GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2013

E1138(9/13)-9/13

Quarterly Report to Shareholders

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

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 September 30, 2013 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 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 $523 million or $0.527 per common share for the three months ended September 30, 2013. Excluding the impact of acquisition and restructuring costs associated with the Irish Life Group Limited (Irish Life) acquisition, net earnings were $583 million or $0.588 per common share for the three months ended September 30, 2013, up 12.5% from $518 million or $0.546 per common share for the same period in 2012.

For the nine months ended September 30, 2013, Lifeco's net earnings attributable to common shareholders were $1,561 million or $1.618 per common share, compared to $1,455 million or $1.532 per common share for the same period in 2012.

Consolidated assets under administration at September 30, 2013 were $705 billion, up $159 billion from December 31, 2012 including $94 billion of assets related to Irish Life.

Highlights – In Quarter

- Irish Life contributed $41 million of earnings to Lifeco for the period July 19 to September 30, 2013. Excluding the Irish Life contribution and related acquisition and restructuring costs, Lifeco's net earnings were $542 million or $0.546 per common share.
- Total Company premiums and deposits during the quarter were $19.7 billion, up 27% from a year ago including $2.6 billion from Irish Life.
- Total Company sales in the third quarter of 2013 were up 41% from the same period in 2012, reflecting strong momentum and growth across all geographies:
  - Canada sales were $2.4 billion, up 14% compared to the third quarter of 2012.
  - Europe Insurance & Annuities sales were $3.3 billion, up 281% compared to the third quarter of 2012 including a contribution of $2.4 billion from Irish Life.
  - Putnam sales were US$8.3 billion, up 26% compared to the third quarter of 2012. Net asset inflows for the third quarter of 2013 were US$1.1 billion compared to US$0.6 billion in the same quarter last year, reflecting an increase in mutual fund net asset flows to US$1.5 billion. Mutual fund sales were the highest since the third quarter of 2003.
  - Great-West Financial sales were US$2.2 billion, consistent with the third quarter of 2012.
- The Company maintained a strong ROE of 16.0% based on operating earnings and 14.9% 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 221% at September 30, 2013.
- The Company declared a quarterly common dividend of $0.3075 per common share payable December 31, 2013.

Series J Preferred Shares

Great-West Lifeco Inc. today approved the redemption of all of its issued and outstanding Series J Preferred Shares on December 31, 2013. A formal notice and instructions for the redemption will be sent to shareholders in accordance with the rights, privileges, restrictions and conditions attached to the Series J Preferred Shares. The redemption price will be $25.00 per share, plus an amount equal to all declared and unpaid dividends thereon, less any tax required to be deducted and withheld by the Corporation.

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), Putnam Investments, LLC (Putnam), and Irish Life Group Limited (Irish Life) together with Lifeco's corporate results.

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.

Net earnings attributable to common shareholders for the third quarter of 2013 were $332 million compared to $280 million in the third quarter of 2012. For the nine months ended September 30, 2013 net earnings attributable to common shareholders were $878 million compared to $775 million for the same period in 2012.

Total sales in the third quarter of 2013 were $2.4 billion, an increase of 14% compared to the third quarter of 2012. This increase was due to very strong Group insurance sales which were up 65% compared to the third quarter of 2012. Wealth Management sales were up 12% and Individual Insurance sales were up 10% compared to the third quarter of 2012. Total sales for the nine months ended September 30, 2013 were $7.9 billion compared to $7.0 billion in 2012.

Total Canada segment assets under administration at September 30, 2013 were $144 billion, compared to $138 billion at December 31, 2012.

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.

Great-West Financial 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. Putnam provides investment management, certain administrative functions, distributions and related services through a broad range of investment products.

Net earnings attributable to common shareholders for the third quarter of 2013 were $76 million compared to $86 million in the third quarter of 2012. Great-West Financial reported net earnings of $86 million in the third quarter compared to $90 million for the same period last year. Putnam reported a net loss of $10 million in the third quarter compared to a net loss of $4 million a year ago. For the nine months ended September 30, 2013 net earnings attributable to common shareholders were $220 million compared to $245 million in 2012.

Great-West Financial sales in the third quarter of 2013 were US$2.2 billion, consistent with the third quarter of 2012. Sales for the nine months ended September 30, 2013 were US$7.2 billion compared to US$6.3 billion in 2012 reflecting strong sales results in both the public/non-profit and 401(k) markets.

Putnam assets under management as at September 30, 2013 were US$141 billion compared to US$127 billion a year ago. Sales in the third quarter were US$8.3 billion, up 26% from a year ago. In-quarter redemptions of US$7.3 billion resulted in net asset inflows of US$1.1 billion compared to net asset inflows of US$0.6 billion for the same period in 2012.

Total United States segment assets under administration at September 30, 2013 were $389 billion compared to $333 billion at December 31, 2012.

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.

Net earnings attributable to common shareholders for the third quarter of 2013 were $129 million, which include the impact of $60 million of restructuring and acquisition costs related to the Irish Life acquisition. Excluding these costs net earnings were $189 million for the quarter, compared to $165 million in the third quarter of 2012. Irish Life contributed $41 million of earnings for the period July 19 to September 30, 2013. For the nine months ended September 30, 2013 net earnings attributable to common shareholders were $499 million compared to $464 million for the same period in 2012.

Sales in Insurance & Annuities for the third quarter of 2013 were $3.3 billion, including $2.4 billion related to Irish Life, up 281% as compared to $0.9 billion a year ago. Total sales for the nine months ended September 30, 2013, including Irish Life, were $5.1 billion compared to $2.4 billion in 2012.

Total Europe segment assets under administration at September 30, 2013 were $172 billion, up from $75 billion at December 31, 2012. Assets under administration include $94 billion of Irish Life assets.

CORPORATE

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

Net earnings in the Lifeco corporate segment attributable to common shareholders were a net loss of $14 million in the third quarter of 2013 compared to a net loss of $13 million in the third quarter of 2012. For the nine months ended September 30, 2013 net earnings attributable to common shareholders were a net loss of $36 million compared to a net loss of $29 million for the same period in 2012.

GREAT-WEST LIFECO INC.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3075 per share on the common shares of the Company payable December 31, 2013 to shareholders of record at the close of business December 3, 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 December 31, 2013 to shareholders of record at the close of business December 3, 2013.

P. A. Mahon
President and Chief Executive Officer

November 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2013

DATED: NOVEMBER 7, 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 nine months ended September 30, 2013 and includes a comparison to the corresponding periods in 2012, to the three months ended June 30, 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 September 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. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, inflation, 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, and the Company's ability to complete strategic transactions and integrate acquisitions, and that there will be no unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors that could cause actual results to differ materially from those contained in forward-looking statements include technological change, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings and catastrophic events. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2012 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate 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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012(2)	**Sept. 30 2013**	Sept. 30 2012(2)
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	**$ 4,598**	$ 4,332	$ 4,940	**$ 13,510**	$ 13,993
Self-funded premium equivalents (ASO contracts)	**620**	654	631	**1,918**	1,989
Segregated funds deposits:					
Individual products	**2,352**	1,431	1,490	**5,551**	4,485
Group products	**1,838**	1,900	1,681	**5,744**	5,046
Proprietary mutual funds & institutional deposits	**10,309**	6,677	6,779	**24,628**	17,616
Total premiums and deposits	**19,717**	14,994	15,521	**51,351**	43,129
Fee and other income	**933**	811	720	**2,522**	2,178
Paid or credited to policyholders(1)	**4,770**	1,321	6,607	**11,306**	17,329
Operating earnings - common shareholders	**523**	521	518	**1,561**	1,455
Net earnings - common shareholders(2)(3)	**523**	521	518	**1,561**	1,455
Per common share					
Basic earnings(2)	**$ 0.527**	$ 0.548	$ 0.546	**$ 1.618**	$ 1.532
Dividends paid	**0.3075**	0.3075	0.3075	**0.9225**	0.9225
Book value(2)	**14.39**	13.48	12.41		
Return on common shareholders' equity					
Net operating earnings(2)	**16.0 %**	16.8 %	16.6 %		
Net earnings(2)	**14.9 %**	15.6 %	17.6 %		
Total assets(2)	**$ 311,789**	$ 264,158	$ 249,043		
Proprietary mutual funds and institutional net assets	**169,980**	149,273	131,604		
Total assets under management(2)	**481,769**	413,431	380,647		
Other assets under administration	**223,342**	182,305	151,604		
Total assets under administration(2)	**$ 705,111**	$ 595,736	$ 532,251		
Total equity(2)	**$ 19,435**	$ 17,843	$ 16,370		

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*.

(3) Impact of Irish Life on Lifeco net earnings - common shareholders

Reported net earnings – 3 months ending Sept. 30, 2013	$523	($0.527 per common share)
Add: Irish Life restructuring and acquisition costs	60	
Sub-total	583	($0.588 per common share)
Less: Irish Life earnings (July 19 to September 30, 2013)	(41)	
Net earnings excluding Irish Life impacts	$542	($0.546 per common share)

LIFECO 2013 HIGHLIGHTS

Irish Life Group Limited Acquisition

On February 19, 2013, Lifeco announced the acquisition of Irish Life Group Limited (Irish Life) for €1.3 billion.

The Irish Life acquisition is expected to be accretive to Lifeco's net earnings by adding approximately $215 million or 10% to Lifeco's 2014 consensus earnings on a fully synergized basis.

The Company has set annual cost savings targets of approximately €40 million pre-tax. Integration activities are expected to be completed by the second quarter of 2015 with the annual reduction of operating costs of €40 million fully reflected by the end of 2015. These synergies are expected to be achieved through efficiencies related to computer systems, combining the life and pensions operations of Canada Life (Ireland) with the operations of Irish Life (retaining the Irish Life name) and other operating efficiencies.

Funding for the transaction included the net proceeds of the issuance of approximately $1.25 billion subscription receipts completed on March 12, 2013. In addition, 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.

On July 18, 2013, the Company, through its wholly-owned subsidiary Canada Life Limited, completed the €1.3 billion acquisition of Irish Life. On completion of the acquisition on July 18, 2013, the 48,660,000 subscription receipts were automatically exchanged on a one-for-one basis for common shares of the Company increasing the total outstanding common shares to 1,000,450,840.

In the third quarter of 2013, the acquisition of Irish Life contributed $41 million excluding restructuring costs to Lifeco's earnings. Included in Lifeco's earnings for the quarter are restructuring and acquisition costs associated with the Irish Life acquisition of $60 million ($74 million year-to-date).

During the quarter, Lifeco achieved €5.9 million of annualized integration synergies that resulted in pre-tax €1.0 million lower Irish operating expenses in period.

Under IFRS business combination standards, the purchase price of €1.3 billion is allocated to all assets and liabilities of Irish Life primarily based on their fair values at the acquisition date of July 18, 2013. The amount of the purchase consideration in excess of the fair value of the assets and liabilities is allocated to goodwill. As at September 30, 2013, the allocation of the purchase price reflects management's best estimates and include provisional amounts where comprehensive valuations are ongoing. Provisional amounts for intangible assets have not been separately identified pending completion of the valuations. As a result, the initial amount allocated to goodwill of $554 million will be adjusted in future reporting periods. The valuation process and completion of the purchase price allocation are anticipated to be substantially completed in the fourth quarter of 2013.

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 nine month periods ended September 30, 2012 decreased by $2 million and $7 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), Putnam Investments, LLC (Putnam), and Irish Life Group Limited (Irish Life), together with Lifeco's Corporate operating results. Irish Life results are included for the period subsequent to the acquisition date of July 18, 2013.

Lifeco's net earnings attributable to common shareholders for the three month period ended September 30, 2013 were $523 million or $0.527 per common share ($0.522 diluted). Included in Lifeco's net earnings for the third quarter of 2013 are restructuring and acquisition costs associated with the Irish Life acquisition of $60 million. Lifeco's net earnings for the quarter excluding these costs were $583 million. In the third quarter of 2013, net earnings of Irish Life, excluding restructuring costs, for the period beginning July 19, 2013, contributed $41 million to Lifeco's net earnings. Excluding the impacts of the Irish Life acquisition, Lifeco's net earnings were $542 million in the quarter compared to $518 million a year ago and $521 million in the previous quarter. On a per share basis, this represents $0.546 per common share ($0.541 diluted) for the third quarter of 2013 compared to $0.546 per common share ($0.542 diluted) a year ago and $0.548 per common share ($0.547 diluted) in the previous quarter.

For the nine months ended September 30, 2013, Lifeco's net earnings attributable to common shareholders were $1,561 million or $1.618 per common share ($1.580 diluted). Included in Lifeco's net earnings on a year-to-date basis for 2013 are restructuring and acquisition costs associated with the Irish Life acquisition of $74 million. Lifeco's net earnings for the nine month period excluding these costs were $1,635 million. Excluding the impacts of the Irish Life acquisition, Lifeco's net earnings were $1,594 million for the nine months ended September 30, 2013 compared to $1,455 million a year ago. On a per share basis, this represents $1.653 per common share ($1.613 diluted) for the third quarter of 2013 compared to $1.532 per common share ($1.522 diluted) a year ago.

Net earnings - common shareholders	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Canada					
Individual Insurance	**$ 102**	$ 71	$ 83	**$ 229**	$ 176
Wealth Management	**114**	90	82	**294**	230
Group Insurance	**115**	118	119	**328**	303
Canada Corporate	**1**	2	(4)	**27**	66
	332	281	280	**878**	775
United States					
Financial Services	**86**	87	90	**258**	266
Asset Management	**(10)**	(14)	(4)	**(38)**	(21)
U.S. Corporate	**-**	-	-	**-**	-
	76	73	86	**220**	245
Europe					
Insurance & Annuities	**134**	118	104	**382**	316
Reinsurance	**57**	70	61	**182**	151
Europe Corporate	**(62)**	(10)	-	**(65)**	(3)
	129	178	165	**499**	464
Lifeco Corporate	**(14)**	(11)	(13)	**(36)**	(29)
Net Earnings	**$ 523**	$ 521	$ 518	**$ 1,561**	$ 1,455

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 continued to trend higher during the quarter. Ten-year government yields increased by 10 basis points (bps) in Canada, by 12 bps in the U.S, and by 28 bps in the U.K. from June 30, 2013. While credit spreads widened by approximately 5 bps in Canada, they narrowed by approximately 6 bps in the U.S and by approximately 27 bps in the U.K. The net change in interest rates had no material impact on net earnings or MCCSR relative to the Company's expectations.

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

Equity Markets
Equity markets' performance in the third quarter of 2013 was strong in Canada, in the U.S. and in the U.K. The major equity indices finished the quarter up 5.4% in Canada (as measured by S&P TSX), up 4.7% in the U.S. (as measured by S&P 500), and up 4.0% in the U.K. (as measured by FTSE 100). However, the equity markets were down by 6.4% in broader Europe (as measured by Eurostoxx 50) compared to June 30, 2013.

Comparing the third quarter of 2013 to the third quarter of 2012, the average equity market levels were up by 5.9% in Canada, by 19.5% in the U.S., by 13.7% in the U.K., and by 15.9% in broader Europe.

In the third quarter of 2013, the strong market performance led to increased asset based fee income and reduced costs of guarantees of death, maturity, or income benefits within certain wealth management products offered by the Company. The benefit to net earnings was $13 million relative to the Company's expectations.

Foreign Currency
During the third quarter of 2013, the average currency translation rates of the U.S. dollar, British pound and euro increased. The overall impact of currency movement on the Company's net earnings for the three month period ended September 30, 2013 was an increase of $8 million. The decline in the Canadian dollar at September 30, 2013 against the U.S. dollar, British pound and the euro, resulted in unrealized foreign exchange gains from the translation of foreign operations net of related hedging activities of $57 million recorded in other comprehensive income during the quarter.

Translation rates for the reporting period and comparative periods are detailed in the translation of foreign currency section at the end of the MD&A.

Actuarial Assumption Changes

The Company updated a number of assumptions resulting in a positive net earnings impact of $18 million in the third quarter of 2013. This increase was primarily due to improved life mortality assumptions in Canada and the U.S. and improved morbidity incidence rates in Canada partially offset by strengthened provisions for policyholder behaviour in Canada and morbidity in Reinsurance and U.K. This compares to a positive net earnings impact of $39 million in the third quarter of 2012.

PREMIUMS AND DEPOSITS AND SALES

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

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

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Canada					
Individual Insurance	**$ 1,035**	$ 1,029	$ 971	**$ 3,065**	$ 2,889
Wealth Management	**2,191**	2,371	2,021	**7,251**	6,513
Group Insurance	**1,852**	1,890	1,860	**5,617**	5,573
	5,078	5,290	4,852	**15,933**	14,975
United States					
Financial Services	**1,710**	1,412	1,659	**4,556**	4,522
Asset Management	**8,679**	6,499	6,630	**22,611**	17,101
	10,389	7,911	8,289	**27,167**	21,623
Europe					
Insurance & Annuities	**3,775**	1,257	1,180	**6,292**	3,454
Reinsurance	**475**	536	1,200	**1,959**	3,077
	4,250	1,793	2,380	**8,251**	6,531
Total	**$ 19,717**	$ 14,994	$ 15,521	**$ 51,351**	$ 43,129

Sales

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Canada*	**$ 2,389**	$ 2,547	$ 2,104	**$ 7,948**	$ 6,953
United States*	**10,973**	9,026	8,884	**29,949**	23,429
Europe - Insurance & Annuities	**3,299**	889	866	**5,149**	2,449
Total	**$ 16,661**	$ 12,462	$ 11,854	**$ 43,046**	$ 32,831

* 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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Investment income earned (net of investment properties expenses)	**$ 1,423**	$ 1,389	$ 1,404	**$ 4,148**	$ 4,210
Allowances for credit losses on loans and receivables	**(4)**	(1)	15	**(6)**	15
Net realized gains	**17**	30	27	**94**	134
Regular investment income	**1,436**	1,418	1,446	**4,236**	4,359
Investment expenses	**(25)**	(17)	(19)	**(62)**	(56)
Regular net investment income	**1,411**	1,401	1,427	**4,174**	4,303
Changes in fair value through profit or loss	**(19)**	(3,200)	1,551	**(2,754)**	2,461
Net investment income	**$ 1,392**	$ (1,799)	$ 2,978	**$ 1,420**	$ 6,764

Net investment income in the third quarter of 2013, which includes changes in fair value through profit or loss, decreased by $1,586 million compared to the same period last year. The change in fair values in the third quarter of 2013 was a decrease of $19 million compared to an increase of $1,551 million for the third quarter of 2012. Declines in bond values due to rising government bond yields were largely offset by rising equity markets in the third quarter of 2013. In the third quarter of 2012, the Company’s bond values increased reflecting narrowing credit spreads and the fair value of stocks increased due to rising equity markets.

Regular net investment income in the third quarter of 2013, which excludes changes in fair value through profit or loss, decreased by $16 million compared to the third quarter of 2012. Irish Life contributed $21 million to regular net investment income. Excluding the impact of Irish Life, regular net investment income decreased $37 million mostly as a result of lower realized gains, provisions for credit losses in the current quarter compared to credit recoveries in the third quarter of 2012 and lower fixed-income yields. Net realized gains include gains on available-for-sale securities of $5 million in the third quarter of 2013 compared to $19 million for the same period last year.

For the nine months ended September 30, 2013, net investment income decreased by $5,344 million compared to the same period last year. The change in fair values for the nine month period in 2013 was a decrease of $2,754 million compared to an increase in fair values of $2,461 million during the same period in 2012, primarily as a result of government bond yields increasing in the first nine months of 2013 and decreasing in the same period of 2012. Regular net investment income decreased by $129 million compared to the same period last year. Excluding the impact of Irish Life, regular net investment income decreased $150 million primarily for the same reasons as described for the three month period. Net realized gains include gains on available-for-sale securities of $58 million in 2013 compared to $106 million in 2012.

Net investment income in the third quarter of 2013 was $3,191 million higher than the second quarter of 2013, primarily due to net decreases in fair values of $19 million in the third quarter of 2013 compared to net decreases of $3,200 million in the previous quarter. In the third quarter of 2013, government bond yields increased less than in the second quarter resulting in lower declines in bond fair values in the third quarter. As well, in the third quarter of 2013, the decline in bond fair values were offset by an increase in equity fair values due to stronger equity markets.

Credit Markets

In the third quarter of 2013, the Company experienced net charges on impaired investments which negatively impacted common shareholders’ net earnings by $3 million ($21 million net recovery in the third quarter of 2012). There were no new impairments in the third quarter. Changes in credit ratings in the Company's bond portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $3 million in the quarter ($7 million net charge in the third quarter of 2012).

For the nine months ended September 30, 2013, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $3 million ($32 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 $7 million year-to-date ($15 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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Canada					
Segregated funds, mutual funds and other	**$ 264**	$ 257	$ 235	**$ 773**	$ 706
ASO contracts	**36**	38	36	**111**	112
	300	295	271	**884**	818
United States					
Segregated funds, mutual funds and other	**358**	343	304	**1,032**	912
Europe					
Segregated funds, mutual funds and other	**275**	173	145	**606**	448
Total fee and other income	**$ 933**	$ 811	$ 720	**$ 2,522**	$ 2,178

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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Canada	**$ 2,207**	$ 1,053	$ 2,733	**$ 5,716**	$ 7,599
United States	**1,014**	366	1,246	**2,140**	3,274
Europe	**1,549**	(98)	2,628	**3,450**	6,456
Total	**$ 4,770**	$ 1,321	$ 6,607	**$ 11,306**	$ 17,329

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 September 30, 2013, consolidated amounts paid or credited to policyholders were $4.8 billion, including $4.1 billion of policyholder benefit payments and a $0.7 billion increase in contract liabilities. The decrease of $1.8 billion from the same period in 2012 consisted of a $1.6 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 $206 million decrease in benefit payments.

For the nine months ended September 30, 2013, consolidated amounts paid or credited to policyholders were $11.3 billion, including $12.8 billion of policyholder benefit payments and a $1.5 billion decrease in contract liabilities. The decrease of $6.0 billion from the same period in 2012 consisted of a $5.6 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 $384 million decrease in benefit payments.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $3.5 billion. The increase consisted of a $3.4 billion contract liability increase largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and a $73 million increase in benefit payments.

INCOME TAXES

The Company had an effective income tax rate of 12% for the third quarter of 2013 compared to 18% in the previous quarter and 18% in the third quarter of 2012. 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's effective income tax rate for the third quarter is lower than the same period last year due to a higher percentage of the Company's income in the third quarter of 2013 consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions. Also contributing to the lower effective income tax rate in the third quarter of 2013 were the reduction in statutory corporate income tax rates in the U.K. from 23% to 20% which was substantively enacted in the quarter, as well as the true-up of prior year tax provisions to tax filings during the third quarter of 2013.

The Company had an effective income tax rate of 16% for the nine months ended September 30, 2013 compared to 14% for the same period in 2012. 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 million; $22 million in the Canada segment and $25 million in the Europe segment. The Company's 2012 nine month effective income tax rate was reduced by 2% as a result of the audit agreement.

The third quarter effective income tax rate is lower than the second quarter of 2013 as a result of the true-up of prior year tax provisions to tax filings during the third quarter and the reduction in U.K statutory income tax rates noted above.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2013			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 59,369**	**$ 32,103**	**$ 38,723**	**$ 130,195**
Goodwill and intangible assets	**5,103**	**1,782**	**2,256**	**9,141**
Other assets	**2,890**	**3,509**	**16,368**	**22,767**
Segregated funds net assets	**58,496**	**26,463**	**64,727**	**149,686**
Total assets	**125,858**	**63,857**	**122,074**	**311,789**
Proprietary mutual funds and institutional net assets	**3,875**	**150,594**	**15,511**	**169,980**
Total assets under management	**129,733**	**214,451**	**137,585**	**481,769**
Other assets under administration	**13,867**	**175,120**	**34,355**	**223,342**
Total assets under administration	**$ 143,600**	**$ 389,571**	**$ 171,940**	**$ 705,111**

	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 September 30, 2013 increased by $159.4 billion from December 31, 2012, primarily as a result of the acquisition of Irish Life, market gains and new business growth.

The acquisition of Irish Life resulted in increases in general fund assets, segregated fund net assets, proprietary mutual funds and institutional net assets, and other assets under administration of $9.3 billion, $35.2 billion, $15.5 billion and $34.2 billion, respectively.

Goodwill, Intangibles and Other Assets

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life, Putnam and Irish Life.

As at September 30, 2013, the allocation of the purchase price of Irish Life reflects management's best estimates and includes provisional amounts where comprehensive valuations are ongoing. Provisional amounts for intangible assets have not been separately identified pending completion of the valuations. As a result, the excess of the purchase price over the fair value of net assets acquired of $554 million has been initially allocated to goodwill and will be adjusted in future reporting periods. The valuation process and completion of the purchase price allocation is anticipated to be substantially completed in the fourth quarter of 2013.

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

	September 30, 2013		December 31, 2012	
AAA	**$ 32,285**	**36 %**	$ 29,302	35 %
AA	**15,142**	**17**	13,463	16
A	**24,872**	**28**	23,812	29
BBB	**16,250**	**18**	14,662	18
BB or lower	**1,171**	**1**	1,342	2
Total	**$ 89,720**	**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 $89.7 billion or 69% of invested assets at September 30, 2013 and $82.6 billion or 69% at December 31, 2012. The acquisition of Irish Life increased bond holdings by $4.0 billion in the third quarter of 2013. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher.

Holdings of Debt Securities of Governments

	Carrying Value by Rating - September 30, 2013						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 9,635	$ 3,103	$ 2,197	$ -	$ -	$ 14,935	$ 14,574
U.K.	8,142	1,028	175	504	-	9,849	9,220
U.S.	7,153	1,329	162	3	-	8,647	8,427
Ireland	**-**	**-**	**-**	705	**-**	705	715
	24,930	**5,460**	**2,534**	**1,212**	**-**	**34,136**	**32,936**
Portugal	-	-	-	-	10	10	10
Italy	-	-	-	76	-	76	79
Greece	-	-	-	-	-	-	-
Spain	-	-	-	13	-	13	14
	-	**-**	**-**	**89**	**10**	**99**	**103**
Germany	1,394	6	-	-	-	1,400	1,404
France	-	1,240	-	-	-	1,240	1,249
Netherlands	688	-	-	-	-	688	677
Austria	342	21	-	-	-	363	368
Australia	70	-	-	-	-	70	58
Supranationals	1,157	115	-	-	-	1,272	1,241
All other (11 countries)	663	184	129	20	-	996	985
	4,314	**1,566**	**129**	**20**	**-**	**6,029**	**5,982**
Total	**$ 29,244**	**$ 7,026**	**$ 2,663**	**$ 1,321**	**$ 10**	**$ 40,264**	**$ 39,021**

* Includes certain funds held by ceding insurers with a carrying value of $2,918 million and an amortized cost of $2,760 million.

At September 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 $40.3 billion up from $36.2 billion at December 31, 2012. The increase includes $3.3 billion of bonds held by Irish Life. Excluding the impact of Irish Life, government bonds increased by $0.8 billion as 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 bond yields. Included in this portfolio are debt securities issued by Portugal, Italy and Spain, with an aggregate carrying value of $99 million up from $45 million at December 31, 2012 reflecting the acquisition of Irish Life. The Company does not hold any debt securities of the government of Greece.

Holdings of Debt Securities of Banks and Other Financial Institutions

	Carrying Value by Rating - September 30, 2013						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 67	$ 470	$ 1,024	$ 258	$ -	$ 1,819	$ 1,771
U.K.	230	422	1,814	1,018	350	3,834	3,671
U.S.	711	1,616	1,865	583	11	4,786	4,523
Ireland	-	-	-	64	9	73	92
	1,008	**2,508**	**4,703**	**1,923**	**370**	**10,512**	**10,057**
Portugal	-	-	-	-	-	-	-
Italy	-	-	30	71	-	101	106
Greece	-	-	-	-	-	-	-
Spain	66	-	53	97	-	216	219
	66	**-**	**83**	**168**	**-**	**317**	**325**
Germany	2	47	157	2	1	209	201
France	164	42	298	226	-	730	698
Netherlands	15	233	265	44	16	573	554
Australia	125	302	111	80	-	618	602
All other (16 institutions)	46	263	384	90	14	797	768
	352	**887**	**1,215**	**442**	**31**	**2,927**	**2,823**
Total	**$ 1,426**	**$ 3,395**	**$ 6,001**	**$ 2,533**	**$ 401**	**$ 13,756**	**$ 13,205**

	Carrying Value by Seniority - September 30, 2013							
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 72	$ 1,216	$ 213	$ 58	$ 260	$ -	$ 1,819	$ 1,771
U.K.	282	1,665	868	463	359	197	3,834	3,671
U.S.	432	3,208	968	-	178	-	4,786	4,523
Ireland	64	-	-	-	9	-	73	92
	850	**6,089**	**2,049**	**521**	**806**	**197**	**10,512**	**10,057**
Portugal	-	-	-	-	-	-	-	-
Italy	31	-	-	-	70	-	101	106
Greece	-	-	-	-	-	-	-	-
Spain	78	-	62	36	40	-	216	219
	109	**-**	**62**	**36**	**110**	**-**	**317**	**325**
Germany	43	108	58	-	-	-	209	201
France	206	216	143	46	119	-	730	698
Netherlands	15	462	14	32	50	-	573	554
Australia	150	327	96	-	45	-	618	602
All other (16 institutions)	54	475	114	84	70	-	797	768
	468	**1,588**	**425**	**162**	**284**	**-**	**2,927**	**2,823**
Total	**$ 1,427**	**$ 7,677**	**$ 2,536**	**$ 719**	**$ 1,200**	**$ 197**	**$ 13,756**	**$ 13,205**

* Includes certain funds held by ceding insurers with a carrying value of $2,910 million and an amortized cost of $2,634 million.

At September 30, 2013, the Company held debt securities, including short-term 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 $13.8 billion up from $12.8 billion at December 31, 2012. The September 30, 2013 balance includes $692 million of bonds ($177 million long-term; $515 million short-term) held by Irish Life. Excluding the impact of Irish Life, holdings of debt securities of banks and other financial institutions increased by $0.3 billion largely representing short-term instruments acquired by the Company in connection with its repurchase agreement program in the U.S. Segment.

Included in this portfolio is $317 million of debt securities issued by banks and other financial institutions domiciled in Italy and Spain, compared to $342 million at December 31, 2012. Of the Spanish holdings of $216 million, $190 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 September 30, 2013, 97% of the $13.8 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

	September 30, 2013				December 31, 2012	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 946**	**$ 771**	**$ 1,717**	**9 %**	$ 1,676	9 %
Multi-family residential	**2,618**	**2,138**	**4,756**	**26**	4,358	25
Commercial	**215**	**11,861**	**12,076**	**65**	11,841	66
Total	**$ 3,779**	**$ 14,770**	**$ 18,549**	**100 %**	$ 17,875	100 %

The total mortgage portfolio was $18.5 billion or 14% of invested assets at September 30, 2013 compared to $17.9 billion or 15% of invested assets at December 31, 2012. Total insured loans were $3.8 billion or 20% of the mortgage portfolio.

Single family residential mortgage

Region	September 30, 2013		December 31, 2012	
Ontario	**$ 795**	**46 %**	$ 757	45 %
Quebec	**391**	**23**	398	24
Alberta	**123**	**7**	122	7
British Columbia	**108**	**6**	109	7
Newfoundland	**91**	**5**	86	5
Nova Scotia	**61**	**4**	63	4
Saskatchewan	**61**	**4**	54	3
Manitoba	**43**	**3**	43	3
New Brunswick	**41**	**2**	40	2
Other	**3**	**-**	4	-
Total	**$ 1,717**	**100 %**	$ 1,676	100 %

During the nine month period ended September 30, 2013, single-family mortgage originations, including renewals, were $389 million of which 33% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill 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 September 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 September 30, 2013, the total provision for future credit losses in insurance contract liabilities was $2,666 million compared to $2,559 million at December 31, 2012, an increase of $107 million mostly due to the $70 million impact of the acquisition of Irish Life, as well as currency movement and normal business activity.

The aggregate of impairment provisions of $33 million ($73 million at December 31, 2012) and $2,666 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 September 30, 2013 (2.4% at December 31, 2012).

LIABILITIES

Total liabilities

	Sept. 30 2013	Dec. 31 2012
Insurance and investment contract liabilities	**$ 127,542**	$ 120,658
Other general fund liabilities	**15,126**	10,995
Investment and insurance contracts on account of segregated fund policyholders	**149,686**	104,948
Total	**$ 292,354**	$ 236,601

Total liabilities increased by $55.8 billion to $292.4 billion at September 30, 2013 from December 31, 2012, primarily due to the acquisition of Irish Life.

Insurance and investment contract liabilities increased by $6.9 billion, primarily due to the $6.5 billion impact of the acquisition of Irish Life. Other general fund liabilities increased by $4.1 billion, primarily due to new repurchase agreements in the U.S. segment of $2.0 billion, $0.9 billion of Irish Life other general fund liabilities and $0.7 billion of 10-year euro-denominated bonds issued in the second quarter of 2013. Investment and insurance contract liabilities on account of segregated fund policyholders increased by $44.7 billion, primarily due to the $35.2 billion impact of the Irish Life acquisition, market value gains and investment income of $6.8 billion, and the impact of currency movement of $2.6 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 September 30, 2013, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,476 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

		September 30, 2013 Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total*
Canada	$ 25,502	$ -	$ 33	$ 132	$ 132
United States	8,198	1	-	55	56
Europe					
Insurance & Annuities	6,845	-	36	89	89
Reinsurance**	1,042	379	-	25	405
	7,887	**379**	**36**	**114**	**494**
Total	**$ 41,587**	**$ 380**	**$ 69**	**$ 301**	**$ 682**

* 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 September 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 September 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 $22 million year-to-date, with the majority arising in the Europe segment.

Share Capital and Surplus

Share capital outstanding at September 30, 2013 was $9,640 million, which comprises $7,096 million of common shares, $2,064 million of non-cumulative First Preferred Shares, and $480 million of five-year rate reset First Preferred Shares.

On completion of the acquisition of Irish Life on July 18, 2013, Lifeco's 48,660,000 outstanding subscription receipts were automatically exchanged on a one-for-one basis for common shares of the Company. The subscription receipt exchange increased the total number of outstanding common shares to 1,000,450,840 and stated capital by approximately $1.2 billion, net of transaction costs, at July 18, 2013 and contributed $0.57 to book value per share, a non-IFRS measure. Book value per share at September 30, 2013 was $14.39 compared to $13.48 at June 30, 2013.

Pursuant to the terms of the subscription receipts, a dividend equivalent amount of $0.3075 per subscription receipt was paid 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 receipt holders and $4 million of interest expense, reflecting the interest earned on the proceeds of the subscription receipts funds held in escrow.

The Company commenced a normal course issuer bid on December 9, 2012, terminating December 8, 2013, to purchase and cancel up to 6,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options under the Company's Stock Option Plan. During the nine months ended September 30, 2013, the Company repurchased and subsequently cancelled 429,625 common shares (2012 – nil) at a cost of $13 million under its normal course issuer bid program.

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. The bonds are listed on the Irish Stock Exchange. This was Lifeco's first debt issuance in the euro market.

Consent Solicitation
On October 30, 2013, Lifeco successfully completed a consent solicitation of the holders of its 6.67% debentures due March 21, 2033 and amended the related trust indenture dated March 21, 2003. The Company paid each 2033 debenture holder $17.50 per $1,000 principal amount to remove the replacement capital covenants relating to certain preferred shares (Lifeco series F,G,H,I,L,M) and the Great-West Lifeco Finance (Delaware) 5.691% and 7.127% subordinated debentures.

The removal of the replacement capital covenants provide the Company with the ability to be responsive to credit rating agency considerations and emerging regulatory capital developments while providing greater flexibility to manage its capital structure. The consent solicitation does not imply that Lifeco intends to take any future action with respect to the redemption of any of the securities previously subject to the replacement capital covenants.

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 September 30, 2013, Lifeco held cash and cash equivalents of $8.0 billion ($5.0 billion at December 31, 2012) and government bonds of $27.8 billion ($25.8 billion at December 31, 2012). Irish Life contributed $0.6 billion in cash and cash equivalents in the third quarter of 2013. At September 30, 2013, the Company held cash and cash equivalents of approximately $0.9 billion ($0.5 billion at December 31, 2012) at the Lifeco holding company level. In addition, the Company maintains sizable committed lines of credit with Canadian chartered banks for unanticipated liquidity needs if required.

CASH FLOWS

Cash flows	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	**2013**	2012
Cash flows relating to the following activities:				
Operations	**$ 1,644**	$ 1,494	**$ 3,813**	$ 3,375
Financing	**(463)**	(204)	**944**	(692)
Investment	**(1,191)**	(1,125)	**(3,933)**	(2,837)
	(10)	165	**824**	(154)
Effects of changes in exchange rates on cash and cash equivalents	**18**	(33)	**77**	(31)
Increase (decrease) in cash and cash equivalents in the period	**8**	132	**901**	(185)
Cash and cash equivalents, beginning of period	**2,788**	1,739	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,796**	$ 1,871	**$ 2,796**	$ 1,871

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

In the third quarter, cash and cash equivalents increased by $8 million from June 30, 2013. Cash flows provided by operations during the third quarter of 2013 were $1,644 million, an increase of $150 million compared to the third quarter of 2012. Cash flows used in financing were $463 million, primarily due to payment of dividends to the preferred and common shareholders of $340 million and repayment of debentures and other debt instruments of $68 million. For the three months ended September 30, 2013, cash flows were used by the Company to acquire an additional $1,191 million of investment assets.

For the nine months ended September 30, 2013, cash and cash equivalents increased by $901 million from December 31, 2012. Cash flows provided from operations were $3,813 million, an increase of $438 million compared to 2012. Cash flows related to financing were $944 million, primarily due to proceeds of $1.25 billion from the issuance of common shares related to 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 $990 million. In 2013, cash flows were used by the Company to acquire an additional $3,933 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 September 30, 2013 was 221% (207% at December 31, 2012). London Life's MCCSR ratio at September 30, 2013 was 249% (243% at December 31, 2012). Canada Life's MCCSR ratio at September 30, 2013 was 221% (203% at December 31, 2012). The MCCSR ratio does not take into account any impact from $0.9 billion of liquidity at the Lifeco holding company level.

The combined impact of all capital activity and additional regulatory capital requirements related to the acquisition of Irish Life was +1 point on the Great-West Life MCCSR ratio. The related impact for Canada life was -1 point 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. Subsequent to the January 1, 2013 transition to IAS 19R, as per OSFI's 2013 MCCSR Guideline, quarterly re-measurements to defined benefit plans impacting available capital for the Company's federally regulated subsidiaries will be amortized over twelve quarters.

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 its Life Insurance Regulatory Framework initiatives. At this point, the Company cannot determine what the final outcome of these initiatives will be.

CAPITAL ALLOCATION METHODOLOGY

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

	Sept. 30 2013	June 30 2013	Dec. 31 2012[3]
Canada	**25.3 %**	23.4 %	22.7 %
U.S. Financial Services [1]	**19.4 %**	18.7 %	20.9 %
U.S. Asset Management (Putnam)	**(3.3)%**	(2.9)%	(2.4)%
Europe	**15.0 %**	19.5 %	18.2 %
Lifeco Corporate [2]	**(6.7)%**	(9.6)%	(5.9)%
Total Lifeco Net Earnings	**14.9 %**	15.6 %	15.3 %
Total Lifeco Operating Earnings [2]	**16.0 %**	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 14.9% compared to 15.3% at December 31, 2012. The Company achieved a 16.0% ROE on operating earnings, which compares favourably with its long-term objective of 15.0%.

RATINGS

Lifeco and its major operating subsidiaries received 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 changes to the Company's credit ratings in the third 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

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 third quarter of 2013. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its derivative transactions.

During the nine month period ended September 30, 2013 the outstanding notional amount of derivative contracts increased by $342 million. The increase includes $522 million of derivatives held by Irish Life. Excluding the derivatives held by Irish Life, the outstanding notional amount decreased by $180 million as a result of the expiry of equity put options with a December 31, 2012 notional amount of $849 million purchased in 2012 as a macro balance sheet credit hedge partially offset by the addition of foreign exchange forward contracts that fix the euro to British pound rate on approximately €300 million of the Irish Life investment and normal activity to hedge the Company's asset and liability positions.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $674 million at September 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. Market values also decreased on interest rate swaps that typically receive fixed rates and pay floating rates due to rising interest rates.

On October 16, 2013 the Company purchased six month equity put options on the S&P 500 with a notional amount of $6.8 billion for consideration of $41 million as a macro capital hedge against a severe decline in equity markets as a result of political uncertainty regarding the status of the borrowing authority of the United States government.

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). The IASB's revised proposals will also affect the calculation of insurance contract liabilities, and proposed changes to the presentation of insurance contract revenue being recognized during the period and disclosure within the financial statements. On October 25, 2013 the Company submitted a comment letter responding to the IASB exposure draft raising concerns that users of the financial statements will not obtain a faithful representation of the financial results of an insurer. The exposure draft is expected to produce more volatile financial results that in Lifeco's opinion, do not reflect how insurance contracts truly affect an entity's financial position, financial performance and cash flows. The Company continues to actively monitor developments in this area. Company will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.

IFRS 9 - Financial Instruments	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. In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9, which will not be set until the finalization of the impairment methodology and classification and measurement requirements phases. 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), Putnam Investments, LLC (Putnam) and Irish Life Group Limited (Irish Life), 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 nine months ended**	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 5,078**	$ 5,290	$ 4,852	**$ 15,933**	$ 14,975
Sales*	**2,389**	2,547	2,104	**7,948**	6,953
Fee and other income	**300**	295	271	**884**	818
Net earnings - common shareholders	**332**	281	280	**878**	775
Total assets	**$ 125,858**	$ 124,381	$ 119,432		
Proprietary mutual funds net assets	**3,875**	3,723	3,523		
Total assets under management	**129,733**	128,104	122,955		
Other assets under administration	**13,867**	13,632	12,907		
Total assets under administration	**$ 143,600**	$ 141,736	$ 135,862		

* 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 $5,078 million, an increase of $226 million from the third quarter of 2012.
- Sales in the third quarter of 2013 were $2,389 million, an increase of $285 million compared to the third quarter of 2012.
- Fee and other income in the third quarter of 2013 were $300 million, an increase of $29 million compared to the third quarter of 2012.
- Net earnings attributable to common shareholders for the third quarter of 2013 were $332 million compared to $280 million for the third quarter of 2012.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 1,035**	$ 1,029	$ 971	**$ 3,065**	$ 2,889
Sales*	**120**	108	109	**335**	347
Net earnings	**102**	71	83	**229**	176

* 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 $64 million to $1,035 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $63 million to $955 million compared to the same quarter last year, primarily due to an 8% increase in participating life premiums. Living Benefits premiums for the quarter increased by $1 million to $80 million compared to the same period last year.

For the nine months ended September 30, 2013, Individual Insurance premiums increased by 6% to $3,065 million compared to the same period last year. Individual Life premiums increased by $169 million to $2,820 million compared to the same period last year. Living Benefits premiums increased by $7 million to $245 million compared to the same period last year.

Individual Insurance premiums in the third quarter of 2013 increased by $6 million to $1,035 million compared to the previous quarter, primarily due to a 6% increase in universal life and term insurance premiums.

Sales
For the third quarter of 2013, Individual Life sales increased by $12 million to $110 million compared to the same quarter last year. The largest contributor was a 21% increase in participating life insurance sales. Sales of Living Benefits of $10 million were slightly lower than in the same quarter last year.

For the nine months ended September 30, 2013, Individual Life sales decreased by $12 million to $303 million compared to the same period last year, primarily due to a 33% decrease in universal life sales. Sales of Living Benefits of $32 million were comparable to the same period last year.

Individual Life sales in the third quarter of 2013 increased by $12 million to $110 million compared to the previous quarter. Living Benefits sales of $10 million were comparable to the previous quarter.

Net earnings
Net earnings for the third quarter increased by $19 million to $102 million as compared to the same quarter of 2012. This increase is primarily driven by lower new business strain, a result of increased interest rates and recent price increases, and favourable investment experience, partially offset by less favourable policyholder behaviour experience and lower contributions from insurance contract liability basis changes.

For the nine months ended September 30, 2013, net earnings increased by $53 million to $229 million compared to the same period last year. This increase is primarily driven by lower new business strain and favourable investment experience, partially offset by less favourable mortality and policyholder behaviour experience and lower contributions from insurance contract liability basis changes.

Net earnings increased by $31 million compared to the previous quarter. This increase is primarily due to improved new business strain, as a result of increased interest rates, favourable investment experience and higher contributions from insurance contract liability basis changes, partially offset by less favourable morbidity and policyholder behaviour experience.

The net earnings attributable to the participating account were $18 million in the third quarter of 2013 compared to net earnings of $73 million in the third quarter of 2012. This decrease in net earnings is primarily due to lower contributions from insurance contract liability basis changes, partially offset by a reduction in new business strain.

For the nine months ended September 30, 2013, the net earnings attributable to the participating account were $52 million compared to net earnings of $63 million for the same period in 2012. This decrease in net earnings is primarily driven by lower contributions from insurance contract liability basis changes, partially offset by a reduction in new business strain and favourable net experience gains.

The net earnings attributable to the participating account decreased by $1 million from the second quarter of 2013.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 2,191**	$ 2,371	$ 2,021	**$ 7,251**	$ 6,513
Sales*	**2,133**	2,323	1,913	**7,073**	6,237
Fee and other income	**250**	245	223	**733**	673
Net earnings	**114**	90	82	**294**	230

* 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
Wealth Management premiums and deposits increased by $170 million to $2,191 million compared to the same quarter last year. This result was primarily driven by higher premiums and deposits into group capital accumulation plan (GCAP) products and retail payout annuities.

For the nine months ended September 30, 2013, premiums and deposits increased by $738 million to $7,251 million compared to the same period last year. This result was primarily driven by higher premiums and deposits into GCAP products and proprietary retail investment funds.

Wealth Management premiums and deposits in the third quarter of 2013 decreased by $180 million compared to the previous quarter. This result was driven by lower premiums and deposits into GCAP products and proprietary retail investment funds, partially offset by higher single premium group annuity premiums.

Sales

Sales for the third quarter of 2013 increased by $220 million to $2,133 million compared to the same quarter last year. Sales of group retirement products of $526 million were $120 million higher than in the same quarter last year due to higher GCAP sales. Sales of proprietary retail investment funds increased by $24 million to $1,160 million compared to the same quarter last year due to strong base segregated fund and high net worth (HNW) product sales partially offset by lower GMWB sales. Sales of retail guaranteed interest rate and payout annuity products of $185 million were $19 million higher than in the same quarter last year as a result of increased payout annuity sales.

For the nine months ended September 30, 2013, sales increased by $836 million to $7,073 million compared to the same period last year. Sales of group retirement products increased by $470 million to $1,786 million compared to the same period last year due to higher GCAP and single premium group annuity sales. Sales of proprietary retail investment funds increased by $256 million to $3,904 million compared to the same period last year. This increase is consistent with investment fund sales in the Canadian investment funds marketplace. Sales of retail guaranteed interest rate and payout annuity products decreased by $13 million to $534 million compared to the same period last year.

Sales decreased by $190 million to $2,133 million compared to the prior quarter. Sales of proprietary retail investment funds decreased by $130 million due to lower GMWB sales, partially offset by higher sales of base segregated fund and HNW products. Sales of retail guaranteed interest rate and payout annuity products increased by $25 million compared to the previous quarter. Group retirement products sales decreased by $85 million due to lower GCAP sales partially offset by higher single premium group annuity sales.

Net deposits for the third quarter of 2013 were $119 million compared to $268 million in the same quarter last year and $162 million in the prior quarter of 2013. For the nine months ended September 30, 2013, net deposits were $823 million compared to $712 million in the same period last year.

Fee and other income

Fee income and other income increased by $27 million to $250 million in the third quarter of 2013 compared to 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), partially offset by lower fee margins.

For the nine months ended September 30, 2013, fee and other income increased by $60 million to $733 million compared to the same period last year for the same reasons as noted for the three month period.

Fee and other income in the third quarter of 2013 is $5 million higher compared to the previous quarter due to higher daily average AUM.

Net earnings

Net earnings for the third quarter of 2013 increased by $32 million to $114 million compared to the same quarter last year. The increase is primarily from higher fee income, investment gains and increased segregated fund acquisition expense deferrals, partially offset by lower contributions from basis changes and management actions.

For the nine months ended September 30, 2013, net earnings increased by $64 million to $294 million compared to the same period last year. The increase is primarily from higher fee income, investment gains, increased segregated fund acquisition expense deferrals, partially offset by lower contributions from insurance contract basis changes and less favourable mortality experience.

Net earnings in the third quarter of 2013 increased by $24 million compared to the previous quarter. This increase is primarily driven by higher investment gains and fee income, partially offset by less favourable mortality experience.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 1,852**	$ 1,890	$ 1,860	**$ 5,617**	$ 5,573
Sales	**136**	116	82	**540**	369
Fee and other income	**36**	38	36	**111**	112
Net earnings	**115**	118	119	**328**	303

Premiums and deposits
Premiums and deposits for the third quarter of 2013 decreased by $8 million to $1,852 million compared to the same period last year, primarily due to a decrease in large case premiums and deposits, partly offset by an increase in small/mid-size case premiums and deposits.

For the nine months ended September 30, 2013, premiums and deposits increased by $44 million to $5,617 million compared to the same period in 2012 primarily due to an increase in long-term disability premiums.

Premiums and deposits in the third quarter of 2013 decreased by $38 million compared to the previous quarter primarily due to a decrease in large case premiums and deposits.

Sales
Sales for the third quarter of 2013 increased by $54 million to $136 million compared to the same quarter of last year. The increase was due to higher sales in the large case market. Sales in the large case market can be highly variable from quarter to quarter. The increase was also due to higher sales in the small/midsize case market.

For the nine months ended September 30, 2013, sales increased by $171 million to $540 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 in the third quarter of 2013 increased by $20 million compared to the previous quarter primarily due to higher sales in the creditor/direct marketing products and in the large 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 and for the nine months ended September 30, 2013 are both comparable to the respective periods in 2012.

Fee and other income in the third quarter of 2013 decreased by $2 million compared to the previous quarter mainly due to a decrease in ASO premium equivalents.

Net earnings
Net earnings for the third quarter of 2013 decreased by $4 million to $115 million compared to the same quarter last year primarily due to unfavourable morbidity results and higher income taxes, partly offset by higher investment gains. The 2012 third quarter result also included a negative impact from insurance contract liability basis changes that was not repeated in 2013.

For the nine months ended September 30, 2013, net earnings of $328 million increased by $25 million compared to the same period last year. The increase was primarily due to favourable mortality results, higher expense gains, lower income taxes and higher gains from insurance contract liability basis changes. The increases were partly offset by unfavourable morbidity results.

Net earnings in the third quarter of 2013 decreased by $3 million compared to the previous quarter primarily due to unfavourable morbidity results, lower expense gains, and higher taxes partly offset by higher investment gains and favourable mortality results.

CANADA CORPORATE

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

Canada Corporate net earnings for the third quarter of 2013 were $1 million compared to a loss of $4 million in the third quarter of 2012. The $5 million increase is primarily due to increased fee income and lower income taxes, partially offset by lower mark-to-market gains on investment properties.

For the nine months ended September 30, 2013, Canada Corporate had net earnings of $27 million compared to $66 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 $41 million, decreased income on surplus assets of $7 million and an expense recovery in a private equity fund of $7 million in 2012, which did not recur. 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.

Net earnings in the third quarter of 2013 are comparable to the previous quarter, decreasing by $1 million.

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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 10,389**	$ 7,911	$ 8,289	**$ 27,167**	$ 21,623
Sales*	**10,973**	9,026	8,884	**29,949**	23,429
Fee and other income	**358**	343	304	**1,032**	912
Net earnings - common shareholders	**76**	73	86	**220**	245
Net earnings - common shareholders (US$)	**74**	71	86	**215**	244
Total assets	**$ 63,857**	$ 64,278	$ 57,286		
Proprietary mutual funds and institutional net assets	**150,594**	145,550	128,081		
Total assets under management	**214,451**	209,828	185,367		
Other assets under administration	**175,120**	168,498	138,595		
Total assets under administration	**$ 389,571**	$ 378,326	$ 323,962		

* 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

- Fee and other income for the three months ended September 30, 2013 was US$148 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.
- For the nine months ended September 30, 2013, sales were US$7.2 billion, up 14% over the same period last year. The increase compared to 2012 was primarily due to a higher volume of plan sale activity for the 401(k) market.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 1,710**	$ 1,412	$ 1,659	**$ 4,556**	$ 4,522
Sales*	**2,294**	2,527	2,254	**7,338**	6,328
Fee and other income	**156**	150	122	**446**	367
Net earnings	**86**	87	90	**258**	266
Premiums and deposits (US$)	**$ 1,643**	$ 1,385	$ 1,659	**$ 4,448**	$ 4,508
Sales (US$)*	**2,206**	2,478	2,254	**7,176**	6,310
Fee and other income (US$)	**148**	147	122	**435**	366
Net earnings (US$)	**83**	85	90	**252**	265

* 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 third quarter of 2013 decreased by US$16 million to US$1,643 million compared to the third quarter of 2012 due to a decrease of US$86 million in Individual Markets offset by an increase of US$70 million in Retirement Services. The decrease in Individual Markets is primarily related to lower sales in the retail bank market in the third quarter of 2013. The increase in Retirement Services is primarily related to increased transfers of US$54 million from retail investment options to the general account.

For the nine months ended September 30, 2013, premiums and deposits decreased by US$60 million to US$4,448 million compared to the same period in 2012 due to a decrease of US$194 million in Individual Markets offset by an increase of US$134 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$119 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 up by US$258 million in the third quarter of 2013 primarily due to an increase of US$206 million in Retirement Services related to transfers from retail investment options to the general account and increased 401(k) sales.

Sales
In the third quarter of 2013, sales decreased by US$48 million to US$2,206 million compared to the third quarter of 2012 due to a decrease of US$64 million in Individual Markets partly offset by an increase of US$16 million in Retirement Services. The decrease in Individual Markets is primarily due to lower sales in the retail bank and business-owned life insurance markets of US$98 million offset by an increase of US$34 million of sales in the IRA and individual annuity markets.

For the nine months ended September 30, 2013, sales increased by US$866 million to US$7,176 million compared to the same period of 2012 due to an increase of US$942 million in Retirement Services offset by a decrease of US$76 million in Individual Markets. The increase in Retirement Services is due to a higher volume of plan sale activity for 401(k) of US$752 million and an increase in the public/non-profit market of US$232 million. The increase in the public/non-profit market is primarily due to increased new participants of 37,000 or 29% compared to the same period last year. Individual Markets' decrease is due to lower sales in the retail bank market of US$156 million and business-owned life insurance market of US$64 million offset by an increase of US$144 million of sales in the IRA and individual annuity markets. The sale of universal life products in the retail bank market in the United States has seen an overall drop in activity year-over-year which is contributing to the decrease in the retail bank market sales.

Sales in the third quarter of 2013 decreased by US$272 million compared to the previous quarter due to a decrease of US$258 million in Retirement Services and a decrease of US$14 million in Individual Markets. The decrease in Retirement Services is primarily due to lower plan sale activity in the public/non-profit market.

Fee and other income
Fee and other income for the third quarter of 2013 increased by US$26 million to US$148 million compared to the third quarter of 2012 primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

For the nine months ended September 30, 2013, fee and other income increased by US$69 million to US$435 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 for the third quarter of 2013 was comparable to the previous quarter.

Net earnings
Net earnings for the third quarter of 2013 decreased by US$7 million to US$83 million compared to the third quarter of 2012. Earnings related to business growth grew by US$10 million which was offset by lower contributions from mortality basis changes by US$17 million compared to 2012.

For the nine months ended September 30, 2013, net earnings decreased by US$13 million to US$252 million compared to the same period in 2012. Earnings related to business growth grew by US$22 million which was offset by lower contributions from basis changes and management actions of US$25 million and lower investment gains of US$10 million from 2012.

Net earnings for the third quarter of 2013 were comparable to the previous quarter.

ASSET MANAGEMENT

2013 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at September 30, 2013 of US$141 billion increased by US$14 billion compared to the same period a year ago primarily due to favourable financial markets and investment performance.
- Putnam's gross sales for the three months ended September 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 third quarter of 2003. Year-to-date, gross sales have increased by US$5.0 billion compared to last year.
- Fee and other income in the third quarter of 2013 was US$195 million, an increase of US$13 million compared to the third quarter of 2012 and US$6 million compared to the previous quarter.
- Putnam continues to sustain strong risk-adjusted investment performance relative to its peers. During the nine months ended September 30, 2013, approximately 93% of Putnam's fund assets performed at levels above the Lipper median and on a one-year and five-year basis 95% and 70% of fund assets performed above the Lipper median, respectively. During the nine months ended September 30, 2013, approximately 64% of Putnam's fund assets performed at levels in the Lipper Top Quartile and on a one-year and five-year basis 62% and 55% of fund assets performed in the Lipper Top Quartile, respectively.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 8,679**	$ 6,499	$ 6,630	**$ 22,611**	$ 17,101
Fee and other income					
Investment management fees	**153**	144	132	**437**	392
Performance fees	**1**	1	1	**3**	9
Service fees	**38**	37	36	**111**	107
Underwriting & distribution fees	**10**	11	13	**35**	37
Fee and other income	**202**	193	182	**586**	545
Net loss	**(10)**	(14)	(4)	**(38)**	(21)
Premiums and deposits (US$)	**$ 8,345**	$ 6,372	$ 6,630	**$ 22,076**	$ 17,054
Fee and other income (US$)					
Investment management fees (US$)	**147**	141	132	**427**	392
Performance fees (US$)	**1**	1	1	**3**	9
Service fees (US$)	**37**	36	36	**109**	106
Underwriting & distribution fees (US$)	**10**	11	13	**34**	36
Fee and other income (US$)	**195**	189	182	**573**	543
Net loss (US$)	**(9)**	(14)	(4)	**(37)**	(21)

Premiums and deposits

Premiums and deposits increased by US$1.7 billion to US$8.3 billion in the third quarter of 2013 compared to the same period in 2012 as a result of stronger overall mutual fund sales of US$3.1 billion, partially offset by lower institutional sales of US$1.4 billion.

For the nine months ended September 30, 2013, premiums and deposits increased by US$5.0 billion to US$22.1 billion compared to the same period in 2012 due to improved mutual fund sales of US$5.8 billion, partially offset by lower institutional sales of US$0.8 billion.

Premiums and deposits in the third quarter of 2013 increased by US$2.0 billion compared to the previous quarter as a result of stronger overall mutual fund sales of US$1.7 billion and institutional sales of US$0.3 billion.

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 third quarter of 2013 increased by US$13 million to US$195 million compared to the same period in 2012 primarily due to an increase in investment management fees from higher average AUM.

For the nine months ended September 30, 2013, fee and other income increased by US$30 million to US$573 million compared to the same period last year. This was primarily due to an increase in investment management fees and service fees from higher average AUM, partially offset by lower performance fees on institutional accounts.

Fee and other income for the third quarter of 2013 increased by US$6 million compared to the second quarter of 2013 primarily due to an increase in investment management fees from higher average AUM.

Net earnings

For the third quarter of 2013 the net loss was US$9 million, an increase of US$5 million compared to the same period last year. Higher fee income and net investment income were more than offset by increased incentive compensation due to improved investment performance and other expenses, and higher expense from fair value adjustments on share-based compensation of US$6 million.

For the nine months ended September 30, 2013, the net loss was US$37 million, an increase of US$16 million 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, and lower financing costs were offset by higher incentive compensation due to improved investment performance and other expenses, and a US$5 million increase in expense from fair value adjustments on share-based compensation.

Net loss for the third quarter of 2013 decreased by US$5 million compared to the second quarter of 2013. Higher fee income and net investment income, and the release of certain income tax reserves were partially offset by a US$7 million expense from fair value adjustments on share-based compensation (nil in the prior quarter).

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Beginning assets	**$ 133,685**	$ 134,714	$ 119,708	**$ 128,329**	$ 116,652
Sales (includes dividends reinvested)	**8,345**	6,372	6,630	**22,076**	17,054
Redemptions	**(7,280)**	(6,779)	(6,028)	**(21,732)**	(18,692)
Net asset flows	**1,065**	(407)	602	**344**	(1,638)
Impact of market/performance	**6,023**	(622)	6,625	**12,100**	11,921
Ending assets	**$ 140,773**	$ 133,685	$ 126,935	**$ 140,773**	$ 126,935
Average assets under management	**$ 138,831**	$ 135,771	$ 123,012	**$ 135,981**	$ 121,984

Average AUM for the three months ended September 30, 2013 was US$139 billion, comprising mutual funds of US$69 billion and institutional accounts of US$70 billion. Average AUM increased by US$16 billion compared to the three months ended September 30, 2012 primarily due to the cumulative impact of positive market and investment performance on AUM. Net asset inflows for the third quarter of 2013 were US$1.1 billion compared to US$0.6 billion in the same quarter last year, reflecting an increase in mutual fund net asset flows to US$1.5 billion.

Average AUM for the nine months ended September 30, 2013 increased by US$14 billion compared to the nine months ended September 30, 2012 due to the same reason as the in-quarter comparison. Net asset inflows for the nine months ended September 30, 2013 were US$0.3 billion compared to net outflows of US$1.6 billion in the period last year, reflecting an increase in mutual fund net asset flows to US$1.9 billion.

Average AUM for the three months ended September 30, 2013 increased by US$3 billion compared to the previous quarter primarily due to the impact of positive market performance on AUM and net asset inflows in the third quarter of 2013. Net asset inflows for the third quarter of 2013 were US$1.1 billion compared to net outflows of US$0.4 billion in the prior quarter, reflecting an increase in mutual fund net asset flows to US$1.5 billion.

UNITED STATES CORPORATE

United States Corporate consists of items not associated directly with or allocated to the United States business units.

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 nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 4,250**	$ 1,793	$ 2,380	**$ 8,251**	$ 6,531
Fee and other income	**275**	173	145	**606**	448
Net earnings - common shareholders	**129**	178	165	**499**	464
Total assets	**$ 122,074**	$ 75,499	$ 72,325		
Proprietary mutual funds and institutional net assets	**15,511**	-	-		
Total assets under management	**137,585**	75,499	72,325		
Other assets under administration	**34,355**	175	102		
Total assets under administration	**$ 171,940**	$ 75,674	$ 72,427		

2013 DEVELOPMENTS

Irish Life Group Limited Acquisition

On July 18, 2013, the Company, through its wholly-owned subsidiary Canada Life Limited, completed the €1.3 billion acquisition of Irish Life Group Limited (Irish Life). The life and pension operations of the Company's Irish subsidiary, Canada Life (Ireland), are being 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 within Ireland, similar to the Company's operations in Canada.

The acquisition of Irish Life resulted in significant growth in the Europe segment:

Selected consolidated financial information - Europe

	For the three months ended September 30, 2013		
	Irish Life	**Non-Irish Life**	**Change**
Premiums and deposits	$ 2,571	$ 1,679	153 %
Fee and other income	93	182	51 %
Net earnings - common shareholders	37	92	40 %
Net earnings - common shareholders excluding restructuring and acquisition costs	41	148	28 %
Total assets	$ 44,469	$ 77,605	57 %
Proprietary mutual funds and institutional net assets	15,511	-	NMF
Total assets under management	59,980	77,605	77 %
Other assets under administration	34,177	178	NMF
Total assets under administration	**$ 94,157**	**$ 77,783**	**121 %**

Operating Results

- Net earnings for the three months ended September 30, 2013 were $129 million which includes restructuring and acquisition costs relating to Irish Life of $60 million. Excluding Irish Life related costs of $60 million, net earnings for the three months ended September 30, 2013 were $189 million, up 15% from the same period last year. Irish Life contributed $41 million of net earnings, excluding restructuring charges, since the date of acquisition.
- Premiums and deposits for the three months ended September 30, 2013 were up $1.9 billion compared to the same period of 2012. Insurance & Annuities premiums and deposits increased by $2.6 billion while Reinsurance declined by $0.7 billion. The increase in Insurance & Annuities is due to the contribution from Irish Life. Reinsurance premiums declined due to the commutation of a health reinsurance treaty in 2013 compared to the new European life retrocession business in 2012.
- Insurance & Annuities sales for the three months ended September 30, 2013 were $3.3 billion, up $2.4 billion compared to the same period of 2012. Irish Life contributed $2.4 billion to sales in the quarter. Excluding the impact of Irish Life, sales in the third quarter increased $50 million due mainly to higher sales of single premium savings products in U.K.
- Fee and other income for the three months ended September 30, 2013 was $275 million, up $130 million compared to the same period of 2012. Irish Life contributed $93 million to fee and other income in the quarter. The remaining increase is $37 million due mainly to higher fees in U.K.
- In the U.K., the Cover Excellence 2013 Awards named Canada Life "Best Group Critical Illness" provider of the year. In addition, the Isle of Man operations won 3 awards at the International Adviser Life 2013 Awards: "Best Protection Product", "Best Overall Product Range" and "Best Trust/Estate Planning Product".

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

Insurance & Annuities segment includes the operating results of Irish Life from July 19, 2013 to September 30, 2013.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 3,775**	$ 1,257	$ 1,180	**$ 6,292**	$ 3,454
Sales	**3,299**	889	866	**5,149**	2,449
Fee and other income	**257**	156	133	**554**	411
Net earnings	**134**	118	104	**382**	316

Premiums and deposits

Premiums and deposits for the three months ended September 30, 2013 were $3.8 billion, up $2.6 billion compared to the same period of 2012, primarily as a result of Irish Life's contribution of $2.6 billion during the quarter.

For the nine months ended September 30, 2013, premiums and deposits increased by $2.8 billion compared to the same period in 2012. Excluding the impact of Irish Life, premiums and deposits increased by $267 million primarily due to higher sales of payout annuities and single premium savings product sales in U.K. reflecting the normal fluctuations in the number of large cases as well as currency movement.

Premiums and deposits increased by $2.5 billion compared to the previous quarter due to the contribution from Irish Life. Excluding the impact of Irish Life, premiums and deposits decreased by $53 million primarily due to the normal seasonal decrease in U.K. group premiums and the lower sales of U.K. payout annuities. This is partly offset by higher sales of single premium savings products in U.K. and currency movement.

Sales

Sales for the three months ended September 30, 2013 were $3.3 billion, up $2.4 billion compared to the same period of 2012. Irish Life contributed $2.4 billion to sales in the quarter. Excluding the impact of Irish Life, sales in the third quarter increased $50 million due mainly to higher sales of single premium savings products in U.K.

For the nine months ended September 30, 2013, sales increased by $2.7 billion compared to the same period last year. Excluding the impact of Irish Life, sales increased $317 million due mainly to higher sales of payout annuities and single premium savings product sales in U.K. reflecting normal fluctuations in the number of large cases.

Sales increased by $2.4 billion from the previous quarter due to the contribution from Irish Life. Excluding the impact of Irish Life, sales increased by $27 million primarily due to higher sales of single premium savings products in U.K., partly offset by lower sales of U.K. payout annuities.

Fee and other income

Fee and other income for the three months ended September 30, 2013 was $257 million, up $124 million compared to the same period in 2012. Irish Life contributed $93 million to fee and other income in the quarter. The remaining increase is due mainly to higher fees in U.K.

For the nine months ended September 30, 2013, fee and other income increased by $143 million compared to the same period last year. Excluding the impact of Irish Life, fee and other income increased $50 million due mainly to higher fees in Germany and U.K.

Fee and other income increased by $101 million compared to the previous quarter mainly due to the contribution from Irish Life. Excluding the impact of Irish Life, fee and other income in the third quarter increased $8 million due mainly to higher surrender fees in U.K. The irregular pattern on certain shorter single premium investment products can cause the surrender fees to fluctuate significantly from quarter to quarter.

Net earnings

Net earnings for the third quarter of 2013 increased by $30 million compared to the same quarter last year. Irish Life contributed $41 million, excluding restructuring costs, to net earnings since its acquisition on July 18, 2013. Excluding the contribution from Irish Life, net earnings decreased by $11 million compared to the same quarter last year. This decrease was due to poor mortality experience in U.K. and the impact of a $24 million favourable decrease in interest margin reserves in 2012, partly offset by increased earnings in the U.K. wealth management business of $19 million.

Net earnings for the nine months ended September 30, 2013 increased by $66 million compared to the same period last year. Excluding the contribution from Irish Life, net earnings for the nine months ended September 30, 2013 increased by $25 million compared to the same period last year. The first nine months of 2012 results included $17 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 $16 million increased mortality margins in the U.K. and higher new business volumes and margins of $17 million. Partly offsetting these increases were $21 million lower investment gains and a $12 million decrease in morbidity gains.

Net earnings increased by $16 million compared to the previous quarter. Excluding the contribution from Irish Life, net earnings decreased by $25 million compared to the second quarter of 2013. Lower investment, mortality and new business gains in U.K. were the main contributors to the decrease, partly offset by higher surrender fees in the wealth management business.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2013	June 30 2013	Sept. 30 2012	**Sept. 30 2013**	Sept. 30 2012
Premiums and deposits	**$ 475**	$ 536	$ 1,200	**$ 1,959**	$ 3,077
Fee and other income	**18**	17	12	**52**	37
Net earnings	**57**	70	61	**182**	151

Premiums and deposits

Premiums and deposits for the third quarter of 2013 decreased by $725 million compared to last year primarily due to the commutation of a health reinsurance treaty and the new European life retrocession business in 2012.

For the nine months ended September 30, 2013, premiums and deposits decreased by $1.1 billion compared to the same period last year due primarily to the commutation of a health reinsurance treaty.

Premiums and deposits decreased by $61 million compared to the previous quarter primarily due to lower 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 $6 million compared to the same quarter last year and by $15 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 third quarter of 2013 decreased by $4 million compared to the same period last year. Favourable mortality experience in the life segment was offset by prior year new business gains in the Europe life business.

For the nine months ended September 30 2013, net earnings increased by $31 million compared to the same period last year. Favourable claims experience and lower charges from liability basis changes were partially offset by lower new business gains as a result of a European life retrocession agreement signed in the third quarter of 2012.

Net earnings for the third quarter of 2013 decreased by $13 million compared to the previous quarter largely due to lower new business gains and lower contribution from basis changes.

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 September 30, 2013 was a net loss of $62 million which includes restructuring and acquisition costs related to Irish Life of $60 million. Excluding the Irish Life related costs of $60 million, net earnings for the three months ended September 30, 2013 was a loss of $2 million compared to nil net earnings for the same period in 2012.

Net earnings for the nine months ended September 30, 2013 was a net loss of $65 million which includes year-to-date restructuring and acquisition costs relating to Irish Life of $74 million. Excluding the Irish Life related costs of $74 million, net earnings for the nine months ended September 30, 2013 were $9 million compared to a loss of $3 million for the same period of 2012. During the first quarter of 2013, the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings in 2013 by $11 million.

Net earnings for the three months ended September 30, 2013 including restructuring and acquisition costs relating to Irish Life was a net loss of $62 million compared to a net loss of $10 million for the second quarter of 2013. Excluding the Irish Life related costs of $60 million in the third quarter of 2013 and $10 million in the second quarter of 2013, net earnings for the three months ended September 30, 2013 was a loss of $2 million compared to nil net earnings for the second quarter of 2013.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2013, Lifeco Corporate had a net loss of $14 million compared to a net loss of $13 million in the third quarter of 2012. The current period net loss includes an increase in financing charges of $3 million primarily related to the euro-denominated debt issued as part of the Irish Life acquisition and a $5 million charge as a result of prior year capital tax audit reassessments. These items were mostly offset by lower mark-to-market losses related to a macro balance sheet credit hedge of $4 million and the loss on sale of fixed assets in the third quarter of 2012.

For the nine months ended September 30, 2013, Lifeco Corporate had a net loss of $36 million compared to a net loss of $29 million in the same period in 2012. The increase in the net loss of $7 million is primarily due to the increase in financing charges of $6 million for the euro-denominated debt and the tax charge noted above, partially offset by lower operating and other expenses and the loss on the sale of fixed assets in 2012.

The net loss for the three months ended September 30, 2013 in Lifeco Corporate increased by $3 million compared to the previous quarter primarily due to the tax charge noted above.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

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

	2013			2012				2011
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue	**$ 6,923**	$ 3,344	$ 7,185	$ 7,140	$ 8,638	$ 7,797	$ 6,500	$ 8,003
Common Shareholders Net earnings								
Total	**523**	521	517	351	518	488	449	624
Basic - per share	**0.527**	0.548	0.544	0.370	0.546	0.512	0.474	0.657
Diluted - per share	**0.522**	0.547	0.544	0.369	0.542	0.509	0.471	0.651
Operating earnings(1)								
Total	**523**	521	517	491	518	488	449	500
Basic - per share	**0.527**	0.548	0.544	0.517	0.546	0.512	0.474	0.528
Diluted - per share	**0.522**	0.547	0.544	0.514	0.542	0.509	0.471	0.523

(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 $523 million for the third quarter of 2013 compared to $518 million reported a year ago. On a per share basis, this represents $0.527 per common share ($0.522 diluted) for the third quarter of 2013 compared to $0.546 per common share ($0.542 diluted) a year ago.

Total revenue for the third quarter of 2013 was $6,923 million and comprises premium income of $4,598 million, regular net investment income of $1,411 million, a negative change in fair value through profit or loss on investment assets of $19 million, and fee and other income of $933 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 September 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 September 30, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

LIMITATION ON DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROL OVER FINANCIAL REPORTING

As permitted by securities legislation, for the period ended September 30, 2013, the Company's management has limited the scope of its design of the Company's disclosure controls and procedures and the Company's internal control over financial reporting to exclude controls, policies and procedures of Irish Life, which the Company acquired on July 18, 2013.

From the date of acquisition to September 30, 2013, Irish Life had revenue of $278 million and net earnings of $37 million (includes $4 million of restructuring costs incurred by Irish Life). At September 30, 2013 Irish Life's total assets were $44.5 billion, including investments on account of segregated fund policyholders of $35.2 billion. Total liabilities for Irish Life were $42.6 billion, including $35.2 billion investment and insurance contracts on account of segregated fund policyholders.

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**	**Sept. 30 2013**	June 30 2013	Mar. 31 2013	Dec. 31 2012	Sept. 30 2012	June 30 2012	Mar. 31 2012
United States dollar							
Balance sheet	**$1.03**	$1.05	$1.02	$0.99	$0.98	$1.02	$1.00
Income and expenses	**$1.04**	$1.02	$1.01	$0.99	$1.00	$1.01	$1.00
British pound							
Balance sheet	**$1.66**	$1.60	$1.54	$1.62	$1.59	$1.60	$1.60
Income and expenses	**$1.61**	$1.57	$1.56	$1.59	$1.57	$1.60	$1.57
Euro							
Balance sheet	**$1.39**	$1.37	$1.30	$1.31	$1.26	$1.29	$1.33
Income and expenses	**$1.38**	$1.34	$1.33	$1.29	$1.24	$1.30	$1.31

MUTUAL FUNDS DEPOSITS AND ASO PREMIUM EQUIVALENTS (ASO CONTRACTS)

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

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

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2013	June 30 2013	September 30 2012 (restated - note 3)	**September 30 2013**	September 30 2012 (restated - note 3)
Income					
Premium income					
Gross premiums written	**$ 5,394**	$ 5,113	$ 5,645	**$ 15,826**	$ 16,076
Ceded premiums	**(796)**	(781)	(705)	**(2,316)**	(2,083)
Total net premiums	**4,598**	4,332	4,940	**13,510**	13,993
Net investment income (note 5)					
Regular net investment income	**1,411**	1,401	1,427	**4,174**	4,303
Changes in fair value through profit or loss	**(19)**	(3,200)	1,551	**(2,754)**	2,461
Total net investment income (loss)	**1,392**	(1,799)	2,978	**1,420**	6,764
Fee and other income	**933**	811	720	**2,522**	2,178
	6,923	3,344	8,638	**17,452**	22,935
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**4,135**	3,967	4,137	**12,857**	13,054
Ceded	**(411)**	(362)	(304)	**(1,147)**	(1,058)
Total net policyholder benefits	**3,724**	3,605	3,833	**11,710**	11,996
Policyholder dividends and experience refunds	**317**	363	414	**1,047**	1,145
Changes in insurance and investment contract liabilities	**729**	(2,647)	2,360	**(1,451)**	4,188
Total paid or credited to policyholders	**4,770**	1,321	6,607	**11,306**	17,329
Commissions	**463**	443	441	**1,338**	1,266
Operating and administrative expenses	**786**	694	656	**2,150**	1,941
Premium taxes	**84**	72	74	**230**	218
Financing charges (note 11)	**75**	74	72	**216**	225
Amortization of finite life intangible assets	**28**	29	25	**84**	79
Restructuring and acquisition expenses (note 12)	**63**	10	-	**77**	-
Earnings before income taxes	**654**	701	763	**2,051**	1,877
Income taxes (note 18)	**79**	128	141	**335**	267
Net earnings before non-controlling interests	**575**	573	622	**1,716**	1,610
Attributable to non-controlling interests	**20**	20	74	**58**	72
Net earnings	**555**	553	548	**1,658**	1,538
Preferred share dividends	**32**	32	30	**97**	83
Net earnings - common shareholders	**$ 523**	$ 521	$ 518	**$ 1,561**	$ 1,455
Earnings per common share (note 17)					
Basic	**$ 0.527**	$ 0.548	$ 0.546	**$ 1.618**	$ 1.532
Diluted	**$ 0.522**	$ 0.547	$ 0.542	**$ 1.580**	$ 1.522

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2013	June 30 2013	September 30 2012 (restated - note 3)	**September 30 2013**	September 30 2012 (restated - note 3)
Net earnings	**$ 555**	$ 553	$ 548	**$ 1,658**	$ 1,538
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	**69**	326	(242)	**368**	(215)
Unrealized foreign exchange loss on euro debt designated as hedge of the net assets of foreign operations (note 4)	**(12)**	-	-	**(12)**	-
Unrealized gains (losses) on available-for-sale assets	**(9)**	(151)	47	**(128)**	94
Income tax (expense) benefit	**1**	34	(12)	**30**	(26)
Realized gains on available-for-sale assets	**(5)**	(18)	(17)	**(58)**	(104)
Income tax expense	**1**	6	3	**12**	26
Unrealized gains (losses) on cash flow hedges	**30**	(18)	55	**(52)**	31
Income tax (expense) benefit	**(13)**	18	(21)	**19**	(12)
Realized losses on cash flow hedges	**-**	1	-	**1**	1
Non-controlling interests	**4**	63	(1)	**59**	(5)
Income tax (expense) benefit	**(1)**	(17)	1	**(16)**	3
Total items that may be reclassified	**65**	244	(187)	**223**	(207)
Items that will not be reclassified to Consolidated Statements of Earnings					
Re-measurements on defined benefit pension and other post-employment benefit plans	**116**	176	(84)	**390**	(320)
Income tax (expense) benefit	**(31)**	(53)	21	**(110)**	83
Non-controlling interests	**(17)**	(20)	15	**(40)**	33
Income tax (expense) benefit	**4**	5	(4)	**9**	(9)
Total items that will not be reclassified	**72**	108	(52)	**249**	(213)
Total other comprehensive income (loss)	**137**	352	(239)	**472**	(420)
Comprehensive income	**$ 692**	$ 905	$ 309	**$ 2,130**	$ 1,118

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2013	December 31 2012 (restated - note 3)	January 1 2012 (restated - note 3)
Assets			
Cash and cash equivalents	**$ 2,796**	$ 1,895	$ 2,056
Bonds (note 5)	**89,720**	82,581	78,355
Mortgage loans (note 5)	**18,549**	17,875	17,432
Stocks (note 5)	**8,032**	7,051	6,656
Investment properties (note 5)	**3,948**	3,572	3,249
Loans to policyholders	**7,150**	7,082	7,162
	130,195	120,056	114,910
Funds held by ceding insurers	**9,810**	10,537	9,923
Goodwill	**5,967**	5,397	5,401
Intangible assets	**3,174**	3,115	3,154
Derivative financial instruments	**674**	997	968
Owner occupied properties	**577**	514	491
Fixed assets	**189**	154	137
Reinsurance assets (note 10)	**4,934**	2,064	2,061
Other assets	**5,425**	4,688	4,062
Deferred tax assets	**1,158**	1,142	1,163
Investments on account of segregated fund policyholders (note 9)	**149,686**	104,948	96,582
Total assets	**$ 311,789**	$ 253,612	$ 238,852
Liabilities			
Insurance contract liabilities (note 10)	**$ 126,662**	$ 119,919	$ 114,730
Investment contract liabilities (note 10)	**880**	739	782
Debentures and other debt instruments	**5,503**	4,283	4,313
Funds held under reinsurance contracts	**371**	335	169
Derivative financial instruments	**607**	342	316
Other liabilities	**5,793**	5,163	4,600
Deferred tax liabilities	**682**	708	810
Repurchase agreements	**2,007**	-	23
Capital trust debentures	**163**	164	815
Investment and insurance contracts on account of segregated fund policyholders (note 9)	**149,686**	104,948	96,582
Total liabilities	**292,354**	236,601	223,140
Equity			
Non-controlling interests			
Participating account surplus in subsidiaries	**2,495**	2,451	2,187
Non-controlling interests in subsidiaries	**7**	5	3
Shareholders' equity			
Share capital (note 13)			
Preferred shares	**2,544**	2,544	1,894
Common shares	**7,096**	5,848	5,828
Accumulated surplus	**7,693**	7,035	6,417
Accumulated other comprehensive loss	**(460)**	(932)	(675)
Contributed surplus	**60**	60	58
Total equity	**19,435**	17,011	15,712
Total liabilities and equity	**$ 311,789**	$ 253,612	$ 238,852

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 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	**-**	**-**	**1,658**	**-**	**58**	**1,716**
Other comprehensive income (loss)	**-**	**-**	**-**	**472**	**(12)**	**460**
	8,392	**60**	**8,693**	**(460)**	**2,502**	**19,187**
Dividends to shareholders						
Preferred shareholders	**-**	**-**	**(97)**	**-**	**-**	**(97)**
Common shareholders (note 17)	**-**	**-**	**(893)**	**-**	**-**	**(893)**
Exchange of subscription receipts on acquisition of Irish Life (note 13)	**1,220**	**-**	**-**	**-**	**-**	**1,220**
Shares issued under stock option plan (note 13)	**31**	**-**	**-**	**-**	**-**	**31**
Shares purchased and cancelled under Normal Course Issuer Bid (note 13)	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 13)	**10**	**-**	**(10)**	**-**	**-**	**-**
Balance, end of period	**$ 9,640**	**$ 60**	**$ 7,693**	**$ (460)**	**$ 2,502**	**$ 19,435**

	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 13)	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

	September 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	-	-	1,538	-	72	1,610
Other comprehensive loss	-	-	-	(420)	(22)	(442)
	7,722	58	7,955	(1,095)	2,240	16,880
Share issue costs	-	-	(9)	-	-	(9)
Dividends to shareholders						
Preferred shareholders	-	-	(83)	-	-	(83)
Common shareholders (note 17)	-	-	(876)	-	-	(876)
Shares issued under stock option plan	4	-	-	-	-	4
Issuance of preferred shares	450	-	-	-	-	450
Share-based payments	-	4	-	-	-	4
Balance, end of period	$ 8,176	$ 62	$ 6,987	$ (1,095)	$ 2,240	$ 16,370

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2013	2012
		(restated - note 3)
Operations		
Earnings before income taxes	**$ 2,051**	$ 1,877
Income taxes paid, net of refunds received	**(148)**	(207)
Adjustments:		
Change in insurance and investment contract liabilities	**(1,605)**	3,990
Change in funds held by ceding insurers	**751**	100
Change in funds held under reinsurance contracts	**29**	54
Change in deferred acquisition costs	**50**	20
Change in reinsurance assets	**216**	235
Changes in fair value through profit or loss	**2,754**	(2,461)
Other	**(285)**	(233)
	3,813	3,375
Financing Activities		
Issue of common shares (note 13)	**1,251**	4
Issue of preferred shares	**-**	450
Purchased and cancelled common shares (note 13)	**(13)**	-
Issue of euro-denominated debt (note 4)	**659**	-
Increase (decrease) in line of credit of subsidiary	**110**	(1)
Increase (decrease) in debentures and other debt instruments	**(73)**	1
Redemption of capital trust securities	**-**	(178)
Share issue costs	**-**	(9)
Dividends paid on common shares	**(893)**	(876)
Dividends paid on preferred shares	**(97)**	(83)
	944	(692)
Investment Activities		
Bond sales and maturities	**22,431**	16,336
Mortgage loan repayments	**1,319**	1,561
Stock sales	**1,470**	1,705
Investment property sales	**21**	-
Change in loans to policyholders	**116**	(11)
Acquisition of Irish Life Group Limited (note 4)	**(1,234)**	-
Change in repurchase agreements	**1,970**	1,453
Investment in bonds	**(26,638)**	(20,201)
Investment in mortgage loans	**(1,785)**	(1,823)
Investment in stocks	**(1,468)**	(1,681)
Investment in investment properties	**(135)**	(176)
	(3,933)	(2,837)
Effect of changes in exchange rates on cash and cash equivalents	**77**	(31)
Increase (decrease) in cash and cash equivalents	**901**	(185)
Cash and cash equivalents, beginning of period	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,796**	$ 1,871
Supplementary cash flow information		
Interest income received	**$ 3,349**	$ 3,430
Interest paid	**$ 178**	$ 182
Dividend income received	**$ 167**	$ 154

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), and Irish Life Group Limited (Irish Life) from the date of acquisition, July 18, 2013.

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months and nine months ended September 30, 2013 were approved by the Board of Directors on November 7, 2013.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of Lifeco at September 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, except for where 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.

Use of Estimates and Assumptions

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

Significant Judgments

In preparation of these financial statements, management is required to make significant judgments that affect the carrying amounts of certain assets and liabilities, and the reported amounts of revenues and expenses recorded during the period. Significant judgments have been made in the following areas and are discussed when significant throughout the notes in these financial statements: insurance and investment contract liabilities, fair value of financial instruments, goodwill and intangible assets, pension plans and other post-employment benefits, income taxes, 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 Irish Life pension plan balances assumed on July 18, 2013 reflect the adoption of IAS 19R.

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 presented and 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 September 30, 2012		
	Net earnings	Other comprehensive income (loss)	Comprehensive income
Comprehensive income previously reported	$ 550	$ (190)	$ 360
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(3)	(69)	(72)
Unrealized foreign exchange gain on translation of foreign operations	-	3	3
Income tax	1	17	18
	(2)	(49)	(51)
Revised comprehensive income	**$ 548**	**$ (239)**	**$ 309**

3. Changes in Accounting Policies (cont'd)

	For the nine months ended September 30, 2012		
	Net earnings	**Other comprehensive income (loss)**	**Comprehensive income**
Comprehensive income previously reported	$ 1,545	$ (210)	$ 1,335
Adjustments to comprehensive income:			
Pension and other post-employment benefits expense	(11)	(287)	(298)
Unrealized foreign exchange gain on translation of foreign operations	-	3	3
Income tax	4	74	78
	(7)	(210)	(217)
Revised comprehensive income	**$ 1,538**	**$ (420)**	**$ 1,118**

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, through its wholly-owned subsidiary Canada Life Limited, completed the acquisition of all of the shares of Irish Life Group Limited (Irish Life).

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 February 19, 2013 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 were classified as financial liabilities until July 18, 2013. With the closing of the transaction on that date the subscription receipts were exchanged on a one-for-one basis for 48,660,000 common shares of the Company (note 13). The balance of the funding for the transaction came from a euro-denominated debt issuance (described below) and internal cash resources.

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 euro-denominated debt has been designated as a hedge against a portion of the Company's net investment in euro-denominated foreign operations with changes in foreign exchange on the debt instrument recorded in other comprehensive income. The Company has also entered into foreign exchange forward contracts to fix the euro to the British pound rate on approximately €300 of the net investment in Irish Life which has been designated as a hedge.

As of September 30, 2013, the initial accounting for the acquisition is incomplete, pending completion of a comprehensive valuation of the net assets acquired. Balance sheet items that are incomplete include the valuation of certain real estate, insurance contract liabilities valuation, legal provisions, the identification and valuation of intangible assets and the related income taxes. The financial statements at September 30, 2013 reflect management's best estimate of the purchase price allocation, which includes provisional amounts. As at September 30, 2013, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase allocation pending completion of the valuation exercise. As a result, the excess of the purchase price over the fair value of net assets acquired representing goodwill will be adjusted retrospectively in future reporting periods.

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

The initial amounts assigned to the assets acquired, goodwill and liabilities assumed are below:

Acquisition consideration	$	1,788
Assets acquired		
Cash and cash equivalents	$	554
Invested assets		4,868
Reinsurance assets		2,963
Other assets		508
Investments on account of segregated fund policyholders		36,182
Total assets acquired		45,075
Liabilities assumed		
Insurance contract liabilities	$	6,145
Investment contract liabilities		194
Subordinated debentures and other debt instruments		443
Other liabilities		877
Investment and insurance contract liabilities on account of segregated fund policyholders		36,182
Total liabilities assumed		43,841
Net value of assets acquired	$	1,234
Goodwill	$	554

The comprehensive evaluation of the fair value of the net assets acquired and completion of the purchase price allocation is anticipated to be complete for the December 31, 2013 audited financial statements.

The Company completed the acquisition of Irish Life on July 18, 2013, from July 19, 2013 to September 30, 2013 Irish Life contributed $278 in revenue, $37 in net earnings (includes $4 of after-tax restructuring expenses incurred by Irish Life) and an other comprehensive loss of $7, amounts which are included in the Consolidated Statements of Earnings and Comprehensive Income for the three and nine months ended September 30, 2013.

During the three and nine months ended September 30, 2013, the Company incurred restructuring and acquisition expenses related to Irish Life of $63 and $77 respectively (note 12).

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 impracticable as Irish Life had a different financial reporting basis than the Company.

The Company has recognized within other liabilities $39 related to certain legal matters. The potential outcome of these matters is not yet determinable.

5. Portfolio Investments

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

	September 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)]	**$ 66,488**	**$ 66,488**	$ 62,752	$ 62,752	$ 59,870	$ 59,870
Classified fair value through profit or loss [(1)]	**1,986**	**1,986**	2,113	2,113	1,853	1,853
Available-for-sale	**9,781**	**9,781**	6,782	6,782	6,888	6,888
Loans and receivables	**11,465**	**12,347**	10,934	12,438	9,744	10,785
	89,720	**90,602**	82,581	84,085	78,355	79,396
Mortgage loans						
Residential	**6,473**	**6,668**	6,034	6,439	5,996	6,424
Non-residential	**12,076**	**12,508**	11,841	12,628	11,436	12,238
	18,549	**19,176**	17,875	19,067	17,432	18,662
Stocks						
Designated fair value through profit or loss [(1)]	**6,736**	**6,736**	5,918	5,918	5,454	5,454
Available-for-sale	**748**	**748**	788	788	864	864
Other	**548**	**641**	345	383	338	406
	8,032	**8,125**	7,051	7,089	6,656	6,724
Investment properties	**3,948**	**3,948**	3,572	3,572	3,249	3,249
Total	**$ 120,249**	**$ 121,851**	$ 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 September 30, 2013, the Consolidated Balance Sheets value of portfolio investments which were sold in repurchase agreements related to mortgages was $2,118 (nil at December 31, 2012 and January 1, 2012).

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2013	December 31 2012
Impaired amounts by classification		
Fair value through profit or loss	**$ 366**	$ 365
Available-for-sale	**25**	27
Loans and receivables	**42**	41
Total	**$ 433**	$ 433

The above carrying values for loans and receivables are net of allowances of $28 at September 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 September 30, 2013	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 953**	**$ 222**	**$ 61**	**$ 70**	**$ 135**	**$ 1,441**
Net realized gains						
Available-for-sale	**4**	**-**	**1**	**-**	**-**	**5**
Other classifications	**8**	**4**	**-**	**-**	**-**	**12**
Net allowances for credit losses on loans and receivables	**-**	**(4)**	**-**	**-**	**-**	**(4)**
Other income and expenses	**-**	**-**	**-**	**(18)**	**(25)**	**(43)**
	965	**222**	**62**	**52**	**110**	**1,411**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(6)**	**-**	**-**	**-**	**-**	**(6)**
Designated fair value through profit or loss	**(320)**	**-**	**291**	**32**	**(16)**	**(13)**
	(326)	**-**	**291**	**32**	**(16)**	**(19)**
Total	**$ 639**	**$ 222**	**$ 353**	**$ 84**	**$ 94**	**$ 1,392**

For the three months ended September 30, 2012	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 915	$ 223	$ 67	$ 61	$ 154	$ 1,420
Net realized gains						
Available-for-sale	18	-	1	-	-	19
Other classifications	4	4	-	-	-	8
Net allowances for credit losses on loans and receivables	1	14	-	-	-	15
Other income and expenses	-	-	-	(16)	(19)	(35)
	938	241	68	45	135	1,427
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains						
Classified fair value through profit or loss	11	-	-	-	-	11
Designated fair value through profit or loss	1,221	-	266	23	30	1,540
	1,232	-	266	23	30	1,551
Total	$ 2,170	$ 241	$ 334	$ 68	$ 165	$ 2,978

5. Portfolio Investments (cont'd)

For the nine months ended September 30, 2013	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 2,787**	**$ 661**	**$ 181**	**$ 199**	**$ 369**	**$ 4,197**
Net realized gains						
Available-for-sale	**57**	**-**	**1**	**-**	**-**	**58**
Other classifications	**17**	**19**	**-**	**-**	**-**	**36**
Net allowances for credit losses on loans and receivables	**-**	**(6)**	**-**	**-**	**-**	**(6)**
Other income and expenses	**-**	**-**	**-**	**(49)**	**(62)**	**(111)**
	2,861	**674**	**182**	**150**	**307**	**4,174**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(59)**	**-**	**-**	**-**	**-**	**(59)**
Designated fair value through profit or loss	**(3,077)**	**-**	**416**	**65**	**(99)**	**(2,695)**
	(3,136)	**-**	**416**	**65**	**(99)**	**(2,754)**
Total	**$ (275)**	**$ 674**	**$ 598**	**$ 215**	**$ 208**	**$ 1,420**

For the nine months ended September 30, 2012	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,779	$ 672	$ 187	$ 185	$ 433	$ 4,256
Net realized gains						
Available-for-sale	104	-	2	-	-	106
Other classifications	7	21	-	-	-	28
Net allowances for credit losses on loans and receivables	1	14	-	-	-	15
Other income and expenses	-	-	-	(46)	(56)	(102)
	2,891	707	189	139	377	4,303
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	30	-	-	-	-	30
Designated fair value through profit or loss	2,093	-	273	91	(26)	2,431
	2,123	-	273	91	(26)	2,461
Total	$ 5,014	$ 707	$ 462	$ 230	$ 351	$ 6,764

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.

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

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types: currency risk, interest rate (including related inflation) risk and equity risk.

Caution Related to Risk Sensitivities
These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date. Actual results can differ significantly from these estimates for a variety of reasons including:

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,

- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models.

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above. Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated.

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies. For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian dollars. In accordance with 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 not change the total provision for interest rates.

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

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $114 causing a decrease in net earnings of approximately $93.
- 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 $439 causing a decrease in net earnings of approximately $289.

(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 $25 causing an increase in net earnings of approximately $20. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $134 causing a decrease in net earnings of approximately $103.

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 $432 causing an increase in net earnings of approximately $332. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $487 causing a decrease in net earnings of approximately $371.

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:

	September 30, 2013			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 2,796**	**$ -**	**$ -**	**$ 2,796**
Financial assets at fair value through profit or loss				
Bonds	**-**	**68,084**	**390**	**68,474**
Stocks	**6,708**	**3**	**25**	**6,736**
Total financial assets at fair value through profit or loss	**6,708**	**68,087**	**415**	**75,210**
Available-for-sale financial assets				
Bonds	**-**	**9,754**	**27**	**9,781**
Stocks	**100**	**1**	**1**	**102**
Total available-for-sale financial assets	**100**	**9,755**	**28**	**9,883**
Investment properties	**-**	**-**	**3,948**	**3,948**
Derivatives [1]	**2**	**672**	**-**	**674**
Other assets:				
Trading account assets in Putnam LLC	**136**	**215**	**20**	**371**
Other [2]	**68**	**-**	**-**	**68**
Total assets measured at fair value	**$ 9,810**	**$ 78,729**	**$ 4,411**	**$ 92,950**
Liabilities measured at fair value				
Derivatives [3]	**$ -**	**$ 607**	**$ -**	**$ 607**
Investment contract liabilities	**-**	**851**	**29**	**880**
Other liabilities - other	**68**	**-**	**-**	**68**
Total liabilities measured at fair value	**$ 68**	**$ 1,458**	**$ 29**	**$ 1,555**

[1] Excludes collateral received of $10.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged of $190.

There were no transfers of the Company's assets and liabilities 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:

	September 30, 2013							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks [3]	Available-for-sale stocks	Investment properties	Other assets - trading account [4]	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 273	$ 27	$ 12	$ 1	$ 3,572	$ 9	$ 3,894	$ 33
Total gains								
Included in net earnings	53	1	-	-	65	11	130	-
Included in other comprehensive income [1]	-	3	-	-	56	-	59	-
Acquisition of Irish Life	120	-	1	-	234	-	355	-
Purchases	-	-	19	-	70	-	89	-
Sales	-	-	(7)	-	(49)	-	(56)	-
Repayments	(50)	(4)	-	-	-	-	(54)	-
Other	-	-	-	-	-	-	-	(4)
Transfers into Level 3 [2]	-	-	-	-	-	-	-	-
Transfers out of Level 3 [2]	(6)	-	-	-	-	-	(6)	-
Balance, end of period	$ 390	$ 27	$ 25	$ 1	$ 3,948	$ 20	$ 4,411	$ 29
Total gains for the period included in net investment income	$ 53	$ 1	$ -	$ -	$ 65	$ 11	$ 130	$ -
Change in unrealized gains (losses) for the period included in net earnings for assets held at September 30, 2013	$ 53	$ -	$ (1)	$ -	$ 65	$ 11	$ 128	$ -

[1] Amount of other comprehensive income for investment properties represents the unrealized gain on foreign exchange.

[2] Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds.

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

[4] Includes illiquid equities where prices are not quoted, however, the Company does not believe changing the inputs to reasonably alternate assumptions would change the values significantly.

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) 3% (weighted average) 495 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.

	September 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	$ 674	$ (221)	$ (10)	$ 443
Reverse repurchase agreements (3)	707	-	(707)	-
Total financial instruments (assets)	**$ 1,381**	**$ (221)**	**$ (717)**	**$ 443**
Financial instruments (liabilities)				
Derivative instruments	$ 607	$ (221)	$ (180)	$ 206
Total financial instruments (liabilities)	**$ 607**	**$ (221)**	**$ (180)**	**$ 206**

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 $10 ($25 at December 31, 2012), received on reverse repurchase agreements was $721 ($103 at December 31, 2012), and pledged on derivative liabilities was $206 ($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 fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the 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 fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, unitized with profits products and variable annuity products that provide for certain guarantees that are tied to the fair 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 fair 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 September 30, 2013, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,476 ($2,110 at December 31, 2012).

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

	September 30, 2013				
		Investment deficiency by benefit type			
	Market value	**Income**	**Maturity**	**Death**	**Total***
Canada	**$ 25,502**	**$ -**	**$ 33**	**$ 132**	**$ 132**
United States	**8,198**	**1**	**-**	**55**	**56**
Europe	**7,887**	**379**	**36**	**114**	**494**
Total	**$ 41,587**	**$ 380**	**$ 69**	**$ 301**	**$ 682**

*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 September 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 September 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 $22 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

	September 30 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 11,330**	$ 4,837	$ 5,334
Bonds	**33,319**	24,070	21,594
Mortgage loans	**2,409**	2,303	2,303
Stocks and units in unit trusts	**57,643**	35,154	32,651
Mutual funds	**38,104**	34,100	31,234
Investment properties	**7,805**	6,149	5,457
	150,610	106,613	98,573
Accrued income	**391**	239	287
Other liabilities/assets	**(1,315)**	(1,904)	(2,278)
Total	**$ 149,686**	$ 104,948	$ 96,582

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

	For the nine months ended September 30	
	2013	2012
Balance, beginning of year	**$ 104,948**	$ 96,582
Additions (deductions):		
Policyholder deposits	**11,295**	9,531
Net investment income	**559**	504
Net realized capital gains on investments	**2,039**	968
Net unrealized capital gains on investments	**4,170**	3,566
Unrealized gains (losses) due to changes in foreign exchange rates	**2,625**	(1,081)
Policyholder withdrawals	**(12,183)**	(8,543)
Acquired upon acquisition of Irish Life (note 4)	**36,182**	-
Net transfer from (to) General Fund	**51**	(1)
Total	**44,738**	4,944
Balance, end of period	**$ 149,686**	$ 101,526

9. Segregated Funds (cont'd)

(c) Investment income on account of segregated fund policyholders

	For the nine months ended September 30	
	2013	2012
Net investment income	**$ 559**	$ 504
Net realized capital gains on investments	**2,039**	968
Net unrealized capital gains on investments	**4,170**	3,566
Unrealized gains (losses) due to changes in foreign exchange rates	**2,625**	(1,081)
Total	**9,393**	3,957
Change in investment and insurance contracts liability on account of segregated fund policyholders	**9,393**	3,957
Net	**$ -**	$ -

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

	September 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 98,077**	**$ 43,984**	**$ 8,760**	**$ 150,821**

[(1)] Excludes other liabilities, net of other assets, of $1,135.

During 2013 certain foreign stock holdings valued at $1,785 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.

9. Segregated Funds (cont'd)

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:

	September 30 2013
Balance, beginning of year	**$ 6,287**
Total gains included in segregated fund investment income	**296**
Acquisition of Irish Life	**2,358**
Purchases	**127**
Sales	**(312)**
Transfers into Level 3	**4**
Balance, end of period	**$ 8,760**

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

	September 30, 2013		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 126,662**	**$ 4,934**	**$ 121,728**
Investment contract liabilities	**880**	**-**	**880**
Total	**$ 127,542**	**$ 4,934**	**$ 122,608**

	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 September 30		For the nine months ended September 30	
	2013	2012	**2013**	2012
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ 1**	$ 1	**$ 4**	$ 3
Financial charges:				
Interest on long-term debentures and other debt instruments	**65**	58	**187**	174
Interest on capital trust debentures	**3**	7	**8**	32
Other	**6**	6	**17**	16
	74	71	**212**	222
Total	**$ 75**	$ 72	**$ 216**	$ 225

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).

Upon acquisition of Irish Life (note 4) the Company assumed a subordinated debenture with a fair value of $297 and other debt instruments with a fair value of $146. The subordinated debenture assumed was a €200 debenture bearing interest of 5.25% which is callable at par on February 8, 2017 at the option of the Company but has no fixed maturity date. Included in the fair value of the debt is a derivative instrument with a fair value of $35 as at July 18, 2013. This derivative instrument swaps the interest rate from fixed to floating and the Company has designated this instrument as a fair value hedge. During the third quarter, the Company extinguished other debt instruments with a carrying value of $78 assumed from Irish Life for consideration of $75.

12. Restructuring and Acquisition Expenses

With the acquisition of Irish Life on July 18, 2013, the Company has developed a plan to restructure due to combining the life and pension operations of Canada Life (Ireland) and Irish Life. The Company expects the restructuring to be complete in 2014. In addition, the Company incurred other restructuring expenses due to other restructuring activities in Europe.

Restructuring and acquisition expenses by major heading were as follows:

	For the three months ended September 30 2013	For the nine months ended September 30 2013
Acquisition expenses	$ 34	$ 48
Restructuring - Irish Life		
Staff costs	11	11
Information systems	1	1
Other	8	8
	20	20
Other Europe restructuring	9	9
Total	**$ 63**	**$ 77**

Included in the above restructuring expenses are provisions of $20 which are included within other liabilities. These provisions are expected to be realized within 12 months from the reporting date.

During the third quarter of 2013, certain comparative figures previously presented within operating and administrative expenses have been reclassified to restructuring and acquisition expenses to conform to the presentation adopted in the current period.

13. Share Capital

Common Shares
Issued and outstanding

	September 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
Exchange of subscription receipts on acquisition of Irish Life (note 4)	**48,660,000**	**1,220**	-	-
Purchased and cancelled under Normal Course Issuer Bid	**(429,625)**	**(13)**	-	-
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**-**	**10**	-	-
Exercised and issued under stock option plan	**1,251,320**	**31**	832,299	20
Balance, end of period	**1,000,078,135**	**$ 7,096**	950,596,440	$ 5,848

Subscription Receipts
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 $27 ($20 after-tax). The tax impact of $7 was credited to share capital. The subscription receipts exchange increased the total number of outstanding common shares to 1,000,450,840 at July 18, 2013. These common shares have been included in the calculation of basic earnings per common share (note 17) effective July 18, 2013, the day in which all contingent terms were satisfied.

Normal Course Issuer Bid
On December 6, 2012, the Company announced a normal course issuer bid commencing December 9, 2012 and terminating December 8, 2013 to purchase for cancellation up to but not more than 6,000,000 of its common shares at market prices.

During the nine months ended September 30, 2013, the Company repurchased and subsequently cancelled 429,625 common shares (2012 – nil) at a cost of $13. The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value of $10 was recognized as a reduction to equity.

14. 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:

	September 30 2013	December 31 2012
Adjusted Net Tier 1 Capital	**$ 9,692**	$ 8,699
Net Tier 2 Capital	**2,320**	1,710
Total Capital Available	**$ 12,012**	$ 10,409
Total Capital Required	**$ 5,443**	$ 5,018
Tier 1 Ratio	**178%**	173%
Total Ratio	**221%**	207%

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions. At December 31, 2012 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

15. Share-Based Payments

Under the Company's stock option plan, no options were granted during the three months ended September 30, 2013, 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 nine months ended September 30, 2012). The weighted average fair value of options granted was $4.33 per option during the nine months ended September 30, 2013 ($3.17 for the nine months ended September 30, 2012). Compensation expense relating to the Company's stock option plan of $6 after-tax has been recognized in the Consolidated Statements of Earnings for the nine months ended September 30, 2013 ($4 after-tax for the nine months ended September 30, 2012).

16. 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 September 30		For the nine months ended September 30	
	2013	2012	**2013**	2012
Pension plans				
Service costs	**$ 39**	$ 26	**$ 104**	$ 79
Net interest cost	**7**	5	**20**	15
	46	31	**124**	94
Other post-employment benefits				
Service costs	**1**	1	**2**	2
Net interest cost	**4**	5	**13**	15
	5	6	**15**	17
Pension and other post-employment benefits expense - profit or loss	**51**	37	**139**	111
Pension plans - re-measurements				
Actuarial (gain) loss recognized	**(49)**	136	**(242)**	380
Return on assets greater than assumed	**(67)**	(63)	**(127)**	(78)
Change in effect of the asset ceiling	**-**	(10)	**(2)**	(24)
	(116)	63	**(371)**	278
Other post-employment benefits - re-measurements				
Actuarial (gain) loss recognized	**(3)**	21	**(22)**	42
Pension and other post-employment benefits expense - other comprehensive income	**(119)**	84	**(393)**	320
Total pension and other post-employment benefits expense (income)	**$ (68)**	$ 121	**$ (254)**	$ 431

During the third quarter of 2013, the Company incurred $3 of actuarial losses for pension plan re-measurements not included in the table above. This represents the Company's share of losses for an investment accounted for under the equity method acquired with Irish Life.

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	
September 30, 2013 (September 30, 2012)	**4.8 %**	(4.4 %)
June 30, 2013 (June 30, 2012)	**4.7 %**	(4.6 %)
December 31, 2012 (January 1, 2012)	**4.3 %**	(5.1 %)

17. Earnings per Common Share

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

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	**2013**	2012
Earnings				
Net earnings	**$ 555**	$ 548	**$ 1,658**	$ 1,538
Preferred share dividends	**(32)**	(30)	**(97)**	(83)
Net earnings - common shareholders	**523**	518	**1,561**	1,455
Capital trust securities	**-**	2	**-**	7
Net earnings - common shareholders - diluted basis	**$ 523**	$ 520	**$ 1,561**	$ 1,462
Number of common shares				
Average number of common shares outstanding	**991,427,893**	949,842,636	**964,810,569**	949,813,411
Add:				
- Impact of subscription receipts from date of issue, March 12, 2013	**8,991,522**	-	**22,814,945**	-
- Potential exercise of outstanding stock options	**1,113,222**	226,118	**682,706**	265,489
- Conversion of capital trust units	**-**	11,281,403	**-**	11,281,403
Average number of common shares outstanding - diluted basis	**1,001,532,637**	961,350,157	**988,308,220**	961,360,303
Basic earnings per common share	**$ 0.527**	$ 0.546	**$ 1.618**	$ 1.532
Diluted earnings per common share	**$ 0.522**	$ 0.542	**$ 1.580**	$ 1.522
Dividends per common share	**$ 0.3075**	$ 0.3075	**$ 0.9225**	$ 0.9225

18. Income Taxes

(a) Income Tax Expense

Income tax expense consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2013	2012	**2013**	2012
Current income taxes	**$ 132**	$ 127	**$ 463**	$ 197
Deferred income taxes	**(53)**	14	**(128)**	70
Total income tax expense	**$ 79**	$ 141	**$ 335**	$ 267

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the nine months ended September 30, 2013 was 16% compared to 14% for the full year 2012 and 14% for the nine months ended September 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 nine months ended September 30, 2012 effective income tax rate was reduced by the impact of changes to statutory income tax rates on the adjustment within the insurance contract liabilities for deferred income taxes. The above noted Canada Revenue Agency audit agreement further reduced the nine month effective income tax rate for 2012 by 2%.

(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 $1,236 at September 30, 2013 ($1,153 at December 31, 2012).

19. 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.

In the third quarter of 2013 one of two civil litigation matters brought against a subsidiary of the Company in relation to the subsidiary's role as manager of two collateral debt obligations was dismissed.

20. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2013

	Canada	United States	Europe [1]	Lifeco Corporate	Total
Income:					
Premium income	$ 2,516	$ 927	$ 1,155	$ -	$ 4,598
Net investment income					
Regular net investment income	638	344	429	-	1,411
Changes in fair value through profit or loss	(129)	(82)	192	-	(19)
Total net investment income	509	262	621	-	1,392
Fee and other income	300	358	275	-	933
Total income	3,325	1,547	2,051	-	6,923
Benefits and expenses:					
Paid or credited to policyholders	2,207	1,014	1,549	-	4,770
Other	663	398	263	9	1,333
Financing charges	29	35	6	5	75
Amortization of finite life intangible assets	12	12	4	-	28
Restructuring and acquisition expenses	-	-	63	-	63
Earnings before income taxes	414	88	166	(14)	654
Income taxes	62	8	12	(3)	79
Net earnings before non-controlling interests	352	80	154	(11)	575
Non-controlling interests	19	1	-	-	20
Net earnings	333	79	154	(11)	555
Preferred share dividends	26	-	6	-	32
Net earnings before capital allocation	307	79	148	(11)	523
Impact of capital allocation	25	(3)	(19)	(3)	-
Net earnings - common shareholders	$ 332	$ 76	$ 129	$ (14)	$ 523

[1] The Company completed the acquisition of Irish Life on July 18, 2013, the Europe segment includes the results of Irish Life from July 19, 2013 to September 30, 2013.

20. Segmented Information (cont'd)

For the three months ended September 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,397	$ 879	$ 1,664	$ -	$ 4,940
Net investment income					
Regular net investment income	666	332	433	(4)	1,427
Changes in fair value through profit or loss	493	244	814	-	1,551
Total net investment income (loss)	1,159	576	1,247	(4)	2,978
Fee and other income	271	304	145	-	720
Total income	3,827	1,759	3,056	(4)	8,638
Benefits and expenses:					
Paid or credited to policyholders	2,733	1,246	2,628	-	6,607
Other	630	341	193	7	1,171
Financing charges	33	34	5	-	72
Amortization of finite life intangible assets	11	11	3	-	25
Earnings before income taxes	420	127	227	(11)	763
Income taxes	67	38	39	(3)	141
Net earnings before non-controlling interests	353	89	188	(8)	622
Non-controlling interests	72	(1)	3	-	74
Net earnings	281	90	185	(8)	548
Preferred share dividends	21	-	6	3	30
Net earnings before capital allocation	260	90	179	(11)	518
Impact of capital allocation	20	(4)	(14)	(2)	-
Net earnings - common shareholders	$ 280	$ 86	$ 165	$ (13)	$ 518

20. Segmented Information (cont'd)

For the nine months ended September 30, 2013

	Canada	United States	Europe [1]	Lifeco Corporate	Total
Income:					
Premium income	$ 7,500	$ 2,256	$ 3,754	$ -	$ 13,510
Net investment income					
Regular net investment income	1,877	1,009	1,292	(4)	4,174
Changes in fair value through profit or loss	(1,349)	(589)	(816)	-	(2,754)
Total net investment income (loss)	528	420	476	(4)	1,420
Fee and other income	884	1,032	606	-	2,522
Total income	8,912	3,708	4,836	(4)	17,452
Benefits and expenses:					
Paid or credited to policyholders	5,716	2,140	3,450	-	11,306
Other	1,941	1,143	615	19	3,718
Financing charges	86	103	15	12	216
Amortization of finite life intangible assets	37	38	9	-	84
Restructuring and acquisition expenses	-	-	77	-	77
Earnings before income taxes	1,132	284	670	(35)	2,051
Income taxes	196	48	99	(8)	335
Net earnings before non-controlling interests	936	236	571	(27)	1,716
Non-controlling interests	53	5	-	-	58
Net earnings	883	231	571	(27)	1,658
Preferred share dividends	80	-	17	-	97
Net earnings before capital allocation	803	231	554	(27)	1,561
Impact of capital allocation	75	(11)	(55)	(9)	-
Net earnings - common shareholders	$ 878	$ 220	$ 499	$ (36)	$ 1,561

[1] The Company completed the acquisition of Irish Life on July 18, 2013, the Europe segment includes the results of Irish Life from July 19, 2013 to September 30, 2013.

20. Segmented Information (cont'd)

For the nine months ended September 30, 2012

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 7,113	$ 2,406	$ 4,474	$ -	$ 13,993
Net investment income					
Regular net investment income	1,950	983	1,373	(3)	4,303
Changes in fair value through profit or loss	755	442	1,264	-	2,461
Total net investment income (loss)	2,705	1,425	2,637	(3)	6,764
Fee and other income	818	912	448	-	2,178
Total income	10,636	4,743	7,559	(3)	22,935
Benefits and expenses:					
Paid or credited to policyholders	7,599	3,274	6,456	-	17,329
Other	1,916	1,007	485	17	3,425
Financing charges	110	101	14	-	225
Amortization of finite life intangible assets	33	38	8	-	79
Earnings before income taxes	978	323	596	(20)	1,877
Income taxes	142	68	62	(5)	267
Net earnings before non-controlling interests	836	255	534	(15)	1,610
Non-controlling interests	62	(1)	11	-	72
Net earnings	774	256	523	(15)	1,538
Preferred share dividends	58	-	17	8	83
Net earnings before capital allocation	716	256	506	(23)	1,455
Impact of capital allocation	59	(11)	(42)	(6)	-
Net earnings - common shareholders	$ 775	$ 245	$ 464	$ (29)	$ 1,455

20. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	September 30, 2013			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 59,369**	**$ 32,103**	**$ 38,723**	**$ 130,195**
Goodwill and intangible assets	**5,103**	**1,782**	**2,256**	**9,141**
Other assets	**2,890**	**3,509**	**16,368**	**22,767**
Investments on account of segregated fund policyholders	**58,496**	**26,463**	**64,727**	**149,686**
Total	**$ 125,858**	**$ 63,857**	**$ 122,074**	**$ 311,789**

	September 30, 2013			
	Canada	**United States**	**Europe**	**Total**
Liabilities				
Insurance and investment contract liabilities	**$ 54,529**	**$ 27,369**	**$ 45,644**	**$ 127,542**
Other liabilities	**4,971**	**6,671**	**3,484**	**15,126**
Investment and insurance contracts on account of segregated fund policyholders	**58,496**	**26,463**	**64,727**	**149,686**
Total	**$ 117,996**	**$ 60,503**	**$ 113,855**	**$ 292,354**

	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
Investments on account of segregated fund policyholders	54,341	23,809	26,798	104,948
Total	$ 121,174	$ 57,611	$ 74,827	$ 253,612

	December 31, 2012			
	Canada	United States	Europe	Total
Liabilities				
Insurance and investment contract liabilities	$ 55,134	$ 26,298	$ 39,226	$ 120,658
Other liabilities	4,189	4,476	2,330	10,995
Investment and insurance contracts on account of segregated fund policyholders	54,341	23,809	26,798	104,948
Total	$ 113,664	$ 54,583	$ 68,354	$ 236,601

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