net earnings attributable to common shareholders were $370 million compared to $299 million for the same period in 2012.

Sales in Insurance & Annuities for the second quarter of 2013 were $889 million, up 7% compared to $828 million a year ago, reflecting higher payout annuity sales in the U.K. partly offset by lower wealth management single premiums in the U.K. Total sales for the six months ended June 30, 2013 were $1.9 billion compared to $1.6 billion in 2012.

Total Europe segment assets under administration at June 30, 2013 were $76 billion, up slightly from $75 billion at December 31, 2012.

GREAT-WEST LIFECO INC.

CORPORATE

Net earnings in the Lifeco corporate segment attributable to common shareholders were a net loss of $11 million in the second quarter of 2013 compared to a net loss of $9 million in the second quarter of 2012. For the six months ended June 30, 2013 net earnings attributable to common shareholders was a net loss of $22 million compared to a net loss of $16 million for the same period in 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 September 30, 2013 to shareholders of record at the close of business August 30, 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 September 30, 2013 to shareholders of record at the close of business August 30, 2013.

P. A. Mahon
President and Chief Executive Officer

July 31, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED JUNE 30, 2013

DATED: JULY 31, 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 and six months ended June 30, 2013 and includes a comparison to the corresponding periods in 2012, to the three months ended March 31, 2013, and to the Company's financial condition as at 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 June 30, 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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012[2]	**June 30 2013**	June 30 2012[2]
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	**$ 4,332**	$ 4,580	$ 4,524	**$ 8,912**	$ 9,053
Self-funded premium equivalents (ASO contracts)	**654**	644	673	**1,298**	1,358
Segregated funds deposits:					
Individual products	**1,431**	1,768	1,436	**3,199**	2,995
Group products	**1,900**	2,006	1,595	**3,906**	3,365
Proprietary mutual funds & institutional deposits	**6,677**	7,642	4,898	**14,319**	10,837
Total premiums and deposits	**14,994**	16,640	13,126	**31,634**	27,608
Fee and other income	**811**	778	734	**1,589**	1,458
Paid or credited to policyholders[1]	**1,321**	5,215	5,979	**6,536**	10,722
Net earnings - common shareholders[2]	**521**	517	488	**1,038**	937
Per common share					
Basic earnings[2]	**$ 0.548**	$ 0.544	$ 0.512	**$ 1.092**	$ 0.986
Dividends paid	**0.3075**	0.3075	0.3075	**0.615**	0.615
Book value[2]	**13.48**	12.87	12.42		
Return on common shareholders' equity					
Net operating earnings[2]	**16.8 %**	16.8 %	16.0 %		
Net earnings[2]	**15.6 %**	15.7 %	17.1 %		
Total assets[2]	**$ 264,158**	$ 261,338	$ 245,232		
Proprietary mutual funds and institutional net assets	**149,273**	146,031	129,028		
Total assets under management[2]	**413,431**	407,369	374,260		
Other assets under administration	**182,305**	174,487	149,258		
Total assets under administration[2]	**$ 595,736**	$ 581,856	$ 523,518		
Total equity[2]	**$ 17,843**	$ 17,268	$ 16,121		

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.

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

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

LIFECO 2013 HIGHLIGHTS

Irish Life Group Limited Acquisition

On July 18, 2013 the Company announced that, through its wholly-owned subsidiary Canada Life Limited, it completed the previously announced €1.3 billion acquisition of Irish Life Group Limited (Irish Life).

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 in-market acquisition 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 pre Irish Life acquisition announcement that referenced the Institutional Brokers' Estimate System consensus earnings estimate).

Funding for the transaction includes the net proceeds of the issuance of approximately $1.25 billion subscription receipts completed on March 12, 2013. This issue comprised a $650 million public bought deal as well as concurrent private placements of subscription receipts to Power Financial Corporation of $550 million and to IGM Financial Inc. of $50 million. As a result of the completion of the acquisition, the 48,660,000 subscription receipts were automatically exchanged on a one-for-one basis for common shares of the Company.

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.

Revised International Financial Reporting Standards

Effective January 1, 2013, the Company adopted several new and revised IFRS as discussed in the Accounting Policies 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 retrospectively 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 the three and six month periods ended June 30, 2012 decreased by $3 million and $5 million respectively, as a result of the adoption of IAS 19R. Prior period figures throughout this document have been restated to reflect the retrospective adoption of these standards.

NET EARNINGS

Consolidated net earnings of Lifeco include the net earnings of The Great-West Life Assurance Company (Great-West Life) and its operating subsidiaries London Life Insurance Company (London Life) 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 June 30, 2013 were $521 million compared to $488 million reported a year ago and $517 million in the previous quarter. On a per share basis, this represents $0.548 per common share ($0.547 diluted) for the second quarter of 2013 compared to $0.512 per common share ($0.509 diluted) a year ago and $0.544 per common share ($0.544 diluted) in the previous quarter.

During the second quarter of 2013, the Company incurred transaction, acquisition and other expenses related to Irish Life which decreased net earnings by $13 million and $18 million on a year-to-date basis. The subscription receipts issued in connection with the 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 were satisfied on July 18, 2013.

Net earnings - common shareholders	**For the three months ended**			**For the six months ended**	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Canada					
Individual Insurance	**$ 71**	$ 56	$ 26	**$ 127**	$ 93
Wealth Management	**90**	90	80	**180**	148
Group Insurance	**118**	95	97	**213**	184
Canada Corporate	**2**	24	50	**26**	70
	281	265	253	**546**	495
United States					
Financial Services	**87**	85	90	**172**	176
Asset Management	**(14)**	(14)	(5)	**(28)**	(17)
U.S. Corporate	**-**	-	-	**-**	-
	73	71	85	**144**	159
Europe					
Insurance & Annuities	**118**	130	107	**248**	212
Reinsurance	**70**	55	56	**125**	90
Europe Corporate	**(10)**	7	(4)	**(3)**	(3)
	178	192	159	**370**	299
Lifeco Corporate	**(11)**	(11)	(9)	**(22)**	(16)
Net Earnings	**$ 521**	$ 517	$ 488	**$ 1,038**	$ 937

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

Interest rates in countries where the Company operates trended higher during the quarter. Ten-year government yields in Canada and in the U.K. increased by 68 basis points (bps), and by 64 bps in the U.S. from March 31, 2013. While credit spreads narrowed by approximately 12 bps in Canada, they widened by approximately 12 bps in the U.S and by approximately 3 bps in the U.K. The increase in interest rates had no material impact on net earnings relative to the Company's expectations. The increase did result in a reduction in fair values of debt instruments supporting liabilities which reduces certain Minimum Continuing Capital and Surplus Requirements factor based requirements contributing a 5 point improvement in the ratio from the first quarter of 2013.

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' performance was mixed in the second quarter of 2013. The major equity indices finished the quarter down 4.9% in Canada (as measured by S&P TSX) and down 3.1% in the U.K. (as measured by FTSE 100), but up 2.4% in the U.S. (as measured by S&P 500) and up 1.6% in broader Europe (as measured by Eurostoxx 50) compared to March 31, 2013.

Comparing the second quarter of 2013 to the second quarter of 2012, the average equity market levels were up by 5.3% in Canada, by 19.3% in the U.S., by 16.1% in the U.K., and by 20.5% in broader Europe.

In the second quarter of 2013, results were generally in line with expectations for asset based fee income and costs of guarantees of death, maturity, or income benefits within certain wealth management products offered by the Company. There was no material impact on net earnings relative to the Company's expectations.

Foreign Currency

During the second quarter of 2013, the Canadian dollar depreciated against all other major currencies in which the Company operates. The U.S. dollar, the British pound and the euro appreciated by approximately 3%, 4% and 5% respectively against the Canadian dollar from the end of the first quarter of 2013. The average currency translation rates of the U.S. dollar, the British pound and euro were up by 1% each, driven by continuing improvement in economic data in the U.S. and in Europe.

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 on the Company's net earnings for both the three and six month period ended June 30, 2013 was insignificant. The decline in the Canadian dollar at June 30, 2013 against the U.S. dollar, British pound and the euro, resulted in unrealized foreign exchange gains from the translation of foreign operations of $326 million recorded in other comprehensive income during the quarter. This favourably impacted book value per share which increased to $13.48 as at June 30, 2013.

PREMIUMS AND DEPOSITS AND SALES

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

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

Premiums and deposits

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Canada					
Individual Insurance	**$ 1,029**	$ 1,001	$ 992	**$ 2,030**	$ 1,918
Wealth Management	**2,371**	2,689	2,011	**5,060**	4,492
Group Insurance	**1,890**	1,875	1,858	**3,765**	3,713
	5,290	5,565	4,861	**10,855**	10,123
United States					
Financial Services	**1,412**	1,434	1,357	**2,846**	2,863
Asset Management	**6,499**	7,433	4,740	**13,932**	10,471
	7,911	8,867	6,097	**16,778**	13,334
Europe					
Insurance & Annuities	**1,257**	1,260	1,227	**2,517**	2,274
Reinsurance	**536**	948	941	**1,484**	1,877
	1,793	2,208	2,168	**4,001**	4,151
Total	**$ 14,994**	$ 16,640	$ 13,126	**$ 31,634**	$ 27,608

Sales

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Canada*	**$ 2,547**	$ 3,012	$ 2,181	**$ 5,559**	$ 4,849
United States*	**9,026**	9,950	6,613	**18,976**	14,545
Europe- Insurance & Annuities	**889**	961	828	**1,850**	1,583
Total	**$ 12,462**	$ 13,923	$ 9,622	**$ 26,385**	$ 20,977

* Sales (a non-IFRS measure) results, in 2012, 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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Investment income earned (net of investment properties expenses)	**$ 1,389**	$ 1,336	$ 1,392	**$ 2,725**	$ 2,806
Allowances for credit losses on loans and receivables	**(1)**	(1)	-	**(2)**	-
Net realized gains	**30**	47	60	**77**	107
Regular investment income	**1,418**	1,382	1,452	**2,800**	2,913
Investment expenses	**(17)**	(20)	(19)	**(37)**	(37)
Regular net investment income	**1,401**	1,362	1,433	**2,763**	2,876
Changes in fair value through profit or loss	**(3,200)**	465	1,106	**(2,735)**	910
Net investment income	**$ (1,799)**	$ 1,827	$ 2,539	**$ 28**	$ 3,786

Net investment income in the second quarter of 2013, which includes changes in fair value through profit or loss, decreased by $4,338 million compared to the same period last year. The change in fair values in the second quarter of 2013 was a decrease of $3,200 million compared to an increase of $1,106 million for the second quarter of 2012 primarily as a result of government bond rates increasing in the second quarter of 2013 compared to decreasing in the second quarter of 2012.

Regular net investment income in the second quarter of 2013, which excludes changes in fair value through profit or loss, decreased by $32 million compared to the second quarter of 2012. The primary reasons for the $32 million decrease were lower realized gains and lower fixed-income yields driven by the continuing low interest rate environment partly offset by the impact of currency movement as the U.S. dollar strengthened against the Canadian dollar. Realized gains on available-for-sale securities were $18 million in the second quarter of 2013 compared to $51 million for the same period last year.

For the six months ended June 30, 2013 net investment income decreased by $3,758 million compared to the same period last year. The change in fair values for the six month period in 2013 was a decrease of $2,735 million compared to an increase in fair values of $910 million during the same period in 2012 primarily as a result of government rates increasing in the first half of 2013 and decreasing in the same period of 2012. Regular net investment income decreased by $113 million compared to the same period last year primarily as a result of lower fixed-income yields and lower realized gains. Realized gains on available-for-sale securities were $53 million in 2013 compared to $87 million in 2012.

Net investment income in the second quarter of 2013 was $3,626 million lower than the first quarter of 2013, primarily due to net decreases in fair values of $3,200 million in the second quarter of 2013 compared to net increases of $465 million in the previous quarter. The fair value of the Company’s bond investments decreased in the second quarter of 2013 as a result of increasing interest rates. In the first quarter of 2013, interest rates decreased only marginally resulting in a modest increase in the fair value of the Company’s bond investments.

Credit Markets

In the second quarter of 2013, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders’ net earnings by $3 million ($3 million net recovery in the second quarter of 2012). New impairments had a minimal impact. Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $11 million in the quarter ($13 million net charge in the second quarter of 2012).

For the six months ended June 30, 2013, the Company experienced net recoveries on impaired assets which positively impacted common shareholders’ net earnings by $6 million ($11 million net recovery year-to-date in 2012). Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $10 million year-to-date ($8 million net charge year-to-date in 2012).

FEE AND OTHER INCOME

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

Fee and other income	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Canada					
Segregated funds, mutual funds and other	**$ 257**	$ 252	$ 232	**$ 509**	$ 471
ASO contracts	**38**	37	38	**75**	76
	295	289	270	**584**	547
United States					
Segregated funds, mutual funds and other	**343**	331	306	**674**	608
Europe					
Segregated funds, mutual funds and other	**173**	158	158	**331**	303
Total fee and other income	**$ 811**	$ 778	$ 734	**$ 1,589**	$ 1,458

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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Canada	**$ 1,053**	$ 2,456	$ 2,681	**$ 3,509**	$ 4,866
United States	**366**	760	1,025	**1,126**	2,028
Europe	**(98)**	1,999	2,273	**1,901**	3,828
Total	**$ 1,321**	$ 5,215	$ 5,979	**$ 6,536**	$ 10,722

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 supporting those liabilities as well as changes in the provision for future credit losses. The amounts do not include benefit payments for ASO contracts or segregated funds and mutual funds.

For the three months ended June 30, 2013, consolidated amounts paid or credited to policyholders were $1.3 billion, including $4.0 billion of policyholder benefit payments and a $2.7 billion decrease in contract liabilities. Compared to the same period in 2012, the amounts paid or credited to policyholders decreased by $4.7 billion and consisted of a $4.3 billion 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 and a $343 million decrease in benefit payments.

For the six months ended June 30, 2013, consolidated amounts paid or credited to policyholders were $6.5 billion, including $8.7 billion of policyholder benefit payments and a $2.2 billion decrease in contract liabilities. Compared to the same period in 2012, the amounts paid or credited to policyholders decreased by $4.2 billion and consisted of a $4.0 billion 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 and a $178 million decrease in benefit payments.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders decreased by $3.9 billion. The decrease consisted of a $3.1 billion 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 and a $780 million decrease in benefit payments.

INCOME TAXES

The Company's effective income tax rate is generally lower than the statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

The Company had an effective income tax rate of 18% for the second quarter of 2013 compared to 12% in the second quarter of 2012. During the second quarter of 2012, the Company entered into an audit agreement with the Canada Revenue Agency (CRA). 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 (UTP) reserves for these items which, upon release, resulted in a positive earnings impact of $47 million; $22 million in the Canada segment and $25 million in the Europe segment. The Company’s effective income tax rate for the second quarter of 2012 was reduced by 8% as a result of the audit agreement.

The Company had an effective income tax rate of 18% for the six months ended June 30, 2013 compared to 11% for the same period in 2012. The Company’s effective income tax rate for 2012 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 2012 was the recognition of prior year income tax benefits in the U.S. segment. The above noted CRA audit agreement further reduced the six month effective income tax rate for 2012 by 4%.

The second quarter effective income tax rate is consistent with the first quarter of 2013.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	June 30, 2013			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 59,796**	**$ 32,215**	**$ 32,950**	**$ 124,961**
Goodwill and intangible assets	**5,102**	**1,818**	**1,688**	**8,608**
Other assets	**3,139**	**4,137**	**12,672**	**19,948**
Segregated funds net assets	**56,344**	**26,108**	**28,189**	**110,641**
Total assets	**124,381**	**64,278**	**75,499**	**264,158**
Proprietary mutual funds and institutional net assets	**3,723**	**145,550**	**-**	**149,273**
Total assets under management	**128,104**	**209,828**	**75,499**	**413,431**
Other assets under administration	**13,632**	**168,498**	**175**	**182,305**
Total assets under administration	**$ 141,736**	**$ 378,326**	**$ 75,674**	**$ 595,736**

	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 June 30, 2013 increased by $50.1 billion from December 31, 2012. Other assets under administration increased by $24.9 billion, primarily as a result of market gains and new business growth.

Goodwill, Intangibles and Other Assets

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life and Putnam. IFRS principles require the Corporation to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and intangible assets at least annually. Other assets include $1.2 billion of deferred tax assets which are dependent on future taxable profits in Putnam, as well as tax planning opportunities. The Company's annual financial planning process provides a significant basis for the measurement of goodwill, intangibles and deferred tax assets.

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

	June 30, 2013		December 31, 2012	
AAA	**$ 31,363**	**36 %**	$ 29,302	35 %
AA	**13,215**	**15**	13,463	16
A	**24,664**	**29**	23,812	29
BBB	**15,008**	**18**	14,662	18
BB or lower	**1,316**	**2**	1,342	2
Total	**$ 85,566**	**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 $85.6 billion or 68% of invested assets at June 30, 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 80% rated A or higher.

Holdings of Debt Securities of Governments

	Carrying Value by Rating - June 30, 2013						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 10,286	$ 3,218	$ 2,300	$ -	$ -	$ 15,804	$ 15,195
U.K.	7,955	906	166	485	-	9,512	8,937
U.S.	6,813	1,292	141	4	-	8,250	8,052
	25,054	**5,416**	**2,607**	**489**	**-**	**33,566**	**32,184**
Portugal	-	-	-	-	9	9	10
Ireland	-	-	-	49	-	49	46
Italy	-	-	-	17	-	17	20
Greece	-	-	-	-	-	-	-
Spain	-	-	-	16	-	16	18
	-	**-**	**-**	**82**	**9**	**91**	**94**
Germany	827	6	-	-	-	833	819
France	280	29	-	-	-	309	296
Netherlands	460	-	-	-	-	460	443
Austria	162	-	-	-	-	162	164
Australia	98	-	-	-	-	98	98
Supranationals	907	85	-	-	-	992	938
All other (9 countries)	571	48	-	20	-	639	638
	3,305	**168**	**-**	**20**	**-**	**3,493**	**3,396**
Total	**$ 28,359**	**$ 5,584**	**$ 2,607**	**$ 591**	**$ 9**	**$ 37,150**	**$ 35,674**

* Includes certain funds held by ceding insurers with a carrying value of $2,930 million and an amortized cost of $2,773 million.

At June 30, 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 $37.2 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 a decrease in market values driven by increasing government interest rates. Included in this portfolio are debt securities issued by Portugal, Ireland, Italy and Spain, with an aggregate carrying value of $91 million down from $113 million at December 31, 2012 as a result of net dispositions. 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 - June 30, 2013						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 60	$ 322	$ 1,011	$ 261	$ -	$ 1,654	$ 1,608
U.K.	208	363	1,636	783	506	3,496	3,415
U.S.	-	1,490	1,868	629	10	3,997	3,748
	268	**2,175**	**4,515**	**1,673**	**516**	**9,147**	**8,771**
Portugal	-	-	-	-	-	-	-
Ireland	-	-	-	64	9	73	92
Italy	-	-	33	103	-	136	142
Greece	-	-	-	-	-	-	-
Spain	63	-	44	99	-	206	217
	63	**-**	**77**	**266**	**9**	**415**	**451**
Germany	1	40	112	1	-	154	150
France	129	39	200	200	-	568	553
Netherlands	-	203	154	40	15	412	405
Australia	110	273	98	77	-	558	542
All other (13 institutions)	17	81	309	82	13	502	478
	257	**636**	**873**	**400**	**28**	**2,194**	**2,128**
Total	**$ 588**	**$ 2,811**	**$ 5,465**	**$ 2,339**	**$ 553**	**$ 11,756**	**$ 11,350**

	Carrying Value by Seniority - June 30, 2013							
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 66	$ 1,048	$ 219	$ 57	$ 264	$ -	$ 1,654	$ 1,608
U.K.	261	1,466	800	451	333	185	3,496	3,415
U.S.	369	2,551	892	-	185	-	3,997	3,748
	696	**5,065**	**1,911**	**508**	**782**	**185**	**9,147**	**8,771**
Portugal	-	-	-	-	-	-	-	-
Ireland	64	-	-	-	9	-	73	92
Italy	33	29	8	-	66	-	136	142
Greece	-	-	-	-	-	-	-	-
Spain	69	-	58	38	41	-	206	217
	166	**29**	**66**	**38**	**116**	**-**	**415**	**451**
Germany	40	59	55	-	-	-	154	150
France	168	120	129	42	109	-	568	553
Netherlands	8	322	10	29	43	-	412	405
Australia	127	306	83	-	42	-	558	542
All other (13 institutions)	33	200	109	95	65	-	502	478
	376	**1,007**	**386**	**166**	**259**	**-**	**2,194**	**2,128**
Total	**$ 1,238**	**$ 6,101**	**$ 2,363**	**$ 712**	**$ 1,157**	**$ 185**	**$ 11,756**	**$ 11,350**

* Includes certain funds held by ceding insurers with a carrying value of $2,834 million and an amortized cost of $2,620 million.

At June 30, 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 $11.8 billion down from $12.3 billion at December 31, 2012 primarily as a result of net dispositions and a decrease in market values offset by the impact of the U.S. dollar strengthening against the Canadian dollar. Included in this portfolio is $415 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 $206 million, $186 million are Sterling denominated bonds issued by U.K. domiciled Prudential Regulation Authority (PRA) 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 June 30, 2013, 95% of the $11.8 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.

Mortgage portfolio

	June 30, 2013				December 31, 2012	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 987**	**$ 704**	**$ 1,691**	**9 %**	$ 1,676	9 %
Multi-family residential	**2,596**	**1,977**	**4,573**	**25**	4,358	25
Commercial	**217**	**12,001**	**12,218**	**66**	11,841	66
Total	**$ 3,800**	**$ 14,682**	**$ 18,482**	**100 %**	$ 17,875	100 %

The total mortgage portfolio was $18.5 billion or 15% of invested assets at June 30, 2013 compared to $17.9 billion or 15% of invested assets at December 31, 2012. Total insured loans were $3.8 billion or 21% of the mortgage portfolio.

Single family residential mortgage

Region	**June 30, 2013**		December 31, 2012	
Ontario	**$ 775**	**46 %**	$ 757	45 %
Quebec	**395**	**24**	398	24
Alberta	**121**	**7**	122	7
British Columbia	**109**	**6**	109	7
Newfoundland	**88**	**5**	86	5
Nova Scotia	**62**	**4**	63	4
Saskatchewan	**55**	**3**	54	3
Manitoba	**43**	**3**	43	3
New Brunswick	**40**	**2**	40	2
Other	**3**	**-**	4	-
Total	**$ 1,691**	**100 %**	$ 1,676	100 %

During the six month period ended June 30, 2013, single-family mortgage originations, including renewals, were $218 million of which 31% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfil its obligations related to the mortgage. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single-family residential mortgage portfolio is 22 years as at June 30, 2013.

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 June 30, 2013, the total provision for future credit losses in insurance contract liabilities was $2,555 million compared to $2,559 million at December 31, 2012, a decrease of $4 million primarily due to normal business activity, rating changes and currency movement.

The aggregate of impairment provisions of $41 million ($73 million at December 31, 2012) and $2,555 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 June 30, 2013 (2.4% at December 31, 2012).

LIABILITIES

Total liabilities

	June 30 2013	Dec. 31 2012
Insurance and investment contract liabilities	**$ 119,933**	$ 120,658
Other general fund liabilities	**15,741**	10,995
Investment and insurance contracts on account of segregated fund policyholders	**110,641**	104,948
Total	**$ 246,315**	$ 236,601

Total liabilities increased by $9.7 billion to $246.3 billion at June 30, 2013. Insurance and investment contract liabilities declined slightly as the decrease in fair value adjustments to insurance contract liabilities resulting from increases in interest rates was mostly offset by business growth. Investment and insurance contracts on account of segregated fund policyholders increased by approximately $5.7 billion due to the impact of market value gains and investment income of $3.5 billion, the impact of foreign exchange of $1.6 billion and net deposits of $0.6 billion. Other general fund liabilities increased by $4.7 billion primarily due to new repurchase agreements of $2.0 billion in the U.S. segment, the issuance of subscription receipts of $1.25 billion and the issuance of euro-denominated ten-year bonds of $0.7 billion.

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 June 30, 2013, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,390 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	June 30, 2013 Investment deficiency by benefit type Income	Maturity	Death	Total*
Canada	$ 24,682	$ -	$ 43	$ 198	$ 198
United States	8,168	1	-	56	57
Europe					
Insurance & Annuities	3,116	-	23	25	25
Reinsurance**	1,056	392	1	28	421
	4,172	**392**	**24**	**53**	**446**
Total	**$ 37,022**	**$ 393**	**$ 67**	**$ 307**	**$ 701**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 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 June 30, 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 $7 million in-quarter and $15 million year-to-date, with the majority arising in the Europe segment.

Share Capital and Surplus

Share capital outstanding at June 30, 2013 was $8,422 million, which comprises $5,878 million of common shares, $2,064 million of non-cumulative First Preferred Shares, and $480 million of five-year rate reset First Preferred Shares.

As a result of the closing of the acquisition of Irish Life on July 18, 2013, Lifeco's 48,660,000 outstanding subscription receipts have been exchanged on a one-for-one basis for common shares of Lifeco. The subscription receipt exchange increased the total number of outstanding common shares to 1,000,450,840 and stated capital by approximately $1.25 billion at July 18, 2013. As a result, effective July 18, 2013, these common shares will be included in the calculation of basic earnings per share. If the common shares issued in exchange for the subscription receipts were outstanding for the three month period ended June 30, 2013, basic EPS for the period would have decreased from $0.548 to $0.521, with book value per share, a non-IFRS measure, increasing from $13.48 to $14.03 as a result of the exchange.

Pursuant to the terms of the subscription receipts, a dividend equivalent amount of $0.3075 per subscription receipt is payable to holders of subscription receipts as a result of Lifeco having declared a dividend of $0.3075 per common share payable to common shareholders of record on May 31, 2013. The dividend equivalent amount was in aggregate $15 million which included an $11 million refund to the subscription receiptholders and $4 million of interest expense, reflecting the interest earned on the proceeds of the subscription receipts funds held in escrow.

Debt Issuance

On April 18, 2013, the Company issued €500 million of euro-denominated 10-year bonds as part of the Company's financing for its acquisition of Irish Life. The bonds pay an annual coupon of 2.50% and were 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 are listed on the Irish Stock Exchange. This was Lifeco's first debt issuance in the euro market.

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 June 30, 2013, Lifeco held cash and government short-term investments of $7.1 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 June 30, 2013, the Company held cash and cash equivalents of approximately $0.4 billion and $1.25 billion of short-term investments held in escrow related to funds received in exchange for subscription receipts at the Lifeco holding company level. Upon completion of the closing of the Irish Life acquisition and release of funds held in escrow, Lifeco held cash and cash equivalents of $1.0 billion. In addition, the Company maintains sizable committed lines of credit with Canadian chartered banks for unanticipated liquidity needs if required.

CASH FLOWS

Cash flows	**For the three months ended June 30**		**For the six months ended June 30**	
	2013	2012	**2013**	2012
Cash flows relating to the following activities:				
Operations	**$ 1,584**	$ 1,270	**$ 2,169**	$ 1,881
Financing	**310**	(551)	**1,407**	(488)
Investment	**(1,256)**	(607)	**(2,742)**	(1,712)
	638	112	**834**	(319)
Effects of changes in exchange rates on cash and cash equivalents	**66**	6	**59**	2
Increase (decrease) in cash and cash equivalents in the period	**704**	118	**893**	(317)
Cash and cash equivalents, beginning of period	**2,084**	1,621	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,788**	$ 1,739	**$ 2,788**	$ 1,739

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 second quarter, cash and cash equivalents increased by $704 million from March 31, 2013. Cash flows provided by operations during the second quarter of 2013 were $1,584 million, an increase of $314 million compared to the second quarter of 2012. Cash flows related to financing were $310 million, primarily due to proceeds from the issuance of euro-denominated bonds related to the purchase of Irish Life of $659 million, partly offset by payment of dividends to the preferred and common shareholders of $325 million. For the three months ended June 30, 2013, cash flows were used by the Company to acquire an additional $1,256 million of investment assets.

For the six months ended June 30, 2013, cash and cash equivalents increased by $893 million from December 31, 2012. Cash flows provided from operations were $2,169 million, an increase of $288 million compared to 2012. Cash flows related to financing were $1,407 million, primarily due to proceeds of $1.2 billion from the issuance of subscription receipts and $659 million from the issuance of euro-denominated bonds related to the purchase of Irish Life, partly offset by the payment of dividends to the preferred and common shareholders of $650 million. In 2013, cash flows were used by the Company to acquire an additional $2,742 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 June 30, 2013 was 233% (207% at December 31, 2012). London Life's MCCSR ratio at June 30, 2013 was 245% (243% at December 31, 2012). Canada Life's MCCSR ratio at June 30, 2013 was 271% (203% at December 31, 2012). The MCCSR ratio does not take into account any impact from $0.4 billion of liquidity at the Lifeco holding company level.

The MCCSR of 233% for Great-West Life includes 15 points for the impact of capital activity in advance of closing of the Irish Life acquisition. The related impact for Canada Life was 50 points and nil for London Life.

Of the $575 million total impact of IAS 19R, the Company's federally regulated subsidiaries were able to elect an amount of $454 million to phase in over eight quarters for MCCSR regulatory reporting purposes. 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.

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.

Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The capital plan is designed to ensure that the Company maintains adequate capital, taking into account the Company's strategy and business plans. The Board of Directors reviews and approves the annual capital plan as well as all capital transactions undertaken by management pursuant to the plan.

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 Great-West Life), this allocation method tracks the regulatory capital requirements, while for U.S. Financial Services and U.S. Asset Management (Putnam), it tracks the financial statement carrying value of the business units. Total leverage capital is consistently allocated across all business units in proportion to total capital resulting in 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	June 30 2013	Mar. 31 2013	Dec. 31 2012[(3)]
Canada	**23.4 %**	22.8 %	22.7 %
U.S. Financial Services [(1)]	**18.7 %**	20.2 %	20.9 %
U.S. Asset Management (Putnam)	**(2.9)%**	(2.5)%	(2.4)%
Europe	**19.5 %**	18.9 %	18.2 %
Lifeco Corporate [(2)]	**(9.6)%**	(9.3)%	(5.9)%
Total Lifeco Net Earnings	**15.6 %**	15.7 %	15.3 %
Total Lifeco Operating Earnings [(2)]	**16.8 %**	16.8 %	16.5 %

(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 15.6% compared to 15.3% at December 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 second quarter of 2013.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Great-West Financial
A.M. Best Company	Financial Strength		A+	A+	A+	A+
DBRS Limited	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.

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 second quarter of 2013. During the six month period ended June 30, 2013 the outstanding notional amount of derivative contracts increased by $1,399 million primarily as a result of contracts related to the Irish Life acquisition. 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 Irish Life investment, and fix the euro to the Canadian dollar rate on approximately €500 million.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $640 million at June 30, 2013 from $997 million at December 31, 2012. Market values decreased on cross currency swaps exchanging U.S. dollars for Canadian dollars for asset liability cash flow matching purposes as the U.S. dollar strengthened against the Canadian dollar.

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.

New and revised accounting standard changes effective in 2013 are set out in the following table:

New / 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 retrospectively, 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 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 note 3 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 or 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 may change subsequent to 2013 and could impact the Company are set out in the following table:

New / Revised Standard	**Summary of Future Changes**
IFRS 4 - Insurance Contracts	The IASB issued a revised IFRS 4, *Insurance Contract*s exposure draft proposing changes to the accounting standard for insurance contracts in June 2013. The revised proposals aim to address measurement, presentation and transitional issues identified in the initial exposure draft issued in July 2010, through consultation with the insurance industry and financial statement users. The revised proposals would expand upon the building block measurement model requiring 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. The proposed standard differs significantly from the Company's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM). Current accounting practices closely link the accounting valuations of insurance liabilities and the specific assets used to support those liabilities, thereby minimizing accounting mismatches when liabilities and assets are well-matched economically. The IASB proposals would measure most insurance contract liabilities based on current interest rates, and, under March 2013 proposed amendments to IFRS 9, *Financial Instruments* investment assets in certain debt securities would also be carried at fair value through other comprehensive income (FVOCI). As a result, changes in the carrying value of both insurance liabilities and investment assets as a result of interest rate changes would be reflected in other comprehensive income rather than in profit or loss. While this proposal would exclude interest rate-related volatility from profit or loss, certain other assets used to support insurance liabilities do not qualify for FVOCI treatment, such as loans and receivables, which would be measured at amortized cost, and other assets such as equity investments, which would be measured at fair value through profit or loss (FVTPL). These differences in valuation bases may cause significant volatility in the net earnings and equity of the Company. The IASB's revised proposals will also affect the calculation of insurance contract liabilities, and the Company is assessing the overall effect of these differences. The revised exposure draft also proposes changes to the presentation of insurance contract revenue being recognized during the period and disclosure within the financial statements. The Company is reviewing this standard in conjunction with proposed changes to classification and measurement of financial instruments under IFRS 9 to assess the potential impact on the Company. The Company will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective. A final standard is not expected to be implemented prior to 2018; the Company continues to actively monitor developments in this area.

IFRS 9 - Financial Instruments	The IASB issued IFRS 9, *Financial Instruments* in 2010 to replace IAS 39, *Financial Instruments*, to be implemented for annual periods beginning on or after January 1, 2015. The IASB plans to make further changes in financial instruments accounting, and has separated its project to amend IFRS 9 into three phases: classification and measurement, impairment methodology and hedge accounting. • The existing classification and measurement provisions of IFRS 9 requires all financial assets to be classified on initial recognition either at amortized cost, FVTPL or on an elective basis, FVOCI without recycling of realized gains and losses to profit or loss. The existing categories of available-for-sale, held to maturity, and loans and receivables would be eliminated. Subsequent amendments proposed to the standard have also introduced a new category for classification of certain financial assets of FVOCI. This phase also requires embedded derivatives to be assessed for classification together with their financial asset host. • The IASB released a revised exposure draft in March 2013 on the expected loss impairment method to be used for financial assets. • The IASB has finalized deliberations on the criteria for hedge accounting and measuring effectiveness and is targeting to release the final hedge accounting phase in the second half of 2013. The full impact of IFRS 9, on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39. The current timetable for adoption of IFRS 9 is for the annual period beginning January 1, 2015; however, the Company continues to actively monitor this standard in conjunction with the developments to IFRS 4.
IAS 17 - Leases	The IASB issued a revised exposure draft in May 2013 amending the May 2010 proposal of 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 with a maximum possible term of more than 12 months. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The revised exposure draft includes guidance for identifying which contract is a lease and provides separate approaches for the recognition, measurement and presentation of expenses and cash flows arising from a lease depending on the amount of the economic benefit of the leased asset to be used by the lessee. 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 the second half of 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. These amendments will have no impact on the financial results or financial statement presentation of the Company.

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 respective 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			**For the six months ended**	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 5,290**	$ 5,565	$ 4,861	**$ 10,855**	$ 10,123
Sales*	**2,547**	3,012	2,181	**5,559**	4,849
Fee and other income	**295**	289	270	**584**	547
Net earnings - common shareholders	**281**	265	253	**546**	495
Total assets	**$ 124,381**	$ 125,243	$ 116,869		
Proprietary mutual funds net assets	**3,723**	3,767	3,376		
Total assets under management	**128,104**	129,010	120,245		
Other assets under administration	**13,632**	13,600	12,594		
Total assets under administration	**$ 141,736**	$ 142,610	$ 132,839		

* Sales (a non-IFRS measure) results, in 2012, 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

- Premiums and deposits grew to $5,290 million, an increase of $429 million from the second quarter of 2012.
- Sales in the second quarter of 2013 were $2,547 million, an increase of $366 million compared to the second quarter of 2012.
- Fee and other income in the second quarter of 2013 were $295 million, an increase of $25 million compared to the second quarter of 2012.
- Net earnings attributable to common shareholders for the second quarter of 2013 were $281 million compared to $253 million for the second quarter of 2012.
- Individual Insurance continues to review rates on its products to respond to the current economic environment and during the second quarter of 2013 launched new rates on level cost of insurance universal life and disability income products.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 1,029**	$ 1,001	$ 992	**$ 2,030**	$ 1,918
Sales*	**108**	107	122	**215**	238
Net earnings	**71**	56	26	**127**	93

* Sales (a non-IFRS measure) results, in 2012, 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 $37 million to $1,029 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $34 million to $947 million compared to the same quarter last year, primarily due to a 5% increase in participating life premiums. Living Benefits premiums for the quarter increased by $3 million to $82 million compared to the same period last year.

For the six months ended June 30, 2013, Individual Insurance premiums increased by 6% to $2,030 million compared to the same period last year. Individual Life premiums increased by $106 million to $1,865 million compared to the same period last year. Living Benefits premiums increased by $6 million to $165 million compared to the same period last year.

Individual Insurance premiums increased by $28 million to $1,029 million compared to the previous quarter, primarily due to a 5% increase in participating life premiums due to the normal seasonality of life insurance sales.

Sales

For the second quarter of 2013, Individual Life sales decreased by $13 million to $98 million compared to the same quarter last year. The largest contributor was a 39% decrease in universal life sales, this decrease was mostly attributable to strong sales in the second quarter of 2012, which occurred in advance of announced price increases. Sales of Living Benefits of $10 million were $1 million lower than in the same quarter last year.

For the six months ended June 30, 2013, Individual Life sales decreased by $24 million to $193 million compared to the same period last year, primarily due to a 42% decrease in universal life sales. Sales of Living Benefits of $22 million were $1 million higher than in the same period last year.

Individual Life sales increased by $3 million to $98 million compared to the previous quarter. Living Benefits sales of $10 million were $2 million lower than in the previous quarter.

Net earnings

Net earnings for the second quarter increased by $45 million compared to the same quarter of 2012. This increase was primarily driven by the negative impact of strengthening of reinvestment risk margins in the second quarter of 2012 and a reduction in new business strain, partially offset by unfavourable policyholder behaviour experience and unfavourable impact of discounting of deferred taxes.

For the six months ended June 30, 2013, net earnings increased by $34 million compared to the same period last year. This increase is primarily driven by an $18 million reduction in new business strain and an $18 million improvement in investment experience, partially offset by a $5 million reduction in mortality and morbidity experience.

Net earnings increased by $15 million compared to the previous quarter. This increase is primarily due to a $9 million improvement in mortality experience and a $5 million reduction in new business strain.

The net earnings attributable to the participating account were $19 million in the second quarter of 2013 compared to a net loss of $4 million in the second quarter of 2012. This increase includes an $8 million reduction to new business strain.

For the six months ended June 30, 2013, the net earnings attributable to the participating account were $34 million compared to a net loss of $10 million for the same period in 2012. This increase includes a $20 million reduction to new business strain.

The net earnings attributable to the participating account increased by $4 million from the first quarter of 2013, including a $2 million reduction to new business strain.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 2,371**	$ 2,689	$ 2,011	**$ 5,060**	$ 4,492
Sales*	**2,323**	2,617	1,906	**4,940**	4,324
Fee and other income	**245**	238	222	**483**	450
Net earnings	**90**	90	80	**180**	148

* Sales (a non-IFRS measure) results, in 2012, 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 second quarter of 2013 increased by $65 million to $929 million compared to the same quarter last year. This increase is consistent with fund flows in the Canadian investment funds marketplace. Premiums and deposits to retail guaranteed interest rate and payout annuity products of $63 million were $12 million higher than the second quarter of 2012. Premiums and deposits to group retirement products of $1,379 million were $283 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 investment only deposits.

For the six months ended June 30, 2013, premiums and deposits to proprietary retail investment funds increased by $128 million to $2,066 million compared to the same period last year, for the same reasons as noted for the in-quarter result above. Premiums and deposits to retail guaranteed interest rate and payout annuity products were $133 million for the first six months of 2013 which was comparable to the same period last year. Premiums and deposits to group retirement products increased by $441 million to $2,861 million compared to the same period 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 decreased by $208 million compared to the previous quarter with retail guaranteed interest rate and payout annuity products decreasing by $7 million due to the positive impact of Registered Retirement Savings Plan (RRSP) season on first quarter premiums and deposits. Premiums to group retirement products decreased by $103 million compared to the previous quarter due to lower deposits into group capital accumulation plans and lower single premium group annuity sales premiums partially offset by higher investment only deposits.

Sales

Sales for the quarter increased by $417 million compared to the same quarter last year. Sales of proprietary retail investment funds increased by $170 million to $1,290 million compared to the same quarter last year due to strong base product and 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 $160 million were $1 million higher than in the same quarter last year. Sales of group retirement products of $611 million were $202 million higher than in the same quarter last year due to higher lump sum transfers from new group capital accumulation plan clients and higher investment only sales.

For the six months ended June 30, 2013, sales of proprietary retail investment funds increased by $232 million to $2,744 million compared to the same period last year. Sales of retail guaranteed interest rate and payout annuity products decreased by $32 million to $349 million compared to the same period last year due to the impact of the low interest rate environment. Sales of group retirement products increased by $350 million to $1,260 million compared to the same period last year due to a significant increase in group capital accumulation plan and single premium group annuity sales.

Sales of proprietary retail investment funds decreased by $164 million and sales of retail guaranteed interest rate and payout annuity products decreased by $29 million compared to the previous quarter due to the beneficial RRSP season impact on first quarter results. Group retirement products sales decreased by $38 million due to lower group capital accumulation plan and single premium group annuity sales partially offset by higher investment only sales.

Fee and other income

Fee income for the second quarter of 2013 increased by $23 million 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.

For the six months ended June 30, 2013, fee and other income increased by $33 million compared to the same period last year for the same reasons as noted in the quarter-over-quarter fee and other income comparison.

Fee and other income increased by $7 million compared to the previous quarter due to higher daily average AUM.

Net earnings
Net earnings for the second quarter of 2013 increased by $10 million compared to the same quarter last year. This is primarily from higher fee income and increased segregated fund acquisition expense deferrals partially offset by less favourable mortality experience and lower investment gains.

For the six months ended June 30, 2013, net earnings increased by $32 million compared to the same period last year. This is primarily from higher fee income, increased segregated fund acquisition expense deferrals, and higher insurance contract basis changes partially offset by less favourable mortality experience.

Net earnings were comparable to the previous quarter. Increases due to higher fee income and increased segregated fund acquisition expense deferrals were offset by less favourable mortality experience and lower insurance contract liability basis changes.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 1,890**	$ 1,875	$ 1,858	**$ 3,765**	$ 3,713
Sales	**116**	288	153	**404**	287
Fee and other income	**38**	37	38	**75**	76
Net earnings	**118**	95	97	**213**	184

Premiums and deposits
Premiums and deposits for the second quarter of 2013 increased by $32 million to $1,890 million compared to the same period last year, primarily due to an increase in long-term disability premiums.

For the six months ended June 30, 2013, premiums and deposits increased by $52 million to $3,765 million compared to the same period in 2012, primarily due to an increase in long-term disability premiums.

Premiums and deposits increased by $15 million to $1,890 million compared to the previous quarter.

Sales
Sales decreased by $37 million to $116 million compared to the second quarter of 2012. The decrease was due to lower sales in the creditor/direct marketing products mainly due to one large sale in the second quarter of 2012 not repeated in the current quarter. The decrease was also the result of lower sales in the large case market. Sales in the large case market can be highly variable from quarter to quarter. The decreases were partly offset by higher sales in the small/mid-size case market.

For the six months ended June 30, 2013, sales increased by $117 million to $404 million compared to the same period last year. The increase was primarily due to higher sales in the creditor/direct marketing products mainly due to one large sale for $156 million in 2013 compared to one large sale for $39 million in 2012.

Sales decreased by $172 million to $116 million compared to the previous quarter due to lower sales in the creditor/direct marketing products mainly due to one large sale in the previous quarter. The decrease was also the result of lower sales in the large case market. Sales in the large case market can be highly variable from quarter to quarter. The decreases were partly offset by higher sales in the small/mid-size case market.

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 were comparable to the second quarter of 2012.

For the six months ended June 30, 2013, fee and other income decreased by $1 million compared to the same period last year mainly due to a decrease in ASO premium equivalents.

Fee and other income for the quarter increased by $1 million compared to the previous quarter mainly due to an increase in ASO premium equivalents.

Net earnings
Net earnings for the second quarter of 2013 increased by $21 million compared to the same quarter last year, primarily due to favourable mortality results, higher expense gains and lower income taxes partly offset by unfavourable morbidity results and lower gains from insurance contract liability basis changes.

For the six months ended June 30, 2013, net earnings of $213 million increased by $29 million compared to the same period last year. The increase was primarily due to favourable mortality and morbidity results, higher expense gains and lower income taxes. The increases were partly offset by lower gains from insurance contract liability basis changes.

Net earnings increased by $23 million compared to the previous quarter primarily due to higher investment gains, higher expense gains and lower income taxes partly offset by unfavourable mortality and morbidity results and lower gains from insurance contract liability basis changes.

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

Canada Corporate net earnings for the second quarter of 2013 were $2 million, compared to net earnings of $50 million in the second quarter of 2012. The $48 million decrease is primarily due to lower mark-to-market gains on investment properties supporting corporate surplus of $20 million and income tax related items. The second quarter of 2012 included the conclusion of certain income tax matters positively impacting net earnings by $22 million, which did not recur in the current quarter.

For the six months ended June 30, 2013, Canada Corporate had net earnings of $26 million compared to $70 million for the same period in 2012. The decrease in net earnings is primarily due to lower mark-to-market gains on investment properties supporting corporate surplus of $43 million and the conclusion of certain income tax matters as noted above for the in-quarter change. 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 $23 million in the first quarter.

Net earnings decreased $22 million compared to the previous quarter. The decrease in net earnings is primarily due to the review of contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation, as noted above in the year-to-date change.

UNITED STATES

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

Through its Financial Services business unit, the Company provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, fund management and 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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 7,911**	$ 8,867	$ 6,097	**$ 16,778**	$ 13,334
Sales*	**9,026**	9,950	6,613	**18,976**	14,545
Fee and other income	**343**	331	306	**674**	608
Net earnings - common shareholders	**73**	71	85	**144**	159
Net earnings - common shareholders (US$)	**71**	70	84	**141**	158
Total assets	**$ 64,278**	$ 62,462	$ 57,302		
Proprietary mutual funds and institutional net assets	**145,550**	142,264	125,652		
Total assets under management	**209,828**	204,726	182,954		
Other assets under administration	**168,498**	160,774	136,562		
Total assets under administration	**$ 378,326**	$ 365,500	$ 319,516		

* Sales (a non-IFRS measure) results, in 2012, 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

- Great-West Financial's recent initiatives to enter and grow in the Individual Retirement Account (IRA) Rollover and annuity markets resulted in US$256 million in sales for the six months ended June 30, 2013, an increase of 75% over the same period last year.
- Premiums and deposits for the three months ended June 30, 2013 increased US$42 million, up 3% compared to the same period last year.
- Sales for the three months ended June 30, 2013 were US$2.5 billion, up 34% from the same period last year. For the six months ended June 30, 2013, sales were US$5.0 billion, up 23% over the same period last year. The increases compared to 2012 were primarily due to a higher volume of plan sales activity for both the 401(k) and public/non-profit markets.
- Fee and other income for the three months ended June 30, 2013 was US$147 million, an increase of US$26 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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012*	**June 30 2013**	June 30 2012*
Premiums and deposits	**$ 1,412**	$ 1,434	$ 1,357	**$ 2,846**	$ 2,863
Sales**	**2,527**	2,517	1,873	**5,044**	4,074
Fee and other income	**150**	140	122	**290**	245
Net earnings	**87**	85	90	**172**	176
Premiums and deposits (US$)	**$ 1,385**	$ 1,420	$ 1,343	**$ 2,805**	$ 2,849
Sales (US$)**	**2,478**	2,492	1,855	**4,970**	4,056
Fee and other income (US$)	**147**	140	121	**287**	244
Net earnings (US$)	**85**	84	89	**169**	175

* 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.

** Sales (a non-IFRS measure) results, in 2012, 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 second quarter of 2013 increased by US$42 million compared to the second quarter of 2012 due to an increase of US$101 million in Retirement Services offset by a decrease of US$59 million in Individual Markets. The increase in Retirement Services is primarily related to higher 401(k) premiums and deposits of US$58 million due to increased transfers of US$40 million from retail investment options to the general account. The decrease in Individual Markets is primarily related to lower sales in the retail bank market in the second quarter of 2013.

For the six months ended June 30, 2013, premiums and deposits decreased by US$44 million compared to the same period in 2012 due to a decrease of US$108 million in Individual Markets offset by an increase of US$64 million in Retirement Services. The decrease in Individual Markets was primarily related to lower sales in the retail bank market. The increase in Retirement Services is primarily related to US$59 million from the group annuity product introduced in the second half of 2012 distributed by Great-West Financial's institutional partner, American Funds.

Compared to the previous quarter, premiums and deposits were down by US$35 million due to a decrease of US$65 million in Individual Markets partly offset by an increase of US$30 million in Retirement Services.

Sales

For the second quarter, sales increased by US$623 million compared to the second quarter of 2012 due to an increase of US$621 million in Retirement Services. The increase in Retirement Services is primarily due to a higher volume of plan sale activity for both the 401(k) and public/non-profit markets.

For the six months ended June 30, 2013, sales increased by US$914 million compared to the same period of 2012 due to an increase of US$926 million in Retirement Services offset by a decrease of US$12 million in Individual Markets. The increase in Retirement Services is due to a higher volume of plan sale activity for both the 401(k) and public/non-profit markets. Individual Markets' decrease is due to lower sales in the retail bank and business-owned life insurance markets of US$122 million offset by an increase of US$110 million of sales in the IRA and individual annuity markets.

Sales decreased by US$14 million compared to the previous quarter due to a decrease of US$45 million in Retirement Services offset by an increase of US$31 million in Individual Markets.

Fee and other income

Fee and other income for the second quarter of 2013 increased by US$26 million compared to the second quarter of 2012 primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

For the six months ended June 30, 2013, fee and other income increased by US$43 million compared to the same period last year, 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$7 million compared to the previous quarter primarily due to US$3 million 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 and US$3 million higher administrative fees in Retirement Services.

Net earnings

Net earnings for the second quarter of 2013 decreased by US$4 million compared to the second quarter of 2012 primarily due to a lower reduction of reinvestment risk margins of US$12 million and lower mortality gains of US$7 million offset by higher investment margins of US$8 million and positive expense basis changes of US$6 million.

For the six months ended June 30, 2013, net earnings decreased by US$6 million compared to the same period in 2012 primarily due to income tax benefits in 2012 of US$15 million and a lower reduction of reinvestment risk margins of US$12 million, offset by higher investment margins of US$11 million, positive expense basis changes of US$6 million and higher mortality gains of US$6 million.

Net earnings increased by US$1 million compared to the previous quarter primarily due to positive expense basis changes of US$6 million, higher fees of US$4 million and higher gains on surplus assets of US$4 million partly offset by lower mortality gains of US$12 million.

ASSET MANAGEMENT

2013 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at June 30, 2013 of US$134 billion increased by US$14 billion compared to the same period a year ago primarily due to favourable financial markets.
- Putnam's gross sales for the three months ended June 30, 2013 increased by US$1.7 billion compared to the same period last year primarily from strong mutual fund sales in the current quarter, which were at their highest levels since the first quarter of 2004. Year-to-date, gross sales have increased by more than US$3.3 billion compared to last year.
- Fee and other income in the second quarter of 2013 were US$189 million, an increase of US$7 million compared to the second quarter of 2012.
- Putnam continues to sustain strong risk-adjusted investment performance relative to its peers. In the first half of 2013, approximately 88% of Putnam's fund assets performed at levels above the Lipper median and on a one-year and five-year basis 92% and 74% of fund assets performed above the Lipper median, respectively.

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 6,499**	$ 7,433	$ 4,740	**$ 13,932**	$ 10,471
Fee and other income					
Investment management fees	**144**	140	129	**284**	260
Performance fees	**1**	1	6	**2**	8
Service fees	**37**	36	37	**73**	71
Underwriting & distribution fees	**11**	14	12	**25**	24
Fee and other income	**193**	191	184	**384**	363
Net loss	**(14)**	(14)	(5)	**(28)**	(17)
Premiums and deposits (US$)	**$ 6,372**	$ 7,359	$ 4,693	**$ 13,731**	$ 10,424
Fee and other income (US$)					
Investment management fees (US$)	**141**	139	129	**280**	260
Performance fees (US$)	**1**	1	6	**2**	8
Service fees (US$)	**36**	36	36	**72**	70
Underwriting & distribution fees (US$)	**11**	13	11	**24**	23
Fee and other income (US$)	**189**	189	182	**378**	361
Net loss (US$)	**(14)**	(14)	(5)	**(28)**	(17)

Premiums and deposits

Premiums and deposits increased by US$1.7 billion in the second quarter of 2013 compared to the same period in 2012 as a result of stronger overall mutual fund sales of US$1.5 billion and institutional sales of US$172 million.

For the six months ended June 30, 2013, premiums and deposits increased by US$3.3 billion compared to the same period in 2012 due to improved mutual fund sales of US$2.7 billion and institutional sales of US$620 million.

Premiums and deposits decreased by US$1.0 billion compared to the previous quarter due a reduction in institutional sales of US$1.2 billion in the current quarter, partially offset by an increase in mutual fund sales of US$259 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.

Fee and other income for the second quarter of 2013 increased by US$7 million compared to the same period in 2012, primarily due to an increase in investment management fees from higher average AUM, partially offset by lower performance fees on institutional accounts.

For the six months ended June 30, 2013, fee and other income increased by US$17 million compared to the same period last year. This was primarily due to an increase in investment management fees from higher average AUM and higher service fees as increased assets more than offset a slight decrease in accounts, partially offset by lower performance fees on institutional accounts.

Fee and other income was comparable to the previous quarter. An increase in investment management fees from higher average AUM was offset by lower distribution fees earned from certain deferred sales charge share classes and from the negative impact of markets on seed investments.

Net earnings

Net loss for the second quarter increased by US$9 million as compared to the same period last year. The increase in fee income and higher net investment income was offset by increased incentive compensation and other expenses. The 2012 comparative results included a US$6 million positive impact from fair value adjustments on share-based compensation which were nil during the current quarter.

For the six months ended June 30, 2013, net loss increased by US$11 million as compared to the same period last year. The 2012 comparative results include a release of a legal provision of US$16 million. Higher levels of fee income and net investment income was offset by higher incentive compensation and other expenses.

Net loss was comparable to the previous quarter.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Beginning assets	**$ 134,714**	$ 128,329	$ 124,279	**$ 128,329**	$ 116,652
Sales (includes dividends reinvested)	**6,372**	7,359	4,693	**13,731**	10,424
Redemptions	**(6,779)**	(7,673)	(4,964)	**(14,452)**	(12,664)
Net asset flows	**(407)**	(314)	(271)	**(721)**	(2,240)
Impact of market/performance	**(622)**	6,699	(4,300)	**6,077**	5,296
Ending assets	**$ 133,685**	$ 134,714	$ 119,708	**$ 133,685**	$ 119,708
Average assets under management	**$ 135,771**	$ 133,166	$ 120,602	**$ 134,511**	$ 121,466

Average AUM for the three months ended June 30, 2013 was US$136 billion, comprising mutual funds of US$67 billion and institutional accounts of US$69 billion. Average AUM increased by US$15 billion compared to the three months ended June 30, 2012 primarily due to the cumulative impact of positive market performance on AUM.

Average AUM for the six months ended June 30, 2013 increased by US$13 billion compared to the six months ended June 30, 2012 due to the same reason as the in-quarter comparison.

Although ending AUM decreased by US$1 billion due to negative market performance at the end of the second quarter of 2013, average AUM increased by US$3 billion compared to the previous quarter primarily due to the overall trend and timing of market performance throughout the quarter.

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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 1,793**	$ 2,208	$ 2,168	**$ 4,001**	$ 4,151
Fee and other income	**173**	158	158	**331**	303
Net earnings - common shareholders	**178**	192	159	**370**	299
Total assets	**$ 75,499**	$ 73,633	$ 71,061		
Other assets under administration	**175**	113	102		
Total assets under administration	**$ 75,674**	$ 73,746	$ 71,163		

2013 DEVELOPMENTS

- On July 18, 2013 Lifeco announced that it completed its acquisition of Irish Life Group Limited through its indirect wholly owned subsidiary, Canada Life Limited. Irish Life is the largest life and pensions group and investment manager in Ireland, with more than one million customers and $50 billion of assets under management.
- Premiums and deposits for the three months ended June 30, 2013 of $1,793 million decreased by $375 million, compared to the second quarter of 2012 primarily due to the non-renewal of a life retrocession treaty partly offset by higher volumes in the life business.

- Insurance & Annuities sales for the three months ended June 30, 2013 of $889 million increased by $61 million compared to the same period of 2012. The increase is due mainly to strong sales of payout annuities in U.K. partly offset by lower sales of single premium savings products in U.K.
- Fee and other income in the second quarter of 2013 were $173 million, an increase of $15 million compared to the second quarter of 2012.
- Net earnings for the three months ended June 30, 2013 were $178 million, up 12% from the same period last year. For the six months ended June 30, 2013, net earnings were up 24% from the same period last year.
- In the U.K., the Professional Adviser International Fund & Product 2013 Awards named Canada Life "Best International Life Group U.K.," while Canada Life International Controlled Access Account was named "Best International Trust & Estate Planning Product".
- The ORC International market survey of U.K. Group Insurance advisers ranked Canada Life #1 in "Group Insurance" for the second year running and "Overall Service" for the fifth year in a row.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 1,257**	$ 1,260	$ 1,227	**$ 2,517**	$ 2,274
Sales	**889**	961	828	**1,850**	1,583
Fee and other income	**156**	141	146	**297**	278
Net earnings	**118**	130	107	**248**	212

Premiums and deposits
Premiums and deposits for the second quarter increased by $30 million compared to the same quarter last year, primarily due to higher sales of payout annuities in U.K. partly offset by lower sales of single premium savings products in U.K.

For the six months ended June 30, 2013, premiums and deposits increased by 11% compared to the same period in 2012, primarily due to the growth of payout annuities and group products in U.K. as well as higher sales of the guaranteed variable annuity product in Ireland.

Premiums and deposits decreased by $3 million compared to the previous quarter.

Sales
Sales increased by $61 million compared to the same quarter last year due to $103 million of higher sales in U.K. payout annuities partly offset by lower sales of single premium savings products in U.K.

For the six months ended June 30, 2013, sales increased by $267 million compared to the same period last year, due mainly to higher sales of payout annuities in U.K., an increase in single premium savings product sales in U.K. reflecting the normal fluctuations in the number of large cases as well as growth of the guaranteed variable annuity products in Ireland.

Sales decreased by $72 million from the previous quarter primarily due to $157 million lower sales of single premium savings products in U.K. partly offset primarily by higher sales of U.K. payout annuities.

Fee and other income

Fee and other income increased by $10 million compared to the same quarter last year due mainly to higher fees in Germany resulting from growth in assets under management.

For the six months ended June 30, 2013, fee and other income increased by $19 million compared to the same period last year due mainly to higher average assets under management in Germany.

Fee and other income increased by $15 million compared to the previous quarter due mainly to higher fees in U.K.

Net earnings

Net earnings for the second quarter of 2013 increased by $11 million compared to the same quarter last year primarily as a result of $30 million strengthening to reinvestment risk margins in the second quarter of 2012 that did not recur during the same period of 2013. The increase is also due to the impact of increased new business volumes and margins of $10 million. Partly offsetting these increases were $25 million lower investment trading experience and a $9 million decrease in morbidity gains.

For the six months ended June 30, 2013, net earnings increased by $36 million compared to the same period last year. The first half of 2012 results included $41 million strengthening of reinvestment risk and interest reserves which were not repeated during the same period of 2013. Also contributing to higher net earnings were $23 million increased mortality margins in the U.K. and higher new business volumes and margins of $16 million. Partly offsetting these increases were $23 million lower investment gains, an $11 million decrease in morbidity gains and a $6 million benefit in 2012 arising from a reduction in U.K. corporate tax rates.

Net earnings decreased by $12 million compared to the first quarter of 2013. The decrease was primarily due to lower investment gains.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012	**June 30 2013**	June 30 2012
Premiums and deposits	**$ 536**	$ 948	$ 941	**$ 1,484**	$ 1,877
Fee and other income	**17**	17	12	**34**	25
Net earnings	**70**	55	56	**125**	90

Premiums and deposits

Premiums and deposits for the second quarter of 2013 decreased by $405 million compared to last year primarily due to the commutation of a health reinsurance treaty partly offset by higher volumes in the life business.

For the six months ended June 30, 2013, premiums and deposits decreased by $393 million compared to the same period last year mainly due to the commutation of a health reinsurance treaty which was partly offset by higher volumes in the life business.

Premiums and deposits decreased by $412 million compared to the previous quarter primarily due to the commutation of a health reinsurance treaty partly offset by higher volumes in the life business.

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 $5 million compared to the same quarter last year and by $9 million year-to-date driven by higher volumes and new business.

Fee and other income was comparable to the previous quarter.

Net earnings

Net earnings for the second quarter of 2013 increased by $14 million compared to the same period last year, due to $17 million from favourable claims experience and $9 million higher new business margins partly offset by $15 million lower investment gains.

For the six months ended June 30 2013, net earnings increased by $35 million compared to the same period last year, due mostly to more favourable claims experience.

Net earnings for the second quarter of 2013 increased by $15 million compared to the previous quarter largely due to favourable claims experience with higher new business gains largely offset by lower investment gains.

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 June 30, 2013 was a loss of $10 million compared to a loss of $4 million for the same period in 2012, this includes expenses and other costs in the current quarter related to the Irish Life acquisition of $10 million.

Net earnings for the six months ended June 30, 2013 was a loss of $3 million compared to a net loss of $3 million for the same period in 2012. During the first half of 2013, the Company completed a review of remaining contingent liabilities relating to the 2003 Canada Life Financial Corporation acquisition, resulting in a release of provisions of $11 million which was offset by $14 million relating to the Irish Life acquisition.

Net earnings decreased by $17 million compared to the first quarter of 2013 due to higher Irish Life acquisition expenses and the $11 million positive impact in first quarter earnings relating to the release of provisions described above.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended June 30, 2013, Lifeco Corporate had a net loss of $11 million compared to a net loss of $9 million in the second quarter of 2012. The increase in net loss is primarily due to financing charges of $4 million for the issuance of euro-denominated debt related to the Irish Life acquisition and lower investment income of $2 million, partially offset by lower operating and other expenses of $4 million.

For the six months ended June 30, 2013, Lifeco Corporate had a net loss of $22 million compared to a net loss of $16 million in the same period in 2012. The increase in the net loss of $6 million is primarily due to the financing charges of $4 million noted above, the impact of mark-to-market losses related to a macro balance sheet credit hedge of $5 million in 2013 and lower investment income of $2 million, partially offset by lower operating and other expenses of $5 million.

The net loss in Lifeco Corporate was comparable to the previous quarter.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

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

	2013		2012				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Total revenue	**$ 3,344**	$ 7,185	$ 7,140	$ 8,638	$ 7,797	$ 6,500	$ 8,003	$ 8,506
Common Shareholders Net earnings								
Total	**521**	517	351	518	488	449	624	457
Basic - per share	**0.548**	0.544	0.370	0.546	0.512	0.474	0.657	0.481
Diluted - per share	**0.547**	0.544	0.369	0.542	0.509	0.471	0.651	0.478
Operating earnings(1)								
Total	**521**	517	491	518	488	449	500	457
Basic - per share	**0.548**	0.544	0.517	0.546	0.512	0.474	0.528	0.481
Diluted - per share	**0.547**	0.544	0.514	0.542	0.509	0.471	0.523	0.478

(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 $521 million for the second quarter of 2013 compared to $488 million reported a year ago. On a per share basis, this represents $0.548 per common share ($0.547 diluted) for the second quarter of 2013 compared to $0.512 per common share ($0.509 diluted) a year ago.

Total revenue for the second quarter of 2013 was $3,344 million and comprises premium income of $4,332 million, regular net investment income of $1,401 million, a negative change in fair value through profit or loss on investment assets of $3,200 million, and fee and other income of $811 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 June 30, 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 June 30, 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**	**June 30 2013**	Mar. 31 2013	Dec. 31 2012	Sept. 30 2012	June 30 2012	Mar. 31 2012	Dec. 31 2011
United States dollar							
Balance sheet	**$1.05**	$1.02	$0.99	$0.98	$1.02	$1.00	$1.02
Income and expenses	**$1.02**	$1.01	$0.99	$1.00	$1.01	$1.00	$1.02
British pound							
Balance sheet	**$1.60**	$1.54	$1.62	$1.59	$1.60	$1.60	$1.58
Income and expenses	**$1.57**	$1.56	$1.59	$1.57	$1.60	$1.57	$1.61
Euro							
Balance sheet	**$1.37**	$1.30	$1.31	$1.26	$1.29	$1.33	$1.32
Income and expenses	**$1.34**	$1.33	$1.29	$1.24	$1.30	$1.31	$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			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012 (restated - note 3)	**June 30 2013**	June 30 2012 (restated - note 3)
Income					
Premium income					
Gross premiums written	**$ 5,113**	$ 5,319	$ 5,233	**$ 10,432**	$ 10,431
Ceded premiums	**(781)**	(739)	(709)	**(1,520)**	(1,378)
Total net premiums	**4,332**	4,580	4,524	**8,912**	9,053
Net investment income (note 5)					
Regular net investment income	**1,401**	1,362	1,433	**2,763**	2,876
Changes in fair value through profit or loss	**(3,200)**	465	1,106	**(2,735)**	910
Total net investment income	**(1,799)**	1,827	2,539	**28**	3,786
Fee and other income	**811**	778	734	**1,589**	1,458
	3,344	7,185	7,797	**10,529**	14,297
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**3,967**	4,755	4,311	**8,722**	8,917
Ceded	**(362)**	(374)	(367)	**(736)**	(754)
Total net policyholder benefits	**3,605**	4,381	3,944	**7,986**	8,163
Policyholder dividends and experience refunds	**363**	367	367	**730**	731
Changes in insurance and investment contract liabilities	**(2,647)**	467	1,668	**(2,180)**	1,828
Total paid or credited to policyholders	**1,321**	5,215	5,979	**6,536**	10,722
Commissions	**443**	432	415	**875**	825
Operating and administrative expenses	**704**	674	642	**1,378**	1,285
Premium taxes	**72**	74	72	**146**	144
Financing charges (note 11)	**74**	67	77	**141**	153
Amortization of finite life intangible assets	**29**	27	28	**56**	54
Earnings before income taxes	**701**	696	584	**1,397**	1,114
Income taxes (note 17)	**128**	128	70	**256**	126
Net earnings before non-controlling interests	**573**	568	514	**1,141**	988
Attributable to non-controlling interests	**20**	18	(2)	**38**	(2)
Net earnings	**553**	550	516	**1,103**	990
Preferred share dividends	**32**	33	28	**65**	53
Net earnings - common shareholders	**$ 521**	$ 517	$ 488	**$ 1,038**	$ 937
Earnings per common share (note 16)					
Basic	**$ 0.548**	$ 0.544	$ 0.512	**$ 1.092**	$ 0.986
Diluted	**$ 0.547**	$ 0.544	$ 0.509	**$ 1.091**	$ 0.980

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the six months ended	
	June 30 2013	March 31 2013	June 30 2012 (restated - note 3)	**June 30 2013**	June 30 2012 (restated - note 3)
Net earnings	**$ 553**	$ 550	$ 516	**$ 1,103**	$ 990
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	**326**	(27)	88	**299**	27
Unrealized gains (losses) on available for sale assets	**(151)**	32	68	**(119)**	47
Income tax (expense) benefit	**34**	(5)	(15)	**29**	(14)
Realized gains on available for sale assets	**(18)**	(35)	(51)	**(53)**	(87)
Income tax expense	**6**	5	13	**11**	23
Unrealized losses on cash flow hedges	**(18)**	(64)	(27)	**(82)**	(24)
Income tax benefit	**18**	14	10	**32**	9
Realized losses on cash flow hedges	**1**	-	1	**1**	1
Non-controlling interests	**63**	(8)	(28)	**55**	(4)
Income tax (expense) benefit	**(17)**	2	7	**(15)**	2
Total items that may be reclassified	**244**	(86)	66	**158**	(20)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans	**176**	98	(188)	**274**	(236)
Income tax (expense) benefit	**(53)**	(26)	52	**(79)**	62
Non-controlling interests	**(20)**	(3)	15	**(23)**	18
Income tax (expense) benefit	**5**	-	(4)	**5**	(5)
Total items that will not be reclassified	**108**	69	(125)	**177**	(161)
Total other comprehensive income (loss)	**352**	(17)	(59)	**335**	(181)
Comprehensive income	**$ 905**	$ 533	$ 457	**$ 1,438**	$ 809

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	June 30 2013	December 31 2012 (restated - note 3)	January 1 2012 (restated - note 3)
Assets			
Cash and cash equivalents	**$ 2,788**	$ 1,895	$ 2,056
Bonds (note 5)	**85,566**	82,581	78,355
Mortgage loans (note 5)	**18,482**	17,875	17,432
Stocks (note 5)	**7,278**	7,051	6,656
Investment properties (note 5)	**3,566**	3,572	3,249
Loans to policyholders	**7,281**	7,082	7,162
	124,961	120,056	114,910
Funds held by ceding insurers	**9,640**	10,537	9,923
Goodwill	**5,404**	5,397	5,401
Intangible assets	**3,204**	3,115	3,154
Derivative financial instruments	**640**	997	968
Owner occupied properties	**525**	514	491
Fixed assets	**159**	154	137
Reinsurance assets (note 10)	**2,204**	2,064	2,061
Other assets	**5,572**	4,688	4,062
Deferred tax assets	**1,208**	1,142	1,163
Investments on account of segregated fund policyholders (note 9)	**110,641**	104,948	96,582
Total assets	**$ 264,158**	$ 253,612	$ 238,852
Liabilities			
Insurance contract liabilities (note 10)	**$ 119,223**	$ 119,919	$ 114,730
Investment contract liabilities (note 10)	**710**	739	782
Debentures and other debt instruments	**5,166**	4,283	4,313
Funds held under reinsurance contracts	**355**	335	169
Derivative financial instruments	**584**	342	316
Other liabilities	**6,828**	5,163	4,600
Deferred tax liabilities	**656**	708	810
Repurchase agreements	**1,989**	-	23
Capital trust debentures	**163**	164	815
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**110,641**	104,948	96,582
Total liabilities	**246,315**	236,601	223,140
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,466**	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	**5,878**	5,848	5,828
Accumulated surplus	**7,488**	7,035	6,417
Accumulated other comprehensive loss	**(597)**	(932)	(675)
Contributed surplus	**58**	60	58
Total equity	**17,843**	17,011	15,712
Total liabilities and equity	**$ 264,158**	$ 253,612	$ 238,852

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

June 30, 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	**-**	**-**	**1,103**	**-**	**38**	**1,141**
Other comprehensive income (loss)	**-**	**-**	**-**	**335**	**(22)**	**313**
	8,392	**60**	**8,138**	**(597)**	**2,472**	**18,465**
Dividends to shareholders						
Preferred shareholders	**-**	**-**	**(65)**	**-**	**-**	**(65)**
Common shareholders (note 16)	**-**	**-**	**(585)**	**-**	**-**	**(585)**
Shares issued under stock option plan (note 12)	**30**	**-**	**-**	**-**	**-**	**30**
Share-based payments	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Balance, end of period	**$ 8,422**	**$ 58**	**$ 7,488**	**$ (597)**	**$ 2,472**	**$ 17,843**

December 31, 2012 (restated - note 3)	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	-	-	(6)	-	6	-
Dividends to shareholders						
Preferred shareholders	-	-	(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

June 30, 2012 (restated - note 3)	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	-	-	990	-	(2)	988
Other comprehensive loss	-	-	-	(181)	(11)	(192)
	7,722	58	7,407	(856)	2,177	16,508
Share issue costs	-	-	(5)	-	-	(5)
Dividends to shareholders						
Preferred shareholders	-	-	(53)	-	-	(53)
Common shareholders (note 16)	-	-	(584)	-	-	(584)
Shares issued under stock option plan	1	-	-	-	-	1
Issuance of preferred shares	250	-	-	-	-	250
Share-based payments	-	4	-	-	-	4
Balance, end of period	$ 7,973	$ 62	$ 6,765	$ (856)	$ 2,177	$ 16,121

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the six months ended June 30	
	2013	2012
		(restated - note 3)
Operations		
Earnings before income taxes	**$ 1,397**	$ 1,114
Income taxes paid, net of refunds received	**(127)**	(47)
Adjustments:		
Change in insurance and investment contract liabilities	**(1,987)**	1,818
Change in funds held by ceding insurers	**491**	87
Change in funds held under reinsurance contracts	**26**	12
Change in deferred acquisition costs	**30**	17
Change in reinsurance assets	**(105)**	125
Changes in fair value through profit or loss	**2,735**	(910)
Other	**(291)**	(335)
	2,169	1,881
Financing Activities		
Issue of common shares	**30**	1
Issue of preferred shares	**-**	250
Issue of subscription receipts (note 4)	**1,237**	-
Issue of euro-denominated debt (note 4)	**659**	-
Increase in line of credit of subsidiary	**136**	84
Repayment of debentures and other debt instruments	**(5)**	(3)
Redemption of capital trust securities	**-**	(178)
Share issue costs	**-**	(5)
Dividends paid on common shares	**(585)**	(584)
Dividends paid on preferred shares	**(65)**	(53)
	1,407	(488)
Investment Activities		
Bond sales and maturities	**14,657**	10,060
Mortgage loan repayments	**806**	1,113
Stock sales	**952**	1,132
Investment property sales	**19**	-
Change in loans to policyholders	**75**	8
Change in repurchase agreements	**1,913**	1,078
Investment in bonds	**(18,870)**	(13,109)
Investment in mortgage loans	**(1,241)**	(881)
Investment in stocks	**(1,003)**	(1,081)
Investment in investment properties	**(50)**	(32)
	(2,742)	(1,712)
Effect of changes in exchange rates on cash and cash equivalents	**59**	2
Increase (decrease) in cash and cash equivalents	**893**	(317)
Cash and cash equivalents, beginning of period	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,788**	$ 1,739
Supplementary cash flow information		
Interest income received	**$ 2,234**	$ 2,359
Interest paid	**$ 133**	$ 144
Dividend income received	**$ 112**	$ 107

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 and six months ended June 30, 2013 were approved by the Board of Directors on July 31, 2013.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at June 30, 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 for 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 December 31, 2012 Annual Report.

<u>Use of Estimates and Assumptions</u>

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 December 31, 2012 Annual Report.

<u>Significant Judgments</u>

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, legal and other provisions, subsidiaries and special purpose entities, deferred acquisition costs, deferred income reserves, owner occupied properties and fixed assets and identification of operating segments. For further discussion of these judgments see the consolidated financial statements and notes thereto in the Company's December 31, 2012 Annual Report.

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.

3. Changes in Accounting Policies

(a) Pension Plans and Other Post-Employment Benefits

Effective January 1, 2013, the Company adopted revised IAS 19, *Employee Benefits* (IAS 19R). 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.

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.

3. Changes in Accounting Policies (cont'd)

Restatement of Prior Periods

A summary of the impact arising from the adoption of IAS 19R is as follows:

	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	**$ 1,921**	**$ (257)**	**$ 1,664**

	For the three months ended June 30, 2012		
	Net earnings	Other comprehensive income (loss)	Comprehensive income
Comprehensive income previously reported	$ 519	$ 66	$ 585
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(5)	(173)	(178)
Income tax	2	48	50
	(3)	(125)	(128)
Revised comprehensive income	**$ 516**	**$ (59)**	**$ 457**

3. Changes in Accounting Policies (cont'd)

	For the six months ended June 30, 2012		
	Net earnings	**Other comprehensive income (loss)**	**Comprehensive income**
Comprehensive income previously reported	$ 995	$ (20)	$ 975
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(8)	(218)	(226)
Income tax	3	57	60
	(5)	(161)	(166)
Revised comprehensive income	**$ 990**	**$ (181)**	**$ 809**

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. 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.

<u>Investment and Insurance Contracts on Account of Segregated Fund Policyholders</u>
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.

<u>Capital Trust Securities</u>
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 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 will increase 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 transitional 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 July 18, 2013, the Company closed its previously announced agreement with the Government of Ireland to acquire, through its wholly-owned subsidiary Canada Life Limited, all of the shares of Irish Life Group Limited (Irish Life) for $1.8 billion (€1.3 billion).

The life and pension 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 in-market acquisition 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, were held in escrow until the transaction closed. The balance of the funding for the transaction came 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 acquisition, and fix the euro to Canadian dollar rate on approximately €500.

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.

The Company has hedged all related currency exposures into euros.

During the second quarter of 2013, the Company incurred transaction, acquisition, and other expenses related to Irish Life which decreased net earnings by $13 and $18 on a year-to-date basis.

Due to the recent closing of the acquisition of Irish Life, the valuation and initial purchase price accounting for the business combination are not complete as at the date of release of these interim consolidated financial statements. As a result, the Company has not provided amounts recognized as at the acquisition date for major classes of assets and liabilities acquired, including goodwill.

The allocation of the purchase price will be determined after a comprehensive evaluation of the fair value of the net assets acquired has been conducted.

Supplemental pro-forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, has not been included as it is not meaningful as Irish Life had a different financial reporting basis than the Company.

5. Portfolio Investments

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

	June 30, 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)]	**$ 62,299**	**$ 62,299**	$ 62,752	$ 62,752	$ 59,870	$ 59,870
Classified fair value through profit or loss [(1)]	**2,092**	**2,092**	2,113	2,113	1,853	1,853
Available for sale	**9,723**	**9,723**	6,782	6,782	6,888	6,888
Loans and receivables	**11,452**	**12,462**	10,934	12,438	9,744	10,785
	85,566	**86,576**	82,581	84,085	78,355	79,396
Mortgage loans						
Residential	**6,264**	**6,497**	6,034	6,439	5,996	6,424
Non-residential	**12,218**	**12,684**	11,841	12,628	11,436	12,238
	18,482	**19,181**	17,875	19,067	17,432	18,662
Stocks						
Designated fair value through profit or loss [(1)]	**6,173**	**6,173**	5,918	5,918	5,454	5,454
Available for sale	**758**	**758**	788	788	864	864
Other	**347**	**413**	345	383	338	406
	7,278	**7,344**	7,051	7,089	6,656	6,724
Investment properties	**3,566**	**3,566**	3,572	3,572	3,249	3,249
Total	**$ 114,892**	**$ 116,667**	$ 111,079	$ 113,813	$ 105,692	$ 108,031

(1) Investments can be classified as 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 June 30, 2013, the Consolidated Balance Sheets value of portfolio investments which were sold in repurchase agreements related to mortgages was $2,024 (nil at December 31, 2012 and January 1, 2012).

As at June 30, 2013, available for sale bonds include $1,240 (nil at December 31, 2012 and January 1, 2012) that is held in escrow in connection with the subscription receipts (note 4).

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	June 30 2013	December 31 2012
Impaired amounts by classification		
Fair value through profit or loss	**$ 379**	$ 365
Available for sale	**26**	27
Loans and receivables	**46**	41
Total	**$ 451**	$ 433

The above carrying values for loans and receivables are net of allowances of $23 at June 30, 2013 and $21 at December 31, 2012.

5. Portfolio Investments (cont'd)

(c) Net investment income comprises the following:

For the three months ended June 30, 2013	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 927**	**$ 220**	**$ 58**	**$ 65**	**$ 135**	**$ 1,405**
Net realized gains						
Available for sale	**18**	**-**	**-**	**-**	**-**	**18**
Other classifications	**3**	**9**	**-**	**-**	**-**	**12**
Net allowances for credit losses on loans and receivables	**-**	**(1)**	**-**	**-**	**-**	**(1)**
Other income and expenses	**-**	**-**	**-**	**(16)**	**(17)**	**(33)**
	948	**228**	**58**	**49**	**118**	**1,401**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(56)**	**-**	**-**	**-**	**-**	**(56)**
Designated fair value through profit or loss	**(2,985)**	**-**	**(111)**	**24**	**(72)**	**(3,144)**
	(3,041)	**-**	**(111)**	**24**	**(72)**	**(3,200)**
Total	**$ (2,093)**	**$ 228**	**$ (53)**	**$ 73**	**$ 46**	**$ (1,799)**

For the three months ended June 30, 2012	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 935	$ 223	$ 64	$ 62	$ 123	$ 1,407
Net realized gains						
Available for sale	51	-	-	-	-	51
Other classifications	-	9	-	-	-	9
Other income and expenses	-	-	-	(15)	(19)	(34)
	986	232	64	47	104	1,433
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	26	-	-	-	-	26
Designated fair value through profit or loss	1,246	-	(236)	32	38	1,080
	1,272	-	(236)	32	38	1,106
Total	$ 2,258	$ 232	$ (172)	$ 79	$ 142	$ 2,539

5. Portfolio Investments (cont'd)

For the six months ended June 30, 2013	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,834**	**$ 439**	**$ 120**	**$ 129**	**$ 234**	**$ 2,756**
Net realized gains						
Available for sale	**53**	**-**	**-**	**-**	**-**	**53**
Other classifications	**9**	**15**	**-**	**-**	**-**	**24**
Net allowances for credit losses on loans and receivables	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Other income and expenses	**-**	**-**	**-**	**(31)**	**(37)**	**(68)**
	1,896	**452**	**120**	**98**	**197**	**2,763**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(53)**	**-**	**-**	**-**	**-**	**(53)**
Designated fair value through profit or loss	**(2,757)**	**-**	**125**	**33**	**(83)**	**(2,682)**
	(2,810)	**-**	**125**	**33**	**(83)**	**(2,735)**
Total	**$ (914)**	**$ 452**	**$ 245**	**$ 131**	**$ 114**	**$ 28**

For the six months ended June 30, 2012	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 1,864	$ 449	$ 120	$ 124	$ 279	$ 2,836
Net realized gains						
Available for sale	86	-	1	-	-	87
Other classifications	3	17	-	-	-	20
Other income and expenses	-	-	-	(30)	(37)	(67)
	1,953	466	121	94	242	2,876
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	19	-	-	-	-	19
Designated fair value through profit or loss	872	-	7	68	(56)	891
	891	-	7	68	(56)	910
Total	$ 2,844	$ 466	$ 128	$ 162	$ 186	$ 3,786

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 consolidated financial statements and notes thereto in the Company's December 31, 2012 Annual Report.

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 LLC non-revolving term loan facility, guaranteed by Lifeco, maturing in 2015.
- Bonds on the Consolidated Balance Sheets include $1,240 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.

(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 $138 causing a decrease in net earnings of approximately $101.

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 $13 causing an increase in net earnings of approximately $10.
- 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 $630 causing a decrease in net earnings of approximately $435.

(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 $18 causing an increase in net earnings of approximately $14. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $144 causing a decrease in net earnings of approximately $107.

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 $413 causing an increase in net earnings of approximately $317. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $467 causing a decrease in net earnings of approximately $356.

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:

	June 30, 2013			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 2,788**	**$ -**	**$ -**	**$ 2,788**
Financial assets at fair value through profit or loss				
Bonds	**-**	**64,105**	**286**	**64,391**
Stocks	**6,155**	**3**	**15**	**6,173**
Total financial assets at fair value through profit or loss	**6,155**	**64,108**	**301**	**70,564**
Available for sale financial assets				
Bonds	**-**	**9,695**	**28**	**9,723**
Stocks	**98**	**1**	**1**	**100**
Total available for sale financial assets	**98**	**9,696**	**29**	**9,823**
Investment properties	**-**	**-**	**3,566**	**3,566**
Derivatives [1]	**-**	**640**	**-**	**640**
Other assets:				
Trading account assets in Putnam LLC	**97**	**537**	**19**	**653**
Other [2]	**69**	**-**	**-**	**69**
Total assets measured at fair value	**$ 9,207**	**$ 74,981**	**$ 3,915**	**$ 88,103**
Liabilities measured at fair value				
Derivatives [3]	**$ -**	**$ 584**	**$ -**	**$ 584**
Investment contract liabilities	**-**	**680**	**30**	**710**
Other liabilities - other	**69**	**-**	**-**	**69**
Total liabilities measured at fair value	**$ 69**	**$ 1,264**	**$ 30**	**$ 1,363**

(1) Excludes collateral received of $3.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $159.

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:

	June 30, 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, beginning of year	**$ 273**	**$ 27**	**$ 12**	**$ 1**	**$ 3,572**	**$ 9**	**$ 3,894**	**$ 33**
Total gains (losses)								
Included in net earnings	**46**	**1**	**-**	**-**	**33**	**10**	**90**	**-**
Included in other comprehensive income	**-**	**2**	**-**	**-**	**(30)**	**-**	**(28)**	**-**
Purchases	**-**	**-**	**10**	**-**	**8**	**-**	**18**	**-**
Sales	**-**	**-**	**(7)**	**-**	**(17)**	**-**	**(24)**	**-**
Repayments	**(33)**	**(2)**	**-**	**-**	**-**	**-**	**(35)**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Transfers into Level 3 [(1)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers out of Level 3 [(1)]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance, end of period	**$ 286**	**$ 28**	**$ 15**	**$ 1**	**$ 3,566**	**$ 19**	**$ 3,915**	**$ 30**
Total gains for the period included in net investment income	**$ 46**	**$ 1**	**$ -**	**$ -**	**$ 33**	**$ 10**	**$ 90**	**$ -**
Change in unrealized gains for the period included in net earnings for assets held at June 30, 2013	**$ 46**	**$ -**	**$ -**	**$ -**	**$ 33**	**$ 10**	**$ 89**	**$ -**

[(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 Asset-backed Securities Index (ABX Index) spread assumption (adjusted for internally calculated liquidity premium)	5% (weighted average) 4% (weighted average) 551 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.

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.

	June 30, 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	$ 640	$ (255)	$ -	$ 385
Reverse repurchase agreements [(3)]	884	-	(884)	-
Total financial instruments (assets)	**$ 1,524**	**$ (255)**	**$ (884)**	**$ 385**
Financial instruments (liabilities)				
Derivative instruments	$ 584	$ (255)	$ (157)	$ 172
Total financial instruments (liabilities)	**$ 584**	**$ (255)**	**$ (157)**	**$ 172**

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 $3 ($25 at December 31, 2012), received on reverse repurchase agreements was $901 ($103 at December 31, 2012), and pledged on derivative liabilities was $176 ($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 or 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 line items within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal liability titled investment and insurance contracts on account of segregated fund policyholders.

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.

Segregated Funds Guarantee Exposure

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. 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 June 30, 2013, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,390 ($2,110 at December 31, 2012).

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

	June 30, 2013				
		Investment deficiency by benefit type			
	Market value	**Income**	**Maturity**	**Death**	**Total***
Canada	**$ 24,682**	**$ -**	**$ 43**	**$ 198**	**$ 198**
United States	**8,168**	**1**	**-**	**56**	**57**
Europe	**4,172**	**392**	**24**	**53**	**446**
Total	**$ 37,022**	**$ 393**	**$ 67**	**$ 307**	**$ 701**

*A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on June 30, 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 June 30, 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 $7 in-quarter and $15 year-to-date, 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

	June 30 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 5,583**	$ 4,837	$ 5,334
Bonds	**24,154**	24,070	21,594
Mortgage loans	**2,455**	2,303	2,303
Stocks and units in unit trusts	**37,119**	35,154	32,651
Mutual funds	**36,588**	34,100	31,234
Investment properties	**6,170**	6,149	5,457
	112,069	106,613	98,573
Accrued income	**256**	239	287
Other liabilities/assets	**(1,684)**	(1,904)	(2,278)
Total	**$ 110,641**	$ 104,948	$ 96,582

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

	For the six months ended June 30	
	2013	2012
Balance, beginning of year	**$ 104,948**	$ 96,582
Additions (deductions):		
Policyholder deposits	**7,105**	6,360
Net investment income	**300**	351
Net realized capital gains on investments	**1,378**	511
Net unrealized capital gains on investments	**1,840**	1,254
Unrealized gains due to changes in foreign exchange rates	**1,595**	110
Policyholder withdrawals	**(6,555)**	(5,958)
Net transfer from General Fund	**30**	(2)
Total	**5,693**	2,626
Balance, end of period	**$ 110,641**	$ 99,208

(c) Investment income on account of segregated fund policyholders

	For the six months ended June 30	
	2013	2012
Net investment income	**$ 300**	$ 351
Net realized capital gains on investments	**1,378**	511
Net unrealized capital gains on investments	**1,840**	1,254
Unrealized gains due to changes in foreign exchange rates	**1,595**	110
Total	**5,113**	2,226
Change in investment and insurance contracts liability on account of segregated fund policyholders	**5,113**	2,226
Net	**$ -**	$ -

9. Segregated Funds (cont'd)

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

	June 30, 2013			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders [1]	**$ 71,247**	**$ 34,419**	**$ 6,286**	**$ 111,952**

[1] Excludes other liabilities, net of other assets, of $1,311.

During 2013 certain foreign stock holdings valued at $1,775 have been transferred from Level 2 to Level 1, based on the Company's ability to utilize observable, quoted prices in active markets.

Level 2 assets include those assets where fair value is not available from normal market pricing sources and where the Company does not have visibility through to the underlying assets.

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

	June 30 2013
Balance, beginning of year	**$ 6,287**
Total gains included in segregated fund investment income	**136**
Purchases	**46**
Sales	**(188)**
Transfers into Level 3	**5**
Balance, end of period	**$ 6,286**

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 out of Level 3 in the period.

10. Insurance and Investment Contract Liabilities

	June 30, 2013		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	**$ 119,223**	**$ 2,204**	**$ 117,019**
Investment contract liabilities	**710**	**-**	**710**
Total	**$ 119,933**	**$ 2,204**	**$ 117,729**

10. Insurance and Investment Contract Liabilities (cont'd)

	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 June 30		For the six months ended June 30	
	2013	2012	**2013**	2012
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ 2**	$ 1	**$ 3**	$ 2
Financial charges:				
Interest on long-term debentures and other debt instruments	**64**	58	**122**	116
Interest on capital trust debentures	**2**	13	**5**	25
Other	**6**	5	**11**	10
	72	76	**138**	151
Total	**$ 74**	$ 77	**$ 141**	$ 153

On April 18, 2013 the Company issued €500, 10 year, 2.50% senior euro bonds in connection with the acquisition of Irish Life (note 4).

12. Share Capital

Common Shares
Issued and outstanding

	June 30, 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
Exercised and issued under stock option plan	**1,194,400**	**30**	832,299	20
Balance, end of period	**951,790,840**	**$ 5,878**	950,596,440	$ 5,848

12. Share Capital (cont'd)

Event After The Reporting Period

On July 18, 2013, the subscription receipts described in note 4 were automatically exchanged on a one-for-one basis for 48,660,000 common shares of the Company with a stated value of approximately $1.2 billion, net of transaction costs incurred in connection with the common share issue of approximately $29 ($21 after-tax). The subscription receipt exchange increased the total number of outstanding common shares to 1,000,450,840 at July 18, 2013. As the shares were contingently issuable as at June 30, 2013, and all contingent terms had not been satisfied at that time, the subscription receipts have not been included in basic or diluted earnings per common share as at June 30, 2013 (note 16). The subscription receipts will be included in the calculation of basic earnings per common share effective July 18, 2013, the day in which all contingent terms were satisfied.

13. Capital Management

(a) Policies and Objectives

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

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

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

The capital planning process is the responsibility of the Company's Chief Financial Officer. The capital plan is reviewed by the Executive Committee of the Board of Directors and approved by the Company's Board of Directors on an annual basis. The Board of Directors reviews and approves all capital transactions undertaken by management.

The target level of capitalization for the Company and its subsidiaries is assessed by considering various factors such as the probability of falling below the minimum regulatory capital requirements in the relevant operating jurisdiction, the views expressed by various credit rating agencies that provide financial strength and other ratings to the Company, and the desire to hold sufficient capital to be able to honour all policyholder and other obligations of the Company with a high degree of confidence.

(b) Regulatory Capital

In Canada, the Office of the Superintendent of Financial Institutions Canada has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements. For this purpose, various additions or deductions from capital are mandated by the guidelines issued by the Office of the Superintendent of Financial Institutions Canada. The following provides a summary of the Minimum Continuing Capital and Surplus Requirements information and ratios for Great-West Life:

13. Capital Management (cont'd)

	June 30 2013	December 31 2012
Adjusted Net Tier 1 Capital	**$ 9,833**	$ 8,699
Net Tier 2 Capital	**1,715**	1,710
Total Capital Available	**$ 11,548**	$ 10,409
Total Capital Required	**$ 4,955**	$ 5,018
Tier 1 Ratio	**198%**	173%
Total Ratio	**233%**	207%

The Minimum Continuing Capital and Surplus Requirements ratio of 233% for Great-West Life includes 15 points for the impact of capital activity in advance of the closing of the Irish Life acquisition.

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, 21,500 options were granted during the three months ended June 30, 2013 and 1,810,600 options were granted during the three months ended March 31, 2013 (2,138,100 options were granted during the six months ended June 30, 2012). The weighted average fair value of options granted was $4.33 per option during the six months ended June 30, 2013 ($3.17 for the six months ended June 30, 2012). Compensation expense relating to the Company's stock option plan of $4 after-tax has been recognized in the Consolidated Statements of Earnings for the six months ended June 30, 2013 ($4 after-tax for the six months ended June 30, 2012).

15. Pension Benefits and Other Post-Employment Benefits

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

	For the three months ended June 30		For the six months ended June 30	
	2013	2012	**2013**	2012
Pension plans				
Service costs	**$ 34**	$ 27	**$ 65**	$ 53
Net interest cost	**6**	4	**13**	10
	40	31	**78**	63
Other post-employment benefits				
Service costs	**-**	1	**1**	1
Net interest cost	**5**	5	**9**	10
	5	6	**10**	11
Pension and other post-employment benefits expense - profit or loss	**45**	37	**88**	74
Pension plans - re-measurements				
Actuarial (gain) loss recognized	**(210)**	111	**(193)**	244
Return on assets (greater) less than assumed	**54**	72	**(60)**	(15)
Change in effect of the asset ceiling	**3**	(4)	**(2)**	(14)
	(153)	179	**(255)**	215
Other post-employment benefits - re-measurements				
Actuarial (gain) loss recognized	**(23)**	9	**(19)**	21
Pension and other post-employment benefits expense - other comprehensive income	**(176)**	188	**(274)**	236
Total pension and other post-employment benefits expense (income)	**$ (131)**	$ 225	**$ (186)**	$ 310

The following shows the weighted average pension benefits and other post-employment benefits discount rate used to re-measure the benefit obligation at the following dates:

	Weighted average discount rate	
June 30, 2013 (June 30, 2012)	**4.7 %**	(4.6 %)
March 31, 2013 (March 31, 2012)	**4.3 %**	(4.8 %)
December 31, 2012 (January 1, 2012)	**4.3 %**	(5.1 %)

16. Earnings per Common Share

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

	For the three months ended June 30		For the six months ended June 30	
	2013	2012	**2013**	2012
Earnings				
Net earnings	**$ 553**	$ 516	**$ 1,103**	$ 990
Preferred share dividends	**(32)**	(28)	**(65)**	(53)
Net earnings - common shareholders	**521**	488	**1,038**	937
Capital trust securities	**-**	2	**-**	5
Net earnings - common shareholders - diluted basis	**$ 521**	$ 490	**$ 1,038**	$ 942
Number of common shares				
Average number of common shares outstanding	**951,560,784**	949,816,266	**951,281,321**	949,798,639
Add:				
- Conversion of capital trust units	**-**	11,646,896	**-**	11,646,896
- Potential exercise of outstanding stock options	**583,701**	272,168	**492,923**	284,305
Average number of common shares outstanding - diluted basis	**952,144,485**	961,735,330	**951,774,244**	961,729,840
Basic earnings per common share	**$ 0.548**	$ 0.512	**$ 1.092**	$ 0.986
Diluted earnings per common share	**$ 0.547**	$ 0.509	**$ 1.091**	$ 0.980
Dividends per common share	**$ 0.3075**	$ 0.3075	**$ 0.6150**	$ 0.6150

17. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended June 30		For the six months ended June 30	
	2013	2012	**2013**	2012
Current income taxes	**$ 190**	$ (16)	**$ 331**	$ 70
Deferred income taxes	**(62)**	86	**(75)**	56
Total income tax expense	**$ 128**	$ 70	**$ 256**	$ 126

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the six months ended June 30, 2013 was 18% compared to 14% for the full year 2012 and 11% for the six months ended June 30, 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 six months ended June 30, 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. The above noted Canada Revenue Agency audit agreement further reduced the six month effective income tax rate for 2012 by 4%.

(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 Company's annual financial planning process provides a significant basis for the measurement of deferred 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 $1,246 at June 30, 2013 ($1,153 at December 31, 2012).

18. Legal Provisions and Contingent Liabilities (changes since December 31, 2012 Annual Report)

During 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 June 30, 2013

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,469	$ 700	$ 1,163	$ -	$ 4,332
Net investment income					
Regular net investment income	620	342	436	3	1,401
Changes in fair value through profit or loss	(1,276)	(501)	(1,423)	-	(3,200)
Total net investment income	(656)	(159)	(987)	3	(1,799)
Fee and other income	295	343	173	-	811
Total income	2,108	884	349	3	3,344
Benefits and expenses:					
Paid or credited to policyholders	1,053	366	(98)	-	1,321
Other	645	373	194	7	1,219
Financing charges	28	34	5	7	74
Amortization of finite life intangible assets	13	13	3	-	29
Earnings before income taxes	369	98	245	(11)	701
Income taxes	67	20	44	(3)	128
Net earnings before non-controlling interests	302	78	201	(8)	573
Non-controlling interests	19	1	-	-	20
Net earnings	283	77	201	(8)	553
Preferred share dividends	27	-	5	-	32
Net earnings before capital allocation	256	77	196	(8)	521
Impact of capital allocation	25	(4)	(18)	(3)	-
Net earnings - common shareholders	$ 281	$ 73	$ 178	$ (11)	$ 521

19. Segmented Information (cont'd)

For the three months ended June 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,351	$ 706	$ 1,467	$ -	$ 4,524
Net investment income					
Regular net investment income	626	327	477	3	1,433
Changes in fair value through profit or loss	412	177	517	-	1,106
Total net investment income	1,038	504	994	3	2,539
Fee and other income	270	306	158	-	734
Total income	3,659	1,516	2,619	3	7,797
Benefits and expenses:					
Paid or credited to policyholders	2,681	1,025	2,273	-	5,979
Other	638	335	150	6	1,129
Financing charges	39	34	4	-	77
Amortization of finite life intangible assets	11	14	3	-	28
Earnings before income taxes	290	108	189	(3)	584
Income taxes	42	21	7	-	70
Net earnings before non-controlling interests	248	87	182	(3)	514
Non-controlling interests	(4)	(2)	4	-	(2)
Net earnings	252	89	178	(3)	516
Preferred share dividends	19	-	5	4	28
Net earnings before capital allocation	233	89	173	(7)	488
Impact of capital allocation	20	(4)	(14)	(2)	-
Net earnings - common shareholders	$ 253	$ 85	$ 159	$ (9)	$ 488

19. Segmented Information (cont'd)

For the six months ended June 30, 2013

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 4,984	$ 1,329	$ 2,599	$ -	$ 8,912
Net investment income					
Regular net investment income	1,239	665	863	(4)	2,763
Changes in fair value through profit or loss	(1,220)	(507)	(1,008)	-	(2,735)
Total net investment income	19	158	(145)	(4)	28
Fee and other income	584	674	331	-	1,589
Total income	5,587	2,161	2,785	(4)	10,529
Benefits and expenses:					
Paid or credited to policyholders	3,509	1,126	1,901	-	6,536
Other	1,278	745	366	10	2,399
Financing charges	57	68	9	7	141
Amortization of finite life intangible assets	25	26	5	-	56
Earnings before income taxes	718	196	504	(21)	1,397
Income taxes	134	40	87	(5)	256
Net earnings before non-controlling interests	584	156	417	(16)	1,141
Non-controlling interests	34	4	-	-	38
Net earnings	550	152	417	(16)	1,103
Preferred share dividends	54	-	11	-	65
Net earnings before capital allocation	496	152	406	(16)	1,038
Impact of capital allocation	50	(8)	(36)	(6)	-
Net earnings - common shareholders	$ 546	$ 144	$ 370	$ (22)	$ 1,038

19. Segmented Information (cont'd)

For the six months ended June 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 4,716	$ 1,527	$ 2,810	$ -	$ 9,053
Net investment income					
Regular net investment income	1,284	651	940	1	2,876
Changes in fair value through profit or loss	262	198	450	-	910
Total net investment income	1,546	849	1,390	1	3,786
Fee and other income	547	608	303	-	1,458
Total income	6,809	2,984	4,503	1	14,297
Benefits and expenses:					
Paid or credited to policyholders	4,866	2,028	3,828	-	10,722
Other	1,286	666	292	10	2,254
Financing charges	77	67	9	-	153
Amortization of finite life intangible assets	22	27	5	-	54
Earnings before income taxes	558	196	369	(9)	1,114
Income taxes	75	30	23	(2)	126
Net earnings before non-controlling interests	483	166	346	(7)	988
Non-controlling interests	(10)	-	8	-	(2)
Net earnings	493	166	338	(7)	990
Preferred share dividends	37	-	11	5	53
Net earnings before capital allocation	456	166	327	(12)	937
Impact of capital allocation	39	(7)	(28)	(4)	-
Net earnings - common shareholders	$ 495	$ 159	$ 299	$ (16)	$ 937

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