GREAT-WEST LIFECO INC.

Consolidated Financial Statements

For the year 2013

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(in Canadian $ millions except per share amounts)

	For the years ended December 31	
	2013	2012 (notes 3 & 36)
Income		
Premium income		
Gross premiums written	**$ 23,441**	$ 22,276
Ceded premiums	**(3,205)**	(3,019)
Total net premiums	**20,236**	19,257
Net investment income (note 6)		
Regular net investment income	**5,604**	5,642
Changes in fair value through profit or loss	**(2,979)**	2,668
Total net investment income	**2,625**	8,310
Fee and other income	**3,585**	3,030
	26,446	30,597
Benefits and expenses		
Policyholder benefits		
Insurance and investment contracts		
Gross	**18,464**	17,854
Ceded	**(1,744)**	(1,457)
Total net policyholder benefits	**16,720**	16,397
Policyholder dividends and experience refunds	**1,371**	1,437
Changes in insurance and investment contract liabilities	**(280)**	5,041
Total paid or credited to policyholders	**17,811**	22,875
Commissions	**1,869**	1,781
Operating and administrative expenses (note 31)	**3,159**	2,684
Premium taxes	**313**	293
Financing charges (note 17)	**292**	299
Amortization of finite life intangible assets	**117**	103
Restructuring and acquisition expenses (note 19)	**104**	-
Earnings before income taxes	**2,781**	2,562
Income taxes (note 30)	**463**	364
Net earnings before non-controlling interests	**2,318**	2,198
Attributable to non-controlling interests (note 22)	**(90)**	277
Net earnings	**2,408**	1,921
Preferred share dividends	**130**	115
Net earnings - common shareholders	**$ 2,278**	$ 1,806
Earnings per common share (note 27)		
Basic	**$ 2.340**	$ 1.902
Diluted	**$ 2.297**	$ 1.891

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in Canadian $ millions)

	For the years ended December 31	
	2013	2012 (notes 3 & 36)
Net earnings	**$ 2,408**	$ 1,921
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	**858**	(78)
Unrealized foreign exchange loss on euro debt designated as hedge of the net assets of foreign operations (note 4)	**(52)**	-
Unrealized gains (losses) on available-for-sale assets	**(161)**	87
Income tax (expense) benefit	**36**	(25)
Realized (gains) losses on available-for-sale assets	**(65)**	(126)
Income tax expense (benefit)	**14**	31
Unrealized gains (losses) on cash flow hedges	**(89)**	14
Income tax (expense) benefit	**34**	(5)
Realized (gains) losses on cash flow hedges	**2**	2
Income tax expense (benefit)	**(1)**	(1)
Non-controlling interests	**67**	3
Income tax (expense) benefit	**(18)**	1
Total items that may be reclassified	**625**	(97)
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans	**604**	(241)
Income tax (expense) benefit	**(165)**	68
Non-controlling interests	**(58)**	18
Income tax (expense) benefit	**13**	(5)
Total items that will not be reclassified	**394**	(160)
Total other comprehensive income (loss)	**1,019**	(257)
Comprehensive income	**$ 3,427**	$ 1,664

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS

(in Canadian $ millions)

	December 31 2013	December 31 2012 (notes 3 & 36)	January 1 2012 (notes 3 & 36)
Assets			
Cash and cash equivalents (note 5)	**$ 2,791**	$ 1,895	$ 2,056
Bonds (note 6)	**89,914**	82,581	78,355
Mortgage loans (note 6)	**19,063**	17,875	17,432
Stocks (note 6)	**8,554**	7,051	6,656
Investment properties (note 6)	**4,288**	3,572	3,249
Loans to policyholders	**7,332**	7,082	7,162
	131,942	120,056	114,910
Funds held by ceding insurers (note 7)	**10,832**	10,599	9,978
Goodwill (note 12)	**5,812**	5,397	5,401
Intangible assets (note 12)	**3,456**	3,115	3,154
Derivative financial instruments (note 32)	**593**	997	968
Owner occupied properties (note 13)	**590**	514	491
Fixed assets (note 13)	**211**	154	137
Reinsurance assets (note 16)	**5,070**	2,064	2,061
Premiums in course of collection, accounts and interest receivable	**3,068**	2,647	2,379
Other assets (note 14)	**2,220**	1,571	1,393
Current income taxes (note 30)	**165**	162	181
Deferred tax assets (note 30)	**1,167**	1,142	1,163
Investments on account of segregated fund policyholders (note 15)	**160,779**	105,432	96,985
Total assets	**$ 325,905**	$ 253,850	$ 239,201
Liabilities			
Insurance contract liabilities (note 16)	**$ 131,174**	$ 119,973	$ 114,785
Investment contract liabilities (note 16)	**889**	739	782
Debentures and other debt instruments (note 18)	**5,740**	4,283	4,313
Funds held under reinsurance contracts	**270**	335	169
Derivative financial instruments (note 32)	**744**	342	316
Accounts payable	**1,583**	1,258	1,351
Other liabilities (note 20)	**2,807**	2,956	2,662
Current income taxes (note 30)	**981**	649	478
Deferred tax liabilities (note 30)	**776**	708	810
Repurchase agreements	**-**	-	23
Capital trust debentures (note 21)	**163**	164	815
Investment and insurance contracts on account of segregated fund policyholders (note 15)	**160,779**	105,432	96,985
Total liabilities	**305,906**	236,839	223,489
Equity			
Non-controlling interests (note 22)			
Participating account surplus in subsidiaries	**2,354**	2,451	2,187
Non-controlling interests in subsidiaries	**8**	5	3
Shareholders' equity			
Share capital (note 23)			
Preferred shares	**2,314**	2,544	1,894
Common shares	**7,112**	5,848	5,828
Accumulated surplus	**8,067**	7,035	6,417
Accumulated other comprehensive income (loss) (note 28)	**87**	(932)	(675)
Contributed surplus	**57**	60	58
Total equity	**19,999**	17,011	15,712
Total liabilities and equity	**$ 325,905**	$ 253,850	$ 239,201

Approved by the Board:

Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian $ millions)

December 31, 2013

	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	**$ 8,392**	**$ 60**	**$ 7,035**	**$ (932)**	**$ 2,456**	**$ 17,011**
Net earnings	**-**	**-**	**2,408**	**-**	**(90)**	**2,318**
Other comprehensive income (loss)	**-**	**-**	**-**	**1,019**	**(4)**	**1,015**
	8,392	**60**	**9,443**	**87**	**2,362**	**20,344**
Share issue costs (note 23)	**-**	**-**	**-**	**-**	**-**	**-**
Dividends to shareholders						
Preferred shareholders (note 23)	**-**	**-**	**(130)**	**-**	**-**	**(130)**
Common shareholders (note 27)	**-**	**-**	**(1,200)**	**-**	**-**	**(1,200)**
Exchange of subscription receipts on acquisition of Irish Life (note 23)	**1,220**	**-**	**-**	**-**	**-**	**1,220**
Shares issued under stock option plan (note 23)	**57**	**-**	**-**	**-**	**-**	**57**
Shares purchased and cancelled under Normal Course Issuer Bid (note 23)	**(59)**	**-**	**-**	**-**	**-**	**(59)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 23)	**46**	**-**	**(46)**	**-**	**-**	**-**
Redemption of preferred shares (note 23)	**(230)**	**-**	**-**	**-**	**-**	**(230)**
Share-based payments	**-**	**(3)**	**-**	**-**	**-**	**(3)**
Balance, end of year	**$ 9,426**	**$ 57**	**$ 8,067**	**$ 87**	**$ 2,362**	**$ 19,999**

December 31, 2012 (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 (note 23)	-	-	(14)	-	-	(14)
Reallocation from participating account to shareholder account (note 22)	-	-	(6)	-	6	-
Dividends to shareholders						
Preferred shareholders (note 23)	-	-	(115)	-	-	(115)
Common shareholders (note 27)	-	-	(1,168)	-	-	(1,168)
Shares issued under stock option plan (note 23)	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

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian $ millions)

	For the years ended December 31	
	2013	2012 (notes 3 & 36)
Operations		
Earnings before income taxes	**$ 2,781**	$ 2,562
Income taxes paid, net of refunds received	**(209)**	(177)
Adjustments:		
Change in insurance and investment contract liabilities	**(567)**	5,034
Change in funds held by ceding insurers	**269**	196
Change in funds held under reinsurance contracts	**(99)**	203
Change in deferred acquisition costs	**56**	(2)
Change in reinsurance assets	**321**	42
Changes in fair value through profit or loss	**2,979**	(2,668)
Other	**(505)**	(468)
	5,026	4,722
Financing Activities		
Issue of common shares (note 23)	**1,277**	20
Issue of preferred shares	**-**	650
Purchased and cancelled common shares (note 23)	**(59)**	-
Redemption of preferred shares	**(230)**	-
Issue of euro-denominated debt (note 4)	**659**	-
Increase in line of credit of subsidiary	**257**	-
Decrease in debentures and other debt instruments	**(74)**	(1)
Redemption of capital trust securities	**-**	(409)
Share issue costs	**-**	(14)
Consent solicitation fees (note 18)	**(7)**	-
Dividends paid on common shares	**(1,200)**	(1,168)
Dividends paid on preferred shares	**(130)**	(115)
	493	(1,037)
Investment Activities		
Bond sales and maturities	**28,173**	23,959
Mortgage loan repayments	**1,910**	2,071
Stock sales	**1,862**	2,062
Investment property sales	**34**	-
Change in loans to policyholders	**70**	(57)
Acquisition of Irish Life Group Limited, net of cash and cash equivalents acquired (note 4)	**(1,234)**	-
Change in repurchase agreements	**-**	(23)
Investment in bonds	**(30,820)**	(26,964)
Investment in mortgage loans	**(2,617)**	(2,569)
Investment in stocks	**(1,944)**	(2,104)
Investment in investment properties	**(247)**	(213)
	(4,813)	(3,838)
Effect of changes in exchange rates on cash and cash equivalents	**190**	(8)
Increase (decrease) in cash and cash equivalents	**896**	(161)
Cash and cash equivalents, beginning of year	**1,895**	2,056
Cash and cash equivalents, end of year	**$ 2,791**	$ 1,895
Supplementary cash flow information		
Interest income received	**$ 4,507**	$ 4,645
Interest paid	**$ 275**	$ 283
Dividend income received	**$ 239**	$ 206

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

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

The consolidated financial statements (financial statements) of the Company as at and for the year ended December 31, 2013 were approved by the Board of Directors on February 13, 2014.

2. Basis of Presentation and Summary of Accounting Policies

The financial statements of the Company have been prepared in compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB). The financial statements are prepared using International Financial Reporting Standards (IFRS) which became Canadian generally accepted accounting principles for publicly accountable enterprises and were adopted by the Company for fiscal years beginning on January 1, 2011. The Company has implemented changes in accounting policies for the adoption of new and revised accounting standards as described in note 3.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company as at and for the year ended December 31, 2013 with comparatives for December 31, 2012. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All significant intra-group balances, transactions, income and expenses and profits or losses, including dividends resulting from intra-group transactions, are eliminated on consolidation.

Use of Significant Judgments, Estimates and Assumptions

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

- The actuarial assumptions, such as mortality and morbidity of policyholders, used in the valuation of insurance and investment contract liabilities under the Canadian Asset Liability Method (note 16).
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 9).
- The carrying value of goodwill and intangible assets relies upon the use of forecasts and future results upon initial recognition. Management evaluates the synergies and future benefit for recognition of goodwill and intangible assets (note 12).
- Cash generating units for goodwill have been determined by management as the lowest level that the goodwill is monitored for internal reporting purposes. Cash generating unit groupings have been separated according to business units within geographic areas the Company operates in (note 12).

- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed onto a third-party to settle the obligation. Management evaluates the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 33).
- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 30).
- The actuarial assumptions used in determining the expense for the Company's pension plans and other post-employment benefits. Management reviews previous experience of its plan members in evaluating the assumptions used in determining the expense for the current year (note 26).
- Management consolidates all subsidiaries and entities in which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists.
- Management uses judgments and estimates in using independent qualified appraisal services adjusted for material changes in property cash flows, capital expenditures or general market conditions in determining the fair value of investment properties (note 6).
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets. Deferred acquisition costs are recognized if management determines the costs are incremental and related to the issuance of the investment contract. Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 14 and 20).
- The operating segments of the Company, which are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company, are aligned with the Company's geographic operations (notes 35).

The annual 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.

The significant accounting policies are as follows:

(a) Portfolio Investments

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

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

Investments in equity instruments where a fair value cannot be measured reliably are classified as available-for-sale and carried at cost. Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting. Investments in stocks include the Company's investment in an affiliated company, IGM Financial Inc. (IGM), a member of the Power Financial group of companies, and Allianz Ireland, an unlisted general insurance company operating in Ireland which the Company owns 30.43%, over which the Company exerts significant influence but does not control. The investments are accounted for using the equity method of accounting.

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

Investment properties are real estate held to earn rental income or for capital appreciation. Investment properties are initially measured at cost and subsequently carried at fair value on the Consolidated Balance Sheets. All changes in fair value are recorded as net investment income in the Consolidated Statements of Earnings. Fair values for investment properties are determined using independent qualified appraisal services. Properties held to earn rental income or for capital appreciation that have an insignificant portion that is owner occupied or where there is no intent to occupy on a long-term basis are classified as investment properties. Properties that do not meet these criteria are classified as owner occupied properties. Property that is leased that would otherwise be classified as investment property if owned by the Company is also included with investment properties.

Fair Value Measurement

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

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

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

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

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

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

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

Mortgages and Bonds – Loans and Receivables

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

Investment Properties

Fair values for investment properties are determined using independent qualified appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals. The determination of the fair value of investment property requires the use of estimates including future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market conditions. Investment property under construction is valued at fair value if such values can be reliably determined otherwise they are recorded at cost.

Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including, but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults and delinquency in payments of interest or principal.

Investments are deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due. The fair value of an investment is not a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset. However market price must be taken into consideration when evaluating impairment.

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

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

(b) Transaction Costs

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

(c) Cash and Cash Equivalents

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

(d) Trading Account Assets

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

(e) Debentures and Other Debt Instruments and Capital Trust Securities

Debentures and other debt instruments and capital trust securities are initially recorded on the Consolidated Balance Sheets at fair value and subsequently carried at amortized cost using the effective interest rate method with amortization expense recorded in the Consolidated Statements of Earnings. These liabilities are derecognized when the obligation is cancelled or redeemed.

(f) Other Liabilities

Other liabilities, which include current income taxes, accounts payable, pension and other post-employment benefits, deferred income reserve and bank overdraft, are measured at amortized cost.

(g) Derivative Financial Instruments

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

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 32 as prescribed by the Office of the Superintendent of Financial Institutions Canada.

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

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

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

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

Derivatives not designated as hedges for accounting purposes

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

Fair value hedges

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

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

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

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

Net investment hedges
For net investment hedges the effective portion of changes in the fair value of the hedging instrument are recorded in other comprehensive income while the ineffective portion is recognized immediately in net investment income. Hedge accounting is discontinued when the hedging no longer qualifies for hedge accounting.

(h) Embedded Derivatives

An embedded derivative is a component of a host contract that modifies the cash flows of the host contract in a manner similar to a derivative, according to a specified interest rate, financial instrument price, foreign exchange rate, underlying index or other variable. Embedded derivatives are treated as separate contracts and are recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract and the host contract is not itself recorded at fair value through the Consolidated Statements of Earnings. Embedded derivatives that meet the definition of an insurance contract are accounted for and measured as an insurance contract.

(i) Foreign Currency Translation

The Company operates with multiple functional currencies. The Company's consolidated financial statements are presented in Canadian dollars as this presentation is most meaningful to financial statement users. For those subsidiaries with different functional currencies, exchange rate differences arising from the translation of monetary items that form part of the net investment in the foreign operation are taken to unrealized foreign exchange gains (losses) on translation of foreign operations in accumulated other comprehensive income.

For the purpose of presenting consolidated financial statements, assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet dates and all income and expense items are translated at an average of daily rates. Unrealized foreign currency translation gains and losses on the Company's net investment in its foreign operations are presented separately as a component of other comprehensive income. Unrealized gains and losses will be recognized proportionately in net investment income on the Consolidated Statements of Earnings when there has been a disposal of the investment in the foreign operations. Foreign currency translation gains and losses on foreign currency transactions of the Company are included in net investment income.

(j) Loans to Policyholders

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

(k) Reinsurance Contracts

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

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance assets associated with insurance and investment contracts, are accounted for in accordance with the terms and conditions of the underlying reinsurance contract. Reinsurance assets are reviewed for impairment on a regular basis for any events that may trigger impairment. The Company considers various factors in the impairment evaluation process, including but not limited to, collectability of amounts due under the terms of the contract. The carrying amount of a reinsurance asset is adjusted through an allowance account with any impairment loss being recorded in the Consolidated Statements of Earnings.

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

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

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

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

(m) Business Combinations, Goodwill and Intangible Assets

Business combinations are accounted for using the acquisition method. The Company identifies and classifies, in accordance with the Company's accounting policies, all assets acquired and liabilities assumed as at the acquisition date. Goodwill represents the excess of purchase consideration over the fair value of net assets of acquired subsidiaries of the Company. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Intangible assets represent finite life and indefinite life intangible assets of acquired subsidiaries of the Company and software acquired or internally developed by the Company. Finite life intangible assets include the value of software, customer contracts, distribution channels, property leases and technology. These finite life intangible assets are amortized over their estimated useful lives, typically ranging between 5 and 30 years.

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

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

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

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

(n) Revenue Recognition

Premiums for all types of insurance contracts, and contracts with limited mortality or morbidity risk, are generally recognized as revenue when due and collection is reasonably assured.

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

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

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

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

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

(o) Owner Occupied Properties and Fixed Assets

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

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

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

(p) Deferred Acquisition Costs

Included in other assets are deferred acquisition costs relating to investment contracts. These are recognized as assets if the costs are incremental and incurred due to the contract being issued.

(q) Segregated Funds

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

(r) Insurance and Investment Contract Liabilities

Contract Classification

The Company's products are classified at contract inception, for accounting purposes, as insurance contracts or investment contracts depending on the existence of significant insurance risk. Significant insurance risk exists when the Company agrees to compensate policyholders or beneficiaries of the contract for specified uncertain future events that adversely affect the policyholder and whose amount and timing is unknown.

When significant insurance risk exists, the contract is accounted for as an insurance contract in accordance with IFRS 4, *Insurance Contracts* (IFRS 4). Refer to note 16 for discussion of insurance risk.

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

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

Investment contracts are contracts that carry financial risk, which is the risk of a possible future change in one or more of the following: interest rate, commodity price, foreign exchange rate, or credit rating. Refer to note 8 for discussion of risk management.

Measurement

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

Insurance contract liabilities are computed with the result that benefits and expenses are matched with premium income. Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities.

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

(s) Deferred Income Reserves

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

(t) Income Taxes

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

Current Income Tax

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

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

Deferred Income Tax

Deferred income tax is the tax expected to be payable or recoverable on differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the balance sheet liability method. Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses and carryforwards can be utilized.

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

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

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

(u) Policyholder Benefits

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

(v) Repurchase Agreements

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

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

(w) Pension Plans and Other Post-Employment Benefits

The Company’s subsidiaries maintain contributory and non-contributory defined benefit pension plans for certain employees and advisors. The Company’s subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents

The present value of the defined benefit obligations and the related current service cost is determined using the projected unit credit method (note 26). Assets are determined using a fair value measurement.

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

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

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

(x) Share Capital and Surplus

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

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

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

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

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

(y) Share-Based Payments

The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 25). Compensation expense is recognized as an increase to compensation expense in the Consolidated Statements of Earnings and an increase to contributed surplus over the vesting period of the granted options. When options are exercised, the proceeds received, along with the amount in contributed surplus, are transferred to share capital.

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

(z) Earnings Per Common Share

Earnings per common share is calculated using net earnings after preferred share dividends and the weighted average number of common shares outstanding. Diluted earnings per share is calculated by adjusting common shareholders' net income and the weighted average number of common shares outstanding for the effects of all potential dilutive common shares assuming that all convertible instruments are converted and outstanding options are exercised (note 27).

(aa) Leases

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

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

(ab) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments. The Company's reportable operating segments are categorized by geographic region and include Canada, the United States and Europe. Both Great-West Financial and Putnam are reported in the United States segment. The Europe segment comprises Insurance & Annuities and Reinsurance. The Lifeco Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company.

3. Changes in Accounting Policies

(a) IAS 19R - *Employee 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 (note 26).

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 balances 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.

<u>Restatement of Prior Periods</u>
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 year 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**

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. The change in net earnings did not have an impact on the cash flows of the Company.

(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.

Investment and Insurance Contracts on Account of Segregated Fund Policyholders
The Company assessed the revised definition of control for the segregated funds for the risk of policyholders and concluded that the revised definition of control was not significantly impacted. The Company will continue to present the segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities within the Consolidated Balance Sheets and has expanded disclosure on the nature of these entities and the related risks.

In addition, in circumstances where the segregated fund is invested in structured entities and is deemed to control this entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities. This change did not impact the net earnings and equity of the Company, however it resulted in an increase to segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities of $484 at December 31, 2012 and $403 at January 1, 2012 on the Consolidated Balance Sheets.

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 15 for additional information of the presentation and disclosure of these structures.

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

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

(c) IFRS 11 - *Joint Arrangements*

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

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

In conjunction with the adoption of IFRS 10, the Company has adopted the guidance of IFRS 12, *Disclosure of Interests in Other Entities*. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented from subsidiaries, joint arrangements, associates, and structured entities. The adoption of this standard increased the amount of disclosure concerning the subsidiaries and investment in associates by the Company and has not impacted the financial results of the Company (note 15).

(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. The Company has included new disclosures in the financial statements which are required under IFRS 13 (note 9).

(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: Disclosure*

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 (note 10).

(h) Future Accounting Policies

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

Revised/New Standard	**Summary of Future Changes**
IAS 32 - *Financial Instruments: Presentation*	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments: Presentation*. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. The Company has evaluated the impact this standard and determined that it will not impact the presentation of its financial statements.
IAS 36 - *Impairment of Assets*	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 36, *Impairment of Assets*. The amendment clarifies the disclosure about the recoverable amount, in accordance with IFRS 13, *Fair Value Measurement,* of impaired assets if that amount is based on fair value less costs of disposal. The Company is evaluating the impact this standard will have of its financial statement disclosures.

3. Changes in Accounting Policies (cont'd)

<table>
<tr><th>Revised/New Standard</th><th>Summary of Future Changes</th></tr>
<tr><td>IFRS 9 - Financial Instruments</td><td>The IASB issued IFRS 9, Financial Instruments in 2010 to replace IAS 39, Financial Instruments. The IASB intends 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 IASB released a proposal to amend the classification and measurement provisions of IFRS 9 with an additional limited amendment to the standard introducing a new category for classification of certain financial assets of fair value through other comprehensive income (FVOCI). The IASB intends to release a final IFRS on this phase in the first half of 2014.
• The IASB released a revised exposure draft in March 2013 on the expected loss impairment method to be used for financial assets. The IASB intends to release a final IFRS on this phase in the first half of 2014.
• The IASB has finalized deliberations on the criteria for hedge accounting and measuring effectiveness and released the final hedge accounting phase in November 2013. The Company is evaluating the impact this standard will have on the presentation of its financial statements.

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.</td></tr>
<tr><td>IFRIC 21 - Levies</td><td>The IASB issued IFRIC 21, Levies, on the accounting for levies imposed by governments effective for annual periods beginning January 1, 2014. The interpretation considered the guidance in IAS 37, Provisions, Contingent Liabilities and Contingent Assets for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy.

The Company is evaluating the impact this standard will have on the presentation of its financial statements.</td></tr>
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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), are being combined with the operations of Irish Life, retaining the Irish Life brand 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 $1,250 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 23). 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.

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

The amounts assigned to the assets acquired, goodwill and liabilities assumed on July 18, 2013 reported as at December 31, 2013 are below:

Acquisition consideration	$	1,788
Assets acquired		
Cash and cash equivalents	$	554
Invested assets		4,883
Reinsurance assets		2,963
Intangible assets		247
Other assets		508
Investments on account of segregated fund policyholders		36,348
Total assets acquired		45,503
Liabilities assumed		
Insurance contract liabilities	$	6,160
Investment contract liabilities		194
Subordinated debentures and other debt instruments		443
Other liabilities		948
Investment and insurance contract liabilities on account of segregated fund policyholders		36,348
Total liabilities assumed		44,093
Net value of assets acquired	$	1,410
Goodwill	$	378

During the fourth quarter of 2013, the Company substantially completed its comprehensive evaluation of the fair value of the net assets acquired from Irish Life and the purchase price allocation. As a result, initial goodwill of $554 recognized upon the acquisition of Irish Life on July 18, 2013 in the Irish Life Group Limited Acquisition note to the September 30, 2013 consolidated interim unaudited financial statements has been adjusted in the fourth quarter of 2013, as a result of valuations received during the measurement period. Adjustments were made to the provisional amounts disclosed in the September 30, 2013 interim unaudited financial statements for the recognition and measurement of intangible assets, contingent liabilities and other provisions, changes in actuarial assumptions used in determining the fair value for insurance contract liabilities, and the related deferred taxes.

The following provides the change in the carrying value of the goodwill on the acquisition of Irish Life to December 31, 2013.

Initial Irish Life goodwill, July 18, 2013, previously reported	**$**	**554**
Recognition and measurement of intangible assets		**(247)**
Adjustment to contingent liabilities and other provisions		**30**
Adjustment to insurance contract liabilities		**15**
Deferred tax liability on adjustments to purchase price allocation		**26**
Adjusted balance, July 18, 2013 (note 12)	**$**	**378**

The goodwill represents the excess of the purchase price over the fair value of the net assets, representing the synergies or future economic benefits arising from other assets acquired that are not individually identified and separately recognized in the acquisition of Irish Life. The goodwill is not deductible for tax purposes.

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

The Company will finalize the purchase accounting in the first six months of 2014. Balance sheet items that are incomplete are insurance contract liabilities. The Company is completing experience studies on certain insurance contract liabilities. As a result, the excess of the purchase price over the fair value of the net assets acquired representing goodwill could be adjusted for these insurance contract liabilities retrospectively during future reporting periods in the first six months of 2014. The audited financial statements at December 31, 2013 reflect management's best estimate of the purchase price allocation.

From date of acquisition to December 31, 2013 Irish Life contributed $526 in revenue and $85 in net earnings (excludes after-tax restructuring expenses incurred by Irish Life). These amounts are included in the Consolidated Statements of Earnings and Comprehensive Income for the twelve months ended December 31, 2013.

During the twelve months ended December 31, 2013, the Company incurred restructuring and acquisition expenses related to Irish Life of $94 (note 19).

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 $48 of contingent liabilities. The potential outcome of these matters is not yet determinable.

5. Cash and Cash Equivalents

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

	December 31 2013	December 31 2012	January 1 2012
Cash	**$ 1,837**	$ 1,048	$ 812
Short-term deposits	**954**	847	1,244
Total	**$ 2,791**	$ 1,895	$ 2,056

At December 31, 2013 cash of $112 was restricted for use by the Company ($34 at December 31, 2012 and $41 at January 1, 2012) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, client monies held by a brokerage and cash held in escrow.

6. Portfolio Investments

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

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Bonds						
Designated fair value through profit or loss (1)	**$ 68,091**	**$ 68,091**	$ 62,752	$ 62,752	$ 59,870	$ 59,870
Classified fair value through profit or loss (1)	**2,053**	**2,053**	2,113	2,113	1,853	1,853
Available-for-sale	**7,915**	**7,915**	6,782	6,782	6,888	6,888
Loans and receivables	**11,855**	**12,672**	10,934	12,438	9,744	10,785
	89,914	**90,731**	82,581	84,085	78,355	79,396
Mortgage loans						
Residential	**6,570**	**6,716**	6,034	6,439	5,996	6,424
Non-residential	**12,493**	**12,801**	11,841	12,628	11,436	12,238
	19,063	**19,517**	17,875	19,067	17,432	18,662
Stocks						
Designated fair value through profit or loss (1)	**7,232**	**7,232**	5,918	5,918	5,454	5,454
Available-for-sale	**745**	**745**	788	788	864	864
Other	**577**	**743**	345	383	338	406
	8,554	**8,720**	7,051	7,089	6,656	6,724
Investment properties	**4,288**	**4,288**	3,572	3,572	3,249	3,249
Total	**$ 121,819**	**$ 123,256**	$ 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.

(b) Carrying value of bonds and mortgages by term to maturity are as follows:

	December 31, 2013			
	Term to maturity			
	1 year or less	**Over 1 - 5 years**	**Over 5 years**	**Total**
Bonds	**$ 9,387**	**$ 17,503**	**$ 62,616**	**$ 89,506**
Mortgage loans	**1,560**	**6,852**	**10,632**	**19,044**
Total	**$ 10,947**	**$ 24,355**	**$ 73,248**	**$ 108,550**

	December 31, 2012			
	Term to maturity			
	1 year or less	Over 1 - 5 years	Over 5 years	Total
Bonds	$ 7,972	$ 16,653	$ 57,563	$ 82,188
Mortgage loans	1,279	6,177	10,397	17,853
Total	$ 9,251	$ 22,830	$ 67,960	$ 100,041

6. Portfolio Investments (cont'd)

	January 1, 2012			
	Term to maturity			
	1 year or less	Over 1 - 5 years	Over 5 years	Total
Bonds	$ 7,363	$ 17,028	$ 53,649	$ 78,040
Mortgage loans	1,522	5,646	10,244	17,412
Total	$ 8,885	$ 22,674	$ 63,893	$ 95,452

The above excludes the carrying value of impaired bonds and mortgages, as the ultimate timing of collectability is uncertain.

(c) Certain stocks where equity method earnings are computed are discussed below:

(i) Stocks include the Company's investment, held through Great-West Life, in an affiliated company, IGM, a member of the Power Financial group of companies, over which it exerts significant influence but does not control. The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings. The Company owns 9,202,817 shares of IGM at December 31, 2013 (9,203,061 at December 31, 2012) representing a 3.65% ownership interest (3.62% at December 31, 2012). The Company uses the equity method to account for its investment in IGM as it exercises significant influence. Significant influence arises from several factors, including, but not limited to the following: common control of the Company and IGM by Power Financial, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and services agreements that influence the financial and operating policies of both companies.

	2013	2012
Carrying value, beginning of year	**$ 345**	$ 338
Equity method share of IGM earnings	**25**	26
Dividends received	**(20)**	(19)
Carrying value, end of year	**$ 350**	$ 345
Share of equity, end of year	**$ 169**	$ 162
Fair value, end of year	**$ 516**	$ 383

The Company and IGM both have a year end reporting date of December 31 and as a consequence, the Company reports IGM's financial information by estimating the amount of income attributable to the Company, based on prior quarter information as well as consensus expectations, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is generally not material to the Company's financial statements.

IGM's financial information as at December 31, 2013 can be obtained in its publicly available information.

At December 31, 2013 IGM owned 39,737,388 common shares of the Company (37,787,388 at December 31, 2012).

6. Portfolio Investments (cont'd)

(ii) Stocks include the Company's 30.43% investment, held through Irish Life, in Allianz Ireland, an unlisted general insurance company operating in Ireland.

The Company's share of the net assets of Allianz Ireland is as follows:

		2013
Carrying value, July 18, 2013	**$**	**197**
Equity method share of Allianz comprehensive income		**20**
Dividends received		**(15)**
Changes in foreign exchange rate		**15**
Carrying value, end of year	**$**	**217**
Share of equity, end of year	**$**	**161**

The fair value of Allianz Ireland as at December 31, 2013 is not readily available as it is not publicly traded.

The Company and Allianz Ireland both have a year end reporting date of December 31 and as a consequence, the Company reports Allianz Ireland's financial information by estimating the amount of income attributable to the Company, based on prior quarter information, to complete equity method accounting. The difference between actual and estimated results is reflected in the subsequent quarter and is generally not material to the Company's financial statements.

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

		December 31 2013		December 31 2012		January 1 2012
Impaired amounts by classification						
Fair value through profit or loss	**$**	**384**	$	365	$	290
Available-for-sale		**19**		27		51
Loans and receivables		**34**		41		35
Total	**$**	**437**	$	433	$	376

The above carrying values for loans and receivables are net of allowances of $25 at December 31, 2013, $21 at December 31, 2012, and $36 at January 1, 2012.

6. Portfolio Investments (cont'd)

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	2013			2012		
	Bonds	**Mortgage loans**	**Total**	Bonds	Mortgage loans	Total
Balance, beginning of year	**$ -**	**$ 21**	**$ 21**	$ 2	$ 34	$ 36
Net provision (recovery) for credit losses - in year	**-**	**2**	**2**	(1)	(8)	(9)
Write-offs, net of recoveries	**-**	**-**	**-**	(1)	(4)	(5)
Other (including foreign exchange rate changes)	**-**	**2**	**2**	-	(1)	(1)
Balance, end of year	**$ -**	**$ 25**	**$ 25**	$ -	$ 21	$ 21

The allowance for credit losses is supplemented by the provision for future credit losses included in insurance contract liabilities.

(e) Net investment income comprises the following:

	2013					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 3,725**	**$ 884**	**$ 242**	**$ 276**	**$ 489**	**$ 5,616**
Net realized gains						
Available-for-sale	**64**	**-**	**2**	**-**	**-**	**66**
Other classifications	**30**	**38**	**-**	**-**	**-**	**68**
Net allowances for credit losses on loans and receivables	**-**	**(2)**	**-**	**-**	**-**	**(2)**
Other income and expenses	**-**	**-**	**-**	**(68)**	**(76)**	**(144)**
	3,819	**920**	**244**	**208**	**413**	**5,604**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(68)**	**-**	**-**	**-**	**-**	**(68)**
Designated fair value through profit or loss	**(3,783)**	**-**	**858**	**152**	**(138)**	**(2,911)**
	(3,851)	**-**	**858**	**152**	**(138)**	**(2,979)**
Total	**$ (32)**	**$ 920**	**$ 1,102**	**$ 360**	**$ 275**	**$ 2,625**

6. Portfolio Investments (cont'd)

	2012[1]					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 3,676	$ 897	$ 230	$ 255	$ 550	$ 5,608
Net realized gains						
Available-for-sale	124	-	2	-	-	126
Other classifications	10	27	-	-	-	37
Net allowances for credit losses on loans and receivables	1	8	-	-	-	9
Other income and expenses	-	-	-	(63)	(75)	(138)
	3,811	932	232	192	475	5,642
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	22	-	-	-	-	22
Designated fair value through profit or loss	2,181	-	389	104	(28)	2,646
	2,203	-	389	104	(28)	2,668
Total	$ 6,014	$ 932	$ 621	$ 296	$ 447	$ 8,310

(1) During the year, the Company reclassifed certain regular net investment income to fair value through profit or loss for presentation adjustments.

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 and Allianz Ireland. Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties.

(f) The carrying value of investment properties and changes in the carrying value of investment properties are as follows**:**

	2013	2012
Balance, beginning of year	**$ 3,572**	$ 3,249
Acquisition of Irish Life	**248**	-
Additions	**182**	166
Change in fair value through profit or loss	**152**	104
Disposals	**(82)**	-
Foreign exchange rate changes	**216**	53
Balance, end of year	**$ 4,288**	$ 3,572

(g) Transferred Financial Assets

The Company engages in securities lending to generate additional income. The Company's securities custodians are used as lending agents. Collateral, which exceeds the fair value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned. The fair value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates. Included in the collateral deposited with the Company's lending agent is cash collateral of $20 as of December 31, 2013 ($141 at December 31, 2012). In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default. As at December 31, 2013, the Company had loaned securities (which are included in invested assets) with a fair value of $5,204 ($5,930 at December 31, 2012).

7. Funds Held by Ceding Insurers

Included in funds held by ceding insurers of $10,832 at December 31, 2013 ($10,599 at December 31, 2012 and $9,978 at January 1, 2012) is an agreement with Standard Life Assurance Limited (Standard Life). During 2008, Canada Life International Re Limited (CLIRE), the Company's indirect wholly-owned Irish reinsurance subsidiary, signed an agreement with Standard Life, a U.K. based provider of life, pension and investment products, to assume by way of indemnity reinsurance, a large block of payout annuities. Under the agreement, CLIRE is required to put amounts on deposit with Standard Life and CLIRE has assumed the credit risk on the portfolio of assets included in the amounts on deposit. These amounts on deposit are included in funds held by ceding insurers on the Consolidated Balance Sheets. Income and expenses arising from the agreement are included in net investment income on the Consolidated Statements of Earnings.

At December 31, 2013 CLIRE had amounts on deposit of $9,848 ($9,951 at December 31, 2012 and $9,411 at January 1, 2012). The details of the funds on deposit and related credit risk on the funds are as follows:

(a) Carrying values and estimated fair values:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	**Fair value**	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	**$ 70**	**$ 70**	$ 120	$ 120	$ 49	$ 49
Bonds	**9,619**	**9,619**	9,655	9,655	9,182	9,182
Other assets	**159**	**159**	176	176	180	180
Total	**$ 9,848**	**$ 9,848**	$ 9,951	$ 9,951	$ 9,411	$ 9,411
Supporting:						
Reinsurance liabilities	**9,402**	**9,402**	9,406	9,406	9,082	9,082
Surplus	**446**	**446**	545	545	329	329
Total	**$ 9,848**	**$ 9,848**	$ 9,951	$ 9,951	$ 9,411	$ 9,411

7. Funds Held by Ceding Insurers (cont'd)

(b) The following provides details of the carrying value of bonds included in the funds on deposit by issuer and industry sector:

	December 31 2013	December 31 2012	January 1 2012
Bonds issued or guaranteed by:			
Canadian federal government	**$ 75**	$ 71	$ -
Provincial, state, and municipal governments	**17**	16	88
U.S. Treasury and other U.S. agencies	**22**	16	-
Other foreign governments	**2,097**	2,455	3,074
Government related	**508**	443	369
Supranationals	**185**	172	128
Asset-backed securities	**249**	258	242
Residential mortgage-backed securities	**91**	87	73
Banks	**1,944**	2,070	1,807
Other financial institutions	**1,033**	1,007	747
Basic materials	**70**	58	21
Communications	**138**	224	239
Consumer products	**704**	617	404
Industrial products/services	**108**	31	26
Natural resources	**354**	320	220
Real estate	**540**	475	381
Transportation	**196**	145	117
Utilities	**1,190**	1,119	1,135
Miscellaneous	**98**	71	111
Total	**$ 9,619**	$ 9,655	$ 9,182

(c) Asset quality

Bond Portfolio By Credit Rating

	December 31 2013	December 31 2012	January 1 2012
AAA	**$ 2,669**	$ 3,103	$ 3,520
AA	**2,382**	2,183	1,819
A	**3,666**	3,539	3,116
BBB	**546**	507	468
BB and lower	**356**	323	259
Total	**$ 9,619**	$ 9,655	$ 9,182

8. Financial Instruments Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating, and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The Risk Committee of the Board of Directors is responsible for the oversight of the Company's key risks.

The following sections describe how the Company manages each of these risks.

(a) Credit Risk

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

The following policies and procedures are in place to manage this risk:

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.
- Investment guidelines also specify collateral requirements.
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.
- The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

8. Financial Instruments Risk Management (cont'd)

(i) Maximum Exposure to Credit Risk

The following summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	December 31 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 2,791**	$ 1,895	$ 2,056
Bonds			
Fair value through profit or loss	**70,144**	64,865	61,723
Available-for-sale	**7,915**	6,782	6,888
Loans and receivables	**11,855**	10,934	9,744
Mortgage loans	**19,063**	17,875	17,432
Loans to policyholders	**7,332**	7,082	7,162
Funds held by ceding insurers (1)	**10,832**	10,599	9,978
Reinsurance assets	**5,070**	2,064	2,061
Interest due and accrued	**1,242**	1,098	1,108
Accounts receivable	**1,248**	1,065	849
Premiums in course of collection	**578**	484	422
Trading account assets	**376**	144	141
Other financial assets (2)	**831**	754	607
Derivative assets	**593**	997	968
Total	**$ 139,870**	$ 126,638	$ 121,139

(1) Includes $9,848 ($9,951 at December 31, 2012 and $9,411 at January 1, 2012) of funds held by ceding insurers where the Company retains the credit risk of the assets supporting the liabilities ceded (note 7).

(2) Includes items such as current income taxes receivable and miscellaneous other assets of the Company (note 14).

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The Company has $19 of collateral received as at December 31, 2013 ($25 of collateral received as at December 31, 2012) relating to derivative assets.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

8. Financial Instruments Risk Management (cont'd)

The following provides details of the carrying value of bonds by issuer, industry sector and geographic distribution:

	December 31, 2013			
	Canada	United States	Europe	Total
Bonds issued or guaranteed by:				
Canadian federal government	$ 4,276	$ 3	$ 51	$ 4,330
Provincial, state, and municipal governments	5,739	2,028	52	7,819
U.S. Treasury and other U.S. agencies	297	3,827	902	5,026
Other foreign governments	130	22	11,216	11,368
Government related	2,641	-	1,553	4,194
Supranationals	399	7	704	1,110
Asset-backed securities	2,677	3,115	860	6,652
Residential mortgage-backed securities	26	307	189	522
Banks	2,012	331	2,846	5,189
Other financial institutions	791	1,620	2,154	4,565
Basic materials	278	978	272	1,528
Communications	490	222	603	1,315
Consumer products	1,807	2,198	1,882	5,887
Industrial products/services	919	1,052	538	2,509
Natural resources	1,056	665	509	2,230
Real estate	1,021	140	2,249	3,410
Transportation	1,726	827	703	3,256
Utilities	4,715	3,703	3,433	11,851
Miscellaneous	1,314	970	389	2,673
Total long-term bonds	32,314	22,015	31,105	85,434
Short-term bonds	3,321	76	1,083	4,480
Total	$ 35,635	$ 22,091	$ 32,188	$ 89,914

8. Financial Instruments Risk Management (cont'd)

	December 31, 2012			
	Canada	United States	Europe	Total
Bonds issued or guaranteed by:				
Canadian federal government	$ 4,873	$ 3	$ 43	$ 4,919
Provincial, state, and municipal governments	6,454	1,881	61	8,396
U.S. Treasury and other U.S. agencies	305	3,421	976	4,702
Other foreign governments	151	29	8,044	8,224
Government related	2,585	-	1,205	3,790
Supranationals	453	11	289	753
Asset-backed securities	2,587	3,117	830	6,534
Residential mortgage-backed securities	16	452	165	633
Banks	2,140	359	2,317	4,816
Other financial institutions	846	1,578	1,964	4,388
Basic materials	252	724	231	1,207
Communications	499	181	553	1,233
Consumer products	1,903	1,975	1,867	5,745
Industrial products/services	873	984	323	2,180
Natural resources	1,100	665	565	2,330
Real estate	850	-	1,739	2,589
Transportation	1,747	696	598	3,041
Utilities	4,257	3,317	3,342	10,916
Miscellaneous	1,316	856	312	2,484
Total long-term bonds	33,207	20,249	25,424	78,880
Short-term bonds	2,388	358	955	3,701
Total	$ 35,595	$ 20,607	$ 26,379	$ 82,581

8. Financial Instruments Risk Management (cont'd)

	January 1, 2012			
	Canada	United States	Europe	Total
Bonds issued or guaranteed by:				
Canadian federal government	$ 4,328	$ 2	$ 42	$ 4,372
Provincial, state, and municipal governments	6,430	1,980	53	8,463
U.S. Treasury and other U.S. agencies	271	2,857	1,006	4,134
Other foreign governments	185	25	8,216	8,426
Government related	2,110	-	955	3,065
Supranationals	443	12	211	666
Asset-backed securities	2,696	3,401	803	6,900
Residential mortgage-backed securities	26	638	146	810
Banks	2,168	416	1,858	4,442
Other financial institutions	1,137	1,449	1,615	4,201
Basic materials	233	748	214	1,195
Communications	508	221	501	1,230
Consumer products	1,848	1,813	1,771	5,432
Industrial products/services	695	825	212	1,732
Natural resources	1,127	560	554	2,241
Real estate	608	-	1,610	2,218
Transportation	1,721	672	624	3,017
Utilities	3,792	2,689	3,158	9,639
Miscellaneous	1,207	814	277	2,298
Total long-term bonds	31,533	19,122	23,826	74,481
Short-term bonds	2,980	323	571	3,874
Total	$ 34,513	$ 19,445	$ 24,397	$ 78,355

The following provides details of the carrying value of mortgage loans by geographic location:

	December 31, 2013			
	Single family residential	**Multi-family residential**	**Commercial**	**Total**
Canada	**$ 1,758**	**$ 3,435**	**$ 6,942**	**$ 12,135**
United States	**-**	**1,052**	**2,504**	**3,556**
Europe	**-**	**325**	**3,047**	**3,372**
Total	**$ 1,758**	**$ 4,812**	**$ 12,493**	**$ 19,063**

	December 31, 2012			
	Single family residential	Multi-family residential	Commercial	Total
Canada	$ 1,676	$ 3,250	$ 6,982	$ 11,908
United States	-	921	2,139	3,060
Europe	-	187	2,720	2,907
Total	$ 1,676	$ 4,358	$ 11,841	$ 17,875

8. Financial Instruments Risk Management (cont'd)

	January 1, 2012			
	Single family residential	Multi-family residential	Commercial	Total
Canada	$ 1,591	$ 3,407	$ 7,022	$ 12,020
United States	-	811	1,999	2,810
Europe	79	108	2,415	2,602
Total	$ 1,670	$ 4,326	$ 11,436	$ 17,432

(iii) Asset Quality

Bond Portfolio By Credit Rating

	December 31 2013	December 31 2012	January 1 2012
AAA	**$ 30,626**	$ 29,302	$ 29,612
AA	**15,913**	13,463	12,525
A	**25,348**	23,812	22,717
BBB	**16,809**	14,662	12,399
BB and lower	**1,218**	1,342	1,102
Total	**$ 89,914**	$ 82,581	$ 78,355

Derivative Portfolio By Credit Rating

	December 31 2013	December 31 2012	January 1 2012
Over-the-counter contracts (counterparty ratings):			
AAA	**$ 8**	$ 9	$ 12
AA	**86**	106	361
A	**499**	882	595
Total	**$ 593**	$ 997	$ 968

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of collection of the full amount of principal and interest due. The following provides carrying values of the loans past due, but not impaired:

	December 31 2013	December 31 2012	January 1 2012
Less than 30 days	**$ 6**	$ 12	$ 3
30 - 90 days	**-**	-	1
Greater than 90 days	**2**	4	1
Total	**$ 8**	$ 16	$ 5

(v) The following outlines the future asset credit losses provided for in insurance and investment contract liabilities. These amounts are in addition to the allowance for asset losses included with assets:

	December 31 2013	December 31 2012	January 1 2012
Participating	**$ 999**	$ 892	$ 852
Non-participating	**1,796**	1,667	1,648
Total	**$ 2,795**	$ 2,559	$ 2,500

(b) Liquidity Risk

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

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets. Approximately 69% (approximately 70% in 2012) of insurance and investment contract liabilities are non-cashable prior to maturity or subject to fair value adjustments.
- Management monitors the use of lines of credit on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit.
- 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. Additional liquidity is available through established lines of credit or via capital market transactions. The Company maintains $350 of liquidity at the Lifeco level through committed lines of credit with Canadian chartered banks. As well, the Company maintains a $150 liquidity facility at Great-West Life, a U.S. $500 revolving credit agreement with a syndicate of banks for use by Putnam, a U.S. $304 non-revolving term loan facility provided for Putnam by a syndicate of banks (note 18) and a U.S. $50 line of credit at Great-West Financial.

In the normal course of business the Company enters into contracts that give rise to commitments of future minimum payments that impact short-term and long-term liquidity. The following summarizes the principal repayment schedule of certain of the Company's financial liabilities.

	Payments due by period						
	Total	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**over 5 years**
Debentures and other debt instruments	$ 5,757	$ 658	$ 322	$ -	$ 294	$ 200	$ 4,283
Capital trust securities [1]	150	-	-	-	-	-	150
Purchase obligations	197	61	33	28	25	17	33
Pension contributions	168	168	-	-	-	-	-
Total	$ 6,272	$ 887	$ 355	$ 28	$ 319	$ 217	$ 4,466

[1] Payments due have not been reduced to reflect that the Company held capital trust securities of $37 principal amount ($47 carrying value).

(c) Financial 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. The following policies and procedures are in place to mitigate the Company's exposure to currency risk:

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments. Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures.
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts.

8. Financial Instruments Risk Management (cont'd)

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

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk:

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims) the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets or real estate whose cash flows closely match the liability product cash flows. Where assets are not available to match certain period cash flows, such as long-tail cash flows, a portion of these are invested in equities and the rest are duration matched. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. To the extent these cash flows are matched, protection against interest rate change is achieved and any change in the fair value of the assets will be offset by a similar change in the fair value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

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

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses. The net effective yield rate reduction averaged 0.19% (0.18% in 2012). The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio.

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

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, did have an impact on the pattern of expected emergence of these provisions into net earnings. This realignment increased 2013 annual net earnings by $74 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 decrease these insurance and investment contract liabilities by approximately $33 causing an increase in net earnings of approximately $12.
- 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 $481 causing a decrease in net earnings of approximately $322.

(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 $43 causing an increase in net earnings of approximately $34. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $192 causing a decrease in net earnings of approximately $150.

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 $458 causing an increase in net earnings of approximately $353. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $514 causing a decrease in net earnings of approximately $392.

9. 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.

9. 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:

	2013			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 2,791**	**$ -**	**$ -**	**$ 2,791**
Financial assets at fair value through profit or loss				
Bonds	**-**	**69,811**	**333**	**70,144**
Stocks	**7,202**	**6**	**24**	**7,232**
Total financial assets at fair value through profit or loss	**7,202**	**69,817**	**357**	**77,376**
Available-for-sale financial assets				
Bonds	**-**	**7,891**	**24**	**7,915**
Stocks	**112**	**-**	**1**	**113**
Total available-for-sale financial assets	**112**	**7,891**	**25**	**8,028**
Investment properties	**-**	**-**	**4,288**	**4,288**
Derivatives [1]	**-**	**593**	**-**	**593**
Other assets:				
Trading account assets in Putnam	**154**	**131**	**21**	**306**
Other trading assets	**70**	**-**	**-**	**70**
Other [2]	**20**	**-**	**-**	**20**
Total assets measured at fair value	**$ 10,349**	**$ 78,432**	**$ 4,691**	**$ 93,472**
Liabilities measured at fair value				
Derivatives [3]	**$ 6**	**$ 738**	**$ -**	**$ 744**
Investment contract liabilities	**-**	**859**	**30**	**889**
Other liabilities - other	**20**	**-**	**-**	**20**
Total liabilities measured at fair value	**$ 26**	**$ 1,597**	**$ 30**	**$ 1,653**

[1] Excludes collateral received of $19.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged of $206.

There were no transfers of the Company's assets between Level 1 and Level 2 in the period.

9. 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:

	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 (losses)								
Included in net earnings	**68**	**4**	**-**	**-**	**152**	**12**	**236**	**-**
Included in other comprehensive income (1)	**-**	**3**	**-**	**-**	**216**	**-**	**219**	**-**
Acquisition of Irish Life (note 4)	**120**	**-**	**1**	**-**	**248**	**-**	**369**	**-**
Purchases	**-**	**-**	**20**	**-**	**182**	**-**	**202**	**-**
Sales	**(104)**	**(5)**	**(10)**	**-**	**(82)**	**-**	**(201)**	**-**
Repayments	**(68)**	**(5)**	**-**	**-**	**-**	**-**	**(73)**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**
Transfers into Level 3 (2)	**50**	**-**	**1**	**-**	**-**	**-**	**51**	**-**
Transfers out of Level 3 (2)	**(6)**	**-**	**-**	**-**	**-**	**-**	**(6)**	**-**
Balance, end of year	**$ 333**	**$ 24**	**$ 24**	**$ 1**	**$ 4,288**	**$ 21**	**$ 4,691**	**$ 30**
Total gains (losses) for the year included in net investment income	**$ 68**	**$ 4**	**$ -**	**$ -**	**$ 152**	**$ 12**	**$ 236**	**$ -**
Change in unrealized gains (losses) for the year included in net earnings for assets held at December 31, 2013	**$ 75**	**$ -**	**$ -**	**$ -**	**$ 152**	**$ 12**	**$ 239**	**$ -**

(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.

9. 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)	8.5% (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.
		Constant default rate assumption (estimated % of defaults in the collateral pool annually)	5.0% (weighted average)	
		Adjusted Asset-backed Securities Index (ABX index) spread assumption (adjusted for internally calculated liquidity premium)	455 bps (weighted average)	
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 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.
		Reversionary rate	Range of 5.4% - 8.3%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 3.1%	A decrease in the expected vacancy rate would generally result in an increase in fair value. An increase in the expected vacancy rate would generally result in a decrease in fair value.

9. Fair Value Measurement (cont'd)

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

	2013				
Assets disclosed at fair value	**Level 1**	**Level 2**	**Level 3**	**Other assets/ liabilities not held at fair value**	**Total**
Loans and receivables financial assets					
Bonds	$ -	$ 12,544	$ 128	$ -	$ 12,672
Mortgage loans	-	19,517	-	-	19,517
Total loans and receivables financial assets	-	32,061	128	-	32,189
Available-for-sale financial assets					
Stocks (1)	-	-	-	632	632
Other stocks (2)	517	-	-	226	743
Total assets disclosed at fair value	$ 517	$ 32,061	$ 128	$ 858	$ 33,564
Liabilities disclosed at fair value					
Debentures and other debt instruments	$ 582	$ 5,576	$ 75	$ -	$ 6,233
Capital trust securities	-	205	-	-	205
Total liabilities disclosed at fair value	$ 582	$ 5,781	$ 75	$ -	$ 6,438

(1) Fair value cannot be reliably measured as these are unique private companies across various industries. In addition, the financial data that the Company receives is not available on a timely basis to allow accurate estimates on reporting dates, therefore the investments are held at cost.

(2) Other stocks include the Company's investments in an affiliated company, IGM, a member of the Power financial group of companies, Allianz Ireland, an unlisted general insurance company operating in Ireland, and a joint venture in GloHealth, a health insurance company operating in Ireland, over which the Company exerts significant influence but does not control.

10. 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.

	December 31, 2013			
		Related amounts not set-off in the Balance Sheet		
	Gross amount of financial instruments presented in the Balance Sheet	Offsetting counterparty position [1]	Financial collateral received/ pledged [2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	$ 593	$ (236)	$ (19)	$ 338
Reverse repurchase agreements [3]	87	-	(87)	-
Total financial instruments (assets)	**$ 680**	**$ (236)**	**$ (106)**	**$ 338**
Financial instruments (liabilities)				
Derivative instruments	$ 744	$ (236)	$ (199)	$ 309
Total financial instruments (liabilities)	**$ 744**	**$ (236)**	**$ (199)**	**$ 309**

10. 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 $19 ($25 at December 31, 2012), received on reverse repurchase agreements was $89 ($103 at December 31, 2012), and pledged on derivative liabilities was $222 ($118 at December 31, 2012).

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

11. Invested Assets on Deposit for Reinsurance Agreements

The Company has $582 ($606 in 2012) of invested assets (note 6) maintained on deposit in respect of certain reinsurance agreements. The Company retains all rights to the cash flows on these assets, however, the investment policies for these assets are governed by the terms of the reinsurance agreements.

12. Goodwill and Intangible Assets

(a) Goodwill

(i) The carrying value of goodwill and changes in the carrying value of goodwill are as follows:

	2013	2012
Balance, beginning of year	**$ 5,397**	$ 5,401
Acquisition of Irish Life (note 4)	**378**	-
Changes in foreign exchange rates	**37**	(4)
Balance, end of year	**$ 5,812**	$ 5,397

Accumulated goodwill impairment losses and changes in accumulated goodwill impairment losses are as follows:

	2013	2012
Balance, beginning of year	**$ 890**	$ 917
Changes in foreign exchange rates	**63**	(27)
Balance, end of year	**$ 953**	$ 890

(ii) Within each of the three operating segments, goodwill has been assigned to cash generating units, representing the lowest level in which goodwill is monitored for internal reporting purposes. Goodwill is tested for impairment by comparing the carrying value of each cash generating unit's groups to the recoverable amount to which goodwill has been assigned as follows:

	2013	2012
Canada		
Group	**$ 1,033**	$ 1,033
Individual insurance/wealth management	**2,740**	2,740
Europe		
Insurance and annuities	**1,907**	1,500
Reinsurance	**1**	1
United States		
Financial services	**131**	123
Total	**$ 5,812**	$ 5,397

12. Goodwill and Intangible Assets (cont'd)

(b) Intangible Assets

Intangible assets of $3,456 ($3,115 in 2012) include indefinite life and finite life intangible assets. The carrying value and changes in the carrying value of these intangible assets are as follows:

(i) Indefinite life intangible assets:

	2013			
	Brands and trademarks	**Customer contract related**	**Shareholders' portion of acquired future participating account profit**	**Total**
Cost				
Balance, beginning of year	**$ 717**	**$ 2,264**	**$ 354**	**$ 3,335**
Acquisition of Irish Life (note 4)	**131**	**-**	**-**	**131**
Changes in foreign exchange rates	**45**	**134**	**-**	**179**
Balance, end of year	**$ 893**	**$ 2,398**	**$ 354**	**$ 3,645**
Accumulated impairment				
Balance, beginning of year	**$ (91)**	**$ (802)**	**$ -**	**$ (893)**
Impairment	**(34)**	**-**	**-**	**(34)**
Changes in foreign exchange rates	**(7)**	**(56)**	**-**	**(63)**
Balance, end of year	**$ (132)**	**$ (858)**	**$ -**	**$ (990)**
Net carrying amount	**$ 761**	**$ 1,540**	**$ 354**	**$ 2,655**

	2012			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Cost				
Balance, beginning of year	$ 726	$ 2,321	$ 354	$ 3,401
Changes in foreign exchange rates	(9)	(57)	-	(66)
Balance, end of year	$ 717	$ 2,264	$ 354	$ 3,335
Accumulated impairment				
Balance, beginning of year	$ (94)	$ (825)	$ -	$ (919)
Changes in foreign exchange rates	3	23	-	26
Balance, end of year	$ (91)	$ (802)	$ -	$ (893)
Net carrying amount	$ 626	$ 1,462	$ 354	$ 2,442

12. Goodwill and Intangible Assets (cont'd)

(ii) Finite life intangible assets:

	2013					
	Customer contract related	**Distribution channels**	**Technology**	**Property leases**	**Software**	**Total**
Amortization period range	**9 - 20 years**	**30 years**	**5 years**	**5 years**	**5 - 10 years**	
Weighted average remaining amortization period	**11 years**	**20 years**	**.**	**.**	**.**	
Amortization method	**Straight-line**	**Straight-line**	**Straight-line**	**Straight-line**	**Straight-line**	
Cost						
Balance, beginning of year	**$ 564**	**$ 103**	**$ 12**	**$ 13**	**$ 567**	**$ 1,259**
Acquisitions	**-**	**-**	**-**	**-**	**87**	**87**
Acquisition of Irish Life (note 4)	**116**	**-**	**-**	**-**	**-**	**116**
Disposals	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Changes in foreign exchange rates	**27**	**7**	**1**	**1**	**16**	**52**
Other	**-**	**-**	**-**	**-**	**13**	**13**
Balance, end of year	**$ 707**	**$ 110**	**$ 13**	**$ 14**	**$ 682**	**$ 1,526**
Accumulated amortization and impairment						
Balance, beginning of year	**$ (235)**	**$ (34)**	**$ (12)**	**$ (13)**	**$ (292)**	**$ (586)**
Impairment	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Changes in foreign exchange rates	**(6)**	**(1)**	**(1)**	**(1)**	**(9)**	**(18)**
Disposals	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Amortization	**(39)**	**(3)**	**-**	**-**	**(75)**	**(117)**
Balance, end of year	**$ (280)**	**$ (38)**	**$ (13)**	**$ (14)**	**$ (380)**	**$ (725)**
Net carrying amount	**$ 427**	**$ 72**	**$ -**	**$ -**	**$ 302**	**$ 801**

In the fourth quarter of 2013, the Company conducted its annual impairment testing of goodwill and intangible assets which resulted in impairment of $37. The Company recognized a $34 intangible asset impairment associated with the Canada Life brand value in Ireland. This write-down reflects discontinued use of the Canada Life brand as a result of the Irish Life acquisition. This impairment charge has been recorded in restructuring and acquisition expenses (note 19) within the statement of earnings of the Europe segment. Also in the fourth quarter of 2013, the Company recognized an impairment $3 of software assets in Canada recorded within operating expenses.

12. Goodwill and Intangible Assets (cont'd)

	2012					
	Customer contract related	Distribution channels	Technology	Property leases	Software	Total
Amortization period range	10 - 20 years	30 years	5 years	5 years	5 - 10 years	
Weighted average remaining amortization period	12 years	21 years	-	-	-	
Amortization method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	
Cost						
Balance, beginning of year	$ 571	$ 100	$ 12	$ 13	$ 468	$ 1,164
Acquisitions	-	-	-	-	86	86
Disposals	-	-	-	-	(11)	(11)
Changes in foreign exchange rates	(7)	3	-	-	(3)	(7)
Other	-	-	-	-	27	27
Balance, end of year	$ 564	$ 103	$ 12	$ 13	$ 567	$ 1,259
Accumulated amortization and impairment						
Balance, beginning of year	$ (204)	$ (29)	$ (10)	$ (12)	$ (237)	$ (492)
Disposals	-	-	-	-	9	9
Amortization	(31)	(5)	(2)	(1)	(64)	(103)
Balance, end of year	$ (235)	$ (34)	$ (12)	$ (13)	$ (292)	$ (586)
Net carrying amount	$ 329	$ 69	$ -	$ -	$ 275	$ 673

(c) Recoverable Amount

For the purposes of annual impairment testing, the Company allocates goodwill to the cash generating units which are the units expected to benefit from the synergies of the business combinations.

Any potential impairment of goodwill or intangible assets is identified by comparing the recoverable amount to its carrying value. The recoverable amount is determined as the higher of fair value less costs to sell or value-in-use. Fair value is determined using a combination of commonly accepted valuation methodologies, namely comparable trading and transaction multiples and a discounted cash flow analysis. Comparable trading and transaction multiple methodologies calculate value by applying multiples observed in the market against historical and projected results approved by management. Value-in-use is calculated by discounting management's cash flow projections approved by the Board of Directors covering the initial forecast period of three to five years. Value beyond the initial period is derived by applying a terminal value multiple to the final year of the initial projection period. For a significant portion of the goodwill and intangible assets, the terminal value multiple is a function of the discount rate (which ranges from 10% to 12.5%) and the terminal growth rate (which ranges from 1.5% to 3.0%). The discount rate is reflective of the country and product specific cash flow risks and the terminal growth rate is estimated as the long-term average growth rate of sales, including inflation of the markets in which the Company operates.

13. Owner Occupied Properties and Fixed Assets

The carrying value of owner occupied properties and fixed assets and the changes in the carrying value of owner occupied properties and fixed assets are as follows:

	2013		2012	
	Owner occupied properties	**Fixed assets**	Owner occupied properties	Fixed assets
Carrying value, beginning of year	**$ 551**	**$ 656**	$ 523	$ 617
Less: accumulated depreciation/impairments	**(37)**	**(502)**	(32)	(480)
Net carrying value, beginning of year	**514**	**154**	491	137
Acquisition of Irish Life	**49**	**30**	-	-
Additions	**20**	**68**	31	64
Retirements	**-**	**(24)**	-	-
Impairments	**-**	**(2)**	-	-
Disposals	**-**	**(28)**	-	(25)
Depreciation	**(7)**	**(39)**	(5)	(39)
Depreciation disposals/retirements	**-**	**43**	-	20
Foreign exchange	**14**	**9**	(3)	(3)
Net carrying value, end of year	**$ 590**	**$ 211**	$ 514	$ 154

The gross carrying value of owner occupied properties and fixed assets is $634 and $712 at December 31, 2013 ($551 and $656 at December 31, 2012) respectively, with accumulated depreciation and impairment of $44 and $501 ($37 and $502 at December 31, 2012).

The following provides details of the net carrying value of owner occupied properties and fixed assets by geographic location:

	December 31 2013	December 31 2012	January 1 2012
Canada	**$ 491**	$ 466	$ 426
United States	**188**	172	175
Europe	**122**	30	27
Total	**$ 801**	$ 668	$ 628

There are no restrictions on the title of the owner occupied properties and fixed assets nor are they pledged as security for debt.

14. Other Assets

	December 31 2013	December 31 2012[2]	January 1 2012[2]
Prepaid expenses	**$ 83**	$ 92	$ 99
Defined benefit pension assets	**408**	202	198
Deferred acquisition costs	**687**	541	529
Trading account assets [1]	**376**	144	141
Miscellaneous other assets	**666**	592	426
Total	**$ 2,220**	$ 1,571	$ 1,393

(1) Includes bonds of $75 and stocks of $301 at December 31, 2013 (bonds of $56 and stocks of $88 at December 31, 2012, and bonds of $22 and stocks of $119 at January 1, 2012).

(2) During the year, the Company reclassified certain comparative figures for presentation adjustments.

Total other assets of $1,125 ($828 at December 31, 2012 and $666 at January 1, 2012) are expected to be realized within 12 months from the reporting date. This amount excludes deferred acquisition costs on investment contracts, the changes in which are noted below.

Deferred acquisition costs

	2013	2012
Balance, beginning of year	**$ 541**	$ 529
Acquisition of Irish Life	**152**	-
Additions	**50**	120
Amortization	**(59)**	(69)
Changes in foreign exchange	**50**	9
Disposals	**(47)**	(48)
Balance, end of year	**$ 687**	$ 541

15. Segregated Funds and Other Structured Entities

The Company offers segregated fund products in Canada, the U.S. and Europe that are referred to as segregated funds, separate accounts and unit-linked funds in the respective region. These funds are contracts issued by insurers to segregated fund policyholders where the benefit is directly linked to the performance of the investments, the risks or rewards of the fair value movements and net investment income is realized by the segregated fund policyholders. The segregated fund policyholders are required to select the segregated funds that hold a range of underlying investments. While the Company has legal title to the investments, there is a contractual obligation to pass along the 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.

15. Segregated Funds and Other Structured Entities (cont'd)

In circumstances where the segregated funds are invested in structured entities and are deemed to control the entity, the Company has presented the non-controlling ownership interest within the segregated funds for the risk of policyholders as equal and offsetting amounts in the assets and liabilities. The amounts presented within are $772 at December 31, 2013 ($484 at December 31, 2012 and $403 at January 1, 2012).

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 December 31, 2013, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,674 ($2,110 at December 31, 2012 and $1,256 at January 1, 2012).

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

	December 31, 2013				
		Investment deficiency by benefit type			
	Market value	**Income**	**Maturity**	**Death**	**Total***
Canada	**$ 26,779**	**$ -**	**$ 32**	**$ 101**	**$ 101**
United States	**8,853**	**-**	**-**	**42**	**42**
Europe	**8,683**	**260**	**16**	**74**	**334**
Total	**$ 44,315**	**$ 260**	**$ 48**	**$ 217**	**$ 477**

15. Segregated Funds and Other Structured Entities (cont'd)

	December 31, 2012				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 24,192	$ -	$ 29	$ 181	$ 181
United States	7,272	-	-	59	59
Europe	3,665	552	40	71	624
Total	$ 35,129	$ 552	$ 69	$ 311	$ 864

	January 1, 2012				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 22,837	$ -	$ 39	$ 301	$ 301
United States	7,041	1	-	79	80
Europe	3,232	641	124	174	817
Total	$ 33,110	$ 642	$ 163	$ 554	$ 1,198

*A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on December 31, 2013, December 31, 2012 and January 1, 2012.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on December 31, 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 $24 for the year ended December 31, 2013, 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, 2013 Management's Discussion and Analysis.

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

(a) Investments on account of segregated fund policyholders

	December 31 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 11,374**	$ 4,837	$ 5,334
Bonds	**34,405**	24,070	21,594
Mortgage loans	**2,427**	2,303	2,303
Stocks and units in unit trusts	**62,882**	35,154	32,651
Mutual funds	**41,555**	34,100	31,234
Investment properties	**8,284**	6,149	5,457
	160,927	106,613	98,573
Accrued income	**380**	239	287
Other liabilities/assets	**(1,300)**	(1,904)	(2,278)
Non-controlling mutual funds interest	**772**	484	403
Total	**$ 160,779**	$ 105,432	$ 96,985

15. Segregated Funds and Other Structured Entities (cont'd)

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

	2013	2012
Balance, beginning of year	**$ 105,432**	$ 96,985
Additions (deductions):		
Policyholder deposits	**15,861**	13,819
Net investment income	**1,565**	1,189
Net realized capital gains on investments	**3,419**	1,094
Net unrealized capital gains on investments	**7,879**	4,316
Unrealized gains (losses) due to changes in foreign exchange rates	**7,226**	(213)
Policyholder withdrawals	**(17,141)**	(11,831)
Acquisition of Irish Life (note 4)	**36,348**	-
Net transfer from (to) General Fund	**67**	(8)
Non-controlling mutual funds interest	**123**	81
Total	**55,347**	8,447
Balance, end of year	**$ 160,779**	$ 105,432

(c) Investment income on account of segregated fund policyholders

	2013	2012
Net investment income	**$ 1,565**	$ 1,189
Net realized capital gains on investments	**3,419**	1,094
Net unrealized capital gains on investments	**7,879**	4,316
Unrealized gains (losses) due to changes in foreign exchange rates	**7,226**	(213)
Total	**20,089**	6,386
Change in investment and insurance contracts liability on account of segregated fund policyholders	**20,089**	6,386
Net	**$ -**	$ -

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 9)

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 106,144**	**$ 46,515**	**$ 9,298**	**$ 161,957**

[1] Excludes other liabilities, net of other assets, of $1,178.

During 2013 certain foreign stock holdings valued at $1,780 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.

15. Segregated Funds and Other Structured Entities (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:

	December 31 2013
Balance, beginning of year	**$ 6,287**
Total gains included in segregated fund investment income	**694**
Acquisition of Irish Life	**2,326**
Purchases	**428**
Sales	**(440)**
Transfers in to Level 3	**4**
Transfers out of Level 3	**(1)**
Balance, end of year	**$ 9,298**

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

In addition to the segregated funds, the Company has interests in number of structured unconsolidated entities including mutual funds, open ended investment companies, and unit-trusts. These entities are created as investment strategies for its unit-holders based on the directive of each individual fund.

Some of these funds are managed by related parties of the Company and the Company receives management fees related to these services. Management fees can be variable due to performance of factors – such as markets or industries – in which the fund invests. Fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets.

Factors that could cause assets under management and fees to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue.

During 2013, fee and other income earned by the Company resulting from the Company’s interests in these structured entities was $3,068.

Included within other assets (note 14) is $306 of investments by the Company in bonds and stocks of Putnam sponsored funds and $70 of investments in stocks of sponsored unit-trusts in Europe.

During 2013, the Company has not provided any additional significant financial or other support to the structured entities.

16. Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	December 31, 2013		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 131,174	$ 5,070	$ 126,104
Investment contract liabilities	889	-	889
Total	**$ 132,063**	**$ 5,070**	**$ 126,993**

	December 31, 2012		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 119,973	$ 2,064	$ 117,909
Investment contract liabilities	739	-	739
Total	$ 120,712	$ 2,064	$ 118,648

	January 1, 2012		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 114,785	$ 2,061	$ 112,724
Investment contract liabilities	782	-	782
Total	$ 115,567	$ 2,061	$ 113,506

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

(b) Composition of insurance and investment contract liabilities and related supporting assets

(i) The composition of insurance and investment contract liabilities is as follows:

	December 31, 2013		
	Gross liability	**Reinsurance assets**	**Net**
Participating			
Canada	**$ 29,107**	**$ (132)**	**$ 29,239**
United States	**9,337**	**11**	**9,326**
Europe	**1,247**	**-**	**1,247**
Non-Participating			
Canada	**25,898**	**521**	**25,377**
United States	**19,038**	**238**	**18,800**
Europe	**47,436**	**4,432**	**43,004**
Total	**$ 132,063**	**$ 5,070**	**$ 126,993**

	December 31, 2012		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 27,851	$ (88)	$ 27,939
United States	8,942	14	8,928
Europe	1,241	-	1,241
Non-Participating			
Canada	27,283	746	26,537
United States	17,356	241	17,115
Europe	38,039	1,151	36,888
Total	$ 120,712	$ 2,064	$ 118,648

	January 1, 2012		
	Gross liability	Reinsurance assets	Net
Participating			
Canada	$ 26,470	$ (50)	$ 26,520
United States	8,639	18	8,621
Europe	1,230	-	1,230
Non-Participating			
Canada	27,099	919	26,180
United States	16,657	276	16,381
Europe	35,472	898	34,574
Total	$ 115,567	$ 2,061	$ 113,506

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

(ii) The composition of the assets supporting liabilities and equity is as follows:

	December 31, 2013					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Carrying value						
Participating liabilities						
Canada	**$ 11,907**	**$ 7,701**	**$ 4,923**	**$ 1,157**	**$ 3,419**	**$ 29,107**
United States	**4,583**	**141**	**-**	**-**	**4,613**	**9,337**
Europe	**852**	**39**	**143**	**35**	**178**	**1,247**
Non-participating liabilities						
Canada	**16,157**	**3,769**	**1,796**	**3**	**4,173**	**25,898**
United States	**15,508**	**2,911**	**-**	**-**	**619**	**19,038**
Europe	**27,273**	**3,290**	**225**	**2,460**	**14,188**	**47,436**
Other	**9,239**	**641**	**96**	**87**	**163,780**	**173,843**
Total equity	**4,395**	**571**	**1,371**	**546**	**13,116**	**19,999**
Total carrying value	**$ 89,914**	**$ 19,063**	**$ 8,554**	**$ 4,288**	**$ 204,086**	**$ 325,905**
Fair value	**$ 90,731**	**$ 19,517**	**$ 8,720**	**$ 4,288**	**$ 204,086**	**$ 327,342**

	December 31, 2012					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 12,818	$ 6,903	$ 4,221	$ 932	$ 2,977	$ 27,851
United States	4,307	188	-	-	4,447	8,942
Europe	874	40	115	66	146	1,241
Non-participating liabilities						
Canada	17,519	4,428	1,565	3	3,768	27,283
United States	14,280	2,464	-	-	612	17,356
Europe	22,420	2,827	127	2,173	10,492	38,039
Other	6,507	493	-	4	109,123	116,127
Total equity	3,856	532	1,023	394	11,206	17,011
Total carrying value	$ 82,581	$ 17,875	$ 7,051	$ 3,572	$ 142,771	$ 253,850
Fair value	$ 84,085	$ 19,067	$ 7,089	$ 3,572	$ 142,771	$ 256,584

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

	January 1, 2012					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 11,862	$ 6,686	$ 3,864	$ 507	$ 3,551	$ 26,470
United States	4,059	152	-	-	4,428	8,639
Europe	855	56	128	70	121	1,230
Non-participating liabilities						
Canada	16,674	4,738	1,329	20	4,338	27,099
United States	13,523	2,369	-	-	765	16,657
Europe	20,449	2,506	119	2,092	10,306	35,472
Other	6,563	484	-	6	100,869	107,922
Total equity	4,370	441	1,216	554	9,131	15,712
Total carrying value	$ 78,355	$ 17,432	$ 6,656	$ 3,249	$ 133,509	$ 239,201
Fair value	$ 79,396	$ 18,662	$ 6,724	$ 3,249	$ 133,509	$ 241,540

Cash flows of assets supporting insurance and investment contract liabilities are matched within reasonable limits. Changes in the fair values of these assets are essentially offset by changes in the fair value of insurance and investment contract liabilities.

Changes in the fair values of assets backing capital and surplus, less related income taxes, would result in a corresponding change in surplus over time in accordance with investment accounting policies.

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

(c) Change in insurance contract liabilities

The change in insurance contract liabilities during the year was the result of the following business activities and changes in actuarial estimates:

	2013		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 38,003	$ (74)	$ 38,077
Impact of new business	16	-	16
Normal change in force	1,049	(13)	1,062
Management action and changes in assumptions	(129)	(36)	(93)
Impact of foreign exchange rate changes	724	2	722
Balance, end of year	$ 39,663	$ (121)	$ 39,784

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 81,970	$ 2,138	$ 79,832	$ 117,909
Acquisition of Irish Life	6,160	2,963	3,197	3,197
Impact of new business	5,251	(135)	5,386	5,402
Normal change in force	(5,898)	417	(6,315)	(5,253)
Management action and changes in assumptions	(407)	(323)	(84)	(177)
Business movement from/to external parties	(455)	(234)	(221)	(221)
Impact of foreign exchange rate changes	4,890	365	4,525	5,247
Balance, end of year	$ 91,511	$ 5,191	$ 86,320	$ 126,104

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

	2012		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 36,303	$ (32)	$ 36,335
Impact of new business	72	-	72
Normal change in force	1,621	(6)	1,627
Management action and changes in assumptions	(260)	(34)	(226)
Impact of foreign exchange rate changes	(262)	(2)	(260)
Impact of Crown amalgamation	529	-	529
Balance, end of year	$ 38,003	$ (74)	$ 38,077

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 78,482	$ 2,093	$ 76,389	$ 112,724
Impact of new business	4,656	326	4,330	4,402
Normal change in force	(519)	35	(554)	1,073
Management action and changes in assumptions	(380)	(306)	(74)	(300)
Business movement from/to external parties	(48)	(7)	(41)	(41)
Impact of foreign exchange rate changes	308	(3)	311	51
Impact of Crown amalgamation	(529)	-	(529)	-
Balance, end of year	$ 81,970	$ 2,138	$ 79,832	$ 117,909

Under fair value accounting, movement in the fair value of the supporting assets is a major factor in the movement of insurance contract liabilities. Changes in the fair value of assets are largely offset by corresponding changes in the fair value of liabilities. The change in the value of the insurance contract liabilities associated with the change in the value of the supporting assets is included in the normal change in force above.

In 2013, the major contributors to the increase in net insurance contract liabilities were the impact of new business ($5,402 increase), the impact of foreign exchange rate changes ($5,247 increase) and the Irish Life Acquisition ($3,197 increase). This was partially offset by the normal change in the in force business ($5,253 decrease) which was partly due to the change in fair value.

Net non-participating insurance contract liabilities decreased by $84 in 2013 due to management actions and assumption changes including a $123 decrease in Canada, a $41 increase in Europe and a $2 decrease in the United States.

The decrease in Canada was primarily due to updated mortality assumptions ($95 decrease), updated morbidity assumptions ($70 decrease), modeling refinements across the Canadian segment ($15 decrease), decreased provision for interest and mismatch risk ($5 decrease) and updated expenses and taxes ($3 decrease) partially offset by increased provisions for policyholder behavior ($63 increase) and updated longevity assumptions ($3 increase).

The increase in Europe was primarily due to increased provisions for policyholder behavior ($55 increase), increased provisions for expenses and taxes ($30 increase), updated morbidity assumptions ($27 increase) and updates to other provisions ($4 increase) partially offset by updates to the life mortality assumptions ($40 decrease), decreased provisions for interest and mismatch risk ($25 decrease) and modeling refinements ($11 decrease).

The decrease in the United States was primarily due to updated life mortality assumptions ($12 decrease) partially offset by updated expenses and taxes ($9 increase), and updated longevity assumptions ($1 increase).

Net participating insurance contract liabilities decreased by $93 in 2013 due to management actions and assumption changes. The decrease was primarily due to decreases from higher investment returns ($631 decrease), modeling refinements in Canada ($109 decrease) and updated expenses and taxes ($88 decrease) partially offset by increased provisions for future policyholder dividends ($710 increase), increased provisions for policyholder behavior ($20 increase), updated life mortality assumptions ($4 increase) and updated morbidity assumptions ($1 increase).

In 2012, the major contributors to the increase in net insurance contract liabilities were the impact of new business ($4,402 increase) and the normal change in the in force business ($1,073 increase) primarily due to the change in fair value.

Net non-participating insurance contract liabilities decreased by $74 in 2012 due to management actions and assumption changes including a $138 decrease in Canada, a $97 increase in Europe and a $33 decrease in the United States.

The decrease in Canada was primarily due to updated life insurance mortality ($79 decrease), updated expenses and taxes ($75 decrease), modeling refinements across the Canadian segment ($71 decrease), updated longevity assumptions ($21 decrease) and updated morbidity assumptions ($9 decrease), partially offset by provisions for asset and mismatch risk ($66 increase) and increased provisions for policyholder behavior in Individual Insurance ($41 increase).

The increase in Europe was primarily due to updated longevity improvement assumptions ($348 increase), increased provisions for policyholder behavior in reinsurance ($109 increase), increase in provision for expenses and taxes ($36 increase), modeling refinements ($32 increase), increased provisions for asset and mismatch risk ($15 increase) and updated morbidity assumptions ($3 increase), partially offset by updated base longevity assumptions ($358 decrease) and updated life insurance mortality ($85 decrease).

The decrease in the United States was primarily due to updated life mortality ($33 decrease), updated longevity assumptions ($3 decrease), decrease in provisions for policyholder behavior ($3 decrease) and updated expenses and taxes ($1 decrease), partially offset by provisions for asset and mismatch risk ($7 increase).

Net participating insurance contract liabilities decreased by $226 in 2012 due to management actions and assumption changes. The decrease was primarily due to decreases in the provision for future policyholder dividends ($2,078 decrease), improved Individual Life mortality ($124 decrease), updated expenses and taxes ($92 decrease) and modeling refinements in Canada ($10 decrease) partially offset by lower investment returns ($2,056 increase), increased provisions for policyholder behavior ($19 increase) and updated morbidity assumptions ($3 increase).

(d) Change in investment contract liabilities measured at fair value

	2013	2012
Balance, beginning of year	**$ 739**	$ 782
Acquisition of Irish Life (note 4)	**194**	-
Normal change in force business	**(97)**	(87)
Investment experience	**19**	51
Impact of foreign exchange rate changes	**34**	(7)
Balance, end of year	**$ 889**	$ 739

The carrying value of investment contract liabilities approximates their fair value. No investment contract liabilities have been reinsured.

(e) (i) Premium Income

	2013	2012 [1]
Direct premiums	**$ 18,772**	$ 17,379
Assumed reinsurance premiums	**4,669**	4,897
Total	**$ 23,441**	$ 22,276

(ii) Policyholder Benefits

	2013	2012 [1]
Direct	**$ 13,516**	$ 14,589
Assumed reinsurance	**4,948**	3,265
Total	**$ 18,464**	$ 17,854

[1] During the year, the Company reclassified certain comparative figures for presentation adjustments. This resulted in an increase in assumed reinsurance premiums of $437, a decrease to reinsurance fee income of $13, offset primarily by an increase in assumed reinsurance policyholder benefits. There was no impact on equity, net earnings or cash flows of the Company (note 36).

(f) Actuarial Assumptions

In the computation of insurance contract liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses, rates of policy termination and rates of utilization of elective policy options or provisions. The valuation assumptions use best estimates of future experience together with a margin for adverse deviation. These margins are necessary to provide for possibilities of misestimation and/or future deterioration in the best estimate assumptions and provide reasonable assurance that insurance contract liabilities cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

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

Mortality
A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. The actuarial standards were amended to remove the requirement that, for life insurance, any reduction in liabilities due to mortality improvement assumptions be offset by an equal amount of provision for adverse deviation. Appropriate provisions have been made for future mortality deterioration on term insurance.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants.

Morbidity
The Company uses industry developed experience tables modified to reflect emerging Company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation.

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

Investment returns
The assets which correspond to the different liability categories are segmented. For each segment, projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method to determine insurance contract liabilities. Cash flows from assets are reduced to provide for asset default losses. Testing under several interest rate and equity scenarios (including increasing and decreasing rates) is done to provide for reinvestment risk (note 8 (c)).

Expenses
Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under the Canadian Asset Liability Method as inflation is assumed to be correlated with new money interest rates.

Policy termination
Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of term for renewable term policies in Canada and Reinsurance. Industry experience has guided the Company's assumptions for these products as the Company's own experience is very limited.

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

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

(g) Risk Management

(i) Insurance risk

Insurance risk is the risk that the insured event occurs and that there are large deviations between expected and actual actuarial assumptions including mortality, persistency, longevity, morbidity, expense variations and investment returns.

As an insurance company, Lifeco is in the business of accepting risk associated with insurance contract liabilities. The objective of the Company is to mitigate its exposure to risk arising from these contracts through product design, product and geographical diversification, the implementation of the Company's underwriting strategy guidelines, and through the use of reinsurance arrangements.

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

The following provides information about the Company's insurance contract liabilities sensitivities to management's best estimate of the approximate impact as a result of changes in assumptions used to determine the Company's liability associated with these contracts.

	Increase (decrease) in net earnings after-tax	
	2013	2012
Mortality - 2% increase	**$ (217)**	$ (208)
Annuitant mortality - 2% decrease	**$ (272)**	$ (274)
Morbidity - 5% adverse change	**$ (208)**	$ (188)
Investment returns		
Parallel shift in yield curve[1]		
1% increase	**$ -**	n/a
1% decrease	**$ -**	n/a
Change in range of interest rates[1]		
1% increase	**$ 12**	n/a
1% decrease	**$ (322)**	n/a
Change in equity markets		
10% increase	**$ 34**	$ 18
10% decrease	**$ (150)**	$ (96)
Change in best estimate returns for equities		
1% increase	**$ 353**	$ 342
1% decrease	**$ (392)**	$ (376)
Expenses - 5% increase	**$ (76)**	$ (56)
Policy termination and renewal - 10% adverse change	**$ (466)**	$ (473)

[1] Due to change in interest provision methodology in 2013, 2012 sensitivities are not comparable to 2013. Please refer to note 8(c)(ii).

Concentration risk may arise from geographic regions, accumulation of risks and market risk. The concentration of insurance risk before and after reinsurance by geographic region is described below.

	December 31, 2013			December 31, 2012			January 1, 2012		
	Gross liability	**Reinsurance assets**	**Net**	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Canada	**$ 55,005**	**$ 389**	**$ 54,616**	$ 55,134	$ 658	$ 54,476	$ 53,569	$ 869	$ 52,700
United States	**28,375**	**249**	**28,126**	26,298	255	26,043	25,296	294	25,002
Europe	**48,683**	**4,432**	**44,251**	39,280	1,151	38,129	36,702	898	35,804
Total	**$ 132,063**	**$ 5,070**	**$ 126,993**	$ 120,712	$ 2,064	$ 118,648	$ 115,567	$ 2,061	$ 113,506

(ii) Reinsurance risk

Maximum limits per insured life benefit amount (which vary by line of business) are established for life and health insurance and reinsurance is purchased for amounts in excess of those limits.

Reinsurance costs and recoveries as defined by the reinsurance agreement are reflected in the valuation with these costs and recoveries being appropriately calibrated to the direct assumptions.

Reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to the Company. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Certain of the reinsurance contracts are on a funds withheld basis where the Company retains the assets supporting the reinsured insurance contract liabilities, thus minimizing the exposure to significant losses from reinsurer insolvency on those contracts.

17. Financing Charges

Financing charges consist of the following:

	2013	2012
Operating charges:		
Interest on operating lines and short-term debt instruments	**$ 4**	$ 4
Financial charges:		
Interest on long-term debentures and other debt instruments	**254**	231
Interest on capital trust debentures	**11**	41
Other	**23**	23
	288	295
Total	**$ 292**	$ 299

18. Debentures and Other Debt Instruments

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Short-term						
Commercial paper and other short-term debt instruments with interest rates from 0.24% to 0.33% (0.27% to.35% at December 31, 2012)	**$ 105**	**$ 105**	$ 97	$ 97	$ 100	$ 100
Revolving credit facility with interest equal to LIBOR plus 0.75% or U.S. Prime Rate Loan (U.S. $450)	**477**	**477**	-	-	-	-
Revolving credit facility with interest equal to LIBOR plus 1.00% or U.S. Prime Rate Loan (U.S. $200)	**-**	**-**	198	198	204	204
Total short-term	**582**	**582**	295	295	304	304
Long-term						
Operating:						
Notes payable with interest rate of 8.0% due May 6, 2014, unsecured	**1**	**1**	2	2	3	3
Capital:						
Lifeco						
6.14% Debentures due March 21, 2018, unsecured	**199**	**227**	199	234	199	229
6.74% Debentures due November 24, 2031, unsecured	**192**	**246**	191	256	190	237
6.67% Debentures due March 21, 2033, unsecured	**391**	**493**	397	512	397	472
5.998% Debentures due November 16, 2039, unsecured	**342**	**405**	342	431	343	383
4.65% Debentures due August 13, 2020, unsecured	**498**	**539**	498	557	497	522
2.50% Debentures due April 18, 2023, unsecured, (€500)	**729**	**713**	-	-	-	-
	2,351	**2,623**	1,627	1,990	1,626	1,843
Canada Life						
6.40% subordinated debentures due December 11, 2028, unsecured	**100**	**117**	100	117	100	115
Irish Life						
5.25% 200 euro subordinated debentures, includes associated fixed to floating swap	**317**	**321**	-	-	-	-
Mortgage payable with interest rate of 4% changing to 5% on February 1, 2014, matures April 30, 2014	**75**	**75**	-	-	-	-
	392	**396**	-	-	-	-
Great-West Life & Annuity Insurance Capital, LP						
6.625% Deferrable debentures due November 15, 2034, unsecured (U.S. $175)	**182**	**184**	170	176	175	170
Great-West Life & Annuity Insurance Capital, LP II						
Subordinated debentures due May 16, 2046, bearing an interest rate of 7.153% until May 16, 2016 and thereafter, a rate of 2.538% plus the 3-month LIBOR rate, unsecured (U.S. $300)	**317**	**328**	296	307	310	298
Putnam Acquisition Financing LLC						
Term note due October 18, 2015, unsecured, bearing an interest rate of LIBOR plus 0.75% (U.S. $304)	**322**	**322**	301	301	304	308
Great-West Lifeco Finance (Delaware) LP						
Subordinated debentures due June 21, 2067 bearing an interest rate of 5.691% until June 21, 2017 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 1.49%, unsecured	**996**	**1,097**	995	1,097	994	1,028
Great-West Lifeco Finance (Delaware) LP II						
Subordinated debentures due June 26, 2068 bearing an interest rate of 7.127% until June 26, 2018 and, thereafter, at a rate equal to the Canadian 90-day Bankers' Acceptance rate plus 3.78%, unsecured	**497**	**583**	497	592	497	550
Total long-term	**5,158**	**5,651**	3,988	4,582	4,009	4,315
Total	**$ 5,740**	**$ 6,233**	$ 4,283	$ 4,877	$ 4,313	$ 4,619

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).

18. Debentures and Other Debt Instruments (cont'd)

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.

On October 31, 2013 the Company completed its consent solicitation of the holders of the 6.67% Debentures due March 21, 2033. The holders of the 6.67% Debentures approved the elimination of the replacement capital covenants and related provisions applicable to certain of the Company's preferred shares, the 5.691% Subordinated Debentures due June 21, 2067 issued by Great-West Lifeco Finance (Delaware) LP and the 7.127% Subordinated Debentures due June 26, 2068 issued by Great-West Lifeco Finance (Delaware) LP II. Total consent fees of $7 ($5 after-tax) were paid in cash to the holders of the 6.67% Debentures and are being amortized over the remaining term of the 6.67% Debentures.

19. 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. 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:

		2013
Acquisition expenses	$	29
Restructuring - Irish Life		
Staff costs		17
Information systems		3
Other		11
		31
Impairment of Canada Life Ireland brand value (note 12)		34
Other Europe restructuring		10
Total	**$**	**104**

Included in the above restructuring expenses are provisions of $31 which are included within other liabilities. These provisions are expected to be realized within 12 months from the reporting date.

20. Other Liabilities

	December 31 2013	December 31 2012[1]	January 1 2012[1]
Pension and other post-employment benefits	**$ 949**	$ 1,267	$ 1,008
Deferred income reserve	**451**	427	406
Bank overdraft	**380**	448	437
Other	**1,027**	814	811
Total	**$ 2,807**	$ 2,956	$ 2,662

[1] During the year, the Company reclassified certain comparative figures for presentation adjustments.

Total other liabilities of $1,407 ($1,262 at December 31, 2012 and $1,248 at January 1, 2012) are expected to be realized within 12 months from the reporting date. This amount excludes deferred income reserve, the changes in which are noted below.

Deferred income reserve

	2013	2012
Balance, beginning of year	**$ 427**	$ 406
Additions	**70**	103
Amortization	**(39)**	(42)
Changes in foreign exchange	**38**	8
Disposals	**(45)**	(48)
Balance, end of year	**$ 451**	$ 427

21. Capital Trust Securities

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Capital trust securities:						
Great-West Life Capital Trust						
5.995% due December 31, 2052, unsecured	**$ -**	**$ -**	$ -	$ -	$ 350	$ 363
Canada Life Capital Trust						
6.679% due June 30, 2052, unsecured	**-**	**-**	-	-	300	307
7.529% due June 30, 2052, unsecured	**150**	**205**	150	216	150	197
	150	**205**	150	216	800	867
Acquisition related fair value adjustment	**13**	**-**	14	-	15	-
Total	**$ 163**	**$ 205**	$ 164	$ 216	$ 815	$ 867

Canada Life Capital Trust (CLCT) redeemed all of its outstanding $300 principal amount Canada Life Capital Securities - Series A (CLiCS - Series A) on June 29, 2012 at par.

Great-West Life Capital Trust (GWLCT) redeemed all of its outstanding $350 principal amount Great-West Life Capital Trust Securities - Series A (GREATs) on December 31, 2012 at par.

CLCT, a trust established by Canada Life, had issued $150 of Canada Life Capital Securities - Series B (CLiCS - Series B), the proceeds of which were used by CLCT to purchase Canada Life senior debentures in the amount of $150.

Distributions and interest on the capital trust securities are classified as financing charges on the Consolidated Statements of Earnings (note 17). The fair value for capital trust securities is determined by the bid-ask price. Refer to note 8 for financial instrument risk management disclosures.

Subject to regulatory approval, CLCT may redeem the CLiCS - Series B, in whole or in part, at any time.

22. Non-Controlling Interests

The Company had a controlling equity interest in Great-West Life, London Life, Canada Life, Great-West Financial, and Putnam at December 31, 2013, December 31, 2012 and January 1, 2012. Non-controlling interests in subsidiaries includes non-controlling interests in PanAgora Asset Management Inc.

(a) The non-controlling interests of Great-West Life, London Life, Canada Life, Great-West Financial and Putnam and their subsidiaries reflected in the Consolidated Statements of Earnings are as follows:

	2013	2012
Net earnings attributable to participating account before policyholder dividends		
Great-West Life	**$ 136**	$ 182
London Life	**583**	951
Canada Life	**320**	264
Great-West Financial	**5**	1
	1,044	1,398
Policyholder dividends		
Great-West Life	**(134)**	(131)
London Life	**(738)**	(745)
Canada Life	**(261)**	(246)
Great-West Financial	**(4)**	(1)
	(1,137)	(1,123)
Net earnings (loss) - participating account	**(93)**	275
Non-controlling interests in subsidiaries	**3**	2
Total	**$ (90)**	$ 277

The net earnings (loss) attributable to the participating account before policyholder dividends includes the impact of the Subsequent Event - Participating account legal matter recorded in the December 31, 2013 financial statements (note 33). The December 31, 2012 amounts include the impact of the Ontario Supreme Court of Justice decision on January 24, 2013 (note 33).

22. Non-Controlling Interests (cont'd)

(b) The carrying value of non-controlling interests consists of the following:

		December 31 2013		December 31 2012		January 1 2012
Participating account surplus in subsidiaries:						
Great-West Life	**$**	**549**	$	552	$	505
London Life		**1,661**		1,822		1,619
Canada Life		**132**		66		52
Great-West Financial		**12**		11		11
Total	**$**	**2,354**	$	2,451	$	2,187
Non-controlling interests in subsidiaries	**$**	**8**	$	5	$	3

During 2012, London Life re-allocated the remaining 11% of its investment in LRG with a carrying value of $89 from its participating account to its shareholder account. The difference of $6 between the carrying value of the investment and the fair value of the investment of $95 was recorded as a charge to shareholder accumulated surplus and an increase in the London Life participating account surplus.

Non-controlling interests in subsidiaries includes non-controlling interests in Putnam controlled investments in institutional portfolio funds, hedge funds, Putnam sponsored mutual funds and PanAgora Asset Management Inc.

(c) The non-controlling interests of Great-West Life, London Life, Canada Life, Putnam, Great-West Financial and their subsidiaries reflected in other comprehensive income are as follows:

		2013		2012
Participating account surplus in subsidiaries				
Other comprehensive income attributable to participating account				
Great-West Life	**$**	**(5)**	$	(4)
London Life		**(6)**		(9)
Canada Life		**7**		(4)
Great-West Financial		**-**		-
Total	**$**	**(4)**	$	(17)

23. Share Capital

Authorized

Unlimited First Preferred Shares, Class A Preferred Shares and Second Preferred Shares,
Unlimited Common Shares

Issued and outstanding and fully paid

	December 31, 2013			December 31, 2012			January 1, 2012		
	Number		**Carrying Value**	Number		Carrying Value	Number		Carrying Value
First Preferred Shares									
Series F, 5.90% Non-Cumulative	**7,740,032**	**$**	**194**	7,740,032	$	194	7,741,790	$	194
Series G, 5.20% Non-Cumulative	**12,000,000**		**300**	12,000,000		300	12,000,000		300
Series H, 4.85% Non-Cumulative	**12,000,000**		**300**	12,000,000		300	12,000,000		300
Series I, 4.50% Non-Cumulative	**12,000,000**		**300**	12,000,000		300	12,000,000		300
Series L, 5.65% Non-Cumulative	**6,800,000**		**170**	6,800,000		170	6,800,000		170
Series M, 5.80% Non-Cumulative	**6,000,000**		**150**	6,000,000		150	6,000,000		150
Series P, 5.40% Non-Cumulative	**10,000,000**		**250**	10,000,000		250	-		-
Series Q, 5.15% Non-Cumulative	**8,000,000**		**200**	8,000,000		200	-		-
Series R, 4.80% Non-Cumulative	**8,000,000**		**200**	8,000,000		200	-		-
Series J, 6.00% Non-Cumulative	**-**		**-**	9,200,000		230	9,200,000		230
Series N, 3.65% Non-Cumulative	**10,000,000**		**250**	10,000,000		250	10,000,000		250
Total	**92,540,032**	**$**	**2,314**	101,740,032	$	2,544	75,741,790	$	1,894
Common shares									
Balance, beginning of year	**950,596,440**	**$**	**5,848**	949,764,141	$	5,828	948,458,395	$	5,802
Common Shares exchanged for subscription receipts on acquisition of Irish Life (note 4)	**48,660,000**		**1,220**	-		-	-		-
Purchased and cancelled under Normal Course Issuer Bid	**(1,885,381)**		**(59)**	-		-	-		-
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**-**		**46**	-		-	-		-
Exercised and issued under stock option plan	**2,031,020**		**57**	832,299		20	1,305,746		26
Balance, end of year	**999,402,079**	**$**	**7,112**	950,596,440	$	5,848	949,764,141	$	5,828

Preferred Shares

On December 31, 2013 the Company redeemed all of its issued and outstanding Series J, 6.00% Non-Cumulative 5-Year Rate Reset First Preferred Shares for $25 per share.

The Series F, 5.90% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25 per share, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series G, 5.20% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25 per share, together with all declared and unpaid dividends to but excluding the date of redemption.

The Series H, 4.85% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25 per share plus a premium if the shares are redeemed before September 30, 2014, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

23. Share Capital (cont'd)

The Series I, 4.50% Non-Cumulative First Preferred Shares are currently redeemable at the option of the Company for $25 per share plus a premium if the shares are redeemed before June 30, 2015, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

The Series L, 5.65% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after December 31, 2014 for $25 per share plus a premium if the shares are redeemed before December 31, 2018, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

The Series M, 5.80% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after March 31, 2015 for $25 per share plus a premium if redeemed prior to March 31, 2019, together in each case with all declared and unpaid dividends to but excluding the date of redemption.

The Series N, 3.65% Non-Cumulative 5 Year Rate Reset First Preferred Shares are redeemable at the option of the Company on December 31, 2015 and on December 31 every five years thereafter for $25 per share plus all declared and unpaid dividends to the date fixed for redemption. Subject to the Company's right of redemption and certain other restrictions on conversion described in the Series N share conditions, each Series N share is convertible into one Series O First Preferred Share at the option of the holders on December 31, 2015 and on December 31 every five years thereafter.

The Series P, 5.40% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after March 31, 2017 for $25.00 per share plus a premium if redeemed prior to March 31, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The Series Q, 5.15% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after September 30, 2017 for $25.00 per share plus a premium if redeemed prior to September 30, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

The Series R, 4.80% Non-Cumulative First Preferred Shares are redeemable at the option of the Company on or after December 31, 2017 for $25.00 per share plus a premium if redeemed prior to December 31, 2021, together in each case with all declared and unpaid dividends up to but excluding the date fixed for redemption.

Common Shares

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 $1,200, 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 27) effective July 18, 2013, the day on which all contingent terms for the exchange were satisfied.

Normal Course Issuer Bid

On December 5, 2013, the Company announced a normal course issuer bid commencing December 9, 2013 and terminating December 8, 2014 to purchase for cancellation up to but not more than 6,000,000 of its common shares at market prices.

During 2013, the Company repurchased and subsequently cancelled 1,885,381 common shares pursuant to its current and previous normal course issuer bid at a cost of $59 (no shares were repurchased in 2012). 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 $46 was recognized as a reduction to equity.

24. Capital Management

(a) Policies and Objectives

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

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

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

The Company has established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan.

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

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

(b) Regulatory Capital

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

	2013	2012
Adjusted Net Tier 1 Capital	**$ 10,432**	$ 8,699
Net Tier 2 Capital	**2,236**	1,710
Total Capital Available	**$ 12,668**	$ 10,409
Total Capital Required	**$ 5,673**	$ 5,018
Tier 1 Ratio	**184%**	173%
Total Ratio	**223%**	207%

At December 31, 2013, the Risk Based Capital ratio of Great-West Financial, Lifeco's regulated U.S. operating company was estimated to be 480% of the Company Action Level set by the National Association of Insurance Commissioners. Great-West Financial reports its Risk Based Capital ratio annually to U.S. insurance regulators.

In the United Kingdom, Canada Life Limited (CLL) is required to satisfy the capital resources requirements set out in the Integrated Prudential Sourcebook, part of the Prudential Regulatory Authority Handbook. The capital requirements are prescribed by a formulaic capital requirement (Pillar 1) and an individual capital adequacy framework which requires an entity to self-assess an appropriate amount of capital it should hold, based on the risks encountered from its business activities. At the end of 2013, CLL complied with the minimum capital resource requirements in the United Kingdom.

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, 2013 and December 31, 2012 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations.

25. Share-Based Payments

(a) The Company has a stock option plan (the Plan) pursuant to which options to subscribe for common shares of Lifeco may be granted to certain officers and employees of Lifeco and its affiliates. The Company's Compensation Committee (the Committee) administers the Plan and, subject to the specific provisions of the Plan, fixes the terms and conditions upon which options are granted. The exercise price of each option granted under the Plan is fixed by the Committee, but cannot under any circumstances be less than the weighted average trading price per Lifeco common share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. Termination of employment may, in certain circumstances, result in forfeiture of the options, unless otherwise determined by the Committee.

During 2013, 1,832,100 common share options were granted (2,138,100 common share options were granted during 2012). The weighted average fair value of common share options granted during 2013 was $4.33 per option ($3.17 per option in 2012). The fair value of each common share option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2013: dividend yield 4.53%, expected volatility 24.85%, risk-free interest rate 1.52%, and expected life of 7 years.

To date, four categories of options have been granted under the Plan. The exercise of the options in three of these four categories was subject to the attainment of certain financial targets of the Company which have been satisfied. Options vest over a period of up to eight years. All of the options have a maximum exercise period of ten years. The maximum number of Lifeco common shares that may be issued under the Plan is currently 65,000,000.

25. Share-Based Payments (cont'd)

The following summarizes the status of, and changes in, options outstanding and the weighted average exercise price:

	2013		2012	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Outstanding, beginning of year	**14,473,570**	**$ 28.33**	13,384,869	$ 28.59
Granted	**1,832,100**	**27.14**	2,138,100	23.16
Exercised	**(2,031,020)**	**23.04**	(832,299)	19.33
Forfeited/expired	**(512,720)**	**30.06**	(217,100)	28.03
Outstanding, end of year	**13,761,930**	**$ 28.89**	14,473,570	$ 28.33
Options exercisable at end of year	**8,750,150**	**$ 29.96**	9,379,680	$ 28.93

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2013 was $29.23 ($23.06 in 2012).

Compensation expense due to transactions accounted for as equity-settled share-based payments of $8 after-tax in 2013 ($6 after-tax in 2012) arising from transactions in which the services received did not qualify for recognition as an asset, has been recognized in the Consolidated Statements of Earnings.

The entity measured the compensation for the Directors' services based on fair value when measuring the services received in the deferred share unit plan.

The following summarizes information on the ranges of exercise prices including weighted average remaining contractual life at December 31, 2013:

	Outstanding			**Exercisable**		
Exercise price ranges	**Options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**	**Expiry**
$24.37 - $26.00	240,000	0.48	25.23	240,000	25.23	2014
$28.26 - $29.84	1,723,000	1.95	29.82	1,723,000	29.82	2015
$27.13 - $31.27	565,400	2.52	30.32	565,400	30.32	2016
$23.16 - $37.22	1,424,100	3.19	36.38	1,025,680	36.50	2017
$28.59 - $31.27	3,683,270	4.38	30.69	3,280,670	30.66	2018
$25.65 - $27.13	781,980	6.26	26.93	499,660	26.94	2020
$21.73 - $27.16	1,437,740	7.17	27.05	680,720	27.07	2021
$23.16	2,079,740	8.16	23.16	580,620	23.16	2022
$27.13 - $28.36	1,826,700	9.16	27.14	154,400	27.13	2023

25. Share-Based Payments (cont'd)

(b) In order to promote a greater alignment of interests between Directors and the shareholders of the Company, Great-West Life, Great-West Financial, and Putnam have established voluntary Deferred Share Unit Plans and/or mandatory Deferred Share Unit Plans (the “Voluntary DSU Plans” and the “Mandatory DSU Plans” respectively) in which the Directors of the Company participate. Under the Mandatory DSU Plans, each Director who is a resident of Canada or the United States receives $50,000 of his or her annual retainer in the form of Deferred Share Units. Under the Voluntary DSU Plans, each Director may elect to receive the balance of his or her annual retainer (including Board Committee fees) and his or her attendance fees entirely in the form of Deferred Share Units, entirely in cash, or equally in cash and Deferred Share Units. In both cases the number of Deferred Share Units granted is determined by dividing the amount of remuneration payable to the Director by the weighted average trading price per Common Share on the Toronto Stock Exchange for the last five trading days of the preceding fiscal quarter (such weighted average trading price being the "value of a Deferred Share Unit"). Directors receive additional Deferred Share Units in respect of dividends payable on the Common Shares based on the value of a Deferred Share Unit at that time. Deferred Share Units are generally redeemable at the time that an individual ceases to be a Director by a lump sum cash payment, based on the value of the Deferred Share Units on the date of redemption. This amount is fully taxable as income in the year in which it is received. In 2013, $2 in directors fees were used to acquire Deferred Share Units ($2 in 2012).

(c) Effective September 25, 2007, Putnam sponsored the Putnam Investments, LLC Equity Incentive Plan. Under the terms of the Equity Incentive Plan, Putnam is authorized to grant or sell Class B Shares of Putnam (the Putnam Class B Shares), subject to certain restrictions and to grant options to purchase Putnam Class B Shares (collectively, the Awards) to certain senior management and key employees of Putnam at fair value at the time of the award. Fair value is determined under the valuation methodology outlined in the Equity Incentive Plan. Awards vest over a period of up to five years and are specified in the individual's award letter. Holders of Putnam Class B Shares are not entitled to vote other than in respect of certain matters in regards to the Equity Incentive Plan and have no rights to convert their shares in to any other securities. The number of Putnam Class B Shares that may be subject to Awards under the Equity Incentive Plan is limited to 10,000,000. The share-based payments awarded under the Equity Incentive Plan are cash-settled and included within other liabilities on the Consolidated Balance Sheets.

The Company uses the fair-value based method to account for restricted Class B shares and options on Class B shares granted to employees under the Equity Incentive Plan. The fair-value of restricted Class B shares and options on Class B shares is determined on each grant date. During 2013, Putnam granted 1,352,500 (1,789,000 in 2012) restricted Class B common shares and no options in 2013 or 2012 to certain members of senior management and key employees.

Compensation expense recorded for the year ended December 31, 2013 related to restricted Class B common shares and Class B stock options earned was $34 ($22 in 2012) and is recorded in operating expenses on the Consolidated Statements of Earnings. At December 31, 2013, the carrying value and intrinsic value of the restricted Class B Share and stock option liability is $132 ($99 in 2012).

(d) Certain employees of PanAgora, a subsidiary of Putnam, are eligible to participate in the PanAgora Management Equity Plan under which Class C Shares of PanAgora and options and stock appreciation rights on Class C Shares of PanAgora may be issued. Holders of PanAgora Class C Shares are not entitled to vote and have no rights to convert their shares into any other securities. The number of PanAgora Class C Shares may not exceed twenty percent of the equity of PanAgora on a fully exercised and converted basis.

Class C shares are treated as cash-settled liabilities on the Consolidated Balance Sheets within share-based compensation payable. The fair value of the shares is estimated quarterly and valued on an annual basis by an independent valuation expert.

Compensation expense recorded for the year ended December 31, 2013 related to restricted Class C Shares and stock appreciation rights was $28 in 2013 ($18 in 2012) and is included as a component of operating expenses in the Consolidated Statements of Earnings. At December 31, 2013, the carrying value and intrinsic value of the Class C Share and stock appreciation rights liability is $67 ($37 in 2012).

26. Pension Benefits and Other Post-Employment Benefits

Characteristics, Funding and Risk

The Company's subsidiaries maintain contributory and non-contributory defined benefit pension plans for certain employees and advisors. The Company's subsidiaries also maintain defined contribution pension plans for certain employees and advisors.

The defined benefit pension plans provide pensions based on length of service and final average pay. For most plans, active plan participants share in the cost by making contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. The determination of the defined benefit obligation reflects pension benefits in accordance with the terms of the plans. The assets supporting the funded pension plans are held in separate trusteed pension funds. The obligations for the wholly unfunded plans are included in other liabilities and are supported by general assets.

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

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

The defined contribution pension plans provide pension benefits based on accumulated employee and Company contributions. Company contributions to these plans are a set percentage of employees' annual income and may be subject to certain vesting requirements.

The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. Retirees share in the cost of benefits through deductibles, co-insurance and caps on benefits. These plans are closed to new hires and were previously amended to limit which employees could become eligible to receive benefits. The amount of some of the post-employment benefits other than pensions depends on future cost escalation. These post-employment benefits are not pre-funded and the amount of the obligation for these benefits is included in other liabilities and is supported by general assets.

The Company's subsidiaries have pension and benefit committees or a trusteed arrangement that provides oversight for the benefit plans of the Company. The benefit plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and funding requirements of the Company. Significant changes to the Company's benefit plans require approval from that Company's Board of Directors.

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

The Company's subsidiaries' funding policy for the funded pension plans is to make annual contributions equal to or greater than those required by the applicable regulations and plan provisions that govern the funding of the plans. Where funded plans have a net defined benefit asset, the Company determines if an economic benefit exists in the form of potential reductions in future contributions by the Company and in the form of surplus refunds, where permitted by applicable regulation and plan provisions.

By their design, the defined benefit plans expose the Company to the typical risks faced by defined benefit plans such as investment performance, changes to the discount rates used to value the obligations, longevity of plan members, and future inflation. Pension and benefit risk is managed by regular monitoring of the plans, applicable regulations and other factors that could impact the expenses and cash flows of the Company.

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

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

(a) Plan Assets, Benefit Obligation and Funded Status

	Defined benefit pension plans			Other post-employment benefits		
	December 31 2013	December 31 2012	January 1 2012	**December 31 2013**	December 31 2012	January 1 2012
Change in Fair Value of Plan Assets						
Fair value of plan assets, beginning of period	**$ 3,308**	$ 3,137	$ 3,137	**$ -**	$ -	$ -
Reclassification of plan assets	**-**	(17)	-	**-**	-	-
Interest income	**165**	156	-	**-**	-	-
Actual return over interest income	**286**	108	-	**-**	-	-
Employer contributions	**121**	86	-	**17**	17	-
Employee contributions	**18**	16	-	**-**	-	-
Benefits paid	**(193)**	(169)	-	**(17)**	(17)	-
Administrative expenses	**(6)**	(5)	-	**-**	-	-
Acquisition of Irish Life	**1,196**	-	-	**-**	-	-
Foreign exchange rate changes	**158**	(4)	-	**-**	-	-
Fair value of plan assets, end of period	**$ 5,053**	$ 3,308	$ 3,137	**$ -**	$ -	$ -
Change in Defined Benefit Obligation						
Defined benefit obligation, beginning of period	**$ 3,912**	$ 3,470	$ 3,470	**$ 420**	$ 406	$ 406
Reclassification of liability	**14**	(17)	-	**-**	-	-
Current service cost	**104**	75	-	**2**	2	-
Interest cost	**191**	171	-	**17**	20	-
Employee contributions	**18**	16	-	**-**	-	-
Benefits paid	**(193)**	(169)	-	**(17)**	(17)	-
Plan amendments	**5**	-	-	**-**	-	-
Curtailments	**(5)**	-	-	**-**	-	-
Actuarial loss (gain) on financial assumption changes	**(286)**	361	-	**(25)**	42	-
Actuarial loss (gain) on demographic assumption changes	**27**	9	-	**(17)**	13	-
Actuarial loss (gain) arising from member experience	**(9)**	4	-	**5**	(46)	-
Acquisition of Irish Life	**1,202**	-	-	**-**	-	-
Foreign exchange rate changes	**184**	(8)	-	**1**	-	-
Defined benefit obligation, end of period	**$ 5,164**	$ 3,912	$ 3,470	**$ 386**	$ 420	$ 406
Asset (Liability) recognized in the Consolidated Balance Sheets						
Funded status of plans - surplus (deficit)	**$ (111)**	$ (604)	$ (333)	**$ (386)**	$ (420)	$ (406)
Unrecognized amount due to asset ceiling	**(44)**	(41)	(71)	**-**	-	-
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (155)**	$ (645)	$ (404)	**$ (386)**	$ (420)	$ (406)
Recorded in:						
Other assets	**$ 408**	$ 202	$ 198	**$ -**	$ -	$ -
Other liabilities	**(563)**	(847)	(602)	**(386)**	(420)	(406)
Asset (liability) recognized in the Consolidated Balance Sheets	**$ (155)**	$ (645)	$ (404)	**$ (386)**	$ (420)	$ (406)
Analysis of defined benefit obligation						
Wholly or partly funded plans	**$ 4,886**	$ 3,647	$ 3,230			
Wholly unfunded plans	**$ 278**	$ 265	$ 240	**$ 386**	$ 420	$ 406

Under International Financial Reporting Interpretations Committee (IFRIC) 14, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, the Company must assess whether the pension asset has economic benefit to the Company through future contribution reductions or refunds, in the event the Company is not entitled to a benefit, a limit or 'asset ceiling' is required on the balance. The following provides a breakdown of the changes in the asset ceiling:

	Defined benefit pension plans		
	December 31 2013	December 31 2012	January 1 2012
Change in Asset Ceiling			
Asset ceiling, beginning of year	**$ 41**	$ 71	$ 71
Interest on beginning of period asset ceiling	**2**	4	-
Change in asset ceiling	**1**	(34)	-
Asset ceiling, end of year	**$ 44**	$ 41	$ 71

(b) Pension and Other Post-Employment Benefits Expense

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

	All pension plans	
	2013	2012
Defined benefit current service cost	**$ 122**	$ 91
Defined contribution current service cost	**31**	26
Employee contributions	**(18)**	(16)
Employer current service cost	**135**	101
Administrative expense	**6**	5
Plan amendments	**5**	-
Curtailments	**(5)**	-
Net interest cost	**28**	19
Pension expense - profit or loss	**169**	125
Actuarial (gain) loss recognized	**(268)**	374
Return on assets (greater) less than assumed	**(286)**	(108)
Change in effect of the asset ceiling	**1**	(34)
Pension expense recognized - other comprehensive income	**(553)**	232
Total pension expense (income)	**$ (384)**	$ 357

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

	Other post-employment benefits 2013	Other post-employment benefits 2012
Defined benefit current service cost	**$ 2**	$ 2
Employer current service cost	**2**	2
Net interest cost	**17**	20
Other post-employment benefits expense - profit or loss	**19**	22
Actuarial (gain) loss recognized	**(37)**	9
Other post-employment benefits expense - other comprehensive income	**(37)**	9
Total other post-employment benefits expense (income)	**$ (18)**	$ 31

During 2013, the Company incurred $14 of actuarial gains for pension plan re-measurements not included above. This primarily relates to the Company's share of actuarial gains for an investment accounted for under the equity method acquired with Irish Life.

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

	Defined benefit pension plans December 31 2013	December 31 2012	January 1 2012
Equity securities	**53%**	51%	46%
Debt securities	**37%**	38%	41%
Real estate	**4%**	5%	4%
Cash and cash equivalents	**6%**	6%	9%
Total	**100%**	100%	100%

No plan assets are directly invested in the Company's or related parties' securities. Plan assets include investments in segregated and other funds managed by subsidiaries of the Company in the Consolidated Balance Sheets of $3,012 at December 31, 2013, $1,523 at December 31, 2012 and $1,430 at January 1, 2012. Plan assets do not include any property occupied or other assets used by the Company.

(d) Details of Defined Benefit Obligation

(i) Portion of Defined Benefit Obligation Subject to Future Salary Increases

	Defined benefit pension plans 2013	Defined benefit pension plans 2012	Other post-employment benefits 2013	Other post-employment benefits 2012
Benefit obligation without future salary increases	**$ 4,618**	$ 3,619	**$ 386**	$ 420
Effect of assumed future salary increases	**546**	293	**-**	-
Defined benefit obligation	**$ 5,164**	$ 3,912	**$ 386**	$ 420

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

(ii) Maturity Profile of Plan Membership

	Defined benefit pension plans		Other post-employment benefits	
	2013	2012	**2013**	2012
Actives	**44%**	41%	**21%**	23%
Deferred vesteds	**16%**	17%	**- %**	- %
Retirees	**40%**	42%	**79%**	77%
Total	**100%**	100%	**100%**	100%
Weighted average duration of defined benefit obligation	**18.3 years**	16.7 years	**11.8 years**	12.7 years

(e) Cash Flow Information

	Pension plans	Other post-employment benefits	Total
Expected employer contributions for 2014:			
Funded (wholly or partly) defined benefit plans	$ 97	$ -	$ 97
Unfunded plans	17	20	37
Defined contribution plans	34	-	34
Total	**$ 148**	**$ 20**	**$ 168**

(f) Actuarial Assumptions and Sensitivities

(i) Actuarial Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2013	2012	**2013**	2012
To determine benefit cost:				
Discount rate	**4.4%**	5.1%	**4.2%**	5.1%
Expected rate of compensation increase	**3.1%**	3.5%	**-**	-
Future pension increases	**1.9%**	2.0%	**-**	-
To determine defined benefit obligation:				
Discount rate	**4.7%**	4.4%	**4.8%**	4.2%
Rate of compensation increase	**3.3%**	3.1%	**-**	-
Future pension increases	**1.8%**	1.9%	**-**	-
% of defined benefit obligation subject to future pension increases	**54.0%**	38.0%	**-**	-
Medical cost trend rates:				
Initial medical cost trend rate			**6.4%**	6.5%
Ultimate medical cost trend rate			**4.5%**	4.5%
Year ultimate trend rate is reached			**2024**	2024

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

(ii) Sample Life Expectancies Based on Mortality Assumptions

	Defined benefit pension plans		Other post-employment benefits	
	2013	2012	**2013**	2012
Sample life expectancies based on mortality assumption:				
Male				
Age 65 in fiscal year	**22.0**	21.1	**21.4**	20.9
Age 65 in fiscal year + 30 years	**24.3**	23.4	**22.9**	23.0
Female				
Age 65 in fiscal year	**23.9**	23.2	**23.7**	23.3
Age 65 in fiscal year + 30 years	**25.8**	24.6	**24.9**	24.4

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

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

The calculation of the defined benefit obligation is sensitive to the mortality assumptions. The effect of a one year increase in life expectancy would be an increase in the defined benefit obligation of $135 for the defined benefit pension plans and $14 for other post-employment benefits.

(iii) Impact of Changes to Assumptions on Defined Benefit Obligation

	1% increase		1% decrease	
	2013	2012	**2013**	2012
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (780)**	$ (551)	**$ 1,016**	$ 705
Impact of a change to the rate of compensation increase	**246**	124	**(196)**	(109)
Impact of a change to the rate of inflation	**620**	289	**(487)**	(242)
Other post-employment benefits:				
Impact of a change to assumed medical cost trend rates	**33**	40	**(28)**	(33)
Impact of a change to the discount rate on defined benefit obligation	**(42)**	(48)	**51**	59

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

27. Earnings per Common Share

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

	2013	2012
Earnings		
Net earnings	**$ 2,408**	$ 1,921
Preferred share dividends	**(130)**	(115)
Net earnings - common shareholders	**2,278**	1,806
Capital trust securities	**-**	10
Net earnings - common shareholders - diluted basis	**$ 2,278**	$ 1,816
Number of common shares		
Average number of common shares outstanding	**973,580,920**	949,914,621
Add:		
- Impact of subscription receipts from date of issue, March 12, 2013	**17,064,329**	-
- Potential exercise of outstanding stock options	**848,449**	262,576
- Conversion of capital trust units	**-**	10,406,127
Average number of common shares outstanding - diluted basis	**991,493,698**	960,583,324
Basic earnings per common share	**$ 2.340**	$ 1.902
Diluted earnings per common share	**$ 2.297**	$ 1.891
Dividends per common share	**$ 1.230**	$ 1.230

28. Accumulated Other Comprehensive Income (Loss)

2013

	Unrealized foreign exchange gains (losses) on translation of foreign operations	**Unrealized foreign exchange loss on euro debt designated as hedge of the net assets of foreign operations**	**Unrealized gains (losses) on available-for-sale assets**	**Unrealized gains (losses) on cash flow hedges**	**Actuarial gains (losses) on defined benefit pension and other post-employment benefit plans**	**Total**	**Non-controlling interest**	**Shareholders**
Balance, beginning of year	**$ (443)**	**$ -**	**$ 190**	**$ (3)**	**$ (657)**	**$ (913)**	**$ (19)**	**$ (932)**
Other comprehensive income (loss)	**858**	**(52)**	**(226)**	**(87)**	**604**	**1,097**	**9**	**1,106**
Income tax	**-**	**-**	**50**	**33**	**(165)**	**(82)**	**(5)**	**(87)**
	858	**(52)**	**(176)**	**(54)**	**439**	**1,015**	**4**	**1,019**
Balance, end of year	**$ 415**	**$ (52)**	**$ 14**	**$ (57)**	**$ (218)**	**$ 102**	**$ (15)**	**$ 87**

2012

	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized foreign exchange loss on euro debt designated as hedge of the net assets of foreign operations	Unrealized gains (losses) on available-for-sale assets	Unrealized gains (losses) on cash flow hedges	Actuarial gains (losses) on defined benefit pension and other post-employment benefit plans	Total	Non-controlling interest	Shareholders
Balance, beginning of year	$ (365)	$ -	$ 223	$ (13)	$ (484)	$ (639)	$ (36)	$ (675)
Other comprehensive income (loss)	(78)	-	(39)	16	(241)	(342)	21	(321)
Income tax	-	-	6	(6)	68	68	(4)	64
	(78)	-	(33)	10	(173)	(274)	17	(257)
Balance, end of year	$ (443)	$ -	$ 190	$ (3)	$ (657)	$ (913)	$ (19)	$ (932)

29. Related Party Transactions

Power Financial, which is incorporated and domiciled in Canada, is the Company's parent and has voting control of the Company. The Company is related to other members of the Power Financial group including IGM Financial Inc., a company in the financial services sector along with its subsidiaries Investors Group, Mackenzie Financial and Investment Planning Council and Pargesa, a holding company with substantial holdings in a diversified industrial group based in Europe.

(a) Principal subsidiaries

The financial statements of the Company include the operations of the following subsidiaries:

Company	Incorporated in	Primary business operation	% Held
The Great-West Life Assurance Company	Canada	Insurance and wealth management	100.00%
London Life Insurance Company	Canada	Insurance and wealth management	100.00%
The Canada Life Assurance Company	Canada	Insurance and wealth management	100.00%
Irish Life Group Limited	Ireland	Insurance and wealth management	100.00%
Great-West Life & Annuity Insurance Company	United States	Insurance and wealth management	100.00%
Putnam Investments, LLC	United States	Financial services	100.00%

(b) Transactions with related parties included in the consolidated financial statements

In the normal course of business, Great-West Life and Putnam enter into various transactions with related companies which include providing insurance benefits and sub-advisory services to other companies within the Power Financial group of companies. In all cases, transactions were at market terms and conditions.

During the year, Great-West Life provided to and received from IGM and its subsidiaries, a member of the Power Financial group of companies, certain administrative services. Great-West Life also provided life insurance, annuity and disability insurance products under a distribution agreement with IGM. London Life provided distribution services to IGM. All transactions were provided on terms and conditions at least as favourable as market terms and conditions.

The Company held debentures issued by IGM, the interest rates and maturity dates are as follows:

	2013	2012
6.65%, matures December 13, 2027	**$ 15**	$ 15
7.45%, matures May 9, 2031	**13**	13
7.00%, matures December 31, 2032	**12**	13
Total	**$ 40**	$ 41

During 2013, Great-West Life, London Life, and segregated funds maintained by London Life purchased residential mortgages of $204 from IGM ($232 in 2012).

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

There were no significant outstanding loans or guarantees at the Balance Sheets date and no loans or guarantees issued during 2013 or 2012. There were no provisions for uncollectible amounts from related parties during 2013 and 2012.

29. Related Party Transactions (cont'd)

(c) Key management compensation

Key management personnel constitutes those individuals that have the authority and responsibility for planning, directing and controlling the activities of Lifeco, directly or indirectly, including any Director. The individuals that comprise the key management personnel are the Board of Directors as well as certain key management and officers.

The following describes all compensation paid to, awarded to, or earned by each of the key management personnel for services rendered in all capacities to the Company and its subsidiaries:

	2013	2012
Salary	**$ 9**	$ 9
Share-based awards	**2**	4
Option-based awards	**2**	2
Annual non-equity incentive plan compensation	**18**	15
Pension value	**7**	3
Total	**$ 38**	$ 33

30. Income Taxes

(a) Current income tax receivable (payable)

	2013	2012
Balance, beginning of year	**$ (487)**	$ (297)
Current income tax expense	**(542)**	(407)
Recorded in other comprehensive income	**14**	(3)
Payments made on account	**209**	177
Acquisition of Irish Life	**(24)**	-
Other	**14**	43
Balance, end of year	**$ (816)**	$ (487)
Recorded as:		
Current income taxes - asset	**165**	162
Current income taxes - liability	**(981)**	(649)
Total	**$ (816)**	$ (487)

30. Income Taxes (cont'd)

(b) Deferred income taxes consist of the following losses carried forward and deductible (taxable) temporary differences:

		2013		2012
Insurance and investment contract liabilities	**$**	**(518)**	$	(272)
Portfolio assets		**(541)**		(839)
Losses carried forward		**1,331**		1,160
Intangible assets		**91**		220
Other		**28**		165
Net deferred income tax asset	**$**	**391**	$	434
Balance, beginning of year	**$**	**434**	$	353
Amounts recorded in:				
Statement of net earnings		**79**		43
Statement of other comprehensive income		**(96)**		71
Statement of changes in equity		**7**		5
Insurance and investment contract liabilities		**37**		(8)
Acquisition of Irish Life		**(118)**		-
Foreign exchange rate changes		**48**		(30)
Balance, end of year	**$**	**391**	$	434
Recorded as:				
Deferred tax assets		**1,167**		1,142
Deferred tax liabilities		**(776)**		(708)
Total	**$**	**391**	$	434

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

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities available to allow the deferred income tax asset to be utilized. Changes in circumstances in future periods may adversely impact the assessment of the recoverability. The uncertainty of the recoverability is taken into account in establishing the deferred income tax assets. The Company's annual financial planning process provides a significant basis for the measurement of deferred income tax assets.

Management assesses the recoverability of the deferred income tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred income tax assets as of December 31, 2013 are recoverable.

At December 31, 2013 the Company had tax loss carryforwards totaling $4,185 ($3,600 in 2012). Of this amount, $3,925 expire between 2014 and 2033, while $260 have no expiry date. The Company will realize this benefit in future years through a reduction in current income taxes payable.

A deferred income tax liability has not been recognized in respect of the temporary differences associated with investments in subsidiaries, branches and associates as the Company is able to control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

30. Income Taxes (cont'd)

One of the Company's subsidiaries has had a history of recent losses. The subsidiary has a net deferred income tax asset balance of $1,184 (U.S. $1,117) as at December 31, 2013 comprised principally of net operating losses and future deductions related to goodwill which has been previously impaired for book accounting purposes. Management has concluded that it is probable that the subsidiary and other historically profitable subsidiaries with which it files or intends to file a consolidated United States income tax return will generate sufficient taxable income against which the unused United States losses and deductions will be utilized. The tax effect of certain state net operating losses, with expiration dates ranging from 2014 to 2033, in the amount of $87 (U.S. $82), other state temporary differences of $64 (U.S. $60) and federal charitable contributions of $10 (U.S. $9) have been excluded from the deferred income tax asset.

(c) Income tax expense for the year comprises current and deferred tax:

(i) Current income tax

	2013	2012
Current income tax expense	**$ 545**	$ 388
Other	**(3)**	19
Total current income tax	**$ 542**	$ 407

(ii) Deferred income tax

	2013	2012
Origination and reversal of temporary difference	**$ (18)**	$ (29)
Changes in tax rates or imposition of new taxes	**(13)**	(4)
Write-down or reversal of previous write-down of deferred tax assets	**-**	(2)
Previously unrecognized tax loss; tax credit or temporary difference of prior period	**-**	(25)
Other	**(48)**	17
Total deferred income tax	**$ (79)**	$ (43)
Total income tax expense	**$ 463**	$ 364

(iii) Income tax recorded in other comprehensive income (note 28)

	2013	2012
Current income tax	**$ (14)**	$ 3
Deferred income tax	**96**	(71)
Total	**$ 82**	$ (68)

(iv) Income tax recorded in equity

	2013	2012
Current income tax	**$ -**	$ -
Deferred income tax	**(7)**	(5)
Total	**$ (7)**	$ (5)

30. Income Taxes (cont'd)

(d) The Company's effective income tax rate is derived as follows:

		2013			2012	
Combined basic Canadian federal and provincial tax rate	**$**	**737**	**26.5%**	$	679	26.5%
Decrease in the income tax rate resulting from:						
Non-taxable investment income		**(166)**	**(6.0)**		(188)	(7.3)
Lower effective income tax rates on income not subject to tax in Canada		**(72)**	**(2.6)**		(71)	(2.8)
Other		**(23)**	**(0.8)**		(52)	(2.0)
Impact of rate changes on future income taxes		**(13)**	**(0.5)**		(4)	(0.2)
Effective income tax rate	**$**	**463**	**16.6%**	$	364	14.2%

There are no income tax consequences attached to the payment of dividends by the Company to its shareholders.

31. Operating and Administrative Expenses

		2013		2012 [1]
Salaries and other employee benefits	**$**	**2,131**	$	1,841
Amortization of fixed assets		**48**		44
General and administrative		**870**		701
Sub-advisor fees [1] (note 36)		**110**		98
Total	**$**	**3,159**	$	2,684

[1] Within the comparative figures, sub-advisor fees were previously off-set against fee revenue.

32. Derivative Financial Instruments

In the normal course of managing exposure to fluctuations in interest and foreign exchange rates, and to market risks, the Company is an end user of various derivative financial instruments. It is the Company's policy to transact in derivatives only with the most creditworthy financial intermediaries. Note 8 illustrates the credit quality of the Company's exposure to counterparties. As at December 31, 2013, the Company received assets of $19 ($25 in 2012) as collateral for derivative contracts from counterparties and pledged assets of $206 ($101 in 2012) as collateral for derivative contracts to counterparties.

(a) The following summarizes the Company's derivative portfolio and related credit exposure using the following definitions of risk as prescribed by the Office of the Superintendent of Financial Institutions Canada:

Maximum Credit Risk	The total replacement cost of all derivative contracts with positive values.
Future Credit Exposure	The potential future credit exposure is calculated based on a formula prescribed by the Office of the Superintendent of Financial Institutions Canada. The factors prescribed by the Office of the Superintendent of Financial Institutions Canada for this calculation are based on derivative type and duration.
Credit Risk Equivalent	The sum of maximum credit risk and the potential future credit exposure less any collateral held.
Risk Weighted Equivalent	Represents the credit risk equivalent, weighted according to the creditworthiness of the counterparty, as prescribed by the Office of the Superintendent of Financial Institutions Canada.

	2013				
	Notional amount	**Maximum credit risk***	**Future credit exposure**	**Credit risk equivalent**	**Risk weighted equivalent**
Interest rate contracts					
Futures - long	$ 4	$ -	$ -	$ -	$ -
Futures - short	13	-	-	-	-
Swaps	3,351	231	22	251	27
Options purchased	681	30	3	26	2
	4,049	261	25	277	29
Foreign exchange contracts					
Forward contracts	1,078	11	31	41	4
Cross-currency swaps	8,764	313	555	864	62
	9,842	324	586	905	66
Other derivative contracts					
Equity contracts	7,218	8	435	438	27
Futures - long	15	-	-	-	-
Futures - short	301	-	-	-	-
Other forward contracts	157	-	-	-	-
	7,691	8	435	438	27
Total	$ 21,582	$ 593	$ 1,046	$ 1,620	$ 122

* Credit risk equivalent amounts are presented net of collateral received ($19).

32. Derivative Financial Instruments (cont'd)

	2012				
	Notional amount	Maximum credit risk*	Future credit exposure	Credit risk equivalent	Risk weighted equivalent
Interest rate contracts					
Futures - long	$ 9	$ -	$ -	$ -	$ -
Futures - short	70	-	-	-	-
Swaps	2,873	361	20	377	42
Options purchased	857	46	4	39	6
	3,809	407	24	416	48
Foreign exchange contracts					
Forward contracts	300	1	3	4	-
Cross-currency swaps	8,478	581	548	1,125	79
	8,778	582	551	1,129	79
Other derivative contracts					
Equity contracts	904	8	54	56	4
Futures - long	7	-	-	-	-
Futures - short	224	-	-	-	-
Other forward contracts	290	-	-	-	-
	1,425	8	54	56	4
Total	$ 14,012	$ 997	$ 629	$ 1,601	$ 131

* Credit risk equivalent amounts are presented net of collateral received ($25).

32. Derivative Financial Instruments (cont'd)

(b) The following provides the notional amount, term to maturity and estimated fair value of the Company's derivative portfolio by category:

	2013				
	Notional Amount				Total
	1 year or less	Over 1 - 5 years	Over 5 years	Total	estimated fair value
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures - long	$ 4	$ -	$ -	$ 4	$ -
Futures - short	13	-	-	13	-
Swaps	1,048	1,197	990	3,235	161
Options purchased	265	327	89	681	30
	1,330	1,524	1,079	3,933	191
Foreign exchange contracts					
Forward contracts	602	476	-	1,078	6
Cross-currency swaps	213	2,053	4,986	7,252	(167)
	815	2,529	4,986	8,330	(161)
Other derivative contracts					
Equity contracts	7,116	102	-	7,218	(93)
Futures - long	15	-	-	15	-
Futures - short	301	-	-	301	(6)
Other forward contracts	157	-	-	157	-
	7,589	102	-	7,691	(99)
Cash flow hedges					
Interest rate contracts					
Swaps	-	-	33	33	7
Foreign exchange contracts					
Cross-currency swaps	-	1,500	12	1,512	(94)
Fair value hedges					
Interest rate contracts					
Swaps	-	17	66	83	5
Total	$ 9,734	$ 5,672	$ 6,176	$ 21,582	$ (151)

32. Derivative Financial Instruments (cont'd)

	2012				
	Notional Amount				Total
	1 year or less	Over 1 - 5 years	Over 5 years	Total	estimated fair value
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures - long	$ 9	$ -	$ -	$ 9	$ -
Futures - short	71	-	-	71	-
Swaps	1,031	681	948	2,660	324
Options purchased	257	513	87	857	46
	1,368	1,194	1,035	3,597	370
Foreign exchange contracts					
Forward contracts	300	-	-	300	-
Cross-currency swaps	205	2,001	4,772	6,978	290
	505	2,001	4,772	7,278	290
Other derivative contracts					
Equity contracts	900	4	-	904	(5)
Futures - long	7	-	-	7	-
Futures - short	224	-	-	224	(4)
Other forward contracts	290	-	-	290	-
	1,421	4	-	1,425	(9)
Cash flow hedges					
Interest rate contracts					
Swaps	-	-	30	30	13
Foreign exchange contracts					
Cross-currency swaps	-	1,000	500	1,500	(8)
Fair value hedges					
Interest rate contracts					
Swaps	-	58	124	182	(1)
Total	$ 3,294	$ 4,257	$ 6,461	$ 14,012	$ 655

Futures contracts included in the above are exchange traded contracts; all other contracts are over-the-counter.

(c) Interest Rate Contracts

Interest rate swaps, futures and options are used as part of a portfolio of assets to manage interest rate risk associated with investment activities and insurance and investment contract liabilities. Interest rate swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which payments are based. Call options grant the Company the right to enter into a swap with predetermined fixed-rate payments over a predetermined time period on the exercise date. Call options are used to manage the variability in future interest payments due to a change in credited interest rates and the related potential change in cash flows due to surrenders. Call options are also used to hedge minimum rate guarantees.

Foreign Exchange Contracts
Cross-currency swaps are used in combination with other investments to manage foreign currency risk associated with investment activities and insurance and investment contract liabilities. Under these swaps principal amounts and fixed or floating interest payments may be exchanged in different currencies. The Company also enters into certain foreign exchange forward contracts to hedge certain product liabilities.

The ineffective portion of the cash flow hedges during 2013, which includes interest rate contracts and foreign exchange contracts, and the anticipated net gains (losses) reclassified out of accumulated other comprehensive income within the next twelve months is $2. The maximum time frame for which variable cash flows are hedged is 31 years.

Other Derivative Contracts
Equity index swaps, futures and options are used to hedge certain product liabilities. Equity index swaps are also used as substitutes for cash instruments and are used to periodically hedge the market risk associated with certain fee income. Equity put options are used to manage potential credit risk impact of significant declines in certain equity markets.

33. Legal Provisions, Contingent Liabilities and Subsequent Event

The Company and its subsidiaries are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could have a material adverse effect on the consolidated financial position of the Company. However, based on information presently known, it is not expected that any of the existing legal actions, either individually or in the aggregate, will have a material adverse effect on the consolidated financial position of the Company.

A subsidiary of the Company, Canada Life, has declared a partial windup in respect of an Ontario defined benefit pension plan which will not likely be completed for some time. The partial windup could involve the distribution of the amount of actuarial surplus, if any, attributable to the wound up portion of the plan. In addition to the regulatory proceedings involving this partial windup, a related class action proceeding has been commenced in Ontario related to the partial windup and three potential partial windups under the plan. The class action also challenges the validity of charging expenses to the plan. The provisions for certain Canadian retirement plans in the amounts of $97 after-tax established by the Company's subsidiaries in the third quarter of 2007 were reduced to $34 after-tax in the fourth quarter of 2012. Actual results could differ from these estimates.

In connection with the acquisition of its subsidiary Putnam, the Company has an indemnity from a third party against liabilities arising from certain litigation and regulatory actions involving Putnam. Putnam continues to have potential liability for these matters in the event the indemnity is not honoured. The Company expects the indemnity will continue to be honoured and that any liability of Putnam would not have a material adverse effect on the consolidated financial position of the Company.

On October 17, 2012, a subsidiary of the Company, Putnam Advisory Company, LLC, received an administrative complaint from the Massachusetts Securities Division in relation to that company's role as collateral manager of two collateralized debt obligations. The complaint is seeking certain remedies including the disgorgement of fees, a civil administrative fine and a cease and desist order. In addition, that same subsidiary was a defendant in two civil litigation matters brought by institutions involved in those collateralized debt obligations. In the third quarter of 2013 one of the civil litigation matters was dismissed. Based on information presently known the Company believes these matters are without merit. The potential outcome of these matters is not yet determinable.

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. This provision has been further reduced to $0 in the fourth quarter of 2013.

The Company and its subsidiaries London Life and Great-West Life are defendants in class proceedings in Ontario regarding the participation of the London Life and Great-West Life participating accounts in the financing of the acquisition of London Insurance Group Inc. (LIG) in 1997 by Great-West Life.

The Ontario Superior Court of Justice released its trial decision on October 1, 2010. The Company and its subsidiaries appealed and the Court of Appeal for Ontario released its decision on November 3, 2011. The Court of Appeal ordered that there be adjustments to the October 1, 2010 trial judgment regarding the amounts which were to be reallocated to the participating accounts and directed the parties back to the trial judge to determine these amounts and address the remaining issues. On May 24, 2012, the Supreme Court of Canada dismissed the plaintiffs' application for leave to appeal the Court of Appeal decision.

The parties returned to the trial judge and on January 24, 2013 the Ontario Superior Court of Justice released a decision ordering that $298 be reallocated to the participating account surplus. The Company established an incremental provision in the December 31, 2012 financial statements of $140 after-tax in the common shareholders account to hold $290 in after-tax provisions for these proceedings.

During the first quarter of 2013 Lifeco subsidiaries London Life and Great-West Life reallocated an amount of $298 to the participating account surplus in accordance with the January 24, 2013 decision and the Company therefore reduced the litigation provision in the common shareholders account. The monies to be reallocated to the participating accounts are to be dealt with in accordance with the companies' participating policyholder dividend policies in the ordinary course of business. No awards are to be paid out to individual class members.

Lifeco subsidiaries London Life and Great-West Life appealed the January 24, 2013 decision and the appeal was heard September 4, 2013. The Court of Appeal for Ontario reserved its decision.

<u>Subsequent Event – Participating account legal matter</u>
The Court of Appeal for Ontario released a decision on February 3, 2014 overturning the January 24, 2013 decision of the Ontario Superior Court of Justice and reducing the amount to be reallocated to the participating account surplus to $52, which positively impacted common shareholders net earnings by $226 after-tax. There will not be any impact on the capital position of the Company or on participating policy contract terms and conditions.

34. Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank. The total amount of letter of credit facilities is U.S. $3.0 billion of which U.S. $2.7 billion were issued as of December 31, 2013.

The Reinsurance operation periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities.

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $466 as at December 31, 2013 ($516 as at December 31, 2012). At December 31, 2013, the full amount of $466 mature within 1 year (at December 31, 2012, $470 mature within 1 year and $46 mature in 1 - 2 years).

34. Commitments (cont'd)

(c) Lease Obligations

The Company enters into operating leases for office space and certain equipment used in the normal course of operations. Lease payments are charged to operations over the period of use. The future minimum lease payments in aggregate and by year are as follows:

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Future lease payments	$ 100	88	76	63	50	60	$ 437

35. Segmented Information

The major reportable segments of the Company are Canada, United States, Europe and Lifeco Corporate. These segments reflect the Company's management structure and internal financial reporting and are aligned to its geographic operations. Each of these segments operates in the financial services industry and the revenues from these segments are derived principally from life, health and disability insurance, annuity products, investment management services, savings products and life, property and casualty, accident and health reinsurance. Business activities that are not associated with the specific business units are attributed to the Lifeco Corporate segment.

Transactions between operating segments occur at market terms and conditions and have been eliminated upon consolidation.

The Company has established a capital allocation model to better measure the performance of the operating segments. This segmented information is presented below.

(a) Consolidated Net Earnings

	2013				
	Canada	United States	Europe [1]	Lifeco Corporate	Total
Income:					
Premium income	$ 10,182	$ 3,180	$ 6,874	$ -	$ 20,236
Net investment income					
Regular net investment income	2,514	1,311	1,819	(40)	5,604
Changes in fair value through profit or loss	(1,125)	(706)	(1,148)	-	(2,979)
Total net investment income	1,389	605	671	(40)	2,625
Fee and other income	1,276	1,446	863	-	3,585
	12,847	5,231	8,408	(40)	26,446
Benefits and expenses:					
Paid or credited to policyholders	8,345	3,067	6,399	-	17,811
Other	2,983	1,616	944	(202)	5,341
Financing charges	115	137	23	17	292
Amortization of finite life intangible assets	50	51	16	-	117
Restructuring and acquisition expenses	-	-	104	-	104
Earnings before income taxes	1,354	360	922	145	2,781
Income taxes	291	62	129	(19)	463
Net earnings before non-controlling interests	1,063	298	793	164	2,318
Non-controlling interests	(93)	7	(4)	-	(90)
Net earnings	1,156	291	797	164	2,408
Preferred share dividends	107	-	23	-	130
Net earnings before capital allocation	1,049	291	774	164	2,278
Impact of capital allocation	99	(15)	(73)	(11)	-
Net earnings - common shareholders	$ 1,148	$ 276	$ 701	$ 153	$ 2,278

[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 December 31, 2013.

35. Segmented Information (cont'd)

	2012				
	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 9,581	$ 3,390	$ 6,286	$ -	$ 19,257
Net investment income					
Regular net investment income	2,556	1,284	1,814	(12)	5,642
Changes in fair value through profit or loss	658	501	1,509	-	2,668
Total net investment income	3,214	1,785	3,323	(12)	8,310
Fee and other income	1,178	1,247	605	-	3,030
	13,973	6,422	10,214	(12)	30,597
Benefits and expenses:					
Paid or credited to policyholders	9,770	4,437	8,668	-	22,875
Other	2,495	1,398	705	160	4,758
Financing charges	145	135	18	1	299
Amortization of finite life intangible assets	45	48	10	-	103
Earnings before income taxes	1,518	404	813	(173)	2,562
Income taxes	211	66	114	(27)	364
Net earnings before non-controlling interests	1,307	338	699	(146)	2,198
Non-controlling interests	268	3	6	-	277
Net earnings	1,039	335	693	(146)	1,921
Preferred share dividends	79	-	22	14	115
Net earnings before capital allocation	960	335	671	(160)	1,806
Impact of capital allocation	78	(14)	(56)	(8)	-
Net earnings - common shareholders	$ 1,038	$ 321	$ 615	$ (168)	$ 1,806

35. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	December 31, 2013			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 59,735**	**$ 31,206**	**$ 41,001**	**$ 131,942**
Goodwill and intangible assets	**5,103**	**1,828**	**2,337**	**9,268**
Other assets	**2,941**	**3,356**	**17,619**	**23,916**
Investments on account of segregated fund policyholders	**62,204**	**28,168**	**70,407**	**160,779**
Total	**$ 129,983**	**$ 64,558**	**$ 131,364**	**$ 325,905**

	December 31, 2013			
	Canada	**United States**	**Europe**	**Total**
Liabilities				
Insurance and investment contract liabilities	**$ 55,004**	**$ 28,376**	**$ 48,683**	**$ 132,063**
Other liabilities	**4,882**	**4,501**	**3,681**	**13,064**
Investment and insurance contracts on account of segregated fund policyholders	**62,204**	**28,168**	**70,407**	**160,779**
Total	**$ 122,090**	**$ 61,045**	**$ 122,771**	**$ 305,906**

	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	3,051	13,570	19,850
Investments on account of segregated fund policyholders	54,638	23,809	26,985	105,432
Total	$ 121,471	$ 57,303	$ 75,076	$ 253,850

	December 31, 2012			
	Canada	United States	Europe	Total
Liabilities				
Insurance and investment contract liabilities	$ 55,134	$ 26,298	$ 39,280	$ 120,712
Other liabilities	4,189	4,168	2,338	10,695
Investment and insurance contracts on account of segregated fund policyholders	54,638	23,809	26,985	105,432
Total	$ 113,961	$ 54,275	$ 68,603	$ 236,839

35. Segmented Information (cont'd)

	January 1, 2012			
	Canada	United States	Europe	Total
Assets				
Invested assets	$ 56,658	$ 27,402	$ 30,850	$ 114,910
Goodwill and intangible assets	5,089	1,769	1,697	8,555
Other assets	3,231	2,962	12,558	18,751
Investments on account of segregated fund policyholders	49,850	22,359	24,776	96,985
Total	$ 114,828	$ 54,492	$ 69,881	$ 239,201

	January 1, 2012			
	Canada	United States	Europe	Total
Liabilities				
Insurance and investment contract liabilities	$ 53,568	$ 25,296	$ 36,703	$ 115,567
Other liabilities	4,577	3,905	2,455	10,937
Investment and insurance contracts on account of segregated fund policyholders	49,850	22,359	24,776	96,985
Total	$ 107,995	$ 51,560	$ 63,934	$ 223,489

36. Comparative Figures

During the year, the Company reclassified certain comparative figures for presentation adjustments (notes 6, 14, 16, 20, 31 & 35). The reclassifications had no impact on the equity or net earnings of the Company.

Deloitte.

Deloitte LLP
360 Main Street
Suite 2300
Winnipeg MB R3C 3Z3
Canada

Tel: 204-942-0051
Fax: 204-947-9390
www.deloitte.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Great-West Lifeco Inc.

We have audited the accompanying consolidated financial statements of Great-West Lifeco Inc., which comprise the consolidated balance sheets as at December 31, 2013, December 31, 2012 and January 1, 2012, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013 and December 31, 2012, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great-West Lifeco Inc. as at December 31, 2013, December 31, 2012 and January 1, 2012, and its financial performance and its cash flows for the years ended December 31, 2013 and December 31, 2012 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 13, 2014
Winnipeg, Manitoba