Clear direction | Focused strategy | Strong foundation

GREAT-WEST LIFECO INC.

Annual Report 2013

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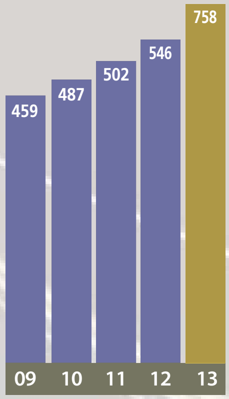
Readers are referred to the cautionary notes regarding forward-looking information and non-IFRS financial measures on page 12 of this report.

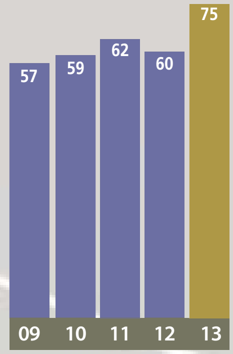
In 2013, Dublin-based Irish Life Group Limited became part of the Great-West Lifeco group of companies, strengthening Lifeco's European presence and expanding its global footprint.

Our cover features a night time image of the **Samuel Beckett Bridge in Dublin**, Ireland. The bridge opened in 2009, symbolic of Ireland's confidence in the future.

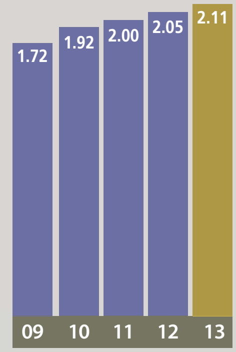
Photo by Emanuele Siracusa.



Total assets under administration
($ billions)



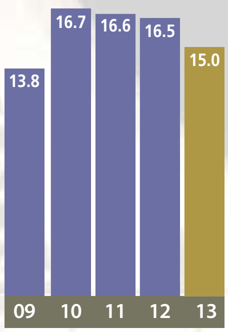
Premiums and deposits
($ billions)



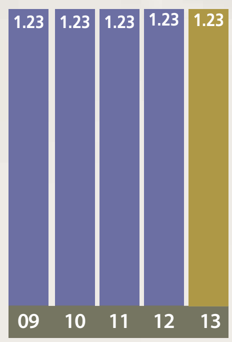
Earnings per common share ($)*

2009 Financial Highlights reported on a previous CGAAP basis

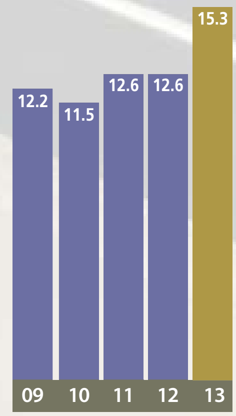
*Information is presented on an operating earnings basis, a non-IFRS financial measure



Return on common shareholders' equity (%)*



Dividends per common share ($)



Book value per common share ($)

COMPANY PROFILE

Great-West Lifeco Inc. (TSX:GWO) is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Great-West Lifeco has operations in Canada, the United States, Europe and Asia through Great-West Life, London Life, Canada Life, Irish Life, Great-West Financial and Putnam Investments. Great-West Lifeco and its companies have $758 billion* in consolidated assets under administration and are members of the Power Financial Corporation group of companies.

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

Assets as of December 31, 2013

Consistent performance

Built on a strong foundation. Driven by clear direction and a focused strategy.

Jeffrey Orr
Chairman of the Board

Paul Mahon
President and CEO

Directors' report to shareholders

Great-West Lifeco's business is about making and keeping promises – in particular our promises to clients to pay benefits and meet our commitments, no matter how far into the future. To deliver on our promises requires a long-term focus and a commitment to operate in a responsible, sustainable manner.

Responsible and ethical management has long been an intrinsic value of the company and is essential to long-term profitability and value creation.

In 2013 three broad themes were key to our continuing success in delivering on our promises: developing innovative new ways to build value for our stakeholders; further building our financial strength; and using new approaches to engage our 20,000 staff and thousands of distribution associates worldwide, and with the communities where we do business.

Innovation – by leveraging both new ideas and technology – has been key to delivering new products and more effective and efficient ways to serve clients and advisors worldwide. Innovation has also helped drive rebranding efforts that have improved name recognition for us in the United States and in Ireland.

Lifeco's performance in 2013

$74.8 billion
Premiums and Deposits

Compared to $60.2 billion in 2012

$325.9 billion
General fund and segregated fund assets

Increased from $253.9 billion in 2012

$758 billion
Totals assets under administration

$546 billion a year ago

Continuing to build our financial strength is achieved through our longstanding, disciplined approach to managing product design, pricing, investments and risk. Guiding us is the knowledge that our clients trust us to help them achieve financial security, whether today or decades into the future; and that our shareholders trust us to manage the affairs of the Company to achieve profitable and sustainable growth.

Engagement took many forms in 2013. We surveyed staff to better understand what engages and motivates them. We sought out common ground with service providers in other sectors to develop win-win solutions for plan sponsors. We launched new websites and social media spaces to provide more convenient, effective means for our stakeholders to connect with us. And, we took part in important dialogues on issues affecting the people and economies where we do business.

These themes are evident throughout this report.

Our 2013 financial performance

Operating earnings attributable to common shareholders, a non-IFRS financial measure, were $2.1 billion, or $2.108 per share, compared to $1.9 billion or $2.049 per share in 2012.

Lifeco's return on equity (ROE) of 15.0% on operating earnings and 16.6% on net earnings for the twelve months ended December 31, 2013 continued to rank among the strongest in the financial services sector.

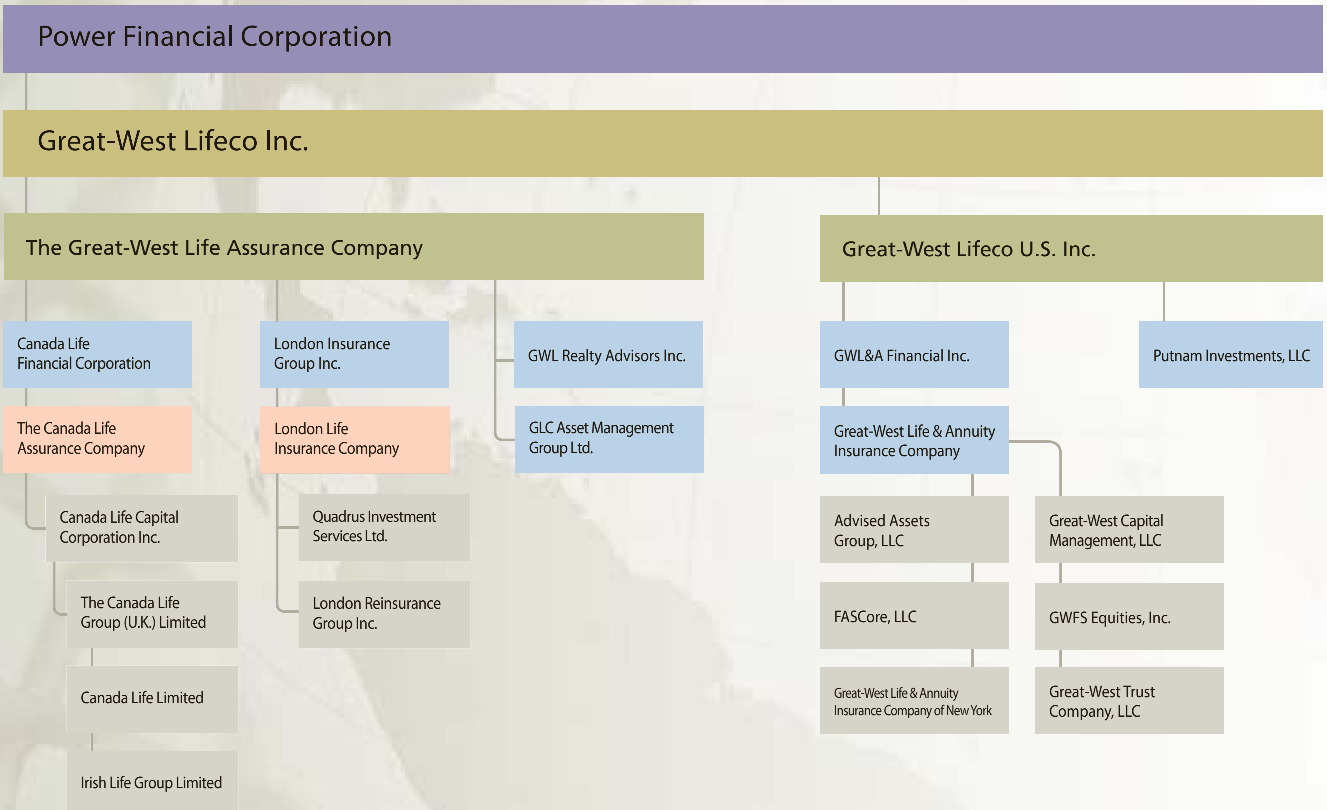
The quarterly dividend on Lifeco's common shares remained unchanged in 2013.

Our capital strength and liquidity

The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio for Great-West Life was 223% on a consolidated basis at December 31, 2013. This measure of capital strength is slightly higher than the upper end of Great-West Life's target operating range of 175%-215%.

"**Innovation** and responding to change are key to our continuing **success**"

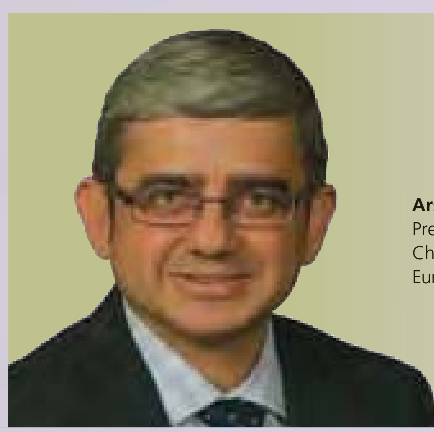
ORGANIZATIONAL CHART



This chart depicts the corporate relationships among Lifeco and its material and certain other subsidiaries as at December 31, 2013. Lifeco beneficially owns, or exercises control or direction over, 100% of the voting securities of each such subsidiary.

EXECUTIVE MANAGEMENT

Dave Johnston
President and
Chief Operating Officer
Canada



Arshil Jamal
President and
Chief Operating Officer
Europe

Delivering on promises in Canada, the United States and Europe

At December 31, 2013, Lifeco held cash and cash equivalents of approximately $0.6 billion. As this cash is held at Lifeco, it is not reflected in the regulatory capital ratios of Lifeco's operating subsidiaries. It augments Lifeco's capital and liquidity position, thereby enhancing Lifeco's capability to take advantage of market opportunities.

Lifeco has a high quality bond portfolio, with 99% rated investment grade at December 31, 2013.

Canada

In Canada, Lifeco's companies maintained leading market positions in their individual and group businesses, and experienced strong organic growth. This was achieved by focusing on three broad goals in 2013: improving products and services for clients and advisors, maintaining strong financial discipline, and improving tools, information and processes to enable greater productivity and effectiveness.

The Group retirement services business recorded strong growth; the group insurance business had strong sales in all segments while continuing to experience excellent persistency; and the individual segregated fund and mutual fund businesses maintained positive net cash flows. Individual insurance sales in Canada remained constant and sales of proprietary retail investment funds increased 4.9% year over year.

In recent years, Great-West Life has established itself as a leader in the drug benefits marketplace. By finding common ground with other concerned parties, such as pharmacy and national retail chains, we're able to offer employers innovative options to help control plan costs and better support employee health. One example is the management of chronic conditions. In 2013 we worked with Canada's largest pharmacy chain to offer diabetes counselling and testing to all eligible plan members across the country. By helping people identify and manage diabetes early, we believe we can help reduce the significant and costly impact it has on individuals and on the workplace. Options such as this, part of our *DrugSolutions* offering, can help employers sustain or enhance their benefit plans.

The strategy of looking beyond the traditional approaches to identify win-win solutions has also spurred our use of convenient and sustainable service technologies. Our pioneering work on *eClaims* has continued to lead to new service options. For example, with our two-way text messaging service introduced in 2013, plan members now have plan information literally at their fingertips. This and other technologies under development will continue to streamline and simplify traditional process and paper heavy activities, such as plan installation. They will also help us improve environmental sustainability by continuing to reduce paper consumption in our operations and those of our customers.

The Canadian operations offer group retirement and savings plans that are tailored to the unique needs of small, medium and large businesses and organizations. Group capital accumulation plans are a core business for Great-West Life. Providing an engaging experience for our plan members continues to be a top priority for this business. We are focused on providing seamless enrolment for our members online. We are committed to the development of innovative new digital experiences that will educate plan members at any age and stage of retirement planning. During the year we launched updates to the public-facing sign-in pages of our GRS Access website and a Great-West Life Group Retirement Services YouTube channel.

Great-West Life continues to offer an important perspective on pension reform to help ensure Canadians save adequately and effectively for their retirement. The federal government's framework for Pooled Registered Pension Plans is an important development in helping working Canadians save for retirement.

Mitchell T. G. Graye
President and CEO
Great-West Financial

Robert L. Reynolds
President and CEO
Putnam Investments

In the retail investment business, the companies improved the competitiveness of the investment fund shelf including the expansion of segregated fund fixed income options and the addition of a U.S. dividend fund. The mutual fund offering was improved with an additional corporate class fund, pricing enhancements and fund manager changes. During the year ExpressSuite was launched in certain distribution channels to significantly improve the advisor experience and reduce the time required to set up new investment fund accounts and place investment fund orders.

Together, Lifeco subsidiaries Great-West Life, London Life and Canada Life remain Canada's number one provider of individual insurance solutions. From term, universal and participating life insurance to individual disability and critical illness insurance, their broad range of products gives advisors choice and flexibility in meeting clients' diverse individual needs. Lifeco's Canadian subsidiaries are the leading provider in Canada of participating life insurance and continue to focus on excellence in managing and growing the participating business. Within Lifeco's group of companies participating products have been continuously offered since 1847 and policyholder dividends have been paid every year. With over 70 years' experience in the individual disability insurance market, Lifeco's Canadian subsidiaries are leading providers of individual disability and critical illness insurance in Canada as well.

In Individual Insurance, the companies continued to improve service to advisors and customers.

In the Canadian operations, strengthening sales and marketing was a continuing focus throughout 2013, in both the exclusive and independent distribution channels. These important relationships with advisors support the very strong persistency of Lifeco's business, provide a strategic advantage for Lifeco and contribute to strong market share across Lifeco's multiple lines of business.

United States – Great-West Financial

Great-West Life & Annuity's new Great-West Financial® brand and the nine initiatives of the Company's five-year strategic plan contributed to solid growth in 2013.

In a survey conducted by *Plan Adviser* magazine, 401(k) plan advisers voted Great-West Financial No. 1 in best value for price and best wholesalers. Great-West Financial also ranked sixth for reputation.

Improved name recognition combined with strategic initiatives contributed to a 39% increase in sales over the previous year. Total 401(k) sales rose 25% over 2012, while public/non-profit sales soared 104%. With the recent addition of a large government client, Great-West Financial will provide record-keeping, administration or investment services to 20 of the 50 United States, more than any other service provider.

Assets in the Great-West Lifetime Funds grew 44% in 2013 to US$5.3 billion. The 14th largest target date fund offering in the United States, the Lifetime Funds improved their ranking to ninth in net flows among target date fund families in 2013. Managed account assets rose 32% to more than US$8 billion.

Individual Retirement Account (IRA) sales increased 45% over the previous year, to US$422 million. Annuity sales through the company's financial institution partners, primarily Charles Schwab, TD Ameritrade and PNC bank, jumped 93% to US$145 million.

Business persistency remained excellent across the Company.

"Our most fundamental **promise** is to clients, to pay benefits as outlined in their contracts, no matter how far into the future"

Strong organic growth augmented by Irish Life acquisition

United States – Putnam

Putnam's assets under management ended 2013 at US$150 billion, reflecting strong market conditions and sales momentum from several key product offerings, including Putnam Spectrum Funds, Short Duration Income Fund, Diversified Income Trust, Absolute Return Funds, and Equity Income Fund. Positive sales at PanAgora, Putnam's institutional quantitative manager, also contributed.

In 2013, Putnam continued its focus on investment performance and innovation, highlighted by the introduction of six new funds to pursue new drivers of return, innovative income solutions, and lower volatility. The accompanying "New Ways of Thinking" campaign is designed to help investors address the dynamic set of ongoing market challenges, and is supported by the firm's awareness-building efforts.

For the third time in five years, Barron's ranked Putnam among the top fund families based on total return across asset classes. Putnam also ranked second among all fund families assessed over the past five years.

In the retirement market, Putnam instituted several enhancements to its 401(k) participant experience, including the launch of its Health Cost Estimator and laying the groundwork for personal financial wellness services. Putnam also saw significant growth in new retirement plans on its record-keeping platform and strong investment-only sales.

Putnam's financial advisor website was ranked as one of the industry's best, and the firm has received extensive accolades for its leading practice management offerings, including FundVisualizer and Advisor Tech Tips.

Europe

In Europe, Great-West Lifeco, through its Canada Life and Irish Life subsidiaries, has operations in the United Kingdom, Isle of Man, Germany and Ireland.

In the U.K., Canada Life successfully launched a range of funds aimed at the retail mutual fund market and continued during the year to build its footprint in this part of the investment marketplace. The Company also complemented its Isle of Man wealth management business by launching a similar offering of investment products aimed at the U.K. high net-worth investor from a Dublin base. The Company benefited from some signs of recovery in the U.K. market in 2013 with increases in its offshore wealth management new business sales and in its group risk sales. Onshore bond sales were down as a result of a change in legislation affecting distribution which came into force at the start of the year. Payout annuity sales during the year were very strong, and the Company began to focus on the enhanced annuity market where prospective policyholders are medically underwritten before acceptance.

In July 2013, Great-West Lifeco completed the acquisition of Irish Life.

The closing of this transaction marked a significant milestone for our companies in Ireland. Combining the businesses of Irish Life and Canada Life in Ireland under the Irish Life brand name will help ensure that the new Irish Life maintains and builds on its leading positions in the life, pensions and investment management sectors in Ireland.

Integration is well underway and on target for completion in mid-2015.

With a continued focus on delivering outstanding service, in 2013, Irish Life business continued to grow. Life and pension sales and asset management inflows outperformed the market and the Company gained market share. All business units continue to perform well.

In Germany, Canada Life continues to be one of the leading insurers for unit-linked products in the independent broker segment. The Company has maintained its excellent competitive position following the re-pricing of its product range to meet gender neutral pricing requirements. Canada Life remains the leading provider of serious illness and guaranteed minimum withdrawal benefit products to the German market, and received recognition for its new '*Garantierter Rentenplan*' product range. Canada Life was awarded first place in the annual Charta broker survey of German life insurers receiving particular praise for the Company's product range, customer service and distribution technology platform. Canada Life continued to grow assets under management during 2013 helped by the strong fund performance of its flagship Unitised With Profit fund.

In Reinsurance, Great-West Lifeco participates in international reinsurance markets through Canada Life Reinsurance and London Reinsurance Group, providing life, longevity and property and casualty reinsurance in the United States and in international markets. Reinsurance experienced strong growth in 2013, as slightly elevated mortality on traditional life insurance was offset by good experience on the European longevity reinsurance portfolio and higher earnings from new structured life reinsurance business.

Organizational Changes

A number of organizational changes were announced at Great-West Lifeco's 2013 Annual Meeting of Shareholders in May.

Jeffrey Orr was appointed Chairman of the Board of the Corporation. Mr. Orr is President and Chief Executive Officer of Power Financial Corporation, a position he has held since May 2005. He has been a member of Great-West Lifeco's Board of Directors since July 2002.

The Board expressed strong appreciation to outgoing Chairman of the Board Raymond McFeetors for his outstanding contribution to Great-West Lifeco's growth and evolution during his five-year tenure as Chairman of the Board, and eight-year tenure as President and Chief Executive Officer. Mr. McFeetors continues as a member of the Corporation's Board of Directors. The Board of Directors would like to express their sincere appreciation and gratitude to Mr. McFeetors for his guidance and leadership throughout the years.

Paul Mahon, formerly President and Chief Operating Officer, Canada of the Corporation and its operating subsidiaries, was appointed President and Chief Executive Officer in May 2013 and to the Corporation's Board of Directors in August. Dave Johnston, formerly Executive Vice-President, Group, was appointed President and Chief Operating Officer, Canada, to succeed Mr. Mahon.

Following a distinguished 42-year career as part of the Lifeco group of companies, including the last five years as President and Chief Executive Officer, Allen Loney retired. The Board of Directors would like to sincerely thank Mr. Loney for his many years of dedicated service. Mr. Loney continues as a member of the Corporation's Board of Directors.

The retirements of Messrs. Timothy Ryan Jr. and David Nield were announced. Mr. Ryan had been a Director of the Corporation since May 2010 and was a member of the Executive, Risk and Compensation Committees.

Mr. Nield had served as a Board member since July 2003 and previously served as Chairman and Chief Executive Officer of The Canada Life Assurance Company. Mr. Nield was a member of the Corporation's Compensation and Governance and Nominating Committees as well as Chairman of its Conduct Review Committee. He continues to serve as a Director of several Canadian and European subsidiary boards.

Through their participation on the Board and various Board Committees, Messrs. Nield and Ryan made valuable contributions to the affairs of the Corporation and we thank them sincerely for their many years of service.

David Jackson was elected to the Board of Directors. Mr. Jackson is Senior Counsel in the law firm Blake, Cassels & Graydon LLP in Toronto.

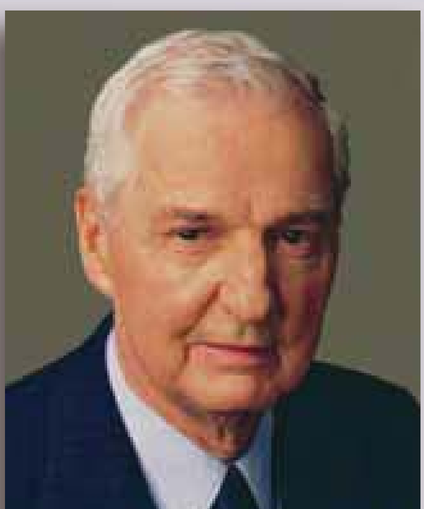
Thank you

We extend our sincere gratitude to clients and shareholders for your continued support.

On behalf of the Board of Directors, it is our pleasure to thank our staff and distribution associates worldwide for your professionalism, innovative ideas and collaboration to strengthen our organization; and for the time and skills you share in helping to build stronger communities.

Jeffrey Orr
Chairman of the Board

Paul Mahon
President and CEO



Tribute to the Honourable Paul Desmarais, P.C., C.C., O.Q.

The Honourable Paul Desmarais passed away on October 8, 2013. Mr. Desmarais joined the Board of The Great-West Life Assurance Company in July 1977 and served as a Director until 2004, when he was named an Honorary Director.

The Board of Directors of Great-West Lifeco paid special tribute to him: "Mr. Desmarais had long and deep ties with our organization and he made an immense contribution to the growth and operations of Great-West Lifeco and its subsidiaries. His wisdom and leadership played an instrumental role in the development and success of our companies."

Delivering value: Our approach to Corporate Social Responsibility

Responsible and ethical management has long been an intrinsic value of Great-West Lifeco and is essential to long-term profitability and value creation. In addition to meeting the ethical standards set out in Lifeco's Code of Conduct, Lifeco strives to:

- Support and respect the protection of internationally proclaimed human rights;
- Meet its responsibilities to minimize its environmental impact; and
- Make a positive contribution to the communities in which Great-West Lifeco and its companies are established.

In the financial services industry, the financial meaning of value might come to mind first. However, value takes many forms. In business and in our engagement with charities and non-profit organizations, we aim to deliver greater value for our customers, communities and workforce, while managing the impact on the environment. Below are highlights of our progress through 2013.

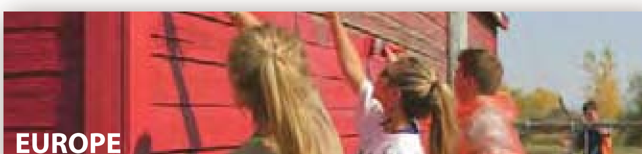
CANADA

- We took part in the dialogue on issues affecting Canadians and the national economy. These issues include retirement readiness, the age composition of the workforce, and mental health in the workplace.
- Participating in the annual Carbon Disclosure Project, we committed to measure, manage and share environmental information, establishing benchmarks for future performance.
- Across its portfolio of buildings, our real estate subsidiary GWL Realty Advisors continued to obtain certifications such as BOMA BESt and LEED® that indicate efficient, responsible environmental performance.
- As an Imagine Caring Company, we contributed $11.9 million to charitable organizations locally, regionally and nationally under the brand Stronger Communities Together™. This includes robust programs encouraging staff and advisors to engage and volunteer in community causes.

For more information, please visit "In the Community" on our greatwestlife.com, londonlife.com or canadalife.com websites.

UNITED STATES

- Great-West Financial's values of partnership, integrity and commitment guide its conduct with its partners and customers. The Company supports financial literacy education and non-profits, and matches employees' eligible donations, fundraising and volunteer time. Associates enjoy onsite fitness and health centres, a convenience store and cafeteria. Great-West Financial also protects the environment through energy-savings programs, recycling and compost collection.
- Putnam promotes a culture of mutual respect, acceptance and cooperation. Employees participate along with the firm in community charity programs and disaster relief efforts, demonstrating generosity and compassion to raise funds. The firm is committed to high fiduciary and governance standards, as well as to acting in an environmentally responsible manner and promoting a healthy workplace.



EUROPE

U.K. and Isle of Man

- Staff coached math students at local schools, and provided them with work opportunities.
- Staff raised funds for local charities.
- We worked with environmentally mindful suppliers and contractors.

Ireland

- Irish Life continued support for Ireland's first long-term study of aging, part of a 10-year commitment.
- Staff raised funds, matched by the Company, for Heart Children Ireland, Sightsavers and the Philippines' Haiyan Disaster Appeal.
- Cornmarket earned a CSR Award for partnership with the Global Schoolroom charity.
- We achieved re-accreditation to the environmental standard ISO 14001 for our group Head Office in Dublin.

Germany

- We contributed to charities addressing global hunger relief and sustainable food security, food banks, maritime search and rescue, cystic fibrosis and children's hospices.
- Staff raised funds for a special school for motor and physical development in Cologne.
- We committed to reducing paper output through a secure electronic repository for brokers.

Reinsurance

- Staff in all our offices support local charities.
- We have had 100% participation in our United Way campaign for over 15 years.
- We support client-sponsored charitable events through contributions and staff participation.

BUSINESS OVERVIEW

OPERATING REGIONS	BRANDS	PRODUCTS AND SERVICES
CANADA	The Great-West Life Assurance Company London Life Canada Life Freedom 55 Financial Quadrus	• **Life, disability, health and critical illness** insurance for individuals, business owners and families • **Retirement savings and income plans** for individuals and groups, including segregated fund policies and payout annuities, as well as proprietary and third-party mutual funds through Quadrus Investment Services Ltd. • **Asset management, investment management and advisory services** through GLC Asset Management Group Ltd. and GWL Realty Advisors Inc. • **Benefit solutions** for small, medium and large employer groups. Includes group life, disability, health, prescription drug and dental benefits, plus a range of specialty services • **Creditor insurance** including life, disability, job loss and critical illness coverage • **Life, health, accident and critical illness insurance** for members of affinity groups
UNITED STATES	Great-West Financial FASCore Advised Assets Group Great-West Funds Great-West Trust Company	• **Employer-sponsored defined contribution plans**, enrollment services, communication materials, investment options and education services • **Administrative and record-keeping services** for financial institutions and employer-sponsored defined contribution plans and associated defined benefit plans • **Fund management, investment and advisory services** • **Individual retirement accounts (IRAs)**, individual term and single premium **life insurance** and individual **annuity products** • **Executive benefits markets life insurance products**
	Putnam Investments	• **A global asset management firm offering mutual funds**, institutional portfolios, college savings plans, 401(k)s, IRAs, and other retirement plans • **Investment capabilities** include fixed income, equities – both U.S. and global – global asset allocation, and alternatives, including absolute return, risk parity and hedge funds
	PanAgora Asset Management	• **Active portfolio management and research capabilities utilizing quantitative investment techniques.** Offers a broad range of strategies spanning regions, risk levels and asset classes, including equity, fixed income, currency, global macro, multi-asset and alternative investment approaches
EUROPE UNITED KINGDOM ISLE OF MAN GERMANY IRELAND	Canada Life	**Protection and wealth management products and related services in the United Kingdom, Isle of Man and Germany:** • Individual life, disability and critical illness insurance • Group life, income protection and critical illness insurance • Pensions, savings and payout annuities
	Irish Life	**Protection and wealth management products and related services in Ireland:** • Individual and group risk and pensions • Individual savings and investment • Individual and bulk annuities • Institutional investment management • Wealth management services
	Canada Life Reinsurance London Reinsurance Group	**Reinsurance and retrocession business primarily in the United States and European markets:** • Life – yearly renewable term, co-insurance and modified co-insurance • Property and casualty – catastrophe retrocession • Longevity and annuity reinsurance

DISTRIBUTION CHANNELS	MARKET POSITION*
• **Gold Key** financial security advisors associated with Great-West Life • **Freedom 55 Financial**™ and **Wealth & Estate Planning Group** financial security advisors associated with London Life • Independent advisors associated with **managing general agencies** that distribute Canada Life products and services • **National accounts**, including Investors Group, that distribute Canada Life products and services • Great-West Life group insurance and retirement sales and service staff in offices across Canada that support **independent advisors, brokers and benefit consultants** distributing our group products	• Serves the financial security needs of more than 12 million Canadians • 32% market share of individual life insurance measured by premium (excluding excess premium) [3] • 24% market share of individual living benefits measured by premium [3] • 27% market share of individual segregated funds [4] • 22% market share of group insurance [1] • 18% market share of group capital accumulation plan assets, serving 1.2 million member accounts as at June 30, 2013 (Benefits Canada 2012 CAP report data) • Leading market share for creditor insurance revenue premium [4]
• Retirement services products distributed to plan sponsors through **brokers, consultants, advisors, third-party administrators and banks** • FASCore record-keeping and administrative services distributed through **institutional clients** • Individual life and annuity products distributed through **wholesale and retail sales force, banks, broker dealers, and investment advisors** • IRAs available to individuals through **Retirement Resource Center** • Executive benefits markets life insurance products distributed through **wholesalers and specialized consultants**	• Fourth largest defined contribution record-keeper in the country, providing services for 4.9 million participant accounts and 29,742 plans [4] • 26% market share in state and local government deferred compensation plans [3] • 25% market share of individual life insurance sold through the retail bank channel [3] • 6% market share of executive benefits markets life insurance purchased by financial institutions [3] • Great-West Lifetime Funds are the 14th largest target date fund offering in the United States [4]
• Services the global institutional, U.S. retail advisor-sold, defined contribution, and registered investment advisor markets	• Approximately 4.5 million shareholders and retirement plan participants and nearly 125 institutional client accounts around the world [4] • Nearly 160,000 advisors distribute Putnam products [4] • Provides services to over 350 defined contribution plans [4]
• Institutional investors • Sub-advisory	• Serves over 100 institutional investors, including *many* of the world's top 300 plans [4]
U.K. and Isle of Man • Independent financial advisors • Employee benefit consultants **Germany** • Independent brokers and multi-tied agents	**U.K. and Isle of Man** • Market leader in the group life market, with 27% share [1] • Second in the group income protection market with 21% share [1] • Among the top insurers in payout annuities, with 8% market share [3] • A market leading offshore life company selling into the U.K. market, with 21% market share [3] • Among the top ten in the onshore unit-linked single premium bond market, with 6% market share [3] **Germany** • One of the top two insurers in the independent intermediary unit-linked market [3] • Among the top seven in the overall unit-linked market [3]
• Independent brokers • Pensions and investment consultants • Direct sales force • Tied bank branch distribution with AIB, EBS, ptsb, Ulster and KBC	**Ireland** • Market leader in life assurance, with 34% market share [4] • Market leader in asset management, with 38% market share [2] • Market leader in corporate pensions, with 43% market share [2]
Reinsurance • Independent reinsurance brokers • Direct placements	**Reinsurance** • Among top ten life reinsurers in the U.S. by assumed business [1] • Niche positions in property and casualty and annuity business

** [1] as at December 31, 2012 [2] as at June 30, 2013 [3] as at September 30, 2013 [4] as at December 31, 2013*

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months and twelve months ended December 31, 2013 and includes a comparison to the corresponding periods in 2012, to the three months ended September 30, 2013, and to the Company's financial condition as at December 31, 2012. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

Businesses of Lifeco

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

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

In the U.S., Great-West Financial is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors. It also provides annuity and life insurance products for individuals and businesses, individual retirement accounts as well as fund management, investment and advisory services. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Putnam provides investment management, certain administrative functions, distribution, and related services through a broad range of investment products, including the Putnam Funds, its own family of mutual funds which are offered to individual and institutional investors.

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

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

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

Basis of Presentation and Summary of Accounting Policies

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

Cautionary Note Regarding Forward-Looking Information

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

Cautionary Note Regarding Non-IFRS Financial Measures

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

Consolidated Operating Results

Selected consolidated financial information

(in Canadian $ millions, except for per share amounts)	As at or for the three months ended Dec. 31 2013	Sept. 30 2013	Dec. 31 2012[3]	For the twelve months ended Dec. 31 2013	Dec. 31 2012[3]
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products[2]	$ **5,850**	$ 4,859	$ 4,972	$ **20,236**	$ 19,257
Self-funded premium equivalents (ASO contracts)	**649**	620	677	**2,567**	2,666
Segregated funds deposits:					
Individual products	**2,757**	2,352	2,072	**8,308**	6,557
Group products	**1,809**	1,838	2,216	**7,553**	7,262
Proprietary mutual funds & institutional deposits	**11,491**	10,309	6,880	**36,119**	24,496
Total premiums and deposits	**22,556**	19,978	16,817	**74,783**	60,238
Fee and other income[2]	**1,001**	955	787	**3,585**	3,030
Paid or credited to policyholders[1][2]	**5,647**	5,025	5,262	**17,811**	22,875
Operating earnings – common shareholders[3]	**491**	523	491	**2,052**	1,946
Net earnings – common shareholders[3][5]	**717**	523	351	**2,278**	1,806
Per common share					
Operating earnings	$ **0.491**	$ 0.527	$ 0.517	$ **2.108**	$ 2.049
Basic earnings[3]	**0.717**	0.527	0.370	**2.340**	1.902
Dividends paid	**0.3075**	0.3075	0.3075	**1.230**	1.230
Book value[3]	**15.33**	14.39	12.64		
Return on common shareholders' equity[4]					
Operating earnings[3]	**15.0%**	16.0%	16.5%		
Net earnings[3]	**16.6%**	14.9%	15.3%		
Total assets[3]	$ **325,905**	$ 312,473	$ 253,850		
Proprietary mutual funds and institutional net assets[2]	**185,243**	167,619	134,598		
Total assets under management[3]	**511,148**	480,092	388,448		
Other assets under administration	**247,139**	225,187	157,455		
Total assets under administration[3]	$ **758,287**	$ 705,279	$ 545,903		
Total equity[3]	$ **19,999**	$ 19,435	$ 17,011		

The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of certain litigation provisions described in note 33 to the Company's December 31, 2013 consolidated financial statements.

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

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

(3) Comparative figures, where impacted, have been restated for the retrospective impact of new and revised IFRS effective during 2013 most notably IAS 19R, *Employee Benefits* and IFRS 10, *Consolidated Financial Statements*.

(4) Return on shareholders equity detailed within the "Capital Management Methodology" section.

(5) Impacts on Lifeco net earnings – common shareholders:

	Three months ended Dec. 31, 2013	Per common share	Twelve months ended Dec. 31, 2013	Per common share
Net earnings	717	0.717	2,278	2.340
Less: Litigation recovery	(226)		(226)	
Operating earnings	$ 491	$ 0.491	$ 2,052	$ 2.108
Add: Irish Life restructuring and acquisition costs	23		97	
Add: Macro capital hedge impact	26		26	
Sub Total	540	0.540	2,175	2.234
Less: Irish Life earnings	(44)		(85)	
Operating earnings excluding Irish Life and macro capital hedge impacts	$ 496	$ 0.496	$ 2,090	$ 2.146

LIFECO 2013 HIGHLIGHTS

Irish Life Group Limited Acquisition

On February 19, 2013, Lifeco announced the acquisition of Irish Life Group Limited (Irish Life) for €1.3 billion. Funding for the transaction included the net proceeds of the issuance of approximately $1.25 billion subscription receipts completed on March 12, 2013. In addition, on April 18, 2013, the Company issued €500 million of 10-year bonds denominated in euros with an annual coupon of 2.50%. The bonds are rated A+ by Standard & Poor's Ratings Services and are listed on the Irish Stock Exchange. The issuance of euro-denominated debt results in a natural hedge of a portion of the Company's net investment in euro-denominated foreign operations.

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

In the fourth quarter of 2013, Irish Life contributed $44 million excluding restructuring costs to Lifeco's earnings, and $85 million year-to-date. Included in Lifeco's earnings for the quarter are restructuring and acquisition costs associated with the Irish Life acquisition of $23 million ($97 million year-to-date).

On a year-to-date basis, Lifeco achieved €14.6 million of annualized cost synergies that resulted in pre-tax €5.6 million lower Irish operating expenses since acquisition. Integration activities are proceeding as expected with the annual reduction of operating costs of €40 million to be fully reflected by the end of 2015. These synergies are expected to be achieved through efficiencies related to computer systems, combining the life and pensions operations of Canada Life (Ireland) with the operations of Irish Life (retaining the Irish Life brand name) and other operating efficiencies.

Under IFRS business combination standards, the purchase price of €1.3 billion is allocated to all assets and liabilities of Irish Life primarily based on their fair values at the acquisition date of July 18, 2013. The amount of the purchase consideration in excess of the fair value of the assets and liabilities is allocated to goodwill. As at December 31, 2013, the valuation of assets acquired and liabilities assumed is substantially complete which includes updates to September 30, 2013 provisional amounts for insurance contract liabilities, contingent liabilities and other provisions as well as the identification and valuation of intangible assets. Intangible assets include $131 million of brand value which have an indefinite life and $116 million in customer relationships which will be amortized over a finite life. As a result, the excess of the purchase price over the fair value of net assets acquired of $378 million has been allocated to goodwill. Refer to note 4 in the Company's annual consolidated financial statements for further detail on the Irish Life acquisition.

Revised International Financial Reporting Standards

Effective January 1, 2013, the Company adopted several new and revised IFRS as discussed in the Accounting Policies section of this document. Other than IAS 19R, *Employee Benefits,* the new standards related primarily to enhanced disclosures and had no impact on the net earnings or equity of the Company. In accordance with the transitional requirements of IAS 19R, this change has been applied retrospectively which resulted in a decrease to opening equity at January 1, 2012 of $392 million (decrease of $352 million to shareholders' equity and $40 million to participating account surplus) with an additional decrease to opening equity at January 1, 2013 of $183 million (decrease of $169 million to shareholders' equity and $14 million to participating account surplus). Net earnings for the three and twelve month periods ended December 31, 2012 decreased by $2 million and $9 million respectively, as a result of the adoption of IAS 19R. Prior period figures throughout this document have been restated to reflect the retrospective adoption of these standards.

Subsequent Event

On February 3, 2014, the Court of Appeal for Ontario released a decision in regard to the involvement of the participating accounts of Great-West Lifeco subsidiaries London Life Insurance Company and The Great-West Life Assurance Company in the financing of the acquisition of London Insurance Group in 1997. This decision overturned the Ontario Superior Court's January 24, 2013 decision regarding the amounts to be reallocated to the participating account surplus. The Court of Appeal reduced the previously ordered amount of $284.6 million to $51.6 million ($27.0 million in respect of London Life and $24.6 million in respect of Great-West Life). During the subsequent event period, in response to the Appeal Decision, the Company recorded the recovery which positively impacted common shareholders net earnings by $226 million after-tax.

Refer to note 33 to the Company's annual consolidated financial statements for a full description.

NET EARNINGS

Consolidated net earnings of Lifeco include the net earnings of The Great-West Life Assurance Company (Great-West Life) and its operating subsidiaries London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), Great-West Life & Annuity Insurance Company (Great-West Financial) and Putnam Investments, LLC (Putnam), together with Lifeco's Corporate operating results. Irish Life results are included for the period subsequent to the acquisition date of July 18, 2013.

Lifeco's net earnings attributable to common shareholders for the three month period ended December 31, 2013 were $717 million compared to $351 million a year ago and $523 million in the previous quarter. On a per share basis this represents $0.717 per common share ($0.716 diluted) for the fourth quarter of 2013, $0.370 per common share ($0.369 diluted) a year ago and $0.527 per common share ($0.522 diluted) in the previous quarter. Fourth quarter 2013 net earnings includes a litigation recovery recorded in the subsequent event period, which increased net earnings by $226 million. Fourth quarter 2012 net earnings included the impact of litigation provision adjustments, relating to the same legal matter, which negatively impacted net earnings by $140 million after-tax.

For the twelve months ended December 31, 2013, Lifeco's net earnings attributable to common shareholders were $2,278 million compared to $1,806 million a year ago. On a per share basis, this represents $2.340 per common share ($2.297 diluted) for 2013 compared to $1.902 per common share ($1.891 diluted) a year ago.

Operating Earnings (a non-IFRS financial measure)

Lifeco's operating earnings attributable to common shareholders, which exclude the impact of legal recoveries in the amount of $226 million, were $491 million or $0.491 per common share ($0.490 diluted) for the three month period ended December 31, 2013.

Included in operating earnings for the fourth quarter of 2013 are restructuring and acquisition costs associated with the Irish Life acquisition of $23 million and mark-to-market losses of $26 million related to a macro capital hedge. Operating earnings for the quarter excluding these costs were $540 million compared to operating earnings for the fourth quarter of 2012 of $491 million and $583 million in the previous quarter. On a per share basis, this represents $0.540 per common share ($0.539 diluted) compared to $0.517 per common share ($0.514 diluted) a year ago and $0.588 per common share ($0.582 diluted) in the previous quarter.

In the fourth quarter of 2013, net earnings of Irish Life excluding restructuring costs were $44 million compared to $41 million in the third quarter of 2013. Excluding the impacts of the Irish Life acquisition and a macro capital hedge, Lifeco's operating earnings were $496 million in the quarter compared to $491 million a year ago and $542 million in the previous quarter.

Lifeco's operating earnings attributable to the common shareholders for the twelve months ended December 31, 2013 were $2,052 million or $2.108 per common share ($2.070 diluted).

Included in operating earnings on a year-to-date basis for 2013 are restructuring and acquisition costs associated with the Irish Life acquisition of $97 million and mark-to-market losses of $26 million related to a macro capital hedge. Lifeco's operating earnings for the twelve month period excluding these costs were $2,175 million compared to $1,946 million a year ago. On a per share basis this represents $2.234 per common share ($2.194 diluted) compared to $2.049 per common share ($2.037 diluted) a year ago.

Year-to-date, net earnings of Irish Life excluding restructuring costs were $85 million. Excluding the impacts of the Irish Life acquisition and a macro capital hedge, Lifeco's operating earnings were $2,090 million for the twelve months ended December 31, 2013 compared to $1,946 million a year ago.

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Canada					
Individual Insurance	**$ 73**	$ 102	$ 11	**$ 302**	$ 187
Wealth Management	**93**	114	69	**387**	299
Group Insurance	**97**	115	136	**425**	439
Canada Corporate	**7**	1	47	**34**	113
	270	332	263	**1,148**	1,038
United States					
Financial Services	**81**	86	95	**339**	361
Asset Management	**(25)**	(10)	(19)	**(63)**	(40)
U.S. Corporate	**–**	–	–	**–**	–
	56	76	76	**276**	321
Europe					
Insurance & Annuities	**166**	134	91	**548**	407
Reinsurance	**63**	57	64	**245**	215
Europe Corporate	**(27)**	(62)	(4)	**(92)**	(7)
	202	129	151	**701**	615
Lifeco Corporate	**(37)**	(14)	1	**(73)**	(28)
Operating Earnings	**$ 491**	$ 523	$ 491	**$ 2,052**	$ 1,946
Certain litigation provisions[1]	**226**	–	(140)	**226**	(140)
Net earnings	**$ 717**	$ 523	$ 351	**$ 2,278**	$ 1,806

(1) Certain litigation provisions as disclosed in note 33 of the Company's annual consolidated financial statements.

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

Market Impacts

Interest Rate Environment

Interest rates in countries where the Company operates continued to trend higher during 2013 driven by improved economic outlook. The change in interest rates during 2013 resulted in movements in required capital that contributed +7 points on the Great-West Life Minimum Continuing Capital and Surplus (MCCSR) ratio and +9 points on the Canada Life MCCSR ratio. The change in interest rates during 2013 had no material impact on net earnings relative to the Company's expectations.

Effective January 1, 2013, the Company refined its methodology for estimating interest rate provisions. The total provision was realigned into provisions designed to cover shorter-term modeling risks and those to cover inherent long-term modeling and cash flow mismatch risks, with no net impact on total provisions upon realignment. The realignment, however, 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 million after-tax compared to 2012 on the prior methodology.

Equity Markets

Equity markets' performance in 2013 was strong in all geographies where the Company operates. The major equity indices finished the fourth quarter up 6.5% in Canada (as measured by S&P TSX), up 9.9% in the U.S. (as measured by S&P 500), up 4.4% in the U.K. (as measured by FTSE 100), and up 24.0% in broader Europe (as measured by Eurostoxx 50) compared to September 30, 2013.

Comparing 2013 to 2012, the average equity market levels were up by 5.4% in Canada, by 19.1% in the U.S., by 12.8% in the U.K., and by 15.7% in broader Europe.

In the fourth quarter of 2013, strong market performance led to increased asset based fee income and reduced costs of guarantees of death, maturity, or income benefits within certain wealth management products offered by the Company. The benefit to net earnings was $15 million ($39 million year-to-date) relative to the Company's expectations.

Foreign Currency

During 2013, the average currency translation rates of the U.S. dollar, British pound and euro increased. The overall impact of currency movement on the Company's net earnings for the three month period ended December 31, 2013 was an increase of $16 million ($24 million year-to-date). The decline in the Canadian dollar at December 31, 2013 against the U.S. dollar, British pound and the euro, resulted in unrealized foreign exchange gains from the translation of foreign operations net of related hedging activities of $450 million ($806 million year-to-date) recorded in other comprehensive income during the quarter.

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

Credit Markets

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

	For the three months ended December 31, 2013			For the twelve months ended December 31, 2013		
	Impairment (charges)/ recoveries	Changes in future credit losses in insurance contract liabilities	Total	Impairment (charges)/ recoveries	Changes in future credit losses in insurance contract liabilities	Total
Canada	$ –	$ (1)	$ (1)	$ –	$ (1)	$ (1)
United States	3	–	3	8	(1)	7
Europe	5	10	15	3	4	7
Total	**$ 8**	**$ 9**	**$ 17**	**$ 11**	**$ 2**	**$ 13**

In the fourth quarter of 2013, the Company experienced net recoveries on impaired investments which positively impacted common shareholders' net earnings by $8 million ($5 million net charge in 2012). There were no new impairments in the fourth quarter. Changes in credit ratings in the Company's bond portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $9 million in the quarter ($32 million net charge in 2012).

For the twelve months ended December 31, 2013, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $11 million ($27 million net recovery in 2012). Changes in credit ratings in the Company's bond portfolio resulted in a net decrease in provisions for future credit losses in insurance contract liabilities, which positively impacted common shareholders' net earnings by $2 million year-to-date ($47 million net charge in 2012).

Premiums and Deposits and Sales

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

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

Premiums and deposits

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Canada					
Individual Insurance	**$ 1,112**	$ 1,035	$ 1,037	**$ 4,177**	$ 3,926
Wealth Management	**2,368**	2,191	2,869	**9,619**	9,382
Group Insurance	**1,886**	1,852	1,880	**7,503**	7,453
	5,366	5,078	5,786	**21,299**	20,761
United States					
Financial Services	**1,755**	1,710	1,712	**6,311**	6,234
Asset Management	**8,668**	8,679	6,683	**31,279**	23,784
	10,423	10,389	8,395	**37,590**	30,018
Europe					
Insurance & Annuities	**5,229**	3,775	1,567	**11,521**	5,021
Reinsurance(1)	**1,538**	736	1,069	**4,373**	4,438
	6,767	4,511	2,636	**15,894**	9,459
Total	**$ 22,556**	$ 19,978	$ 16,817	**$ 74,783**	$ 60,238

Sales

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Canada(2)	**$ 2,852**	$ 2,389	$ 2,917	**$ 10,800**	$ 9,870
United States(2)	**14,263**	10,973	9,359	**44,212**	32,788
Europe – Insurance & Annuities	**4,773**	3,299	1,289	**9,922**	3,738
Total	**$ 21,888**	$ 16,661	$ 13,565	**$ 64,934**	$ 46,396

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

(2) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across our platforms and with industry standards for sales measurement.

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

NET INVESTMENT INCOME

Net investment income

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Investment income earned (net of investment properties expenses)[1][2]	**$ 1,400**	$ 1,423	$ 1,335	**$ 5,548**	$ 5,545
Allowances for credit losses on loans and receivables	**4**	(4)	(6)	**(2)**	9
Net realized gains	**40**	17	29	**134**	163
Regular investment income	**1,444**	1,436	1,358	**5,680**	5,717
Investment expenses	**(14)**	(25)	(19)	**(76)**	(75)
Regular net investment income	**1,430**	1,411	1,339	**5,604**	5,642
Changes in fair value through profit or loss[1]	**(225)**	(19)	207	**(2,979)**	2,668
Net investment income	**$ 1,205**	$ 1,392	$ 1,546	**$ 2,625**	$ 8,310

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

(2) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Net investment income in the fourth quarter of 2013, which includes changes in fair value through profit or loss, decreased by $341 million compared to the same period last year. The change in fair values in the fourth quarter of 2013 was a decrease of $225 million compared to an increase of $207 million for the fourth quarter of 2012. Declines in bond fair values due to rising government bond yields were partially offset by rising equity markets in the fourth quarter of 2013. In the fourth quarter of 2012, the Company's bond values increased reflecting a decline in government bond yields and the fair value of stocks increased due to rising equity markets.

Regular net investment income in the fourth quarter of 2013, which excludes changes in fair value through profit or loss, increased by $91 million compared to the fourth quarter of 2012. Irish Life contributed $38 million to regular net investment income in the fourth quarter of 2013. Excluding the impact of Irish Life, regular net investment income increased $53 million mostly as a result of a strengthening of the U.S. dollar, British pound and euro against the Canadian dollar, higher net realized gains and net recoveries of allowances on loans and receivables in the current quarter. Net realized gains include gains on available-for-sale securities of $8 million in the fourth quarter of 2013 compared to $20 million for the same period last year.

For the twelve months ended December 31, 2013, net investment income decreased by $5,685 million compared to the same period last year. The change in fair values for the twelve month period in 2013 was a decrease of $2,979 million compared to an increase in fair values of $2,668 million during the same period in 2012, primarily as a result of government bond yields increasing in 2013 but decreasing in 2012. Regular net investment income for the twelve months ended December 31, 2013 decreased by $38 million compared to the same period last year. Irish Life contributed $59 million to regular net investment income in 2013. Excluding the impact of Irish Life, regular net investment income decreased $97 million mostly as a result of lower fixed income yields and lower net realized gains. Net realized gains include gains on available-for-sale securities of $66 million in 2013 compared to $126 million in 2012.

Net investment income in the fourth quarter of 2013 was $187 million lower than the third quarter of 2013, primarily due to net decreases in fair values of $225 million in the fourth quarter of 2013 compared to net decreases of $19 million in the previous quarter. In the fourth quarter of 2013, government bond yields increased more than in the third quarter resulting in greater declines in bond fair values in the fourth quarter.

Fee and Other Income

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

Fee and other income

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013(1)	Dec. 31 2012(1)	**Dec. 31 2013**	Dec. 31 2012(1)
Canada					
Segregated funds, mutual funds and other	**$ 295**	$ 285	$ 265	**$ 1,130**	$ 1,029
ASO contracts	**35**	36	37	**146**	149
	330	321	302	**1,276**	1,178
United States					
Segregated funds, mutual funds and other	**395**	365	319	**1,446**	1,247
Europe					
Segregated funds, mutual funds and other	**276**	269	166	**863**	605
Total fee and other income	**$ 1,001**	$ 955	$ 787	**$ 3,585**	$ 3,030

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

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

Paid or Credited to Policyholders

Paid or credited to policyholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Canada	**$ 2,629**	$ 2,207	$ 2,171	**$ 8,345**	$ 9,770
United States	**927**	1,014	1,163	**3,067**	4,437
Europe(1)	**2,091**	1,804	1,928	**6,399**	8,668
Total	**$ 5,647**	$ 5,025	$ 5,262	**$17,811**	$ 22,875

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

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

For the three months ended December 31, 2013, consolidated amounts paid or credited to policyholders were $5.6 billion, including $4.6 billion of policyholder benefit payments and a $1.0 billion increase in contract liabilities. The increase of $385 million from the same period in 2012 consisted of a $276 million contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and a $109 million increase in benefit payments. The increase in benefit payments reflects normal growth in most areas enhanced by favourable business growth in reinsurance in-quarter, partially offset by the commutation of a health reinsurance treaty.

For the twelve months ended December 31, 2013, consolidated amounts paid or credited to policyholders were $17.8 billion, including $18.1 billion of policyholder benefit payments and a $0.3 billion decrease in contract liabilities. The decrease of $5.1 billion from the same period in 2012 consisted of a $5.3 billion contract liability decrease, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and a $257 million increase in benefit payments. The increase in benefit payments reflects normal growth in year, partially offset by the commutation of a health reinsurance treaty.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $622 million. The increase consisted of a $367 million contract liability increase and a $255 million increase in benefit payments. The increase reflects normal growth in most areas enhanced by favourable business growth in reinsurance in-quarter, partially offset by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe.

Other Benefits and Expenses

Other benefits and expenses

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Commissions	**$ 531**	$ 463	$ 515	**$ 1,869**	$ 1,781
Operating and administrative expenses(1)	**929**	814	670	**3,159**	2,684
Premium taxes	**83**	84	75	**313**	293
Financing charges(2)	**76**	75	74	**292**	299
Amortization of finite life intangible assets	**33**	28	24	**117**	103
Restructuring and acquisition expenses	**$ 27**	$ 63	$ –	**$ 104**	$ –
Total	**$ 1,679**	$ 1,527	$ 1,358	**$ 5,854**	$ 5,160

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

(2) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Other benefits and expenses for the fourth quarter of 2013 increased by $321 million to $1,679 million compared to the same period last year primarily due to increased operating and administrative expenses and restructuring and acquisition expenses related to the acquisition of Irish Life and increased incentive compensation and fair-value adjustments on share-based compensation in Putnam. As well, in the fourth quarter of 2012, provisions for certain Canadian retirement plans were released reducing 2012 expenses.

For the twelve months ended December 31, 2013, other benefits and expenses increased by $694 million compared to the same period last year primarily for the same reasons impacting the in-quarter variance. The release of legal provisions in the U.S. segment in 2012, which did not recur in 2013, also contributed to the increase in current year expenses.

Other benefits and expenses for the fourth quarter of 2013 increased by $152 million compared to the previous quarter, primarily due to increased operating and administrative expenses related to Irish Life, increased incentive compensation and fair-value adjustments on share-based compensation in Putnam, and increased commissions in Canada. The decrease in restructuring and acquisition expenses related to Irish Life partly offset these increases.

Income Taxes

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

The Company had an effective income tax rate of 18% for the fourth quarter of 2013 compared to 14% in the fourth quarter of 2012. During the fourth quarter of 2012 the Company recorded $18 million of deferred income tax assets related primarily to previously unrecognized tax losses. As a result, the Company's effective income tax rate for the fourth quarter of 2012 was reduced by 3%.

The Company had an effective income tax rate of 17% for the twelve months ended December 31, 2013 compared to 14% for the same period in 2012. During the second quarter of 2012, the Company entered into an audit agreement with the Canada Revenue Agency. The audit agreement resolved several outstanding issues including transfer pricing and other international taxation matters for taxation years 2004 to 2011. The Company held uncertain tax position reserves for these items which, upon release, resulted in a positive earnings impact of $47 million and which reduced the effective income tax rate for the 12 months ended December 31, 2012 by 2%. The above-noted recognition of deferred income tax assets in 2012 ($25 million for the 12 month period) also further reduced the effective income tax rate for 2012 by 1%.

The fourth quarter effective income tax rate of 18% is higher than the third quarter of 2013 rate of 12% due to the reduction in statutory income tax rates in the U.K. from 23% to 20% which was substantively enacted in the third quarter. Also contributing to the lower effective income tax rate in the third quarter of 2013 was the true-up of prior year tax provisions to tax filings.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	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**
Segregated funds net assets	**62,204**	**28,168**	**70,407**	**160,779**
Total assets	**129,983**	**64,558**	**131,364**	**325,905**
Proprietary mutual funds and institutional net assets	**4,114**	**164,515**	**16,614**	**185,243**
Total assets under management	**134,097**	**229,073**	**147,978**	**511,148**
Other assets under administration	**14,607**	**192,490**	**40,042**	**247,139**
Total assets under administration	**$ 148,704**	**$ 421,563**	**$ 188,020**	**$ 758,287**

	December 31, 2012			
	Canada	United States	Europe	Total
Assets				
Invested assets(2)	$ 58,506	$ 28,722	$ 32,828	$ 120,056
Goodwill and intangible assets	5,098	1,721	1,693	8,512
Other assets(1)	3,229	3,051	13,570	19,850
Segregated funds net assets(2)	54,638	23,809	26,985	105,432
Total assets	121,471	57,303	75,076	253,850
Proprietary mutual funds and institutional net assets	3,585	131,013	–	134,598
Total assets under management	125,056	188,316	75,076	388,448
Other assets under administration	13,184	144,164	107	157,455
Total assets under administration	$ 138,240	$ 332,480	$ 75,183	$ 545,903

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

(2) Certain comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements.*

Total assets under administration at December 31, 2013 increased by $212.4 billion to $758.3 billion compared to December 31, 2012, primarily as a result of the acquisition of Irish Life, positive currency movement and new business growth. Other assets under administration increased by $89.7 billion.

The acquisition of Irish Life resulted in increases in general fund assets, segregated fund net assets, proprietary mutual funds and institutional net assets, and other assets under administration of $10.2 billion, $38.2 billion, $16.6 billion and $39.9 billion, respectively.

INVESTED ASSETS

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

Invested asset distribution

	December 31, 2013				
	Canada	**United States**	**Europe**	**Total**	
Bonds					
Government & related	**$ 16,621**	**$ 5,964**	**$ 15,053**	**$ 37,638**	**29%**
Corporate & other	**19,014**	**16,127**	**17,135**	**52,276**	**40**
Sub-total bonds	**35,635**	**22,091**	**32,188**	**89,914**	**69**
Mortgages	**12,135**	**3,556**	**3,372**	**19,063**	**14**
Stocks	**7,540**	**234**	**780**	**8,554**	**6**
Investment properties	**1,513**	**4**	**2,771**	**4,288**	**3**
Sub-total portfolio investments	**56,823**	**25,885**	**39,111**	**121,819**	**92**
Cash and cash equivalents	**413**	**572**	**1,806**	**2,791**	**2**
Loans to policyholders	**2,499**	**4,749**	**84**	**7,332**	**6**
Total invested assets	**$ 59,735**	**$ 31,206**	**$ 41,001**	**$ 131,942**	**100%**

	December 31, 2012				
	Canada	United States	Europe	Total	
Bonds					
Government & related	$ 16,028	$ 5,655	$ 11,235	$ 32,918	27%
Corporate & other	19,567	14,952	15,144	49,663	41
Sub-total bonds	35,595	20,607	26,379	82,581	68
Mortgages	11,908	3,060	2,907	17,875	15
Stocks	6,529	279	243	7,051	6
Investment properties	1,315	8	2,249	3,572	3
Sub-total portfolio investments	55,347	23,954	31,778	111,079	92
Cash and cash equivalents	671	250	974	1,895	2
Loans to policyholders	2,488	4,518	76	7,082	6
Total invested assets	$ 58,506	$ 28,722	$ 32,828	$ 120,056	100%

At December 31, 2013 total invested assets were $131.9 billion, an increase of $11.9 billion from December 31, 2012 including $5.7 billion of Irish Life invested assets. Excluding Irish Life, higher values due to positive currency movement were partly offset by a decrease in bond fair values as a result of higher government bond yields. The distribution of assets has not changed significantly and remains heavily weighted to bonds and mortgages.

Bond portfolio – It is the Company's policy to acquire only investment-grade bonds subject to prudent and well defined investment policies. The total bond portfolio, including short-term investments, was $89.9 billion or 69% of invested assets at December 31, 2013 and $82.6 billion or 68% at December 31, 2012. The acquisition of Irish Life increased bond holdings by $4.5 billion in 2013. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 80% rated A or higher.

Bond portfolio quality

	December 31, 2013		December 31, 2012	
AAA	**$ 30,626**	**34%**	$ 29,302	35%
AA	**15,913**	**18**	13,463	16
A	**25,348**	**28**	23,812	29
BBB	**16,809**	**19**	14,662	18
BB or lower	**1,218**	**1**	1,342	2
Total	**$ 89,914**	**100%**	$ 82,581	100%

At December 31, 2013 non-investment grade bonds were $1.2 billion or 1.4% of the bond portfolio compared to $1.3 billion or 1.6% of the bond portfolio at December 31, 2012. The net decrease in non-investment grade bonds mainly resulted from ratings upgrades and dispositions.

HOLDINGS OF DEBT SECURITIES OF GOVERNMENTS

	Carrying value by rating – December 31, 2013						Amortized cost*
	AAA	AA	A	BBB	BB & Lower	Total*	
Canada	$ 9,307	$ 3,033	$ 3,144	$ 70	$ 18	$ 15,572	$ 15,385
U.K.	8,300	1,183	189	528	–	10,200	9,780
U.S.	6,005	1,377	163	3	–	7,548	7,489
Ireland	–	–	–	733	–	733	720
	23,612	**5,593**	**3,496**	**1,334**	**18**	**34,053**	**33,374**
Portugal	–	–	–	–	10	10	10
Italy	–	–	–	83	–	83	83
Greece	–	–	–	–	–	–	–
Spain	–	–	–	11	–	11	13
	–	**–**	**–**	**94**	**10**	**104**	**106**
Germany	1,734	9	–	–	–	1,743	1,762
France	–	1,213	–	–	–	1,213	1,220
Netherlands	572	159	–	–	–	731	725
Austria	390	22	–	–	–	412	422
Australia	93	–	–	–	–	93	94
Supranationals	1,175	128	–	–	–	1,303	1,290
All other (9 countries)	547	293	132	21	–	993	992
	4,511	**1,824**	**132**	**21**	**–**	**6,488**	**6,505**
Total	**$ 28,123**	**$ 7,417**	**$ 3,628**	**$ 1,449**	**$ 28**	**$ 40,645**	**$ 39,985**

* Includes certain funds held by ceding insurers with a carrying value of $3,007 million and an amortized cost of $2,892 million.

At December 31, 2013, the Company held government and government-related debt securities (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $40.6 billion up from $37.2 billion at December 31, 2012. The increase includes $3.7 billion of bonds held by Irish Life. Excluding the impact of Irish Life, government bond holdings decreased by $0.3 billion as a decrease in market values driven by increasing government bond yields was mostly offset by a strengthening of the U.S. dollar, British pound and euro against the Canadian dollar and net purchases of government bonds. Government and government related debt securities include investments in Public-Private Partnerships. At December 31, 2013, there was $18 million of these securities rated below investment grade. Included in this portfolio are debt securities issued by Portugal, Italy and Spain, with an aggregate carrying value of $104 million up from $45 million at December 31, 2012 reflecting the acquisition of Irish Life. The Company does not hold any debt securities of the government of Greece.

HOLDINGS OF DEBT SECURITIES OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Carrying value by rating – December 31, 2013						Amortized cost*
	AAA	AA	A	BBB	BB & Lower	Total*	
Canada	$ 68	$ 502	$ 1,022	$ 177	$ –	$ 1,769	$ 1,721
U.K.	237	486	1,850	1,105	381	4,059	3,884
U.S.	99	1,587	1,889	583	11	4,169	3,909
Ireland	–	–	–	101	10	111	130
	404	**2,575**	**4,761**	**1,966**	**402**	**10,108**	**9,644**
Portugal	–	–	–	–	–	–	–
Italy	–	–	29	81	–	110	112
Greece	–	–	–	–	–	–	–
Spain	68	–	55	106	–	229	230
	68	**–**	**84**	**187**	**–**	**339**	**342**
Germany	5	27	197	2	–	231	225
France	122	104	260	243	–	729	699
Netherlands	16	268	216	45	16	561	541
Australia	130	334	80	85	–	629	616
All other (17 institutions)	67	239	388	98	16	808	780
	340	**972**	**1,141**	**473**	**32**	**2,958**	**2,861**
Total	**$ 812**	**$ 3,547**	**$ 5,986**	**$ 2,626**	**$ 434**	**$ 13,405**	**$ 12,847**

* Includes certain funds held by ceding insurers with a carrying value of $2,977 million and an amortized cost of $2,715 million.

	Carrying Value by Seniority – December 31, 2013							
	Covered	Senior debt	Subordinated debt	Upper tier two	Capital securities	Contingent capital	Total*	Amortized cost*
Canada	$ 74	$ 1,210	$ 176	$ 63	$ 246	$ –	$ 1,769	$ 1,721
U.K.	298	1,740	903	524	385	209	4,059	3,884
U.S.	438	2,551	1,009	–	171	–	4,169	3,909
Ireland	63	38	–	–	10	–	111	130
	873	**5,539**	**2,088**	**587**	**812**	**209**	**10,108**	**9,644**
Portugal	–	–	–	–	–	–	–	–
Italy	29	–	–	–	81	–	110	112
Greece	–	–	–	–	–	–	–	–
Spain	81	–	65	38	45	–	229	230
	110	**–**	**65**	**38**	**126**	**–**	**339**	**342**
Germany	44	121	66	–	–	–	231	225
France	208	191	151	50	129	–	729	699
Netherlands	16	436	24	32	53	–	561	541
Australia	141	375	65	–	48	–	629	616
All other (17 institutions)	76	455	110	91	76	–	808	780
	485	**1,578**	**416**	**173**	**306**	**–**	**2,958**	**2,861**
Total	**$ 1,468**	**$ 7,117**	**$ 2,569**	**$ 798**	**$ 1,244**	**$ 209**	**$ 13,405**	**$ 12,847**

* Includes certain funds held by ceding insurers with a carrying value of $2,977 million and an amortized cost of $2,715 million.

At December 31, 2013, the Company held debt securities, including short-term debt securities, issued by banks and other financial institutions (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $13.4 billion up from $12.8 billion at December 31, 2012. The increase is primarily a result of the inclusion of Irish Life financial institution bond holdings of $630 million ($367 million long-term; $263 million short-term).

Included in this portfolio is $339 million of debt securities issued by banks and other financial institutions domiciled in Italy and Spain, compared to $342 million at December 31, 2012. Of the Spanish holdings of $229 million, $202 million are Sterling denominated bonds issued by U.K. domiciled Prudential Regulation Authority (PRA) regulated subsidiaries of Spanish financial institutions. The Company does not have any holdings of banks and other financial institutions domiciled in Greece or Portugal.

At December 31, 2013, 97% of the $13.4 billion carrying value of debt securities invested in banks and other financial institutions was rated investment grade.

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

Mortgage portfolio

	December 31, 2013				December 31, 2012	
Mortgage loans by type	Insured	Non-insured	Total		Total	
Single family residential	$ 913	$ 845	$ 1,758	9%	$ 1,676	9%
Multi-family residential	2,648	2,164	4,812	25	4,358	25
Commercial	205	12,288	12,493	66	11,841	66
Total	**$ 3,766**	**$ 15,297**	**$ 19,063**	**100%**	$ 17,875	100%

The total mortgage portfolio was $19.1 billion or 14% of invested assets at December 31, 2013 compared to $17.9 billion or 15% of invested assets at December 31, 2012. Total insured loans were $3.8 billion or 20% of the mortgage portfolio.

Single family residential mortgage

	December 31, 2013		December 31, 2012	
Region				
Ontario	$ 826	47%	$ 757	45%
Quebec	392	22	398	24
Alberta	123	7	122	7
British Columbia	109	6	109	7
Newfoundland	93	5	86	5
Nova Scotia	63	4	63	4
Saskatchewan	63	4	54	3
Manitoba	45	3	43	3
New Brunswick	41	2	40	2
Other	3	–	4	–
Total	$ 1,758	100%	$ 1,676	100%

During the twelve month period ended December 31, 2013, single-family mortgage originations, including renewals, were $561 million of which 34% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfill its obligations related to the mortgage. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single-family residential mortgage portfolio is 22 years as at December 31, 2013.

Commercial mortgages

	December 31, 2013				December 31, 2012			
	Canada	U.S.	Europe	Total	Canada	U.S.	Europe	Total
Retail & shopping centres	$ 3,422	$ 488	$ 1,298	$ 5,208	$ 3,239	$ 403	$ 1,247	$ 4,889
Office buildings	1,365	429	613	2,407	1,431	272	639	2,342
Industrial	1,733	1,276	744	3,753	1,848	1,301	444	3,593
Other	422	311	392	1,125	464	163	390	1,017
Total	$ 6,942	$ 2,504	$ 3,047	$ 12,493	$ 6,982	$ 2,139	$ 2,720	$ 11,841

Equity portfolio

	December 31, 2013		December 31, 2012	
Equity portfolio by type				
Publicly traded stocks	$ 7,678	60%	$ 6,351	60%
Privately held equities (at cost)	876	7	700	7
Subtotal	8,554	67%	7,051	67%
Investment properties	4,288	33	3,572	33
Total	$ 12,842	100%	$ 10,623	100%

Investment properties

	December 31, 2013				December 31, 2012			
	Canada	U.S.	Europe	Total	Canada	U.S.	Europe	Total
Office buildings	$ 748	$ –	$ 816	$ 1,564	$ 730	$ 1	$ 531	$ 1,262
Industrial	287	–	539	826	137	–	480	617
Retail	203	–	1,075	1,278	199	2	961	1,162
Other	275	4	341	620	248	5	278	531
Total	$ 1,513	$ 4	$ 2,771	$ 4,288	$ 1,314	$ 8	$ 2,250	$ 3,572

Equity portfolio – The total equity portfolio was $12.8 billion or 9% of invested assets at December 31, 2013 compared to $10.6 billion or 9% of invested assets at December 31, 2012. The equity portfolio consists of public stocks, private equity and investment properties. Publicly traded stocks increased approximately $1.3 billion in 2013 primarily due to net market value increases and the acquisition of Irish Life which contributed $0.2 billion. Privately held equities carried at cost increased by $0.2 billion due to the acquisition of Irish Life. The increase in investment properties of $0.7 billion is mainly a result of the acquisition of Irish Life which contributed $0.3 billion, net market value increases and the strengthening of the British pound against the Canadian dollar.

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

Impaired investments

	December 31, 2013			December 31, 2012		
	Gross amount	Impairment recovery/ (provision)	Carrying amount	Gross amount	Impairment recovery/ (provision)	Carrying amount
Impaired investments by type						
Fair value through profit or loss	$ 355	$ 29	$ 384	$ 411	$ (46)	$ 365
Available-for-sale	21	(2)	19	33	(6)	27
Loans and receivables	59	(25)	34	62	(21)	41
Total	$ 435	$ 2	$ 437	$ 506	$ (73)	$ 433

The gross amount of impaired investments totaled $435 million or 0.3% of portfolio investments (including certain assets reported as funds held by ceding insurers) at December 31, 2013 compared with $506 million or 0.4% at December 31, 2012, a net decrease of $71 million. Impaired investments decreased mostly as a result of dispositions and repayments of $110 million which were partly offset by in-year impairments of $9 million and a strengthening of the U.S. dollar and British pound against the Canadian dollar of $30 million.

The impaired amount at December 31, 2013 was a net recovery of $2 million compared to a net provision of $73 million at December 31, 2012. The primary reason for the change was an increase in the fair values of the remaining impaired investments. While the fair values have improved on certain impaired assets, these assets remain impaired based on other impairment factors as described in the Company's significant accounting policies.

Provision for future credit losses

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

At December 31, 2013, the total provision for future credit losses in insurance contract liabilities was $2,795 million compared to $2,559 million at December 31, 2012, an increase of $236 million mostly due to the $70 million impact of the acquisition of Irish Life, currency movement and normal business activity.

The aggregate of impairment provisions, excluding positive mark-to-market of $40 million ($7 million at December 31, 2012), of $38 million ($80 million at December 31, 2012) and $2,795 million ($2,559 million at December 31, 2012) for future credit losses in insurance contract liabilities represents 2.4% of bond and mortgage assets including funds held by ceding insurers at December 31, 2013 (2.4% at December 31, 2012).

Derivative financial instruments

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in the fourth quarter of 2013. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions which require both the pledging and accepting of collateral in connection with its derivative transactions. Total financial collateral, including initial margin and overcollateralization received on derivative assets, was $19 million ($25 million at December 31, 2012) and pledged on derivative liabilities was $222 million ($118 million at December 31, 2012).

During the twelve month period ended December 31, 2013 the outstanding notional amount of derivative contracts increased by $7.6 billion. The increase includes $660 million of derivatives held by Irish Life. Excluding Irish Life, the outstanding notional amount increased $6.9 billion primarily as a result of the purchase of six month equity put options on the S&P 500 related to a macro capital hedge with a notional amount of $7.1 billion at December 31, 2013. Other derivative activity in 2013 includes the expiry of equity put options with a notional amount of $849 million, the addition of foreign exchange forward contracts that fix the euro to the British pound rate on approximately €300 million of the Irish Life investment and regular hedging activity in connection with the Company's asset and liability positions.

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

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $593 million at December 31, 2013 from $997 million at December 31, 2012. Market values decreased on cross currency swaps exchanging U.S. dollars for Canadian dollars for asset liability cash flow matching purposes as the U.S. dollar strengthened against the Canadian dollar. Market values also decreased on interest rate swaps that typically receive fixed rates and pay floating rates due to rising interest rates.

Goodwill and Intangible Assets

Goodwill and intangible assets

	December 31 2013	December 31 2012
Goodwill	**$ 5,812**	$ 5,397
Indefinite life intangible assets	**2,655**	2,442
Finite life intangible assets	**801**	673
Total	**$ 9,268**	$ 8,512

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life, Putnam and Irish Life. Goodwill and intangible assets have increased by $756 million to $9,268 million at December 31, 2013 compared to December 31, 2012.

Goodwill has increased $415 million to $5,812 million as a result of goodwill of $378 million related to the acquisition of Irish Life and positive currency movement.

Indefinite and finite life intangible assets have increased $341 million primarily due to the acquisition of Irish Life. At acquisition date, Irish Life indefinite life intangible assets were valued at $131 million and finite life intangible assets were valued at $116 million. Positive currency movement also contributed to the increase partly offset by in-period write downs of intangibles.

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and intangibles at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the fourth quarter of 2013, the Company conducted its annual impairment testing of goodwill and intangible assets. As a result of the testing, the Company recognized an impairment to intangible assets of $37 million ($32 million after-tax) of which $34 million ($30 million after-tax) related to infinite intangible assets related to 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 transaction. The impairment charge also included $3 million ($2 million after-tax) related to finite life intangible software assets in the Canadian segment.

Refer to note 12 to the Company's annual consolidated financial statements for further detail of the Company's goodwill and intangible assets. Also refer to the "Summary of Critical Accounting Estimates" section of this document for details on impairment testing of these assets.

Other General Fund Assets

Other general fund assets

	December 31 2013	December 31 2012
Funds held by ceding insurers(1)	**$ 10,832**	$ 10,599
Reinsurance assets	**5,070**	2,064
Premiums in course of collection, accounts and interest receivable	**3,068**	2,647
Other assets(1)	**2,220**	1,571
Deferred tax assets	**1,167**	1,142
Derivative financial instruments	**593**	997
Owner occupied properties	**590**	514
Fixed assets	**211**	154
Current income taxes	**165**	162
Total	**$ 23,916**	$ 19,850

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

Total other general fund assets at December 31, 2013 were $23.9 billion, an increase of $4.1 billion from December 31, 2012. Excluding the impact of Irish Life of $3.8 billion, of which $3.3 billion related to reinsurance assets, other general fund assets increased by $260 million.

Other assets comprise several items including prepaid amounts and accounts receivable. Refer to note 14 to the Company's annual consolidated financial statements for a breakdown of other assets.

Investments on Account of Segregated Fund Policyholders

Segregated funds

	Dec 31 2013	Dec 31 2012	Jan 1 2012
Stocks and units in unit trusts(1)	**$ 62,882**	$ 35,154	$ 32,651
Mutual funds(1)	**41,555**	34,100	31,234
Bonds	**34,405**	24,070	21,594
Cash and other	**10,454**	3,172	3,343
Investment properties	**8,284**	6,149	5,457
Mortgage loans	**2,427**	2,303	2,303
Sub Total	**$160,007**	$104,948	$ 96,582
Non-controlling mutual funds interest(1)	**772**	484	403
Total	**$160,779**	$105,432	$ 96,985
Year-over-year growth	**52%**	9%	

(1) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements.*

Investments on account of segregated fund policyholders which are measured at fair value, increased by $55.3 billion to $160.8 billion at December 31, 2013, primarily due to the $36.3 billion impact of amounts acquired in the acquisition of Irish Life. Also contributing to the increase were market value gains and reinvested investment income of $12.9 billion and the impact of currency movement of $7.2 billion, partially offset by net withdrawals of $1.3 billion.

Proprietary Mutual Funds

Proprietary mutual funds and institutional net assets

	December 31	
	2013	2012
Mutual funds		
Blend equity	**$ 26,808**	$ 16,827
Growth equity	**12,314**	9,380
Equity value	**18,202**	13,518
Fixed income	**28,001**	25,658
Money market	**119**	129
Great-West Financial Funds[1]	**5,986**	3,967
Sub-total	**91,430**	69,479
Institutional accounts		
Equity	**58,414**	36,831
Fixed income	**35,167**	28,288
Other	**232**	–
Sub-total	**93,813**	65,119
Total proprietary mutual funds and institutional accounts	**$185,243**	$134,598

(1) Excludes $819 million of assets wherein Putnam is the sub-advisor.

At December 31, 2013, total proprietary mutual funds and institutional accounts includes $164.5 billion at Putnam and Great-West Financial, $4.1 billion at Quadrus, and $16.6 billion at Irish Life. Excluding the impact of the acquisition of Irish Life, proprietary mutual funds and institutional accounts under management increased by $34.0 billion, primarily as a result of an increase in market values of $21.8 billion, the positive impact of currency movement of $10.7 billion and net inflows of $1.5 billion.

Liabilities

Total liabilities

	December 31	
	2013	2012
Insurance and investment contract liabilities[1]	**$132,063**	$ 120,712
Other general fund liabilities[1]	**13,064**	10,695
Investment and insurance contracts on account of segregated fund policyholders[2]	**160,779**	105,432
Total	**$305,906**	$ 236,839

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

(2) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Total liabilities increased by $69.1 billion to $305.9 billion at December 31, 2013 from December 31, 2012, primarily due to the acquisition of Irish Life.

Insurance and investment contract liabilities increased by $11.4 billion, primarily due to the $7.0 billion impact of the acquisition of Irish Life. Investment and insurance contract liabilities on account of segregated fund policyholders increased by $55.3 billion primarily due to the $36.3 billion impact of amounts acquired in the acquisition of Irish Life. Also contributing to the increase, were market value gains and reinvested investment income of $12.9 billion and the impact of currency movement of $7.2 billion, partially offset by net withdrawals of $1.3 billion.

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

Assets supporting insurance and investment contract liabilities

	Participating account	Non-Participating			Total
		Canada	United States	Europe	
December 31, 2013					
Bonds	**$ 17,342**	**$ 16,157**	**$ 15,508**	**$ 27,273**	**$ 76,280**
Mortgage loans	**7,881**	**3,769**	**2,911**	**3,290**	**17,851**
Stocks	**5,066**	**1,796**	**–**	**225**	**7,087**
Investment properties	**1,192**	**3**	**–**	**2,460**	**3,655**
Other assets	**8,210**	**4,173**	**619**	**14,188**	**27,190**
Total assets	**$ 39,691**	**$ 25,898**	**$ 19,038**	**$ 47,436**	**$ 132,063**
Total insurance and investment contract liabilities	**$ 39,691**	**$ 25,898**	**$ 19,038**	**$ 47,436**	**$ 132,063**
December 31, 2012					
Bonds	$ 17,999	$ 17,519	$ 14,280	$ 22,420	$ 72,218
Mortgage loans	7,131	4,428	2,464	2,827	16,850
Stocks	4,336	1,565	–	127	6,028
Investment properties	998	3	–	2,173	3,174
Other assets	7,570	3,768	612	10,492	22,442
Total assets	$ 38,034	$ 27,283	$ 17,356	$ 38,039	$ 120,712
Total insurance and investment contract liabilities	$ 38,034	$ 27,283	$ 17,356	$ 38,039	$ 120,712

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

Asset and liability cash flows are carefully matched within reasonable limits to minimize the financial effects of a shift in interest rates. This practice has been in effect for many years and has helped shield the Company's financial position from interest rate volatility.

Other General Fund Liabilities

Other general fund liabilities

	December 31	
	2013	2012[1]
Debentures and other debt instruments	**$ 5,740**	$ 4,283
Other liabilities	**2,807**	2,956
Accounts payable	**1,583**	1,258
Current income taxes	**981**	649
Deferred tax liabilities	**776**	708
Derivative financial instruments	**744**	342
Funds held under reinsurance contracts	**270**	335
Capital trust debentures	**163**	164
Total	**$13,064**	$ 10,695

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

Total other general fund liabilities increased by $2.4 billion to $13.1 billion, primarily due to $0.7 billion of 10-year euro-denominated bonds issued in the second quarter of 2013 and $1.1 billion of Irish Life other general fund liabilities.

Other liabilities include pension and other post-retirement benefits, deferred income reserve, bank overdraft and other liability balances. Refer to note 20 to the Company's annual consolidated financial statements for a breakdown of the balances and to note 18 for details of the debentures and other debt instruments.

Investment Guarantees Associated with Wealth Management Products

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

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

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

For business written prior to June 2012, the guarantees in connection with the Canadian retail segregated fund businesses of Great-West Life, London Life and Canada Life have been reinsured to London Reinsurance Group Inc. (LRG). This does not include the new Canadian products launched in 2009, which have been reinsured to London Life. In addition to the guarantees reinsured from Great-West Life, London Life and Canada Life, LRG also has a closed portfolio of GMDB, GMAB, and guaranteed minimum income benefits (GMIB) that it has reinsured from other U.S. and Canadian life insurance and reinsurance companies.

In Europe, the Company offers UWP products through Canada Life and unit-linked products with investment guarantees through Irish Life. These products are similar to segregated fund products, but include pooling of policyholders' funds and minimum credited interest rates. A GMWB product was introduced by Canada Life in Germany in the first quarter of 2009 and in Ireland in the fourth quarter of 2011. As at September 30, 2013, the GMWB product is no longer offered in Ireland.

In the U.S., the Company offers variable annuities with GMDB through Great-West Financial and Great-West Life & Annuity Insurance Company of New York. Most are a return of premium on death with the guarantee expiring at age 70. A GMWB product offered through Great-West Financial was introduced in the U.S. in the second quarter of 2010.

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

For purposes of determining the required capital for these guarantees a Total Gross Calculated Requirement (TGCR) is determined and the required capital is equal to the TGCR less the policy liabilities held. The TGCR was $218 million at December 31, 2013 ($30 million at December 31, 2012). The Office of the Superintendent of Financial Institutions (OSFI) rules for the TGCR provide for a CTE98 level for cash flows within one year, CTE95 level for cash flows between one and five years, and between CTE90 level and CTE95 level for cash flows greater than five years. The TGCR is determined separately for business written on or after January 1, 2011, as this business is subject to more stringent rules and cannot be offset by business written prior to 2011. All Canadian business is valued using OSFI approved internal models or approved OSFI factors.

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

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

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

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

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

The GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2013, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,674 million ($2,110 million at December 31, 2012).

Segregated funds guarantee exposure

		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					
Insurance & Annuities	7,537	–	16	52	52
Reinsurance**	1,146	260	–	22	282
	8,683	**260**	**16**	**74**	**334**
Total	**$ 44,315**	**$ 260**	**$ 48**	**$ 217**	**$ 477**

* 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.

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

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity, or death) assuming it occurred on December 31, 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 $2 million in-quarter and $24 million year-to-date, with the majority arising in the Europe segment.

LIFECO CAPITAL STRUCTURE

Debentures and Other Debt Instruments

Debentures and other debt instruments increased by $1,457 million compared to 2012 primarily due to €500 million of euro-denominated 10-year bonds issued as part of the Company's financing for its acquisition of Irish Life. The bonds pay an annual coupon of 2.50% and were priced at 99.755% of par for a yield to maturity of 2.528%. The bonds are rated A+ by Standard & Poor's Ratings Services and are listed on the Irish Stock Exchange. This was Lifeco's first debt issuance in the euro market. In the Irish Life transaction, Lifeco acquired an outstanding €200 million Step-Up Perpetual Capital Note and a €50 million mortgage, both previous Irish Life transactions. The €200 million perpetual capital note pays a 5.25% fixed rate coupon until February 2017, after which it may be redeemed at par or left outstanding at a reset coupon of 3 month EURIBOR +203 bps. The 5.25% fixed rate coupon has been swapped to a floating rate of 3 month EURIBOR plus 99.75 bps until February 2017.

In 2013, Lifeco renewed a US$500 million revolving credit facility agreement with a syndicate of banks for 3 years. This Lifeco-guaranteed Putnam facility expires June 17, 2016. As at December 31, 2013, US$450 million (US$200 million at December 31, 2012) was drawn.

Consent Solicitation

On October 31, 2013, Lifeco successfully completed a consent solicitation of the holders of its 6.67% debentures due March 21, 2033 and amended the related trust indenture dated March 21, 2003. The Company paid each 2033 debenture holder $17.50 per $1,000 principal amount to remove the replacement capital covenant relating to certain preferred shares (Lifeco series F,G,H,I,L,M) and the Great-West Lifeco Finance (Delaware) 5.691% and 7.127% subordinated debentures.

The removal of the replacement capital covenant provides the Company with the ability to be responsive to credit rating agency considerations and regulatory capital developments while providing greater flexibility to manage its capital structure.

Refer to note 18 to the Company's annual consolidated financial statements for further details of the Company's debentures and other debt instruments.

CAPITAL TRUST SECURITIES

Canada Life Capital Trust Securities (CLiCS) – At December 31, 2013, the Company has $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B) of which $47 million of these securities are included in the Company's invested assets ($45 million at December 31, 2012).

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

EQUITY

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

Share capital outstanding at December 31, 2013 was $9,426 million, which comprises $7,112 million of common shares, $2,064 million of fixed rate First Preferred Shares, and $250 million of rate reset First Preferred Shares.

Common shares

At December 31, 2013, the Company had 999,402,079 common shares outstanding with a stated value of $7,112 million compared to 950,596,440 common shares with a stated value of $5,848 million at December 31, 2012.

Included in the shares outstanding are 48,660,000 subscription receipts that were exchanged on a one-for-one basis for Lifeco common shares upon completion of the Irish Life acquisition on July 18, 2013. This increased the stated capital by approximately $1.2 billion, net of transaction costs.

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

During the twelve months ended December 31, 2013, the Company repurchased and subsequently cancelled 1,885,381 common shares (2012 – nil) at an average cost per share of $31.32 under its Normal Course Issuer Bid (NCIB) program.

In order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan, the Company renewed its NCIB on December 9, 2013 for one year, enabling the Company to purchase and cancel up to 6,000,000 of its common shares at market prices.

Preferred shares

At December 31, 2013, the Company had nine series of fixed perpetual preferred shares and one series of rate reset perpetual preferred shares outstanding with aggregate stated values of $2,064 million and $250 million respectively. Lifeco redeemed all its outstanding $230 million Series J Rate Reset Preferred Shares on December 31, 2013 for $25.00 per share, plus an amount equal to all declared and unpaid dividends thereon, less any tax required to be deducted and withheld by the corporation. The terms and conditions of the outstanding preferred shares are set out in the table below:

			Great-West Lifeco Inc.		
	Series F	Series G	Series H	Series I	Series L
General Type	Fixed rate perpetual	Fixed rate perpetual	Fixed rate perpetual	Fixed Rate Perpetual	Fixed rate perpetual
Cumulative/Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Date Issued	Jul 10, 2003	Sep 14, 2004	Aug 12, 2005	Apr 12, 2006	Oct 2, 2009
Shares Outstanding	7,740,032	12,000,000	12,000,000	12,000,000	6,800,000
Amount Outstanding (Par)	$193,500,800	$300,000,000	$300,000,000	$300,000,000	$170,000,000
Yield	5.90%	5.20%	4.85%	4.50%	5.65%
Earliest Issuer Redemption Date	Sep 30, 2008	Dec 31, 2009	Sep 30, 2010	Jun 30, 2011	Dec 31, 2014

			Great-West Lifeco Inc.		
	Series M	Series N[1]	Series P	Series Q	Series R
General Type	Fixed rate perpetual	5-Year Rate Reset	Fixed rate perpetual	Fixed rate perpetual	Fixed rate perpetual
Cumulative/Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative	Non-Cumulative
Date Issued	Mar 4, 2010	Nov 23, 2010	Feb 22, 2012	Jul 6, 2012	Oct 11, 2012
Shares Outstanding	6,000,000	10,000,000	10,000,000	8,000,000	8,000,000
Amount Outstanding (Par)	$150,000,000	$250,000,000	$250,000,000	$200,000,000	$200,000,000
Yield	5.80%	3.65%	5.40%	5.15%	4.80%
Earliest Issuer Redemption Date	Mar 31, 2015	Dec 31, 2015	Mar 31, 2017	Sep 30, 2017	Dec 31, 2017

(1) On December 31, 2015 and on December 31 every five years thereafter, the Lifeco Series N First Preferred Shares dividend rate will reset so as to equal the then current five-year Government of Canada bond yield plus 1.30%. Lifeco has the right to redeem the Lifeco Series N First Preferred Shares, in whole or in part, on December 31, 2015 and on December 31 every five years thereafter for $25.00 cash per share plus declared and unpaid dividends. Subject to Lifeco's right of redemption and certain other restrictions on conversion described in Lifeco's articles, each Lifeco Series N First Preferred Share is convertible at the option of the holder on December 31, 2015 and on December 31 every five years thereafter into one Lifeco Series O First Preferred Share, which will carry a floating rate non-cumulative preferential cash dividend, as and when declared by the Board of Directors.

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

Non-Controlling Interests

The Company's non-controlling interests include participating account surplus in subsidiaries and non-controlling interests in subsidiaries. Refer to note 22 to the Company's annual consolidated financial statements for further details.

Non-controlling interests

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

Liquidity and Capital Management and Adequacy

Liquidity

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by generating internal funds and maintaining adequate levels of liquid investments. The Company holds cash and cash equivalents at the Lifeco holding company level and Lifeco consolidated subsidiary companies. At December 31, 2013, Lifeco held cash and cash equivalents of $6.4 billion ($5.0 billion at December 31, 2012) and government bonds of $28.3 billion ($25.8 billion at December 31, 2012). Irish Life contributed $0.4 billion in cash and cash equivalents in 2013. At December 31, 2013, the Company held cash and cash equivalents of approximately $0.6 billion ($0.5 billion at December 31, 2012) at the Lifeco holding company level. In addition, the Company maintains sizable committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

Liquid assets and other marketable securities

	December 31	
	2013	2012
Liquid assets		
Cash, treasury bills and certificates of deposits	$ 6,404	$ 4,992
Government bonds	28,330	25,792
Total liquid assets	34,734	30,784
Other marketable securities		
Corporate bonds	35,135	32,548
Common/Preferred shares (public)	7,678	6,395
Residential mortgages – insured	3,561	3,433
Total	$81,108	$ 73,160

Cashable liability characteristics

	December 31	
	2013	2012
Surrenderable insurance and investment contract liabilities		
At market value	$15,727	$ 14,483
At book value	38,631	35,721
Total	$54,358	$ 50,204

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

The carrying value of the Company's liquid assets and other marketable securities is approximately $81.1 billion or 1.5 times the Company's expected total surrenderable insurance and investment contract liabilities. The Company believes that it holds a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

Cash Flows

Cash flows

	For the three months ended December 31		For the twelve months ended December 31	
	2013	2012	**2013**	2012
Cash flows relating to the following activities:				
Operations	**$ 1,213**	$ 1,347	**$ 5,026**	$ 4,722
Financing	**(451)**	(345)	**493**	(1,037)
Investment	**(880)**	(1,001)	**(4,813)**	(3,838)
	(118)	1	**706**	(153)
Effects of changes in exchange rates on cash and cash equivalents	**113**	23	**190**	(8)
Increase (decrease) in cash and cash equivalents in the period	**(5)**	24	**896**	(161)
Cash and cash equivalents, beginning of period	**2,796**	1,871	**1,895**	2,056
Cash and cash equivalents, end of period	**$ 2,791**	$ 1,895	**$ 2,791**	$ 1,895

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

In the fourth quarter, cash and cash equivalents decreased by $5 million from September 30, 2013. Cash flows provided by operations during the fourth quarter of 2013 were $1,213 million, a decrease of $134 million compared to the fourth quarter of 2012. Cash flows used in financing were $451 million, primarily used for payment of dividends to the preferred and common shareholders of $340 million and redemption of preferred shares of $230 million, partly offset by an increase in a line of credit of a subsidiary of $147 million. For the three months ended December 31, 2013, cash flows were used by the Company to acquire an additional $880 million of investment assets.

For the twelve months ended December 31, 2013, cash and cash equivalents increased by $896 million from December 31, 2012. Cash flows provided from operations were $5,026 million, an increase of $304 million compared to 2012. Cash flows related to financing were $493 million, primarily due to proceeds of $1.25 billion from the issuance of common shares related to subscription receipts and $659 million from the issuance of euro-denominated bonds used for the purchase of Irish Life, partly offset by the payment of dividends to the preferred and common shareholders of $1,330 million. In 2013, cash flows were used by the Company to acquire an additional $4,813 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations

	Payments due by period						
At December 31, 2013	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
1) Debentures and other debt instruments	$ 5,757	$ 658	$ 322	$ –	$ 294	$ 200	$ 4,283
2) Operating leases							
– office	421	93	83	73	62	50	60
– equipment	16	7	5	3	1	–	–
3) Purchase obligations	197	61	33	28	25	17	33
4) Credit-related arrangements							
(a) Contractual commitments	466	466	–	–	–	–	–
(b) Letters of credit	see note 4(b) below						
5) Pension contributions	168	168	–	–	–	–	–
Total contractual obligations	$ 7,025	$ 1,453	$ 443	$ 104	$ 382	$ 267	$ 4,376

1) Refer to note 18 of the Lifeco annual consolidated financial statements.

2) Operating leases include office space and certain equipment used in the normal course of business. Lease payments are charged to operations over the period of use.

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

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

(b) Letters of credit (LOCs) are written commitments provided by a bank. The total amount of LOC facilities is US$3.0 billion of which US$2.6 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. Various Lifeco subsidiaries have provided LOCs as follows:

To external parties

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

Great-West Life Assurance Company has a letter of credit facility for US$650 million with a bank syndicate, which can be used by GWL and its subsidiaries. As of December 31, 2013, GWL subsidiaries have issued US$174 million to external parties.

Great-West Life Assurance Company also has a letter of credit facility for US$325 million for use by GWL and its subsidiaries. Under this facility, Canada Life has issued US$69 million to external parties to support reinsurance contracts.

As well, certain London Reinsurance Group subsidiaries and London Life have provided LOCs totaling US$7 million to external parties.

To internal parties

GWL&A Financial Inc. has a US$1.2 billion letter of credit facility. As of December 31, US$1,171 million has been issued to the U.S. branch of Canada Life as beneficiary, to allow it to receive statutory capital credit for reserves ceded to Great-West Life & Annuity Insurance Company of South Carolina.

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

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

Canada Life Reinsurance has a US$500 million letter of credit facility. As of December 31, US$369 million has been issued to Canada Life's US Branch.

In addition, using capacity from the facilities listed above, GWL subsidiaries have issued US$532 million to other subsidiaries.

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

Capital Management and Adequacy

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

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions.

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

Great-West Life's MCCSR ratio at December 31, 2013 was 223% (207% at December 31, 2012). London Life's MCCSR ratio at December 31, 2013 was 238% (243% at December 31, 2012). Canada Life's MCCSR ratio at December 31, 2013 was 231% (203% at December 31, 2012). The MCCSR ratio does not take into account any impact from $0.6 billion of liquidity at the Lifeco holding company level.

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

The combined impact of all capital activity and additional regulatory capital requirements related to the acquisition of Irish Life was +1 point on the Great-West Life MCCSR ratio. The related impact for Canada Life was +4 points and nil for London Life.

Of the $575 million total impact of IAS 19R, the Company's federally regulated subsidiaries were able to elect an amount of $454 million to phase in over eight quarters for MCCSR regulatory reporting purposes. Subsequent to the January 1, 2013 transition to IAS 19R, as per OSFI's 2013 MCCSR Guideline, quarterly re-measurements to defined benefit plans impacting available capital for the Company's federally regulated subsidiaries will be amortized over twelve quarters.

As at December 31, 2012, the Company's federally regulated subsidiaries completed the phase in of the impact on capital resulting from the conversion to IFRS. As a result of proposed future changes to the IFRS for measurement of insurance contract liabilities and the evolving nature of IFRS, there will likely be further regulatory capital and accounting changes, some of which may be significant.

In calculating the MCCSR position, available regulatory capital is reduced by goodwill and intangible assets, subject to a prescribed inclusion for a portion of intangible assets.

The capitalization decisions of the Company and its operating subsidiaries give consideration to the impact such actions may have on the opinions expressed by various credit rating agencies that provide financial strength and other ratings to the Company.

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

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

OSFI Regulatory Capital Initiatives

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

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

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

Capital Allocation Methodology

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

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

Return on equity

	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012[3]
Canada	**23.9%**	25.3%	22.7%
U.S. Financial Services[1]	**17.8%**	19.4%	20.9%
U.S. Asset Management (Putnam)	**(3.7)%**	(3.3)%	(2.4)%
Europe	**14.9%**	15.0%	18.2%
Lifeco Corporate[2]	**(12.6)%**	(6.7)%	(5.9)%
Total Lifeco Operating Earnings Basis[2]	**15.0%**	16.0%	16.5%
Total Lifeco Net Earnings Basis	**16.6%**	14.9%	15.3%

(1) Includes U.S. Corporate.
(2) The Company uses operating earnings, a non-IFRS financial measure, which excludes the impact of certain provisions described in note 33 to the Company's December 31, 2013 consolidated financial statements.
(3) Comparative figures have been updated for the impact of the adoption of IAS 19R, *Employee Benefits*.

ROE is the trailing four quarter calculation of net earnings divided by common shareholders' equity. The Company reported ROE based on net earnings of 16.6% compared to 15.3% at December 31, 2012. The Company achieved a 15.0% ROE on operating earnings of $491 million, in line with its long-term objective. ROE based on adjusted operating earnings of $540 million, which exclude the impact of restructuring and acquisition costs associated with the Irish Life acquisition and a macro capital hedge, was 15.9%.

Ratings

Lifeco and its major operating subsidiaries received strong ratings from the five rating agencies that rate the Company as set out below. The operating companies below are assigned a "fleet" rating from each rating agency. This fleet rating is predominantly supported by the Company's leading position in the Canadian insurance market and competitive positions in the U.S. and Europe. Great-West Life, London Life and Canada Life have common management, governance and strategy, as well as an integrated business platform. Each operating company benefits from the strong implicit financial support and collective ownership by Lifeco. There were no changes to the Company's credit ratings in the fourth quarter of 2013.

Rating agency	Measurement	Lifeco	Great-West Life	London Life	Canada Life	Great-West Financial
A.M. Best Company	Financial Strength		A+	A+	A+	A+
DBRS Limited	Claims Paying Ability		IC-1	IC-1	IC-1	NR
	Senior Debt	AA (low)				
	Subordinated Debt				AA (low)	
Fitch Ratings	Insurer Financial Strength		AA	AA	AA	AA
	Senior Debt	A				
Moody's Investors Service	Insurance Financial Strength		Aa3	Aa3	Aa3	Aa3
Standard & Poor's Ratings Services	Insurer Financial Strength		AA	AA	AA	AA
	Senior Debt	A+				
	Subordinated Debt				AA-	

The Irish Life €200 million perpetual capital notes assumed on acquisition are rated BBB- by the Standard & Poor's Ratings Services and BBB by Fitch Ratings. At December 31, 2013, Irish Life maintained its own credit rating and was not included as part of the fleet rating.

Risk Governance

The Board of Directors is ultimately accountable and responsible for the governance and oversight of risk throughout the Company and regularly reviews and approves the Company's Risk Appetite Framework and Enterprise Risk Management Policy.

The Risk Committee of the Board provides advice to the Board of Directors on enterprise risk oversight matters and approves and monitors compliance with specific risk policies. This committee also ensures that effective processes are in place for the identification, measurement, management, monitoring and reporting on risks.

The Executive Risk Management Committee (ERMC) is the executive level risk committee. The ERMC oversees all forms of risk and reviews compliance with risk policies and the Risk Appetite Framework.

The Company's Enterprise Risk Management Framework builds on a three lines of defence risk governance model. The first line of defence resides in the business units who are the ultimate owners of risk and have primary responsibility and accountability for risk processes. There is a strong risk awareness culture at the Company that is embedded in the first line business units. The second line of defence includes the Risk, Actuarial, Compliance and Finance functions which are accountable for the independent oversight of risk taking. As the third line of defence, Internal Audit is accountable for independent assurance and validation of the design and effectiveness of the Company's Enterprise Risk Management Framework.

Risk Management and Control Practices

Insurance companies are in the business of assessing, structuring, pricing, assuming and managing risk. The types of risks are many and varied, and will be influenced by factors both internal and external to the businesses operated by the insurer. These risks, and the control processes used to manage the risks, may be broadly grouped into four categories:

1. Insurance Risks
2. Investment and Financial Market Risks
3. Operational Risks
4. Other Risks

The risks specifically associated with the Asset Management business are discussed in Operational Risks. It must be noted, however, that items included in the third or fourth categories, such as legal, rating, regulatory or reputational risks, may still represent significant risks notwithstanding the expectation that they may be less likely to be realized or may be of a lesser magnitude.

Insurance Risks

General

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

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

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

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

The following identifies the key overarching insurance risks, and risk management techniques used by the Company.

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

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

INVESTMENT AND FINANCIAL MARKET RISKS

The Company acquires and manages asset portfolios to produce risk adjusted returns in support of policyholder obligations and corporate profitability. Portfolio investments consist of bonds, stocks, mortgage loans and investment properties. Derivatives include Interest Rate Contracts (futures, swaps, written options, purchased options), Foreign Exchange Contracts (forward contracts, cross currency swaps) and other derivative contracts (equity contracts, credit default swaps). The Boards of Directors or the Executive Committees and the Investment Committees of the Boards of Directors (Investment Committees) of certain principal subsidiaries of Lifeco annually approve Investment and Lending Policies, as well as Investment Procedures and Guidelines. Investments are made in accordance with these investment policies which provide guidance on the mix of assets allowable for each product segment.

A comprehensive report on compliance with these policies and guidelines is presented to the Boards of Directors or Investment Committees annually, and the Internal Audit department conducts an independent review of compliance with investment policies, procedures and guidelines on a periodic basis.

The significant investment or financial market risks associated with the business are outlined below.

Risk	Management of Risk
Interest Rate Risk	
Interest rate risk exists if the cash flows of the liabilities and those of the assets supporting these liabilities are not closely matched and interest rates change causing a difference in value between the assets and liabilities.	Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the liability product cash flows. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. Protection against interest rate change is achieved as any change in the fair market value of the liabilities will be offset by a similar change in the fair value of the assets. For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of shorter duration than the anticipated timing of the benefit payments. The Company regularly monitors market and liability developments and may execute from time-to-time risk reduction programs, such as hedging. Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
Equity Market Risk	
Given the volatility in equity markets, income in any year may be adversely affected by decreases in market values, notwithstanding the Company's long-term expectation of investment returns appropriate for this asset class. Returns from equities backing a portion of the non-adjustable life and living benefits insurance contract liabilities may be insufficient.	The Company's investment policy guidelines provide for prudent investment in equity markets within clearly defined limits. Exposure to common stocks and investment properties is managed to provide returns that are consistent with the requirements of the underlying segment. The Investment Policy sets out limits for equity investments. For those used to support non-adjustable policies, the time horizon for such investments is very long-term and the policy elements backed by these equities pose little or no liquidity risk. The allowable level of equities has been determined after carefully evaluating the tolerance for short-term income statement volatility and the balance between this volatility and long-term economic value.
Credit Risk	
The risk of loss if debtors, counterparties or intermediaries are unable or unwilling to fulfill their financial obligations.	It is Company policy to acquire only investment grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class. Credit ratings for bonds are determined by an internal credit assessment, taking into consideration the ratings assigned by recognized rating agencies. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment Committees. Derivative products are traded with counterparties approved by the Boards of Directors or the Investment Committees. Derivative counterparty credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators. Companies providing reinsurance to the Company are reviewed for financial soundness as part of the ongoing monitoring process. The Company regularly monitors investment markets and economic conditions and may execute from time-to-time risk reduction programs, such as hedging.

Liquidity Risk	
The risk of loss if insufficient funds are available to meet anticipated operating and financing commitments and unexpected cash demands.	The Company closely manages operating liquidity through cash flow matching of assets and liabilities and maintaining adequate liquidity sources to cover unexpected payments. The Company forecasts earned and required yields to ensure consistency between policyholder requirements and the yield of assets.
There is a risk of default if the Company is unable to post adequate collateral with derivative counterparties.	The Company carefully considers whether or not to enter into derivative arrangements on a collaterized or uncollaterized basis. Where the Company or its subsidiaries enter into collaterized arrangements, the Company periodically tests the availability of suitable collateral under stress scenarios.
In the normal course of its Reinsurance business, the Company provides LOCs to other parties, or beneficiaries. A beneficiary will typically hold a LOC as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from the Company. The Company may be required to seek collateral alternatives it if was unable to renew existing LOCs at maturity.	Management monitors its use of LOCs on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit. The Company has contractual rights to reduce the amount of LOCs issued to the LOC beneficiaries for certain reinsurance treaties.
Foreign Exchange Risk	
The Company's revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations due to the movement of the Canadian dollar against these currencies. Such fluctuations affect financial results. The Company has significant exposures to the U.S. dollar resulting from the operations of Great-West Financial and Putnam in the United States segment and Reinsurance and to the British pound and the euro resulting from operations in the U.K., Isle of Man, Ireland and Germany in the Europe segment. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income (loss). Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted. A 1% appreciation (depreciation) of the average exchange rate of the Canadian dollar to the U.S. dollar, British pound and euro together would decrease (increase) operating earnings in 2013 by $11 million. A 1% appreciation (depreciation) of the Canadian dollar compared to the average U.S. dollar, British pound and euro together would decrease (increase) the unrealized foreign currency translation losses in accumulated other comprehensive income (loss) of shareholders' equity by $106 million as at December 31, 2013.	Management utilizes forward foreign currency contracts and foreign denominated debt to mitigate the volatility arising from the movement of rates as they impact the translation of net investments in foreign operations. The Company uses non-IFRS financial measures such as constant currency calculations to assist in communicating the effect of currency translation fluctuation on financial results. Investments are normally denominated in the same currency as the liabilities they support. Foreign currency assets acquired to back liabilities are generally converted back to the currency of the liabilities using foreign exchange contracts.
Derivative Instruments	
There is a risk of loss if derivatives are used for inappropriate purposes.	Approved policies only allow derivatives to be used to hedge imbalances in asset and liability positions or as substitutes for cash instruments. The Company's risk management process governing the use of derivative instruments requires that the Company act only as an end-user of derivative products, not as a market maker. The use of derivatives may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts, as well as interest rate caps, floors and collars. There were no major changes to the Company's and its subsidiaries' policies and procedures with respect to the use of derivative financial instruments in 2013.

Operational Risks

Following are the significant operational risks associated with the business.

Risk	**Management of Risk**
Operational Risk	
There is a risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. A significant proportion of Irish Life's employees are unionized workforce which may impact the achievement of integration plans.	The Company manages and mitigates internal operational risks through integrated and complementary policies, procedures, processes and practices. Human Resources hiring, performance evaluation, promotion and compensation practices are designed to attract, retain and develop the skilled personnel required. A comprehensive job evaluation process is in place and training and development programs are supported. Each business area provides training designed for their specific needs and has developed appropriate internal controls. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors. The Company applies a robust project management discipline to all significant initiatives. Appropriate security measures protect premises and information. The Company has emergency procedures in place for short-term incidents or outages and is committed to maintaining business continuity and disaster recovery plans in every business location for the recovery of critical functions in the event of a disaster, which include offsite backup data storage and alternative work area facilities.
Changes in Managed Asset Values	
The Company's investment fund businesses are fee-based, with revenue and profitability based primarily on the market value of investment fund assets under management. Accordingly, fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management which is affected by prevailing market conditions, and the inflow and outflow of client assets (including purchases and redemptions). Factors that could cause assets under management and revenues to decrease include declines in equity markets, changes in fixed income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue and income.	Through its wide range of funds, the Company seeks to limit its risk exposure to any particular financial market. In its Canadian segregated fund business, the Company encourages its clients to follow a diversified long-term asset allocation approach to reduce the variability of returns and the frequency of fund switching. As a result of this approach, a significant proportion of individual segregated fund assets are in holdings of either a diversified group of funds or "fund of funds" investment profiles, which are designed to improve the likelihood of achieving optimal returns within a given level of risk. The investment process for assets under management is primarily based upon fundamental research with quantitative research and risk management support. Fundamental research includes valuation analysis, economic, political, industry and company research, company visits, and the utilization of such sources as company public records and activities, management interviews, company prepared information, and other publicly available information, as well as analyses of suppliers, customers and competitors. Quantitative analysis includes the analysis of past trends and the use of sophisticated financial modeling to gauge how particular securities may perform. Putnam's risk management capability analyzes securities across all the Putnam Funds and other portfolios to identify areas of over concentration and other potential risks. In some cases the Company charges fees that are not related to assets but are based on premiums or other metrics, which reduces the sensitivity of income to market movements.
Staff Recruitment/Retention	
The Company is highly dependent on its ability to attract, retain and motivate highly skilled, and often highly specialized, personnel. The market for these professionals is extremely competitive and is increasingly characterized by movement among different firms. The loss of the services of key personnel or failure to attract replacement or additional qualified personnel could negatively affect financial performance. Failure to offer or maintain competitive compensation packages may result in increased levels of turnover among these professionals. Any increase in compensation to attract or retain key personnel could result in a decrease in net earnings. Departures of key personnel could lead to the loss of clients, which could have an adverse effect on results of operations and financial condition.	The Company uses external consultants to obtain benchmark compensation data and works closely with the Board of Directors to develop competitive compensation packages for key personnel. The Company also uses incentive based compensation instruments such as share grants of Putnam and Lifeco share options to retain and attract key personnel. Compensation of this type generally links the performance of the Company and an employee's ultimate compensation.

Contract Termination	
The retirement and investment services and asset and wealth management businesses derive substantially all of their revenue and net earnings from investment advisory agreements and service agreements with mutual funds and from other investment products. The contracts are terminable on relatively short notice without cause and management and distribution fees must be approved annually. The termination of, or failure to renew, one or more of these agreements or the reduction of the fee rates applicable to such agreements, could impact the Company's revenues and profits.	The Company devotes substantial resources to the investment management process and seeks to achieve consistent, dependable and superior performance results over time for all client portfolios. Assets under management are spread across a wide range of investment objectives, which creates diversity in the product lines. The Company's exposure to the segregated and mutual funds is spread across many individual funds. Considerable resources are devoted to maintaining a strong relationship with the Plan trustees or other applicable fiduciaries of the funds under the relevant agreements. Company representatives meet frequently with the various committees, Plan trustees and other fiduciaries to fulfill legal reporting requirements, keep them apprised of business developments, renegotiate contracts and/or address any issues they may have.
Access to Distribution	
The Company's ability to market its products is significantly dependent on its access to a client base of individual, corporate and public employee pension funds, defined contribution plan administrators, endowment funds, domestic and foreign institutions and governments, insurance companies, securities firms, brokers, banks, and other intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. In addition, certain investors rely on consultants to advise them on the choice of advisor and consultants may not always consider or recommend the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries, or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.	The Company has a broad network of distribution relationships. Products are distributed through numerous broker dealers, Managing General Agencies, financial planners and other financial institutions. In addition, Putnam has certain strategic alliances with investment management firms internationally. Putnam relies on its extensive global distribution group to market the Putnam Funds and other investment products across all major retail, institutional and retirement plan distribution channels.
Holding Company Structure	
As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. In the event of the bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company; in addition, the other creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of the relevant subsidiaries. Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set forth in relevant insurance, securities, corporate and other laws and regulations which require that solvency and capital standards be maintained by Great-West Life, London Life, CLFC, Canada Life, Great-West Financial, and their subsidiaries and certain subsidiaries of Putnam. There are considerable risks and benefits related to this structure.	Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access capital markets for funds. Management actively monitors the regulatory laws and regulations at both the holding company and operating company levels.

Other Risks

Other risks not specifically identified elsewhere include:

Risk	Management of Risk
Ratings	
Financial strength, claims paying ability ratings and ratings related to the issuance of financial instruments represent the opinions of rating agencies regarding the financial ability of Lifeco and its principal subsidiaries to meet its obligations, and are an important factor in establishing the competitive position of life insurance companies and affect financing costs. Rating organizations regularly analyze the financial performance and condition of insurers, including the Company's subsidiaries. Any ratings downgrades, or the potential for such downgrades, of the Company's subsidiaries could increase surrender levels of their insurance and annuity products and constrain the Company's ability to market and distribute products and services, and damage the Company's relationships with creditors, which may adversely impact future business prospects. These ratings represent an important consideration in maintaining customer confidence in the Company's subsidiaries and in their ability to market insurance and annuity products.	The Company strives to manage to a target credit rating by diligently monitoring the evolution of the rating criteria and processes of the various rating agencies.
Future Acquisitions	
From time-to-time, Lifeco and its subsidiaries evaluate existing companies, businesses, products and services, and such review could result in Lifeco or its subsidiaries disposing of or acquiring businesses or offering new, or discontinuing existing products and services. In the ordinary course of their operations the Company and its subsidiaries consider and discuss with third parties the purchase or sale of companies, businesses or business segments. If effected, such transactions could be material to the Company in size or scope, and could result in changes in the value of the securities of Lifeco, including the common shares of Lifeco.	Lifeco undergoes extensive due diligence upon any consideration of acquiring or disposing of businesses or companies or offering new, or discontinuing existing products and services. In its consideration of strategic acquisitions, the Company may determine it to be prudent to hold additional capital for contingencies that may arise during the integration period.
Legal and Regulatory Risk	
The Company and certain of its principal subsidiaries are subject to various legal and regulatory requirements imposed by common and civil law, legislation and regulation in Canada, the U.S., the U.K., Ireland and other jurisdictions applicable to reporting issuers and to insurance companies and companies providing investment management and other financial services (including supervision by governmental authorities in the jurisdictions in which they carry on business). These requirements, which include capital adequacy, liquidity and solvency requirements, investment restrictions, restrictions on the sale and marketing of insurance and annuity products and on the business conduct of insurers, asset managers and investment advisors, are primarily intended to protect policyholders, beneficiaries and investment advisory clients, not shareholders. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements, which in turn could lead to financial sanctions or penalties and damage to the Company's reputation, could have a material adverse effect on the Company. Regulators may reassess capital requirements from time-to-time and require additional capital to be held in various regulated subsidiaries. As well, regulatory capital requirements influence liquidity and the amount of capital that must be held by various regulated subsidiaries of the Company in particular jurisdictions and constrain the movement of capital from jurisdiction to jurisdiction, and accordingly such requirements may restrict the ability of such subsidiaries to declare and pay dividends to the Company. Potential regulatory changes in Canada include new guidance on capital requirements (OSFI's "Roadmap") currently expected in 2018, as well as new capital requirements for European entities being reviewed by the European Commission (Solvency II), currently expected in 2016.	The Company monitors compliance with the legal, regulatory, accounting and other standards and requirements in all jurisdictions where it conducts business and assesses trends in legal and regulatory change to keep business areas current and responsive. The risk of legal actions is managed through the various risk management and control practices described in this "Risk Management and Control Practices" section of this MD&A.

Legal and Regulatory Risk (cont'd)	
The Company adopted International Financial Reporting Standards (IFRS) on January 1, 2011 which impacted the opening surplus and net earnings of the Company. As well, new IFRS guidance including a revised standard on Insurance Contracts is being developed that may introduce significant change to the valuation of insurance contract liabilities and the presentation of results in financial statements. While there are significant uncertainties, as drafted, these accounting and regulatory developments may impact the financial position of the Company by subjecting the Company to widely fluctuating levels of reserve and capital requirements which would increase earnings volatility, therefore impacting the Company's flexibility to distribute cash to its providers of capital in the future. The Company and its subsidiaries operate in an increasingly regulated and litigious environment and as such are from time to time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could be material to the Company, or could result in significant damage to the reputation of the Company, which could in turn adversely impact future business prospects.	
Reputational Risk	
In the course of its business activities, the Company may be exposed to the risk that some actions may lead to damage to the Company's reputation and hence damage to its future business prospects. These actions may include unauthorized activities of employees or other people associated with the Company, inadvertent actions of the Company that become publicized and damage the Company's reputation, regular or past business activities of the Company that become the subject of regulator or media scrutiny and, due to a change of public perception, cause damage to the Company, or any other action or activity that gives rise to damage to the Company's general reputation.	The Company has ongoing controls to limit the unauthorized activities of people associated with the Company. The Company has adopted a Code of Business Conduct and Ethics which sets out the standards of business conduct to be followed by all directors, officers and employees of the Company. Further, the directors, officers and employees are required to sign off annually on their compliance with the Code of Business Conduct and Ethics. The Company also reacts to address situations that may escalate to a level that might give rise to damage to its reputation.
Reinsurance	
Through its subsidiaries, the Company is both a user and a provider of reinsurance, including both traditional reinsurance ceded, which is undertaken primarily to mitigate against assumed insurance risks, and financial reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited. The Company is required to pledge amounts of collateral or deposit amounts with counterparties in certain reinsurance transactions according to contractual terms. These arrangements could require additional requirements in the future depending on regulatory and market developments. While there are significant uncertainties in these developments and the associated impact on the financial position of the Company, these may impact the Company's financial flexibility.	The Company accounts for all reinsurance transactions in accordance with IFRS. In some cases, IFRS may differ from the accounting treatment utilized by the Company's reinsurers or its reinsureds based upon the rules applicable to them in their reporting jurisdictions. The Company believes that reinsurance transactions that it has entered into are appropriate and properly accounted for by the Company. Notwithstanding, the Company may, in connection with this type of reinsurance, be exposed to reputation or other risks depending on future events. The Company maintains a Corporate Reinsurance Ceded Risk Management policy which is reviewed and approved by the operating subsidiaries. Annually, the Chief Actuaries report to the Audit Committees, confirming compliance with the policy.
Support Systems and Customer Service Functions	
The ability to consistently and reliably obtain securities pricing information, accurately process client transactions and provide reports and other customer services is essential to the Company's operations. A failure of any of these systems could have an adverse effect on the Company's results of operations and financial condition. In addition, any delays or inaccuracies in obtaining pricing information, processing client transactions or providing reports, in addition to any inadequacies in other customer service could lead to loss of client confidence, harm to the Company's reputation, exposure to disciplinary action, and liability to the Company's clients. As part of normal operations, the Company maintains and transmits confidential information about its clients and proprietary information relating to its business operations. The Company could be subject to losses if it fails to properly safeguard sensitive and confidential information.	The Company's operations work with its systems and service providers to obtain reliability and efficiency of information systems. The Company utilizes high quality external systems and maintains controls relating to information security and also works with service providers to verify and assess the sufficiency of their controls.

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

Accounting Policies

Summary of Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The estimation of insurance 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 estimates include the following:

Fair Value Measurement

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

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

In accordance with IFRS 7, *Financial Instruments*: *Disclosure*, the Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

> Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
>
> Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
>
> Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability.

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

Refer to note 9 to the Company's annual consolidated financial statements for disclosure of the Company's financial instruments fair value measurement at December 31, 2013.

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

Fair values for public stocks are generally determined by the last bid price for the security from the exchange where it is principally traded. Fair values for stocks for which there is no active market are determined by discounting expected future cash flows based on expected dividends and where market value cannot be measured reliably, fair value is estimated to be equal to cost. Market values for investment properties are determined using independent appraisal services and include management adjustments for material changes in property cash flows, capital expenditures or general market conditions in the interim period between appraisals.

Investment Impairment

Investments are reviewed regularly on an individual basis to determine impairment status. The Company considers various factors in the impairment evaluation process, including but not limited to, the financial condition of the issuer, specific adverse conditions affecting an industry or region, decline in fair value not related to interest rates, bankruptcy or defaults and delinquency in payments of interest or principal. Investments are deemed to be impaired when there is no longer reasonable assurance of timely collection of the full amount of the principal and interest due. The market value of an investment is not by itself a definitive indicator of impairment, as it may be significantly influenced by other factors including the remaining term to maturity and liquidity of the asset. However, market price must be taken into consideration when evaluating impairment.

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

Goodwill and Intangibles Impairment Testing

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

Goodwill has been allocated to cash generating units (CGU), representing the lowest level in which goodwill is monitored for internal reporting purposes. Goodwill is tested for impairment by comparing carrying value of the CGU 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 generally calculated using the present value of estimated future cash flows expected to be generated.

Insurance and Investment Contract Liabilities

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

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

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

Mortality – A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Mortality improvement has been projected to occur for the next 25 years. In addition, appropriate provisions have been made for future mortality deterioration on term insurance. A 2% increase in the best estimate assumption would cause a decrease in net earnings of approximately $217 million.

Annuitant mortality is also studied regularly and the results used to modify established industry experience annuitant mortality tables. Mortality improvement has been projected to occur throughout future years for annuitants. A 2% decrease in the best estimate assumption would cause a decrease in net earnings of approximately $272 million.

Morbidity – The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption, a 5% decrease in best estimate termination assumptions for claim liabilities and a 5% increase in best estimate incidence assumptions for active life liabilities would cause a decrease in net earnings of approximately $208 million.

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

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

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions. 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 million causing an increase in net earnings of approximately $12 million.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $481 million causing a decrease in net earnings of approximately $322 million.

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

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities; for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity 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 million, causing an increase in net earnings of approximately $34 million.
- A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $192 million, causing a decrease in net earnings of approximately $150 million.

The best estimate return assumptions for equities are primarily based on long-term historical averages. Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows.

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

Expenses – Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under CALM as inflation is assumed to be correlated with new money interest rates. A 5% increase in the best estimate maintenance unit expense assumption would cause a decrease in net earnings of approximately $76 million.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of the term for renewable term policies in Canada and Reinsurance. Industry experience has guided our assumptions for these products as our own experience is very limited. A 10% adverse change in the best estimate policy termination and renewal assumptions would cause a decrease in net earnings of approximately $466 million.

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

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 our expectation that changes will occur in policyholder dividend scales or adjustable benefits for participating or adjustable business respectively, corresponding to changes in the best estimate assumptions, resulting in an immaterial net change in insurance contract liabilities. Where underlying guarantees may limit the ability to pass all of this experience back to the policyholder, the impact of this non-adjustability impacting shareholders' net earnings is reflected in the impacts of changes in best estimate assumptions above.

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

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

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

Employee future benefits – The Company's subsidiaries maintain contributory and non-contributory defined benefit and defined contribution pension plans for certain employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average pay. For most plans, active plan participants share in the cost of benefits through employee contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. 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 for new entrants 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. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. For further information on the Company's pension plans and other post-employment benefits refer to note 26 to the Company's 2013 annual consolidated financial statements.

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

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

Actuarial assumptions – employee future benefits

	Defined benefit pension plans		Other post-employment benefits	
At December 31	**2013**	2012	**2013**	2012
Actuarial assumptions used 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%	**–**	–
Actuarial assumptions used 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

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

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

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

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

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

	1% increase		1% decrease	
	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	**246**	124	**(196)**	(109)
Impact of a change to the rate of inflation	**620**	289	**(487)**	(242)
Other post-employment benefits:				
Changes to assumed medical cost trend rates				
Impact on defined benefit obligation	**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.

Funding – The Company's subsidiaries have both funded and unfunded pension plans as well as other post-employment benefit plans which are unfunded. The Company's funded pension plans are funded to or above the amounts required by relevant legislation. During the year, the Company contributed $152 million ($112 million in 2012) to the pension plans and made benefit payments of $17 million ($17 million in 2012) for post-employment benefits. The Company expects to contribute $148 million to the benefit pension plans and make benefit payments of $20 million for post-employment benefits in 2014.

International Financial Reporting Standards – Due to the evolving nature of IFRS, there are a number of IFRS changes that impacted the Company in 2013 as well as standards that could impact the Company in subsequent periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

New and revised accounting standard changes were adopted in 2013 with the related impact are set out in the following table:

New / Revised Standard	Summary of Accounting Change
IAS 19R – Employee Benefits	The Company has adopted IAS 19R, *Employee Benefits*. The amendments made to IAS 19R include the elimination of the corridor approach for actuarial gains and losses which resulted in those gains and losses being recognized immediately through other comprehensive income. As a result the net pension asset or liability will reflect the funded status (deficit) of the pension plans (less any asset ceilings) on the Consolidated Balance Sheets. In addition, all service costs including curtailments and settlements are recognized immediately in profit or loss. Additionally, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost. Under the revised standard, the same discount rate must be applied to the benefit obligation and the plan assets to determine the net interest expense (income). This discount rate for the net interest expense (income) is determined by reference to market yields at the beginning of the year on high quality corporate bonds. Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense 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 Statement of Consolidated Operations (service costs and net interest costs) and in the Consolidated Statements of Comprehensive Income (re-measurements). Disclosures relating to retirement benefit plans include discussions on the Company's pension plan risk, sensitivity analysis, an explanation of items recognized in the consolidated financial statements and descriptions of the amount, timing and uncertainty on the Company's future cash flows. In accordance with the transitional provisions in IAS 19R, this change has been applied retrospectively, which resulted in a decrease to opening equity at January 1, 2012 of $392 million (decrease of $352 million to shareholders' equity and $40 million to participating account surplus) with an additional decrease to opening equity of $183 million (decrease of $169 million to shareholders' equity and $14 million to participating account surplus) at January 1, 2013. For further information on the adoption of IAS19R, please refer to note 3 to the December 31, 2013 consolidated financial statements.
IFRS 10 – Consolidated Financial Statements **IFRS 12 – Disclosure of Interests in Other Entities**	In accordance with IFRS 10, *Consolidated Financial Statements*, the Company has evaluated whether or not to consolidate an entity based on the definition of control within. The standard has defined control as dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits. In conjunction with the adoption of IFRS 10, the Company has adopted the guidance of IFRS 12, *Disclosure of Interests in Other Entities*. The standard requires enhanced disclosure including how control was determined and any restrictions that might exist on consolidated assets and liabilities presented from subsidiaries, joint arrangements, associates, and structured entities. The adoption of this standard increased the amount of disclosure concerning the subsidiaries and investment in associates by the Company and has not impacted the financial results of the Company. Aside from the following discussion on the Company's segregated funds for the risk of policyholders and the Capital Trust Securities, the adoption of these standards did not impact the consolidated financial statements of the Company. The Company assessed the revised definition of control for the segregated funds for the risk of policyholders and concluded that the revised definition of control was not significantly impacted. The Company will continue to present the segregated funds for the risk of policyholders as equal and offsetting amounts with assets and liabilities within the Consolidated Balance Sheets and has expanded disclosure on the nature of these entities and the related risks. In addition, in circumstances where the segregated funds 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 within assets and liabilities of $403 million at January 1, 2012 and $484 million at December 31, 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. Canada Life Capital Trust and Great-West Capital Trust (the capital trusts) were consolidated by the Company under IAS 27, *Consolidated and Separate Financial Statement*s. The capital trusts will no longer be consolidated in the Company's financial statements as the Company's investment in the capital trusts does not have exposure to variable returns and therefore does not meet the revised definition of control in IFRS 10. The change in consolidation did not impact the net earnings and equity of the Company, however the deconsolidation resulted in an increase to bonds of $282 million at January 1, 2012 and $45 million at December 31, 2012, both with corresponding increases to the capital trust debenture liability on the Consolidated Balance Sheets. For further information on the adoption of IFRS 10, please refer to notes 3 and 15 to the December 31, 2013 consolidated financial statements.

IFRS 11 – Joint Arrangements	The Company has adopted the guidance in IFRS 11, *Joint Arrangements*, which separates jointly controlled entities between joint operations and joint ventures. The standard eliminated the option of using proportionate consolidation of accounting for the interests in joint ventures with requiring entities to use the equity method of accounting for interests in joint ventures. Where the Company is involved in joint operations, it recognizes its share of assets, liabilities and net earnings. The adoption of this standard has had no impact on the Company.
IFRS 13 – Fair Value Measurement	The Company has adopted the guidance of IFRS 13, *Fair Value Measurement* to increase consistency and comparability of fair value measurements through the use of a "fair value hierarchy". The inputs used in valuation techniques are categorized into three levels giving the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The adoption of this standard relates primarily to disclosure and has not impacted the financial results of the Company.
IAS 1 – Presentation of Financial Statements	The Company has adopted the guidance of the amended IAS 1, *Presentation of Financial Statements*. Under the amended standard, OCI is classified by nature and grouped between items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified. This revised standard relates only to presentation and has not impacted the financial results of the Company.
IFRS 7 – Financial Instruments	The Company has adopted the guidance in the amendments to IFRS 7, *Financial Instruments*, which introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements. This revised standard relates only to disclosure and has not impacted the financial results of the Company.

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

New / Revised Standard	Summary of Future Changes
IFRS 4 – Insurance Contracts	The IASB issued a revised IFRS 4, *Insurance Contract*s exposure draft proposing changes to the accounting standard for insurance contracts in June 2013. The revised proposals aim to address measurement, presentation and transitional issues identified in the initial exposure draft issued in July 2010, through consultation with the insurance industry and financial statement users. The revised proposals would expand upon the building block measurement model requiring an insurer to measure insurance liabilities using a model focusing on the amount, timing, and uncertainty of future cash flows associated with fulfilling its insurance contracts. The proposed standard differs significantly from the Company's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM). Current accounting practices closely link the accounting valuations of insurance liabilities and the specific assets used to support those liabilities, thereby minimizing accounting mismatches when liabilities and assets are well-matched economically. The IASB proposals would measure most insurance contract liabilities based on current interest rates, and, under March 2013 proposed amendments to IFRS 9, *Financial Instruments* investment assets in certain debt securities would also be carried at fair value through other comprehensive income (FVOCI). As a result, changes in the carrying value of both insurance liabilities and investment assets as a result of interest rate changes would be reflected in other comprehensive income rather than in profit or loss. While this proposal would exclude interest rate-related volatility from profit or loss, certain other assets used to support insurance liabilities do not qualify for FVOCI treatment, such as loans and receivables, which would be measured at amortized cost, and other assets such as equity investments, which would be measured at fair value through profit or loss (FVTPL). The IASB's revised proposals will also affect the calculation of insurance contract liabilities, and proposed changes to the presentation of insurance contract revenue being recognized during the period and disclosure within the financial statements. On October 25, 2013 the Company submitted a comment letter responding to the IASB exposure draft addressing the question of whether users of the financial statements will obtain an appropriate representation of the financial results of an insurer. The exposure draft is expected to produce more volatile financial results that in Lifeco's opinion do not reflect how insurance contracts truly affect an entity's financial position, financial performance and cash flows. The Accounting Standards Board's (AcSB) November 1, 2013 response to the IASB exposure draft included proposed amendments to reduce the volatility of the financial results of an insurer. The IASB is currently deliberating comments received on the exposure draft. On January 6, 2014, the Company submitted a comment letter responding to the AcSB's Exposure Draft ED/2013/7 on Insurance Contracts which posed the question "*Is the Draft Standard appropriate for Canadian entities?*" The Company continues to actively monitor developments in this area. The Company will continue to measure insurance contract liabilities under current accounting and actuarial policies, including CALM, until a new IFRS for insurance contract measurement is issued and effective.
IFRS 9 – Financial Instruments	The IASB issued IFRS 9, *Financial Instruments* in 2010 to replace IAS 39, *Financial Instruments*. The IASB plans to make further changes in financial instruments accounting, and has separated its project to amend IFRS 9 into three phases: classification and measurement, impairment methodology and hedge accounting. • The 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.
IAS 17 – Leases	The IASB issued a revised exposure draft in May 2013 amending the May 2010 proposal of a new accounting model for leases where both lessees and lessors would record the assets and liabilities on the balance sheet at the present value of the lease payments arising from all lease contracts with a maximum possible term of more than 12 months. The new classification would be the right-of-use model, replacing the operating and finance lease accounting models that currently exist. The revised exposure draft includes guidance for identifying which contract is a lease and provides separate approaches for the recognition, measurement and presentation of expenses and cash flows arising from a lease depending on the amount of the economic benefit of the leased asset to be used by the lessee. The full impact of adoption of the proposed changes will be determined once the final lease standard is issued.

IAS 18 – Revenue Recognition	The IASB issued a second exposure draft in November 2011, which proposed a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. A company would recognize revenue when it transfers goods or services to a customer in the amount of consideration the company expects to receive from the customer. The full impact of adoption of the proposed changes will be determined once the final revenue recognition standard is issued, which is targeted for release in 2014.
IFRIC 21 – Levies	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.
IAS 32 – Financial Instruments: Presentation	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments: Presentation*. The amended standard clarifies the requirements for offsetting financial assets and financial liabilities. These amendments are not expected to have an impact on the financial results or financial statement presentation of the Company.
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 on its financial statement disclosures.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco including the comparative figures are presented on an IFRS basis after capital allocation. The comparative operating results have been restated for the respective impact of new and revised IFRS effective during the year including IAS 19R. Consolidated operating results for Lifeco comprise the net earnings of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life), Great-West Life & Annuity Insurance Company (Great-West Financial), Putnam Investments, LLC (Putnam) and Irish Life Group Limited (Irish Life), together with Lifeco's corporate results.

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

CANADA

The Canada segment of Lifeco includes the operating results of the Canadian businesses operated by Great-West Life, London Life and Canada Life. There are three primary business units included in this segment. Through its Individual Insurance business unit, the Company provides life, disability and critical illness insurance products to individual clients. Through its Wealth Management business unit, the Company provides accumulation products and annuity products for both group and individual clients in Canada. Through its Group Insurance business unit, the Company provides life, health, critical illness, disability and creditor insurance products to group clients in Canada.

BUSINESS PROFILE

INDIVIDUAL INSURANCE

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

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

WEALTH MANAGEMENT

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

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

GROUP INSURANCE

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

Through its Canada Life subsidiary, the Company writes creditor and direct marketing business, offering effective benefit solutions for large financial institutions, credit card companies, alumni and association groups. Canada Life is a recognized leader in the creditor insurance business with $2.1 billion in annual direct premium.

MARKET OVERVIEW

PRODUCTS AND SERVICES

Individual Insurance

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

MARKET POSITION(1)

- Manages largest portfolio of life insurance in Canada as measured by premium
- Pre-eminent provider of individual disability and critical illness insurance with 29% market share of in-force premium

PRODUCTS AND SERVICES

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

Living Benefits
- Disability
- Critical Illnesses

DISTRIBUTION

Associated with:

Great-West Life Distribution
- 1,723 Great-West Life financial security advisors
- 2,385 advisors associated with a number of intercorporate arrangements
- 6,238 independent brokers

London Life Distribution
- 3,559 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors

Canada Life Distribution
- 8,688 independent brokers associated with 49 Managing General Agencies (MGAs)
- 1,680 advisors associated with 17 national accounts
- 3,488 Investors Group consultants who actively sell Canada Life products
- 210 direct brokers and producer groups

(1) Based on most recently available market information.

Wealth Management

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

The Company offers a wide range of segregated funds through its multiple distribution channels including 91 London Life Segregated funds to individual Freedom 55 Financial™ clients, 79 Canada Life segregated funds to individual Canada Life clients, 84 Great-West Life segregated funds to individual Great-West Life clients and 232 segregated funds to Envision Group Capital Accumulation Fund clients.

Quadrus offers 49 mutual funds under the Quadrus Group of Funds™ brand and over 3,500 third-party mutual funds. Mackenzie Financial Corporation, a member of the Power Financial Corporation group of companies, administers the Quadrus Group of Funds.

Market Position(1)

- 27% market share of individual segregated funds
- 18% market share of group capital accumulation plans

Products and Services

Group Retirement Services

- Group Capital Accumulation Plans
- Non-registered savings programs
- Deferred profit sharing plans
- Defined contribution pension plans
- Group RRSPs & TFSAs
  Invested in:
  - Segregated funds
  - Guaranteed investment options
  - Single company stock
- Retirement Income Plans
  - Payout annuities
  - Deferred annuities
  - Retirement income funds
  - Life income funds
- Investment management services only plans
  Invested in:
  - Segregated Funds
  - Guaranteed Investment options
  - Securities

Individual Retirement & Investment Services

- Savings plans
  - Registered Retirement savings plans
  - Non-registered savings programs
  - TFSAs

  Invested in:
  - Segregated funds
  - Mutual funds
  - Guaranteed investment options
- Retirement Income Plans
  - Segregated funds with GMWB rider
  - Retirement income funds
  - Life income funds
  - Payout annuities
  - Deferred annuities
- Residential mortgages
- Banking products

Distribution

Associated with:

Great-West Life Distribution
- 1,723 Great-West Life financial security advisors
- 2,385 advisors associated with a number of intercorporate arrangements
- 6,238 independent brokers

London Life Distribution
- 3,559 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors

Canada Life Distribution
- 8,688 independent brokers associated with 49 MGAs
- 1,680 advisors associated with 17 national accounts
- 3,488 Investors Group consultants who actively sell Canada Life products
- 210 direct brokers and producer groups

Quadrus Investment Services Ltd.

(also included in Great-West Life and London Life advisor counts):

- 3,943 investment representatives

Group Retirement Services

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

(1) Based on most recently available market information.

Group Insurance

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

Market Position(1)

- Employee benefits to over 30,000 plan sponsors
- 22% market share for employee/employer plans
- Leading market share for creditor plans

Products and Services

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

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

Distribution

- 112 account managers and sales staff located in 17 Group Offices
- 103 Regional Employee Benefits Managers and Selectpac Specialists located in Sales and Marketing Centres

(1) Based on most recently available market information.

COMPETITIVE CONDITIONS

Individual Insurance

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

Wealth Management

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

Group Insurance

There are three large group insurance carriers in Canada with significant market positions. The Company has a 22% market share. There are a number of other smaller companies operating nationally and several regional and niche competitors. The group insurance market is highly competitive. A strong market share position is a distinct advantage for competing successfully in the Canadian group insurance market.

Within the small and mid-sized case markets, there are significant pricing pressures as employers seek to find ways to counter the inflationary costs of health care. A company with low cost operations, extensive distribution networks, strong service capability and cost containment product offerings will have a competitive advantage in these markets. In the larger case market, while low cost is a factor, service excellence and cost containment product innovations are equally important. In this market, a company that can effectively develop and implement innovative products and efficient administrative processes through the use of new technologies to meet emerging client requirements will differentiate itself and achieve competitive advantage.

Selected consolidated financial information – Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 5,366**	$ 5,078	$ 5,786	**$ 21,299**	$ 20,761
Sales(1)	**2,852**	2,389	2,917	**10,800**	9,870
Fee and other income(2)	**330**	321	302	**1,276**	1,178
Net earnings – common shareholders	**270**	332	263	**1,148**	1,038
Total assets(3)	**$ 129,983**	$ 126,170	$ 121,471		
Proprietary mutual funds net assets	**4,114**	3,875	3,585		
Total assets under management	**134,097**	130,045	125,056		
Other assets under administration	**14,607**	13,867	13,184		
Total assets under administration	**$ 148,704**	$ 143,912	$ 138,240		

(1) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

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

(3) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Individual Insurance	**$ 73**	$ 102	$ 11	**$ 302**	$ 187
Wealth Management	**93**	114	69	**387**	299
Group Insurance	**97**	115	136	**425**	439
Corporate	**7**	1	47	**34**	113
Net earnings	**$ 270**	$ 332	$ 263	**$ 1,148**	$ 1,038

2013 Developments

- Premiums and deposits for the twelve months ended December 31, 2013 were $21,299 million, compared to $20,761 million in 2012. Premiums and deposits in the fourth quarter of 2013 were $5,366 million, a decrease of $420 million compared to the fourth quarter of 2012**.** The fourth quarter of 2012 had a large GRS case premium that did not repeat in the fourth quarter of 2013.
- Sales for the twelve months ended December 31, 2013 were $10,800 million, compared to $9,870 million in 2012. Sales in the fourth quarter of 2013 were $2,852 million, a decrease of $65 million compared to the fourth quarter of 2012 primarily reflecting lower Group large case sales in the fourth quarter of 2013.
- For the twelve months ended December 31, 2013, fee and other income was $1,276 million, an increase of $98 million from the same period last year. Fee and other income was $330 million in the fourth quarter of 2013, an increase of $28 million compared to the fourth quarter of 2012 reflecting higher assets under management.
- Net earnings for the twelve months ended December 31, 2013 were $1,148 million, up 11% from the same period last year. Net earnings attributable to common shareholders for the fourth quarter of 2013 were $270 million compared to $263 million for the fourth quarter of 2012.
- Individual Insurance continues to review rates on its products and adjust pricing in response to economic conditions across all product lines. Reductions to term 20 rates were announced in November 2013, while price reductions for term 10, level cost of insurance universal life, and certain Living Benefits products were announced in January 2014.
- Wealth Management enhanced the services provided by the Group Retirement Services area by allowing members to self register within group plans and by launching *smartPATH 2.0*, an interactive online resource designed to help employers better engage their employees in retirement education, planning and saving.
- Group plan member services were enhanced in 2013 with the introduction of GroupNet Text, which provides instant access to benefit details on mobile devices. Plan members can now check their dental, vision and paramedical balances by texting, using the GroupNet smartphone app or visiting the secure GroupNet website. GroupNet for Plan Members surpassed a significant milestone with over one million plan members now enrolled.
- Great-West Life introduced a new approach to prescription drug management that focuses on helping plan members with diabetes better manage their health outcomes. Working with a national pharmacy, the Company offers a diabetes management program to help eligible plan members manage their condition through blood sugar monitoring, medication reviews and counseling, all of which may help in lowering their risk of complications.
- Work continued on offering more online, convenient ways of providing group benefits services while reducing paper consumption. Building on our pioneering work with *eClaims*, recent initiatives included electronic plan member eWelcome packages and using imaging technology in our disability claims offices to enhance case management and customer service.
- As part of its support for the National Standard of Canada on Psychological Health and Safety in the Workplace, the Great-West Life Centre for Mental Health in the workplace held numerous forums and roundtables in 2013 for key professional groups. These events explored the benefits of workplace psychological health and safety, and free tools available to help implement the Standard. The Centre also introduced another new free program, *TakeYourBreak*, which offers short, relaxing and rejuvenating activities aimed at improving mental health at work.

BUSINESS UNITS CANADA

Individual Insurance

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 1,112**	$ 1,035	$ 1,037	**$ 4,177**	$ 3,926
Sales(1)	**144**	120	133	**479**	480
Net earnings	**73**	102	11	**302**	187

(1) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

Premiums and deposits

Individual Insurance premiums in the fourth quarter of 2013 increased by $75 million to $1,112 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $78 million to $1,035 million compared to the same quarter last year, primarily due to a 9% increase in participating life premiums. Living Benefits premiums for the quarter decreased by $3 million to $77 million compared to the same period last year.

For the twelve months ended December 31, 2013, premiums increased by 6% to $4,177 million compared to the same period last year. Individual Life premiums increased by $247 million to $3,855 million compared to the same period last year. Living Benefits premiums increased by $4 million to $322 million compared to the same period last year.

Individual Insurance premiums in the fourth quarter of 2013 increased by $77 million compared to the previous quarter, primarily due to a 12% increase in participating life insurance premiums.

Sales

Individual Insurance sales in the fourth quarter of 2013 increased by $11 million to $144 million compared to the same quarter last year. Individual Life sales increased by $14 million to $133 million. The largest contributor was a 26% increase in participating life insurance sales. Sales of Living Benefits of $11 million were $3 million lower than in the same quarter last year.

For the twelve months ended December 31, 2013, Individual Insurance sales were comparable to the same period last year. Individual Life sales increased by $2 million to $436 million, primarily due to a 10% increase in participating life insurance sales, offset by a 34% decrease in universal life sales. Sales of Living Benefits of $43 million were $3 million lower than the same period last year.

Individual Insurance sales in the fourth quarter of 2013 increased by $24 million compared to the previous quarter. Individual Life sales increased by $23 million, primarily due to a 28% increase in participating life insurance sales. Living Benefits sales were $1 million higher compared to the previous quarter.

Net earnings

Net earnings for the fourth quarter of 2013 increased by $62 million to $73 million compared to the same quarter of 2012. This increase is primarily driven by lower new business strain resulting from price increases and higher yields projected on assets backing new business, favourable investment experience and higher contributions from insurance contract liability basis changes.

For the twelve months ended December 31, 2013, net earnings increased by $115 million to $302 million compared to the same period last year. This increase is primarily driven by lower new business strain, favourable investment experience and higher contributions from insurance contract liability basis changes, partially offset by less favourable mortality and policyholder behaviour experience.

Net earnings in the fourth quarter of 2013 decreased by $29 million compared to the previous quarter. This decrease is primarily due to less favourable investment and morbidity experience and lower contributions from insurance contract liability basis changes.

The net loss attributable to the participating account was $144 million in the fourth quarter of 2013 compared to net earnings of $206 million in the fourth quarter of 2012. Both years include the impact of revisions to the participating account litigation provision. Excluding this impact from both years, net earnings for the fourth quarter of 2013 were $16 million higher than the same period last year, primarily due to higher contributions from insurance contract liability basis changes and lower new business strain, partially offset by lower net experience gains.

For the twelve months ended December 31, 2013, the net loss attributable to the participating account was $92 million compared to net earnings of $269 million for the same period in 2012. Excluding the impact of the revised litigation provision in both years, net earnings for 2013 were $5 million higher than 2012, primarily due to lower new business strain, partially offset by lower contributions from insurance contract liability basis changes.

The net earnings attributable to the participating account decreased by $162 million from the third quarter of 2013. Excluding the impact of the revised litigation provision, net earnings increased by $64 million, primarily due to lower new business strain and higher contributions from insurance contract liability basis changes.

Outlook – Individual Insurance

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

The Individual Insurance division delivered solid results in 2013. The Company's reputation for strength and stability, combined with prudent business practices as well as depth and breadth of our distribution channels positions the organization well for 2014 and beyond. We have reviewed our strategies and re-aligned aspects of our organization with the goal of achieving superior organic growth from profitable revenues.

In 2014, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term financial security regardless of market fluctuations. This approach is beneficial to the maintenance and improvement of the persistency of existing business as well as helping advisors attract new clients to the organization. A key distribution strategy is to maximize use of common tools, processes and support, while providing unique support to specific segments of advisors where appropriate.

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

The Company's diversified offering of Individual Insurance products including participating whole life, term, universal life, disability, and critical illness insurance, combined with a commitment to new business service will position it to continue to achieve market leading sales in 2014. The Company will continue to enhance our suite of product solutions and services, of which we are a leading provider and we will continue to focus on growing our business organically by constantly improving our service to clients.

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

WEALTH MANAGEMENT

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 2,368**	$ 2,191	$ 2,869	**$ 9,619**	$ 9,382
Sales[(1)]	**2,592**	2,133	2,630	**9,665**	8,867
Fee and other income[(2)]	**281**	271	253	**1,075**	983
Net earnings	**93**	114	69	**387**	299

(1) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

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

Premiums and Deposits

Wealth Management premiums and deposits decreased in the fourth quarter of 2013 by $501 million to $2,368 million compared to the same quarter last year. This result was primarily driven by lower premiums into the GMWB retail segregated fund product and premiums in the fourth quarter of 2012 were positively impacted by a significant group premium into group capital accumulation plan (GCAP) products. These impacts were partially offset by higher single premium group annuity premiums.

For the twelve months ended December 31, 2013, premiums and deposits increased by $237 million to $9,619 million compared to the same period last year. This result was primarily driven by higher premiums into GCAP products and single premium group annuities.

Wealth Management premiums and deposits in the fourth quarter of 2013 increased by $177 million compared to the previous quarter. This result was driven by higher premiums and deposits into GCAP products, proprietary retail investment funds, and single premium group annuities.

Sales

Wealth Management sales decreased in the fourth quarter of 2013 by $38 million to $2,592 million compared to the same quarter last year. This result was primarily driven by lower sales of the GMWB retail segregated fund product and group investment only products, mostly offset by higher sales of single premium group annuities.

For the twelve months ended December 31, 2013, sales increased by $798 million to $9,665 million compared to the same period last year. This result was primarily driven by higher sales of proprietary retail investment funds, GCAP products and single premium group annuities.

Wealth Management sales in the fourth quarter of 2013 increased by $459 million compared to the previous quarter. This result was driven by higher sales of proprietary retail investment funds, GCAP products, and single premium group annuities.

Net deposits for the fourth quarter of 2013 were $274 million compared to $446 million in the same quarter last year and $119 million in the prior quarter of 2013. For the twelve months ended December 31, 2013, net deposits were $1,097 million compared to $1,158 million in the same period last year reflecting lower deposits into the GMWB product.

Assets under administration

	December 31	
	2013	2012[(2)]
Assets under management		
Individual Retirement & Investment Services		
Risk-based products	**$ 6,467**	$ 6,983
Segregated funds	**27,022**	24,322
Proprietary mutual funds	**4,114**	3,585
Group Retirement Services		
Risk-based products	**6,553**	6,677
Segregated funds	**35,182**	30,316
	$79,338	$ 71,883
Other assets under administration[(1)]		
Individual Retirement & Investment Services	**5,367**	4,572
Group Retirement Services	**562**	835
Total	**$ 5,929**	$ 5,407
Summary by business/product		
Individual Retirement & Investment Services	**$42,970**	$ 39,462
Group Retirement Services	**42,297**	37,828
Total assets under administration	**$85,267**	$ 77,290

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

(2) Certain comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Fee and Other Income

Fee income and other income increased by $28 million to $281 million in the fourth quarter of 2013 compared to the same quarter in 2012. This increase is due to growth in assets under management (AUM) driven by market gains and positive net cash flows, partially offset by lower fee margins.

For the twelve months ended December 31, 2013, fee and other income increased by $92 million to $1,075 million compared to the same period last year for the same reasons as noted for the three month period.

Fee and other income in the fourth quarter of 2013 is $10 million higher compared to the previous quarter due to higher daily average AUM partially offset by lower fee margins.

Net Earnings

Net earnings for the fourth quarter of 2013 increased by $24 million to $93 million compared to the same quarter last year. The increase is primarily a result of higher fee income, favourable investment experience, and higher contributions from insurance contract basis changes, partially offset by higher operating expenses.

For the twelve months ended December 31, 2013, net earnings increased by $88 million to $387 million compared to the same period last year. The increase is primarily a result of higher fee income, favourable investment experience and increased segregated fund acquisition expense deferrals, partially offset by lower contributions from insurance contract basis changes and less favourable mortality experience.

Net earnings in the fourth quarter of 2013 decreased by $21 million compared to the previous quarter. This decrease is primarily driven by less favourable investment experience and higher expenses, partially offset by higher fee income and more favourable mortality experience.

Outlook – Wealth Management

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

The Company's reputation for strength and stability, combined with prudent business practices as well as the depth and breadth of Wealth Management's distribution channels positions the organization well for 2014 and beyond. Wealth Management's strategy and organization are focused on achieving growth from profitable revenues.

In 2014, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term investment success. This approach benefits the Company by improving existing asset retention and by helping advisors attract new client deposits to the organization. A key distribution strategy is to maximize use of common tools, processes and support, while providing unique support to specific segments of advisors where appropriate.

Wealth Management's multiple brands and broad spectrum of distribution associates, including exclusive and independent channels, provide important strategic advantages within the Canadian market. The Company will continue to develop, price and market its comprehensive and competitive range of Wealth Management products to both retail and group clients. An important focus will be to provide unique sales and service support for larger, more complex accounts.

In the coming year, Wealth Management will continue to focus on the development of the next generation of retirement income products to serve the needs of the aging demographic and enhance our client experience through various initiatives. The Company expects this focus to generate higher net cash flow and associated fee income from segregated funds and mutual funds as well as from guaranteed payout annuities in future years. The Company will use its diverse distribution network to leverage its growth in market share.

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

Group Insurance

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 1,886**	$ 1,852	$ 1,880	**$ 7,503**	$ 7,453
Sales	**116**	136	154	**656**	523
Fee and other income	**35**	36	37	**146**	149
Net earnings	**97**	115	136	**425**	439

Premiums and deposits

Premiums and deposits for the fourth quarter of 2013 increased by $6 million to $1,886 million compared to the same period last year, primarily due to an increase in small/mid-size case premiums and deposits partly offset by a decrease in large case premiums and deposits.

For the twelve months ended December 31, 2013, premiums and deposits increased by $50 million to $7,503 million compared to the same period in 2012, primarily due to an increase in long-term disability premiums, partly offset by a decrease in health premiums.

Premiums and deposits in the fourth quarter of 2013 increased by $34 million compared to the previous quarter primarily due to an increase in large case premiums and deposits.

Sales

Sales for the fourth quarter of 2013 decreased by $38 million to $116 million compared to the same quarter of last year. The decrease was due to lower sales in the large case market. Sales in the large case market can be highly variable from quarter to quarter.

For the twelve months ended December 31, 2013, sales increased by $133 million to $656 million compared to the same period last year. The increase was primarily due to higher sales in the creditor/direct marketing products mainly due to one large sale for $156 million in 2013 compared to one large sale for $39 million in 2012. The increase was also due to higher sales in the small/mid-size case market and in the large case market.

Sales in the fourth quarter of 2013 decreased by $20 million compared to the previous quarter primarily due to lower sales in the creditor/direct marketing products, the small/mid-size case market and in the large case market.

Fee and other income

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

Fee and other income of $35 million for the three month period ended December 31, 2013 is both comparable to the same quarter in 2012 and the previous quarter.

Fee and other income of $146 million for the twelve month period ended December 31, 2013 is comparable to the same period in 2012.

Net earnings

Net earnings for the fourth quarter of 2013 decreased by $39 million to $97 million compared to the same quarter last year primarily due to lower contributions from insurance contract liability basis changes. The decrease was also partly due to lower morbidity and expense gains, partly offset by favourable mortality results, favourable investment experience and lower taxes.

For the twelve months ended December 31, 2013, net earnings of $425 million decreased by $14 million compared to the same period last year. The decrease was primarily due to lower morbidity gains and lower contributions from insurance contract liability basis changes. The decreases were partly offset by favourable mortality results, favourable investment experience and lower income taxes.

Net earnings in the fourth quarter of 2013 decreased by $18 million compared to the previous quarter primarily due to lower mortality and expense gains, less favourable investment experience and higher taxes partly offset by higher contributions from insurance contract liability basis changes.

Outlook – Group Insurance

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

During 2013, the Company maintained its strong competitive position achieving continued growth in revenue premium while maintaining strong expense management. The Company is well positioned within the Canadian group insurance business with leading market shares in most case size, regional and benefit market segments. The Company believes that this market share position, together with its low cost position and extensive distribution capability, will facilitate continued growth in revenue premium. Through effective investment in technologies and the introduction of innovative benefit solutions, the Company expects to achieve continued reductions in administration and claims adjudication costs, thereby enhancing its competitive position.

CANADA CORPORATE

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

Canada Corporate net earnings for the fourth quarter of 2013 were $7 million compared to $47 million in the fourth quarter of 2012. The $40 million decrease is primarily due to the release of provisions for certain Canadian retirement plans of $38 million in the fourth quarter of 2012.

For the twelve months ended December 31, 2013, Canada Corporate had net earnings of $34 million compared to $113 million for the same period in 2012. The decrease in net earnings is primarily due to the release of provisions for certain Canadian retirement plans of $38 million in 2012 as noted above, lower mark-to-market gains on investment properties supporting corporate surplus of $38 million, decreased income on surplus assets of $8 million and an expense recovery in a private equity fund of $7 million in 2012, which did not recur. During the first quarter of 2013, the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings by $23 million.

Compared to the previous quarter, net earnings increased by $6 million primarily due to higher mark-to-market gains on investment properties supporting corporate surplus of $5 million.

UNITED STATES

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

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

BUSINESS PROFILE

FINANCIAL SERVICES

Great-West Financial provides an array of financial security products, including employer-sponsored defined contribution retirement plans. Through relationships with government plan sponsors, the Company is one of the largest providers of services to state defined contribution plans, with 18 record-keeping and two investment-only state clients as well as the government of Guam. Great-West Financial also offers individual retirement accounts. In addition, the Company provides annuity and life insurance products for individuals and businesses, as well as fund management, investment and advisory services. Through its FASCore subsidiary, it offers private label record-keeping and administrative services for other providers of defined contribution plans.

ASSET MANAGEMENT

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

MARKET OVERVIEW

PRODUCTS AND SERVICES

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

FINANCIAL SERVICES

MARKET POSITION

- Fourth largest defined contribution record-keeper in the country, providing services for 4.9 million participant accounts and 29,742 plans
- 26% market share in state and local government deferred compensation plans (as of September 30, 2013)
- 25% market share of individual life insurance sold through the retail bank channel (as of September 30, 2013)
- 6% market share of executive benefits markets life insurance purchased by financial institutions (as of September 30, 2013)
- Great-West Lifetime Funds are the 14th largest target date fund offering in the United States

PRODUCTS AND SERVICES

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

DISTRIBUTION

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

Asset Management
Market Position • A global asset manager with assets under management of US$150 billion as of December 31, 2013 • International distribution includes sales teams that are focused on major institutional markets in Europe, the Middle East, Asia and Australia and through a strategic distribution relationship in Japan
Products and Services **Investment Management Products & Services** • Individual retail investors – a family of open-end and closed-end mutual funds, college savings plans and variable annuity products • Institutional investors – defined benefit and defined contribution retirement plans sponsored by corporations, state, municipal and other governmental authorities, university endowment funds, charitable foundations, and collective investment vehicles (both U.S. and non-U.S.) • Administrative and record-keeping services for defined contribution plans • Alternative investment products across the fixed income, currency, quantitative and equity groups **Administrative Services** • Transfer agency, underwriting, distribution, shareholder services, trustee and other fiduciary services
Distribution **Individual Retail Investors** • A broad network of distribution relationships with unaffiliated broker dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam Funds and defined contribution plan services to their customers, which, in total, includes nearly 160,000 advisors • Sub-advisory relationships and Putnam-labeled funds as investment options for insurance companies and non-U.S. residents • Retail distribution channels are supported by Putnam's sales and relationship management team • Retirement plan sponsors and participants are supported by Putnam's dedicated retirement plan professionals and through a relationship with FASCore. **Institutional Investors** • Supported by Putnam's dedicated account management, product management, and client service professionals • Strategic relationships with several investment management firms outside of the U.S.

Competitive Conditions

Financial Services

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

Asset Management

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

Selected consolidated financial information – United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits[2]	**$ 10,423**	$ 10,389	$ 8,395	**$ 37,590**	$ 30,018
Sales[1]	**14,263**	10,973	9,359	**44,212**	32,788
Fee and other income[2]	**395**	365	319	**1,446**	1,247
Net earnings – common shareholders	**56**	76	76	**276**	321
Net earnings – common shareholders (US$)	**53**	74	77	**268**	321
Total assets[2]	**$ 64,558**	$ 63,857	$ 57,303		
Proprietary mutual funds and institutional net assets	**164,515**	150,342	131,013		
Total assets under management	**229,073**	214,199	188,316		
Other assets under administration	**192,490**	175,120	144,164		
Total assets under administration	**$ 421,563**	$ 389,319	$ 332,480		

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Financial services	**$ 81**	$ 86	$ 95	**$ 339**	$ 361
Asset management	**(25)**	(10)	(19)	**(63)**	(40)
Corporate	**–**	–	–	**–**	–
	$ 56	$ 76	$ 76	**$ 276**	$ 321

Net earnings – common shareholders

(US$ millions)	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Financial services	**$ 77**	$ 83	$ 96	**$ 329**	$ 361
Asset management	**(24)**	(9)	(19)	**(61)**	(40)
Corporate	**–**	–	–	**–**	–
	$ 53	$ 74	$ 77	**$ 268**	$ 321

(1) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

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

BUSINESS UNITS – UNITED STATES

Translation of Foreign Currency

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

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

FINANCIAL SERVICES

2013 Developments

- Premiums and deposits for the twelve months ended December 31, 2013 were US$6.1 billion, down 2% over the same period last year primarily due to strong sales in the retail bank market in 2012 that were not repeated in 2013.
- Fee and other income for the twelve months ended December 31, 2013 was US$618 million, an increase of US$102 million from the same period last year primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.
- For the twelve months ended December 31, 2013, sales were US$12.5 billion, up 39% over the same period last year. The increase compared to 2012 was primarily due to large Retirement Services plan sales in 2013.
- Net earnings for the twelve months ended December 31, 2013 were US$329 million, down 9% from the same period last year. The growth in the business was offset with lower income tax benefits, lower contributions from basis changes and management actions.
- The executive benefits market community bank segment sales for the twelve months ended December 31, 2013 increased 28% to US$255 million compared to the same period last year due to strong distribution relationships, increased focus on this market and positive market conditions.
- IRA sales for the twelve months ended December 31, 2013 increased 45% to US$422 million compared to the same period last year primarily driven by the strategic initiative to increase awareness of the rollover product among terminated plan participants.
- Great-West Retirement Services (GWRS) customer account values increased 23% or US$41 billion compared to the previous year-end.
- Managed account assets exceeded US$8.0 billion, a 32% increase from the previous year-end.
- The Great-West Lifetime Funds remained the 14th largest target date fund offering in the United States with US$5.3 billion in assets at December 31, 2013, a 44% increase from previous year-end and improved their ranking to 9th in net flows among target date fund families in 2013.
- In a 2013 survey conducted by Plan Adviser magazine, 401(k) plan advisers voted Great-West Financial No. 1 in best value for price and best wholesalers.
- With the recent win of a new state client by the public/non-profit market, Great-West Financial will provide record-keeping, administration or investment services to 20 of the 50 United States, more than any other service provider.

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 1,755**	$ 1,710	$ 1,712	**$ 6,311**	$ 6,234
Sales(1)	**5,595**	2,294	2,676	**12,933**	9,004
Fee and other income(2)	**173**	163	133	**638**	516
Net earnings	**81**	86	95	**339**	361
Premiums and deposits (US$)	**$ 1,673**	$ 1,643	$ 1,730	**$ 6,121**	$ 6,238
Sales (US$)(1)	**5,329**	2,206	2,702	**12,505**	9,012
Fee and other income (US$)(2)	**165**	154	135	**618**	516
Net earnings (US$)	**77**	83	96	**329**	361

(1) Sales (a non-IFRS measure) results in 2012, have been restated to conform with changes in methodology implemented in 2013 which improve consistency across the Company's platforms and with industry standards for sales measurement.

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

Premiums and deposits

Premiums and deposits for the fourth quarter of 2013 decreased by US$57 million to US$1,673 million compared to the fourth quarter of 2012 due to a decrease of US$66 million in Retirement Services offset by an increase of US$9 million in Individual Markets. The decrease in Retirement Services is primarily related to lower transfers of US$250 million from retail investment options to the general account offset by deposits related to sales of US$169 million. The increase in Individual Markets is primarily due to higher sales in the executive benefits market, IRA, and annuity business lines, offset by lower sales in the retail bank market.

For the twelve months ended December 31, 2013, premiums and deposits decreased by US$117 million to US$6,121 million compared to the same period in 2012 due to a decrease of US$185 million in Individual Markets, partly offset by an increase of US$68 million in Retirement Services. The decrease in Individual Markets was primarily related to lower sales in the retail bank market. The increase in Retirement Services is primarily related to US$228 million from the group annuity product distributed by Great-West Financial's institutional partner American Funds, partly offset by lower deposits for public/non-profit of US$157 million.

Compared to the previous quarter, premiums and deposits were up by US$30 million in the fourth quarter of 2013 primarily due to an increase of US$102 million in Individual Markets related to higher executive benefits market sales of US$133 million, partly offset by a decrease in Retirement Services of US$72 million primarily due to lower deposits for public/non-profit.

Sales

In the fourth quarter of 2013, sales increased by US$2,627 million to US$5,329 million compared to the fourth quarter of 2012 due to an increase of US$2,571 million in Retirement Services and an increase of US$56 million in Individual Markets. The increase in Retirement Services is primarily due to one large plan sale for public/non-profit of US$1,636 million, two large 401(k) client sales of US$839 million and higher sales for the group annuity product distributed by Great-West Financial's institutional partner American Funds of US$105 million. The increase in Individual Markets is primarily due to US$56 million of sales in the IRA and individual annuity markets. Executive benefits market sales were up US$37 million, a 25% increase, due to a community bank market sales increase of US$80 million offset by lower sales in the retail bank market.

For the twelve months ended December 31, 2013, sales increased by US$3,493 million to US$12,505 million compared to the same period of 2012 driven by an increase of US$3,513 million in Retirement Services. The increase in Retirement Services is primarily due to an increase of US$1,796 million for public/non-profit related to one large plan sale of US$1,636 million and an increase in new participants of 42,000, or 25%, compared to the same period last year and an increase of US$1,536 million for 401(k). The increase in 401(k) reflects two large client sales of US$839 million and higher average assets per plan sold in 2013 compared to 2012. Individual Markets experienced a US$20 million decrease primarily due to lower sales in the retail bank market of US$193 million and the executive benefits market of US$27 million, offset by higher sales in the IRA and individual annuity markets of US$200 million. The sale of universal life products in the retail bank market in the United States has seen an overall drop in activity year-over-year which is contributing to the decrease in the retail bank market sales.

Sales in the fourth quarter of 2013 increased by US$3,123 million compared to the previous quarter due to an increase of US$2,959 million in Retirement Services and an increase of US$164 million in Individual Markets. The increase in Retirement Services is primarily due to one large plan sale for public/non-profit of US$1,636 million, two large 401(k) client sales of US$839 million, a higher number of 401(k) plans sold in the fourth quarter compared to the third quarter and higher sales for the group annuity product distributed by Great-West Financial's institutional partner American Funds of US$83 million. The increase in Individual Markets is primarily due to higher sales in the executive benefits market of US$127 million related to increased community bank market sales of US$129 million.

Financial services – Retirement Services customer account values

(US$ millions)	Change for the twelve months ended December 31 2013	2012	Total at December 31 2013	2012	% Change
General account – fixed options					
Public/Non-profit	$ –	$ 201	$ 3,825	$ 3,825	–%
401(k)	164	645	5,725	5,561	3%
Institutional	22	–	22	–	NMF
	$ 186	$ 846	$ 9,572	$ 9,386	2%
Segregated funds – variable options					
Public/Non-profit	$ 257	$ 738	$ 10,483	$ 10,226	3%
401(k)	1,825	985	9,608	7,783	23%
Institutional	483	14	497	14	NMF
	$ 2,565	$ 1,737	$ 20,588	$ 18,023	14%
Proprietary mutual funds					
Public/Non-profit	$ 125	$ (31)	$ 466	$ 341	37%
401(k)	1,809	1,361	5,565	3,756	48%
Institutional	9	20	83	74	12%
	$ 1,943	$ 1,350	$ 6,114	$ 4,171	47%
Unaffiliated retail investment options & administrative services only					
Public/Non-profit	$ 13,347	$ 7,376	$ 79,522	$ 66,175	20%
401(k)	8,948	5,815	37,322	28,374	32%
Institutional	14,120	10,615	66,747	52,627	27%
	$ 36,415	$ 23,806	$ 183,591	$ 147,176	25%

The 2013 increase in the general account is primarily due to 401(k) plan sales while the 2013 increase in segregated funds is primarily related to growth in the equity markets. Proprietary mutual funds also increased in 2013 primarily due to 401(k) plan sales and growth in the equity markets in 2013. The increase in institutional funds in both the general account and segregated funds are due to the introduction of a group annuity product in the second half of 2012 distributed by Great-West Financial's institutional partner, American Funds. The unaffiliated retail investment options and administrative services only account values increased year-over-year primarily due to growth in equity markets and institutional and 401(k) plan sales.

Fee and other income

Fee and other income for the fourth quarter of 2013 increased by US$30 million to US$165 million compared to the fourth quarter of 2012 primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

For the twelve months ended December 31, 2013, fee and other income increased by US$102 million to US$618 million compared to the same period last year due to the same reasons noted above.

Fee and other income for the fourth quarter of 2013 increased US$11 million compared to the previous quarter due to the same reasons noted above.

Net earnings

Net earnings for the fourth quarter of 2013 decreased by US$19 million to US$77 million compared to the fourth quarter of 2012 primarily due to lower mortality gains of US$13 million and the recognition of deferred income tax assets of US$14 million in the prior year, partly offset by higher contributions from basis changes and management actions of US$3 million and higher fees offset by higher expenses of US$2 million.

For the twelve months ended December 31, 2013, net earnings decreased by US$32 million to US$329 million compared to the same period in 2012. Net earnings related to business growth grew by US$21 million including higher fees and margins and better persistency offset by higher expenses and lower mortality gains. This increase was offset with lower income tax benefits of US$17 million, lower contributions from basis changes and management actions of US$25 million and less favourable investment experience of US$10 million.

Net earnings for the fourth quarter of 2013 decreased by US$6 million compared to the third quarter of 2013 primarily due to lower mortality basis changes of US$7 million and lower mortality gains of US$3 million, partly offset by more favourable investment experience of US$4 million.

Outlook – Financial Services

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

Continued progress of Great-West Financial's five-year strategic plan initiatives coupled with increased recognition in the marketplace since the 2012 brand launch have positioned the Company for solid growth. Great-West Financial ranked sixth for reputation in the 2013 Plan Adviser magazine survey, after not placing in the Top 10 the previous year, while strategic initiatives improved sales, service and client retention in key markets.

Advisor and wholesaler initiatives in the Retirement Services segment are designed to attract and retain high-quality staff and improve 401(k) wholesalers' ability to guide advisors in positioning Great-West Financial's proposals to win new business. Increases in staffing, the number of advisor relationships per wholesaler and close rates on quotes are expected to contribute to future sales growth.

Service and retention initiatives have significantly raised the standard level of service provided to 401(k) clients. The enhanced service model includes a new customer relationship management system that has contributed to increases in first contact resolution and attainment of target service response times. These efforts have raised 401(k) client retention to the target level of the five-year plan and are expected to improve retention further.

Significant increases in IRA sales are the result of proactive activities capitalizing on inbound call volume, direct-to-participant marketing with active participants and screening for IRA opportunities in an internal service centre. These efforts have propelled Great-West Financial's IRA to the No. 1 destination for asset rollovers from the Company's 401(k) block of business, with the expectation this momentum will carry into the future.

The initiative to increase participant balances is expected to continue the substantial asset growth achieved in 2013, thanks to system enhancements and the establishment of an internal team to facilitate paperless roll-ins for plan participants. System builds to promote and collect opportunities through all communication channels have contributed to strong lead flow and assisted the internal team's productivity in qualifying and closing roll-in leads.

Great-West Financial continually examines opportunities to structure products and develop strategies to stimulate growth in assets under management. The Great-West Lifetime funds and managed account offerings in defined contribution plans are expected to continue contributing to growth of AUM.

Expansion of retail bank distribution channels, along with the launch of an additional retail retirement income offering, is expected to help compensate for an overall drop in sales of universal life products. The brokerage channel distribution strategy has been expanded to include independent broker dealers. This initiative promotes sales through wholesaling to nearly 1,800 advisors.

In the executive benefits market, the community bank segment achieved strong sales in the fourth quarter, aided by favourable economic conditions as well as strong distribution relationships. The financial strength and stability of Great-West Financial and a focus on this market also are expected to drive continued success.

ASSET MANAGEMENT

2013 Developments

- Putnam's ending assets under management (AUM) at December 31, 2013 of US$150 billion increased by US$21 billion compared to the same period a year ago primarily due to favourable financial markets and investment performance.
- Putnam's gross sales for the three months ended December 31, 2013 increased by US$1.5 billion compared to the same period last year primarily from strong mutual fund sales in the current quarter, which were at their highest levels since the third quarter of 2003. For the year, gross sales have increased by US$6.5 billion compared to the prior year.
- For the twelve months ended December 31, 2013, fee and other income was US$784 million, an increase of US$53 million compared to the prior year.
- Putnam has been ranked second of 64 mutual fund families assessed in this year's annual Barron's/Lipper ranking, based on overall investment performance, across all asset classes, for 2013. Putnam also ranked second among all fund families assessed over the past five years.
- Putnam received a DALBAR Service Award for providing outstanding service to shareholders of its mutual funds for the 24th consecutive year.
- Putnam received 47 "Best in Class" honours in the 2013 PLANSPONSOR Defined Contribution Survey, which included an award in every category of service evaluated. The number of awards placed Putnam in the top ranks of retirement service providers in the U.S.
- Putnam continues to sustain strong risk-adjusted investment performance relative to its peers. During the year ended December 31, 2013, approximately 93% of Putnam's fund assets performed at levels above the Lipper median and on a three-year and five-year basis 80% and 87% of fund assets performed above the Lipper median, respectively. As of December 31, 2013, approximately 63% of Putnam's fund assets performed at levels in the Lipper Top Quartile and on a five-year basis 71% of fund assets performed in the Lipper Top Quartile.

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 8,668**	$ 8,679	$ 6,683	**$ 31,279**	$ 23,784
Fee and other income					
Investment management fees	**165**	153	136	**602**	528
Performance fees	**5**	1	4	**8**	13
Service fees	**40**	38	35	**151**	142
Underwriting & distribution fees	**12**	10	11	**47**	48
Fee and other income	**222**	202	186	**808**	731
Net loss	**(25)**	(10)	(19)	**(63)**	(40)
Premiums and deposits (US$)	**$ 8,255**	$ 8,345	$ 6,750	**$ 30,331**	$ 23,804
Fee and other income (US$)					
Investment management fees (US$)	**157**	147	137	**584**	529
Performance fees (US$)	**5**	1	4	**8**	13
Service fees (US$)	**38**	37	36	**147**	142
Underwriting & distribution fees (US$)	**11**	10	11	**45**	47
Fee and other income (US$)	**211**	195	188	**784**	731
Net loss (US$)	**(24)**	(9)	(19)	**(61)**	(40)

Premiums and Deposits

Premiums and deposits increased by US$1.5 billion to US$8.3 billion in the fourth quarter of 2013 compared to the same period in 2012 as a result of stronger overall mutual fund sales of US$2.8 billion, partially offset by lower institutional sales of US$1.2 billion.

For the twelve months ended December 31, 2013, premiums and deposits increased by US$6.5 billion to US$30.3 billion compared to the same period in 2012 due to improved mutual fund sales of US$8.6 billion, partially offset by lower institutional sales of US$2.1 billion.

Premiums and deposits in the fourth quarter of 2013 were comparable to the third quarter of 2013.

Fee and Other Income

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

Fee and other income for the fourth quarter of 2013 increased by US$23 million to US$211 million compared to the same period in 2012 primarily due to an increase in investment management fees from higher average AUM.

For the twelve months ended December 31, 2013, fee and other income increased by US$53 million to US$784 million compared to the previous year. This was primarily due to an increase in investment management fees and service fees from higher average AUM, partially offset by lower performance fees on institutional accounts.

Fee and other income for the fourth quarter of 2013 increased by US$16 million compared to the third quarter of 2013 primarily due to an increase in investment management fees from higher average AUM, and an increase in performance fees due to the seasonality in which these fees are earned.

Net Earnings

For the fourth quarter of 2013, the net loss was US$24 million, an increase of US$5 million compared to the same period last year. Higher fee income and net investment income, including US$3 million of one-time gains from seed capital redeemed during the quarter, were more than offset by higher distribution costs of US$6 million, increased incentive compensation due to improved investment performance of US$5 million, and higher expense from fair value adjustments on share-based compensation by US$11 million.

For the twelve months ended December 31, 2013, the net loss was US$61 million, an increase of US$21 million compared to the same period last year. The 2012 comparative results include a release of a legal provision of US$16 million and the current year includes a US$16 million increase in expense from fair value adjustments on share-based compensation. Higher levels of fee income and net investment income, including gains from seed capital noted above, and lower financing costs were more than offset by higher incentive compensation due to improved investment performance and other expenses.

Net loss for the fourth quarter of 2013 increased by US$15 million compared to the third quarter of 2013. Higher fee income and net investment income, including gains from seed capital noted above, were more than offset by increased incentive compensation due to improved investment performance and other expenses, a US$15 million increase in expense from fair value adjustments on share-based compensation, and the release of certain income tax reserves in the prior quarter.

Assets Under Management

Assets under management

(US$ millions)	For the three months ended Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	For the twelve months ended Dec. 31 2013	Dec. 31 2012
Beginning assets	**$ 140,773**	$ 133,685	$ 126,935	**$ 128,329**	$ 116,652
Sales (includes dividends reinvested)	**8,255**	8,345	6,750	**30,331**	23,804
Redemptions	**(7,941)**	(7,280)	(6,901)	**(29,673)**	(25,593)
Net asset flows	**314**	1,065	(151)	**658**	(1,789)
Impact of market/performance	**8,469**	6,023	1,545	**20,569**	13,466
Ending assets	**$ 149,556**	$ 140,773	$ 128,329	**$ 149,556**	$ 128,329
Average assets under management	**$ 145,570**	$ 138,831	$ 127,125	**$ 138,417**	$ 123,259

Average AUM for the three months ended December 31, 2013 was US$145.6 billion, comprising mutual funds of US$73.8 billion and institutional accounts of US$71.8 billion. Average AUM increased by US$18.4 billion compared to the three months ended December 31, 2012 primarily due to the cumulative impact of positive market and investment performance on AUM. Net asset inflows for the fourth quarter of 2013 were US$0.3 billion compared to net outflows of US$0.2 billion in the same quarter last year, driven by quarterly mutual fund net asset inflows of US$1.8 billion.

Average AUM for the twelve months ended December 31, 2013 increased by US$15.2 billion compared to the twelve months ended December 31, 2012 due to the same reason as the in-quarter comparison. Net asset inflows for the twelve months ended December 31, 2013 were US$0.7 billion compared to net outflows of US$1.8 billion in the prior year, driven by mutual fund net asset inflows of US$3.7 billion.

Average AUM for the three months ended December 31, 2013 increased by US$6.7 billion compared to the previous quarter primarily due to the impact of positive market and investment performance.

Outlook – Asset Management

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

In 2014, Putnam will continue to drive growth and market share through new sales and asset retention in all markets it serves including Global Institutional, PanAgora (Putnam's quantitative institutional manager), U.S. Retail, Defined Contribution, and Registered Investment Advisors, while maintaining its industry-recognized reputation for service excellence.

Putnam has invigorated its investment organization over the past few years, and the firm remains committed to delivering superior performance.

The firm has revitalized its commitment to the Defined Contribution business and continues to see growth in new retirement plans on its record-keeping platform and in investment-only sales.

Innovation will remain a powerful differentiator for Putnam in 2014, as the firm further strengthens its product offerings, service features, and operational functions, while bolstering its corporate and business/product brand image with a wide range of key constituents. Further, Putnam intends to continue to invest in technology in order to scale its business model more cost effectively.

UNITED STATES CORPORATE

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

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

EUROPE

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

TRANSLATION OF FOREIGN CURRENCY

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

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

BUSINESS PROFILE

INSURANCE & ANNUITIES

The core products offered in the U.K. are payout annuities, savings and group insurance. These products are distributed through independent financial advisors (IFAs) and employee benefit consultants. The Isle of Man operation provides savings and individual protection products that are sold through IFAs and private banks in the U.K. and in other selected territories.

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

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

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

REINSURANCE

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

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

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

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

MARKET OVERVIEW

Products and Services

The Company provides protection and wealth management products that are distributed primarily through independent sales channels.

INSURANCE & ANNUITIES

MARKET POSITION

U.K. and Isle of Man

- The market leader of the group life market, with 27% share (as at December 31, 2012)
- Second in the group income protection market with 21% share (as at December 31, 2012)
- Among the top ten insurers in payout annuities, with 8% market share (as at September 30, 2013)
- A market leading offshore life company selling into the U.K. market, with 21% market share (as at September 30, 2013)
- Among the top ten in the onshore unit-linked single premium bond market with a 6% market share (as at September 30, 2013)

Ireland

- The market leading life assurance company with 34% share (as at October 31, 2013)
- Strong position in the retail life and pensions market with a 26% share (as at June 30, 2013)
- Leading positions in the group pensions, group risk and corporate annuities markets
- Irish life Investment Managers is the largest institutional fund manager in Ireland with €38 billion assets under management

Germany

- One of the top two insurers in the independent intermediary unit-linked market (as at September 30, 2013)
- Among the top seven in the overall unit-linked market (as at September 30, 2013)

INSURANCE & ANNUITIES (CONT'D)
PRODUCTS AND SERVICES
U.K. • Payout Annuities • Savings • Life insurance • Income Protection (Disability) • Critical Illness
Ireland • Individual and Group Risk & Pensions • Individual and Bulk Annuities • Wealth Management Services • Individual Savings and Investment • Institutional Investment Management
Germany • Pensions • Income protection (Disability) • Critical illness • Variable Annuities (GMWB)
DISTRIBUTION
U.K. and Isle of Man • IFAs • Private banks • Employee benefit consultants
Ireland • Independent Brokers • Pensions and Investment Consultants • Direct Sales Force • Tied Bank Branch Distribution with various Irish banks
Germany • Independent brokers • Multi-tied agents

REINSURANCE
MARKET POSITION • Among the top ten life reinsurers in the U.S. by assumed business • Niche positions in property and casualty and annuity business
PRODUCTS AND SERVICES
Life • Yearly renewable term • Co-insurance • Modified Co-insurance • Capital Relief Solutions
Property & Casualty • Catastrophe retrocession
Annuity • Payout annuity • Fixed annuity
DISTRIBUTION • Independent reinsurance brokers • Direct placements

COMPETITIVE CONDITIONS

United Kingdom and Isle of Man

In the U.K., the Company has strong market positions in group risk, payout annuities (a top five provider in sales via IFAs, restricted whole of market advisers and non-advised third party distributors), and wealth management where, combined onshore and offshore, Canada Life is a top three unit-linked single premium bond provider in the U.K.

The Company successfully launched a range of funds aimed at the retail mutual fund market and continued during the year to build its footprint in this part of the investment marketplace. The Company also supplemented its Isle of Man Wealth Management business by launching a similar offering of investment products aimed at the U.K. high net worth investor from a base in Ireland. There were some signs of recovery in 2013 within the U.K. market with increases in the offshore Wealth Management new business sales and in group risk sales. However, onshore bond sales fell as a result of the change in legislation affecting distribution, which came into force at the start of the year. Payout annuity sales during the year were very strong and the Company began to focus on the enhanced annuity market where prospective policyholders are medically underwritten before acceptance.

Ireland

During the year, the Company significantly increased its presence in Ireland through the acquisition of Irish Life. Irish Life is the largest life assurance company in Ireland with a market share of 34%. It follows a multi-channel distribution strategy having the largest broker distribution network, the largest direct sales force and the largest Bancassurance distribution network where it has tied relationships with five banks. ILIM is Ireland's largest institutional fund manager with €38 billion of assets under management as at December 31, 2013.

Irish Life also has a 30% interest in Allianz, Ireland, the third largest property and casualty insurer in Ireland and a 50% interest in GloHealth, a start up private health insurer.

Germany

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

While the German economy has continued its recovery, life and pensions market consumers remained reluctant to invest in long-term pension products, in particular equity-based and unit-linked products due to market volatility.

Reinsurance

In the U.S. life reinsurance market, the demand for capital relief remains high because of conservative reserving requirements on term and universal life products and uncertainty as to how regulations will change for these products in the future.

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

In Europe, Solvency II dominates the regulatory landscape and although interest in capital relief transactions remains high, very few companies are willing to commit to long-term transactions before regulations are finalized. Demand for longevity reinsurance remains strong in the U.K. and some continental European countries; however there are now more reinsurers participating in this market.

Property insurers/reinsurers saw fewer major catastrophes in 2013. The 2013 Atlantic hurricane season was the first since 1994 to end with no major hurricanes.

Selected consolidated financial information – Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits[1]	**$ 6,767**	$ 4,511	$ 2,636	**$ 15,894**	$ 9,459
Fee and other income[1]	**276**	269	166	**863**	605
Net earnings – common shareholders	**202**	129	151	**701**	615
Total assets[1][2]	**$ 131,364**	$ 122,446	$ 75,076		
Proprietary mutual funds and institutional net assets	16,614	13,402	–		
Total assets under management	**147,978**	135,848	75,076		
Other assets under administration	**40,042**	36,200	107		
Total assets under administration	**$ 188,020**	$ 172,048	$ 75,183		

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

(2) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Net earnings – common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Insurance & Annuities	**$ 166**	$ 134	$ 91	**$ 548**	$ 407
Reinsurance	**63**	57	64	**245**	215
Europe Corporate	**(27)**	(62)	(4)	**(92)**	(7)
	$ 202	$ 129	$ 151	**$ 701**	$ 615

2013 Developments

Irish Life Group Limited Acquisition

On July 18, 2013, the Company, through its wholly-owned subsidiary Canada Life Limited, completed the €1.3 billion acquisition of Irish Life Group Limited (Irish Life). The life and pension operations of the Company's Irish subsidiary, Canada Life (Ireland), are being combined with the operations of Irish Life, retaining the Irish Life brand name. Irish Life has a strong brand with a broad product offering and wide, multi-channel distribution network within Ireland, similar to the Company's operations in Canada.

The integration of the business is progressing well and remains on track to deliver cost synergies of €40 million per year with a total cost of integration of €60 million.

Selected consolidated financial information Europe

	For the three months ended December 31, 2013			For the twelve months ended December 31, 2013		
	Irish Life	Non-Irish Life	Change	Irish Life	Non-Irish Life	Change
Premiums and deposits	$ 4,019	$ 2,748	146%	$ 6,590	$ 9,304	71%
Fee and other income	110	166	66%	203	660	31%
Net earnings – common shareholders	37	165	22%	74	627	12%
Net earnings – common shareholders excluding restructuring and acquisition costs	44	181	24%	85	713	12%
Total assets	$ 48,355	$ 83,009	58%			
Proprietary mutual funds and institutional net assets	16,614	–	NMF			
Total assets under management	64,969	83,009	78%			
Other assets under administration	39,916	126	NMF			
Total assets under administration	**$ 104,885**	**$ 83,135**	**126%**			

Operating Results

- Net earnings for the twelve months ended December 31, 2013 were $701 million which includes $97 million of combined restructuring charges, acquisition costs and impairment charges of Canada Life (Ireland) brand value, all relating to the acquisition of Irish Life. Excluding these costs, net earnings for the twelve months ended December 31, 2013 were $798 million, up 30% from the same period last year. Irish Life contributed $85 million of net earnings, excluding restructuring charges, since the date of acquisition.
- Premiums and deposits for the twelve months ended December 31, 2013 were $15.9 billion, up $6.4 billion compared to the same period of 2012 mainly due to the $6.6 billion contribution from Irish Life.
- Insurance & Annuities sales for the twelve months ended December 31, 2013 were $9.9 billion, up $6.2 billion compared to the same period of 2012 driven primarily by the contribution from Irish Life.
- Fee and other income for the twelve months ended December 31, 2013 was $863 million, up $258 million compared to the same period of 2012. Irish Life contributed $203 million to fee and other income in 2013. The remaining increase of $55 million is driven primarily by higher fees in Germany and U.K. as well as the impact of currency movement.
- In the U.K., Canada Life retained its "Five Star" service award in the investment category for the fifth year running at the Financial Adviser Awards 2013. The Investments Life and Pensions Moneyfacts 2013 awards in the U.K., named Canada Life "Best Tax and Estate Planning Solutions Provider" for the third year in a row and "Most Competitive Annuity Provider" for the fourth consecutive year. In addition, Canada Life won the "Service Beyond the Call of Duty" category.
- Canada Life was named "Best Group Risk Provider" of the year in the U.K. at both the Health Insurance Provider Awards 2013 and at the Workplace Savings and Benefit Awards 2013.
- At the Irish Pension Awards, Irish Life won in the category of Investment Manager of the Year, Innovation and Communication while Setanta won Equities Manager of the Year.
- In Germany, FOCUS-MONEY magazine named Canada Life's Garantierter Rentenplan bAV product the best product for occupational pensions in Germany.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

The Insurance & Annuities segment includes the operating results of Irish Life from July 19, 2013 to December 31, 2013.

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits	**$ 5,229**	$ 3,775	$ 1,567	**$ 11,521**	$ 5,021
Sales	**4,773**	3,299	1,289	**9,922**	3,738
Fee and other income	**266**	257	149	**820**	560
Net earnings	**166**	134	91	**548**	407

Premiums and deposits

Premiums and deposits for the fourth quarter of 2013 increased by $3.7 billion to $5.2 billion compared to the same period in 2012. The increase is due to the contribution of $4.0 billion by Irish Life and currency movement, partly offset by lower sales of single premium savings products in U.K.

For the twelve months ended December 31, 2013, premiums and deposits increased by $6.5 billion to $11.5 billion compared to the same period last year, primarily due to Irish Life's contribution of $6.6 billion and currency movement.

Premiums and deposits in the fourth quarter of 2013 increased by $1.5 billion compared to the previous quarter due to the higher premiums and deposits attributable to Irish Life and currency movement.

Sales

Sales for the three months ended December 31, 2013 were $4.8 billion, up $3.5 billion compared to the same period of 2012. Irish Life contributed $3.8 billion to the sales growth. Excluding Irish Life, sales in the fourth quarter decreased $0.3 billion due mainly to lower sales of single premium savings products in U.K., partly offset by higher sales of U.K. payout annuities and currency movement.

For the twelve months ended December 31, 2013, sales increased by $6.2 billion to $9.9 billion compared to the same period last year, including sales of $6.2 billion from Irish Life. Growth in sales in U.K. payout annuities and currency movement were offset by lower single premium savings product sales in U.K.

Sales in the fourth quarter of 2013 increased by $1.5 billion from the previous quarter due mainly to the growth experienced in the retail insurance and fund management business units of Irish Life and currency movement.

Fee and other income

Fee and other income for the fourth quarter of 2013 increased by $117 million to $266 million compared to the same period in 2012 primarily due to the contribution of $110 million by Irish Life. Higher fees in Germany due to higher funds under management and currency movement also contributed to the increase.

For the twelve months ended December 31, 2013, fee and other income increased by $260 million to $820 million compared to the same period last year mainly due to the contribution of $203 million by Irish Life. Higher fees in Germany and U.K. due to higher funds under management and changes in product mix, as well as currency movement also contributed to the increase.

Fee and other income increased by $9 million compared to the previous quarter mainly due to higher fees in Irish Life and currency movement, partly offset by lower fees in U.K.

Net earnings

Net earnings for the fourth quarter of 2013 increased by $75 million to $166 million compared to the same quarter last year. Irish Life contributed $44 million, excluding restructuring costs, to net earnings during the quarter. Excluding the contribution from Irish Life, net earnings increased by $31 million compared to the same quarter last year. This increase was primarily due to $36 million improved mortality and morbidity results in the U.K. group insurance and payout annuity operations and $6 million higher new business gains in U.K. payout annuities. These increases were partly offset by less favourable investment experience.

Net earnings for the twelve months ended December 31, 2013 increased by $141 million to $548 million compared to the same period last year. Irish Life contributed $85 million, excluding restructuring costs, to net earnings during the quarter. Excluding the year-to-date contribution from Irish Life, net earnings for the twelve months ended December 31, 2013 increased by $56 million compared to the same period last year. 2012 results included $19 million net strengthening of interest and reinvestment risk margins and other reserves. Also contributing to higher net earnings were $38 million increased mortality profits in the U.K. and higher new business volumes and margins in U.K. payout annuities of $23 million. These increases were somewhat offset by less favourable investment experience.

Net earnings for the fourth quarter of 2013 increased by $32 million compared to the previous quarter. Excluding $3 million increased contribution from Irish Life, net earnings increased by $29 million compared to the third quarter of 2013. Favourable investment experience and higher mortality and morbidity gains in U.K. were partly offset by lower surrender fees in the wealth management business and the impact of changes to tax provisions.

Outlook – Insurance & Annuities

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

United Kingdom/Isle of Man – The outlook for payout annuities in 2014 is generally positive; the market continues to grow as more retirees have defined contribution pensions due to the closure of defined benefit schemes. The U.K. regulator conducted a review of the annuity market in 2013 and is due to report early in 2014. While it is uncertain what the outcomes of this will be, we expect it is likely to encourage the take-up of the open market annuity option and reduce the number of policyholders who take an annuity from their existing pension provider. Any success in increasing this take-up option is likely to increase the size of the market that Canada Life currently operates in. The enhanced annuity market segment continues to be very competitive with more entrants entering or planning to enter the market.

Canada Life continues to be a key player in the single premium investment bond marketplace; and in 2013 has strengthened its market share. It will continue to develop a presence in both the offshore and onshore market segments, and 2014 will particularly focus on the growth of its new targeted range of mutual funds. The Company's distribution strategy will remain focused on IFAs.

The distribution regulatory environment was impacted by the introduction of the Retail Distribution Review regime on December 31, 2012. As IFAs adapted to the move from a commission-based compensation model to charging their clients directly for the advice given, there was some disruption to the market. This disruption had some impact on sales levels early in 2013, particularly for onshore investment bonds. However, this regulatory change has now broadly settled, and the Company continues to concentrate its efforts on this key distribution channel, remaining focused on strengthening our advisory relationships.

The outlook for the group risk operation remains positive. The business is benefiting from its strong pricing discipline and risk selection through the U.K. recession and is well placed as the U.K. economy improves, with the market fundamentals of increased membership and salary inflation returning. Within Group Income Protection, the business will continue to show pricing discipline in reflecting the low interest rate environment and higher claims incidence in the larger employer schemes. The business has and is expected to continue to benefit from additional risk benefits within the operation's customer base as a result of the U.K. Government's Pensions Auto Enrolment initiative in the workplace. This initiative started in October 2012 and will complete in 2016.

Ireland – In December 2013, Ireland formally exited the European Union / European Central Bank / International Monetary Fund bailout program which it entered in November 2010 having achieved all of the agreed fiscal correction and borrowing targets set under the program. The exit signified a significant step forward for Ireland and its economy. Although significant risks remain, particularly external risks, the Central Bank of Ireland forecasts the Irish economy should achieve 2% GDP growth per annum in the medium-term. As a consequence of these developments new business demand in the life and pensions market is expected to resume steady, if modest, growth after five years of decline.

Germany – The outlook for the German operation is positive and the Company expects continued growth in assets under management in 2014. The fundamental economic indicators for Germany are positive although higher levels of sales growth may be delayed in the short-term. The delay stems from the uncertainty surrounding the lingering effects of the European debt crisis and long-term investment guarantees, which when resolved, should lead to a return of German investor confidence.

Unit-linked products are expected to grow their market share, particularly as traditional guaranteed products fall out of favour due to the increasing cost of the guarantees. The Company is positioning itself to further strengthen its presence in the unit-linked market through continued investments in product development, distribution technology and service improvements.

REINSURANCE

Operating results

	For the three months ended			For the twelve months ended	
	Dec. 31 2013	Sept. 30 2013	Dec. 31 2012	**Dec. 31 2013**	Dec. 31 2012
Premiums and deposits[(1)]	**$ 1,538**	$ 736	$ 1,069	**$ 4,373**	$ 4,438
Fee and other income[(1)]	**10**	12	17	**43**	45
Net earnings	**63**	57	64	**245**	215

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

Premiums and deposits

Premiums and deposits for the fourth quarter of 2013 increased by $469 million to $1,538 million compared to last year primarily due to favourable business volumes and currency movement, partially offset by the commutation of a health reinsurance treaty.

For the twelve months ended December 31, 2013, premiums and deposits decreased by $65 million to $4,373 million compared to the same period last year due to the commutation of a health reinsurance treaty mainly offset by favourable business volumes and currency movement.

Premiums and deposits in the fourth quarter of 2013 increased by $802 million compared to the previous quarter primarily due to favourable business volumes.

Fee and other income

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

Fee and other income decreased by $7 million compared to the same quarter last year and $2 million year-to-date driven by a favourable prior year commutation, partially offset by higher volumes and new business.

Fee and other income were comparable to the previous quarter.

Net earnings

Net earnings for the fourth quarter of 2013 decreased by $1 million to $63 million compared to the same period last year. Favourable mortality experience in the life segment and net tax provision decreases were offset by lower contributions from basis changes year-over-year and the impact of prior year new business gains in the Europe life business.

For the twelve months ended December 31 2013, net earnings increased by $30 million to $245 million compared to the same period last year. Favourable claims experience, and a lower cost for basis changes over the year were partially offset by lower new business gains as a result of a European life retrocession agreement signed in 2012 and the net impact of year-over-year changes to tax provisions.

Net earnings for the fourth quarter of 2013 increased by $6 million compared to the previous quarter as net tax provision decreases were partly offset by less favourable mortality experience.

Outlook – Reinsurance

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

The U.S. life reinsurance industry is expected to hold steady in 2014. New regulatory rules affecting the calculation of statutory reserves are expected to come into effect in 2016 at the earliest. This will impact the collateral needed for non-licensed reinsurance entities which will affect the types of insurance products sold and the reinsurance needs over the next few years. In addition, U.S. insurance regulators have established a task force to review and potentially change the regulations associated with captives that are used to finance redundant reserves. Underlying insurance sales will hold steady at their current levels if the U.S. economy does not demonstrate a significant recovery.

In Europe, Solvency II is still expected to be a driver of the business in 2014 and beyond. The Company's reinsurance operation is preparing to help European clients and other affiliated companies meet the potential capital challenges and business opportunities arising from these regulatory changes.

As 2013 saw fewer major catastrophes, it is expected that 2014 pricing will continue to soften as was the case in 2013. Also in the property and casualty market, hedge fund capacity, collateralized covers and catastrophe bond issuance continue to grow and buyer demand is under downward pressure due to increasing client retention. The primary focus for 2014 will look to move further away from the exposure risk, continue to utilize the most recent U.S. modeling updates from Risk Management Solutions (RMS) and control geographic exposures without significant impact on margins.

EUROPE CORPORATE

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

Net earnings for the three months ended December 31, 2013 were a net loss of $27 million which includes restructuring and other charges related to Irish Life of $23 million, primarily reflecting the write-down of intangible related to the Canada Life brand in Ireland. Excluding the Irish Life related costs of $23 million, net earnings for the three months ended December 31, 2013 were a net loss of $4 million compared to $4 million net loss for the same period in 2012.

Net earnings for the twelve months ended December 31, 2013 were a net loss of $92 million which includes year-to-date restructuring charges, and acquisition costs and write-down of intangible assets relating to the Irish Life acquisition totaling of $97 million.

Excluding the Irish Life related costs of $97 million, net earnings for the twelve months ended December 31, 2013 were $5 million compared to a net loss of $7 million for the same period of 2012. During the first quarter of 2013, the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings in 2013 by $11 million.

Net earnings for the three months ended December 31, 2013 including restructuring acquisition costs and write-down of intangible assets relating to Irish Life were a net loss of $27 million compared to a net loss of $62 million for the third quarter of 2013. The decrease in net loss was mainly due to a reduction in restructuring and acquisition costs relating to Irish Life from $60 million in the third quarter to $23 million in the fourth quarter.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended December 31, 2013, Lifeco Corporate had net earnings of $189 million compared to a net loss of $139 million in the fourth quarter of 2012. Fourth quarter 2013 net earnings includes a litigation recovery recorded in the subsequent event period, which increased net earnings by $226 million. Fourth quarter 2012 net earnings included the impact of litigation provision adjustments, relating to the same legal matter, which negatively impacted net earnings by $140 million after-tax. Excluding the impact of these litigation items, the net loss increased by $38 million, as compared to the same period in 2012, primarily as a result of higher mark-to-market losses on a macro capital hedge of $26 million. In the fourth quarter of 2012, net earnings included a release of reserves for uncertain tax positions (UTP) which positively impacted 2012 net earnings by $20 million.

For the twelve months ended December 31, 2013, Lifeco Corporate had earnings of $153 million compared to a net loss of $168 million in the same period in 2012. Excluding the impact of the litigation provision adjustments noted above, the net loss increased by $45 million, as compared to the same period in 2012, primarily for the same reasons noted above. Also contributing to the increase in the net loss is a $5 million charge as a result of prior year capital tax audit reassessments, partially offset by lower operating and other expenses.

Net earnings for the three months ended December 31, 2013 in Lifeco Corporate increased by $203 million compared to the previous quarter. Excluding the impact of the above noted litigation provision, the net loss increased by $23 million, primarily due to higher mark-to-market losses on a macro capital hedge of $26 million.

OTHER INFORMATION

Selected annual information

(in $ millions, except per share amounts)	Years ended December 31 2013	2012	2011[(1)]
Total revenue[(2)]	**$ 26,446**	$ 30,597	$ 29,898
Net earnings – common shareholders			
Operating earnings	**$ 2,052**	$ 1,946	$ 1,898
Net earnings	**2,278**	1,806	2,022
Net earnings per common share			
Operating	**$ 2.108**	$ 2.049	$ 2.000
Basic	**2.340**	1.902	2.129
Diluted	**2.297**	1.891	2.112
Total assets			
Total assets[(2)(3)]	**$ 325,905**	$ 253,850	$ 238,768
Proprietary mutual funds and institutional net assets	**185,243**	134,598	125,390
Total assets under management	**511,148**	388,448	364,158
Other assets under administration	**247,139**	157,455	137,807
Total assets under administration	**758,287**	545,903	501,965
Total liabilities[(2)(3)]	**$ 305,906**	$ 236,839	$ 222,664
Dividends paid per share			
Series F First Preferred	**1.4750**	1.4750	1.4750
Series G First Preferred	**1.3000**	1.3000	1.3000
Series H First Preferred	**1.21252**	1.21252	1.21252
Series I First Preferred	**1.1250**	1.1250	1.1250
Series J First Preferred[(4)]	**1.50000**	1.50000	1.50000
Series L First Preferred	**1.41250**	1.41250	1.41250
Series M First Preferred	**1.450**	1.450	1.450
Series N First Preferred[(5)]	**0.912500**	0.912500	1.004375
Series P First Preferred[(6)]	**1.350**	1.152120	–
Series Q First Preferred[(7)]	**1.2875**	0.625235	–
Series R First Preferred[(8)]	**1.200**	0.26630	–
Common	**1.230**	1.230	1.230

(1) The 2011 figures have not been adjusted to reflect current period reclassifications and new and revised IFRS adopted on January 1, 2013.

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

(3) Comparative figures, where impacted, have been restated for the retrospective impact of new and revised IFRS effective during 2013 most notably IAS 19R, *Employee Benefits* and IFRS 10, *Consolidated Financial Statements*.

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

(5) The Series N First Preferred Shares were issued on November 23, 2010. The first dividend payment was made on March 31, 2011 in the amount of $0.32 per share. Regular quarterly dividends were $0.228125 per share.

(6) The Series P First Preferred Shares were issued on February 22, 2012. The first dividend payment was made on June 30, 2012 in the amount of $0.477120 per share. Regular quarterly dividends were $0.337500 per share.

(7) The Series Q First Preferred shares were issued on July 6, 2012. The first dividend payment was made on September 30, 2012 in the amount of $0.303360 per share. Regular quarterly dividends were $0.321875 per share.

(8) The Series R First Preferred shares were issued on October 11, 2012. The first dividend payment was made on December 31, 2012 in the amount of $0.266300 per share. Regular quarterly dividends are $0.30000 per share.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information

(in $ millions, except per share amounts)	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue(1)	$ **8,056**	$ 7,206	$ 3,628	$ 7,556	$ 7,305	$ 8,756	$ 7,918	$ 6,618
Common Shareholders								
Net earnings								
Total	**717**	523	521	517	351	518	488	449
Basic – per share	**0.717**	0.527	0.548	0.544	0.370	0.546	0.512	0.474
Diluted – per share	**0.716**	0.522	0.547	0.544	0.369	0.542	0.509	0.471
Operating earnings(2)								
Total	**491**	523	521	517	491	518	488	449
Basic – per share	**0.491**	0.527	0.548	0.544	0.517	0.546	0.512	0.474
Diluted – per share	**0.490**	0.522	0.547	0.544	0.514	0.542	0.509	0.471

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

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

Lifeco's consolidated net earnings attributable to common shareholders were $717 million for the fourth quarter of 2013 compared to $351 million reported a year ago. On a per share basis, this represents $0.717 per common share ($0.716 diluted) for the fourth quarter of 2013 compared to $0.370 per common share ($0.369 diluted) a year ago.

Total revenue for the fourth quarter of 2013 was $8,056 million and comprises premium income of $5,850 million, regular net investment income of $1,430 million, a negative change in fair value through profit or loss on investment assets of $225 million, and fee and other income of $1,001 million.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2013 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, has evaluated the effectiveness of Lifeco's internal control over financial reporting based on the Internal Control – Integrated Framework (COSO Framework) published in 1992 by The Committee of Sponsoring Organizations of the Treadway Commission.

Management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2013 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting.

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

Limitation on Disclosure Controls and Procedures & Internal Control Over Financial Reporting

As permitted by securities legislation, for the period ended December 31, 2013, the Company's management has limited the scope of its design of the Company's disclosure controls and procedures and the Company's internal control over financial reporting to exclude controls, policies and procedures of Irish Life, which the Company acquired on July 18, 2013.

From the date of acquisition to December 31, 2013, Irish Life had revenue of $526 million and net earnings of $85 million (excludes $11 million of restructuring costs incurred by Irish Life). At December 31, 2013 Irish Life's total assets were $48.4 billion, including investments on account of segregated fund policyholders of $38.2 billion. Total liabilities for Irish Life were $46.3 billion, including $38.2 billion investment and insurance contracts on account of segregated fund policyholders.

Transactions with Related Parties

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

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

At December 31, 2013 the Company held $40 million ($41 million in 2012) of debentures issued by IGM.

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

Translation of Foreign Currency

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

Translation of foreign currency

	2013				2012			
Period ended	**Dec. 31**	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
United States dollar								
Balance sheet	**$1.06**	$1.03	$1.05	$1.02	$0.99	$0.98	$1.02	$1.00
Income and expenses	**$1.05**	$1.04	$1.02	$1.01	$0.99	$1.00	$1.01	$1.00
British pound								
Balance sheet	**$1.76**	$1.66	$1.60	$1.54	$1.62	$1.59	$1.60	$1.60
Income and expenses	**$1.70**	$1.61	$1.57	$1.56	$1.59	$1.57	$1.60	$1.57
Euro								
Balance sheet	**$1.47**	$1.39	$1.37	$1.30	$1.31	$1.26	$1.29	$1.33
Income and expenses	**$1.43**	$1.38	$1.34	$1.33	$1.29	$1.24	$1.30	$1.31

Mutual Funds Deposits and ASO Premium Equivalents (ASO Contracts)

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

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

FINANCIAL REPORTING RESPONSIBILITY

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

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

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

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

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

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

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

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

Paul Mahon
President and
Chief Executive Officer

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

February 13, 2014

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

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

CONSOLIDATED BALANCE SHEETS

(in Canadian $ millions)

	December 31 2013	December 31 2012	January 1 2012
		(notes 3 & 36)	(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

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 (note 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.

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

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

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

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.

Restatement of Prior Periods

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

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

	For the 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.

3. Changes in Accounting Policies (cont'd)

(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 of 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.
IFRS 9 – *Financial Instruments*	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.
IFRIC 21 – *Levies*	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.

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 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.

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.

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

	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).

(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.

6. Portfolio Investments (cont'd)

(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.

(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

	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:

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

(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

(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.

(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.

8. Financial Instruments Risk Management (cont'd)

(ii) Concentration of Credit Risk

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

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

	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**

	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

	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

	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

8. Financial Instruments Risk Management (cont'd)

(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. 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.
- 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:

8. Financial Instruments Risk Management (cont'd)

- 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			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
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.

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.

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Asset-backed securities (included with bonds)	Discounted cash flow	Prepayment speed assumption (estimated % of collateral that prepays annually) Constant default rate assumption (estimated % of defaults in the collateral pool annually) Adjusted Asset-backed Securities Index (ABX index) spread assumption (adjusted for internally calculated liquidity premium)	8.5% (weighted average) 5.0% (weighted average) 455 bps (weighted average)	The Company does not believe that changing one or more of the inputs to reasonably alternate assumptions would change their fair values significantly.
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate Reversionary rate Vacancy rate	Range of 4.0% – 11.0% Range of 5.4% – 8.3% Weighted average of 3.1%	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. 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. 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				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 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

	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

(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.

	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

12. Goodwill and Intangible Assets (cont'd)

(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.

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.

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

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**

	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

(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.

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.

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

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

(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

(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**

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

	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

	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.

(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**

	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).

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

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.

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

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.

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 0.35% 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).

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, Putnam, 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).

(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.

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:

24. Capital Management (cont'd)

	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 is 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.

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

(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.

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.

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:

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

	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

	Other post-employment benefits	
	2013	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		Other post-employment benefits	
	2013	2012	**2013**	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

(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.

29. Related Party Transactions (cont'd)

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.

(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)

(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 totalling $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.

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

30. Income Taxes (cont'd)

(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)

(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).

	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 estimated fair value
	1 year or less	Over 1–5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures – long	$ 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)

	2012				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1–5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Futures – long	$ 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.

Subsequent Event – Participating account legal matter

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).

(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

(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

	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.

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

Winnipeg, Manitoba
February 13, 2014

SOURCES OF EARNINGS

The following is provided in accordance with the OSFI guideline requiring Sources of Earnings (SOE) disclosure. SOE is not an International Financial Reporting Standards (IFRS) measure. There is no standard SOE methodology. The calculation of SOE is dependent on and sensitive to the methodology, estimates and assumptions used.

SOE identifies various sources of IFRS net earnings. It provides an analysis of the difference between actual net income and expected net income based on assumptions made at the beginning of the reporting period. The terminology used in the discussion of sources of earnings is described below:

Expected Profit on In-Force Business

This component represents the portion of the consolidated net income on business in-force at the start of the reporting period that was expected to be realized based on the achievement of the best-estimate assumptions. It includes releases of provisions for adverse deviations, expected net earnings on deposits, and expected net management fees.

Impact of New Business

This component represents the point-of-sale impact on net income of writing new business during the reporting period. This is the difference between the premium received and the sum of the expenses incurred as a result of the sale and the new liabilities established at the point of sale.

Experience Gains and Losses

This component represents gains and losses that are due to differences between the actual experience during the reporting period and the best-estimate assumptions at the start of the reporting period.

Management Actions and Changes in Assumptions

This component represents the impact on net income resulting from management actions, changes in actuarial assumptions or methodology, changes in margins for adverse deviations, and correction of errors.

Other

This component represents the amounts not included in any other line of the sources of earnings.

Earnings on Surplus

This component represents the earnings on the Company's surplus funds.

Great-West Lifeco's sources of earnings are shown below for 2013 and 2012.

Sources of Earnings
(in Canadian $ millions)

	Shareholders net earnings				
For year to date at December 31, 2013	Canada	United States	Europe	Lifeco Corporate	Total
Expected profit on in-force business	$ 1,121	$ 371	$ 716	$ (15)	$ 2,193
Impact of new business	14	–	12	–	26
Experience gains and losses	194	31	228	(9)	444
Management actions and changes in assumptions	144	25	(31)	–	138
Other	–	–	(104)	–	(104)
Earnings on surplus	61	67	31	(68)	91
Net earnings before tax	1,534	494	852	(92)	2,788
Taxes	(279)	(155)	(128)	19	(543)
Net earnings before non-controlling interests	1,255	339	724	(73)	2,245
Non-controlling interests	–	–	–	–	–
Net earnings – shareholders	1,255	339	724	(73)	2,245
Preferred share dividends	(107)	–	(23)	–	(130)
Net earnings – common shareholders before adjustments	1,148	339	701	(73)	2,115
Putnam after-tax	–	(63)	–	–	(63)
Adjustments after-tax	–	–	–	226	226
Net earnings – common shareholders	$ 1,148	$ 276	$ 701	$ 153	$ 2,278

Sources of Earnings
(in Canadian $ millions)

For year to date at December 31, 2012	Shareholders net earnings Canada	United States	Europe	Lifeco Corporate	Total
Expected profit on in-force business	$ 978	$ 348	$ 490	$ (17)	$ 1,799
Impact of new business	(56)	–	33	–	(23)
Experience gains and losses	211	(20)	214	(3)	402
Management actions and changes in assumptions	147	58	(98)	–	107
Other	–	–	–	–	–
Earnings on surplus	75	125	112	(21)	291
Net earnings before tax	**1,355**	**511**	**751**	**(41)**	**2,576**
Taxes	(238)	(150)	(114)	27	(475)
Net earnings before non-controlling interests	**1,117**	**361**	**637**	**(14)**	**2,101**
Non-controlling interests	–	–	–	–	–
Net earnings – shareholders	**1,117**	**361**	**637**	**(14)**	**2,101**
Preferred share dividends	(79)	–	(22)	(14)	(115)
Net earnings – common shareholders before adjustments	**1,038**	**361**	**615**	**(28)**	**1,986**
Putnam after-tax	–	(40)	–	–	(40)
Adjustments after-tax	–	–	–	(140)	(140)
Net earnings – common shareholders	**$ 1,038**	**$ 321**	**$ 615**	**$ (168)**	**$ 1,806**

Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 79% of pre-tax earnings in 2013. The expected profit on in-force business of $2,193 in 2013 was $394 higher than 2012. The improvement year-over-year is primarily due to the acquisition of Irish Life, an increase in the expected release of interest rate margins, a higher fund level starting point for fee based businesses and stronger expected Group Life and Health margins.

The new business gain of $26 in 2013 was $49 higher than 2012 primarily due to improvements in Canada as a result of repricing activities for Individual Insurance and Wealth Management to reflect the lower interest environment coupled with the recent upward movement in long term interest rates. The decrease in Europe was largely due to new business strain for Irish Life, partially offset by higher annuity sales in the U.K.

Experience gains of $444 in 2013 were $42 higher than 2012 including a $20 contribution from Irish Life and strong gains across all operating segments. The gains in 2013 were primarily due to investment experience (including yield enhancements) and life mortality experience in Canada and Europe. These gains were partially offset by policyholder behavior, morbidity results in Group Canada and life mortality results in the U.S. In 2012, experience gains were primarily due to investment, mortality and longevity experience in Canada and Europe, partially offset by policyholder behavior experience in Canada and U.S.

Management actions and changes in assumptions contributed $138 to pre-tax earnings in 2013 compared to $107 in 2012. The assumption changes and management actions were $144 in Canada, $25 in U.S. and $(31) in Europe.

The most significant contributors to the Canadian gain of $144 were $95 due to updated life mortality, $70 due to updated morbidity assumptions, $22 due to the review of contingent liabilities related to the CLFC purchase and $15 due to model refinements, partially offset by $63 due to increased provisions for policyholder behavior assumptions.

The management actions and changes in assumptions of $25 in the U.S. were primarily due to the release of mortality assumptions of $12 and expense assumptions of $11.

The most significant contributors to the strengthening of $31 in Europe were $55 due to increased provisions for policyholder behavior within Reinsurance, $30 due to expenses and taxes and $27 due to strengthened Group morbidity assumptions partially offset by $39 due to updated life mortality, $25 due to improved interest mismatch, $11 due to model refinements and $11 due to the review of contingent liabilities related to the CLFC purchase.

Other of $(104) in 2013 was a result of restructuring and acquisition costs related to the Irish Life acquisition.

Earnings on surplus of $91 in 2013 was $200 lower than 2012 primarily due to lower realized OCI gains on asset sales and mark-to-market gains on real estate, an impairment provision release in 2012, and higher mark-to-market hedge costs. In addition, earnings on surplus in 2012 for the U.S. included yield enhancement activity that is classified as experience gains in 2013.

FIVE YEAR SUMMARY

(in Canadian $ millions except per share amounts)	2013	2012[1][2]	2011	2010	2009[3]
At December 31					
Total assets under administration	**$ 758,287**	$ 545,903	$ 501,965	$ 487,002	$ 458,575
For the Year Ended December 31					
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	**$ 20,236**	$ 19,257	$ 17,293	$ 17,748	$ 18,033
Self-funded premium equivalents (Administrative services only contracts)	**2,567**	2,666	2,645	2,575	2,499
Segregated funds deposits:					
Individual products	**8,308**	6,557	7,345	7,284	6,229
Group products	**7,553**	7,262	6,117	6,790	8,470
Proprietary mutual funds and institutional deposits	**36,119**	24,496	28,888	24,654	21,507
Total premiums and deposits	**$ 74,783**	$ 60,238	$ 62,288	$ 59,051	$ 56,738
Condensed Statements of Earnings					
Income					
Premium income	**$ 20,236**	$ 19,257	$ 17,293	$ 17,748	$ 18,033
Net investment income					
Regular net investment income	**5,604**	5,642	5,538	5,709	6,179
Changes in fair value through profit or loss	**(2,979)**	2,668	4,164	3,825	3,490
Total net investment income	**2,625**	8,310	9,702	9,534	9,669
Fee and other income	**3,585**	3,030	2,903	2,821	2,839
Total income	**26,446**	30,597	29,898	30,103	30,541
Benefits and expenses					
Paid or credited to policyholders	**17,811**	22,875	23,043	23,225	23,809
Other	**5,633**	5,057	4,051	4,822	4,563
Amortization of finite life intangible assets	**117**	103	100	92	89
Restructuring and acquisition expenses	**104**	–	–	–	–
Earnings before income taxes	**2,781**	2,562	2,704	1,964	2,080
Income taxes	**463**	364	465	256	345
Net earnings before non-controlling interests	**2,318**	2,198	2,239	1,708	1,735
Non-controlling interests	**(90)**	277	121	7	36
Net earnings – shareholders	**2,408**	1,921	2,118	1,701	1,699
Preferred share dividends	**130**	115	96	86	72
Net earnings – common shareholders	**$ 2,278**	$ 1,806	$ 2,022	$ 1,615	$ 1,627
Earnings per common share	**$ 2.340**	$ 1.902	$ 2.129	$ 1.704	$ 1.722
Return on common shareholders' equity	**16.6%**	15.3%	17.6%	14.8%	13.8%
Book value per common share	**$ 15.33**	$ 12.64	$ 12.61	$ 11.46	$ 12.17
Dividends to common shareholders – per share	**$ 1.230**	$ 1.230	$ 1.230	$ 1.230	$ 1.230

(1) Comparative figures, where impacted, have been restated for the retrospective impact of new and revised International Financial Reporting Standards effective during 2013 most notably IAS 19R, *Employee Benefits* and IFRS 10, *Consolidated Financial Statements*.

(2) The Company reclassified certain comparative figures for presentation adjustments.

(3) 2009 is presented on a previous CGAAP basis.

DIRECTORS AND OFFICERS

As of December 31, 2013

BOARD OF DIRECTORS

R. Jeffrey Orr [2,3,4,6]
Chairman of the Board of the Corporation
President and Chief Executive Officer,
Power Financial Corporation

George S. Bain [1,5]
Corporate Director

Marcel R. Coutu [2,3,4,6]
Corporate Director

André Desmarais, O.C., O.Q. [2,3,4,6]
Deputy Chairman, President and
Co-Chief Executive Officer,
Power Corporation of Canada
Co-Chairman,
Power Financial Corporation

Paul Desmarais, Jr., O.C., O.Q. [2,3,4,6]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Co-Chairman,
Power Financial Corporation

Michael L. Hepher [1,2,3,6]
Corporate Director

Chaviva M. Hošek, O.C., Ph.D., LL.D. [1,5]
President Emeritus,
The Canadian Institute for Advanced Research

J. David A. Jackson [6]
Senior Counsel,
Blake, Cassels & Graydon LLP

D. Allen Loney, FIA, FCIA [3,6]
Corporate Director

Paul A. Mahon
President and Chief Executive Officer
of the Corporation,
The Great-West Life Assurance Company,
London Life Insurance Company,
Canada Life Financial Corporation,
The Canada Life Assurance Company

Raymond L. McFeetors [3,6]
Vice-Chairman,
Power Financial Corporation

Michel Plessis-Bélair, FCPA, FCA
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

Henri-Paul Rousseau, Ph.D. [3,6]
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

Raymond Royer, O.C., O.Q., FCPA, FCA [1]
Corporate Director

Jerome J. Selitto
Corporate Director

James M. Singh, CMA [1]
Corporate Director

Emőke J.E. Szathmáry, C.M., O.M., Ph.D.
President Emeritus,
University of Manitoba

Gregory D. Tretiak, FCA [3,6]
Executive Vice-President and
Chief Financial Officer,
Power Corporation of Canada and
Power Financial Corporation

Brian E. Walsh [2,3,4,6]
Chairman and Chief Investment Officer,
Saguenay Strathmore Capital, LLC

James W. Burns, O.C., O.M.
Director Emeritus

1 member of the Audit Committee
2 member of the Compensation Committee
3 member of the Executive Committee
4 member of the Governance and Nominating Committee
5 member of the Conduct Review Committee
6 member of the Risk Committee

EXECUTIVE OFFICERS

Paul A. Mahon
President and Chief Executive Officer

Arshil Jamal
President and Chief Operating Officer,
Europe

J. Dave Johnston
President and Chief Operating Officer,
Canada

Mitchell T.G. Graye
President and Chief Executive Officer,
Great-West Life & Annuity
Insurance Company

Andrew D. Brands
Executive Vice-President,
General Counsel and Compliance

S. Mark Corbett
Executive Vice-President and
Chief Investment Officer

Alexandre J. Guertin
Senior Vice-President and
Chief Risk Officer

William W. Lovatt
Executive Vice-President and
Chief Financial Officer

Garry MacNicholas
Executive Vice-President,
Actuarial and Risk

Nancy D. Russell
Senior Vice-President and
Chief Compliance Officer

Laurie A. Speers
Vice-President and Corporate Secretary

SHAREHOLDER INFORMATION

Registered Office

100 Osborne Street North, Winnipeg, Manitoba, Canada R3C 1V3

Stock Exchange Listings

Symbol: GWO

The following shares are listed on the Toronto Stock Exchange: Common Shares (**GWO**); Non-Cumulative First Preferred Shares Series F (**GWO.PR.F**), Series G (**GWO.PR.G**), Series H (**GWO.PR.H**), Series I (**GWO.PR.I**), Series L (**GWO.PR.L**), Series M (**GWO.PR.M**), Series P (**GWO.PR.P**), Series Q (**GWO.PR.Q**), Series R (**GWO.PR.R**); and Non-Cumulative 5-Year Reset First Preferred Shares Series N (**GWO.PR.N**).

Transfer Agent and Registrar

The transfer agent and registrar of Great-West Lifeco Inc. is **Computershare Investor Services Inc.**

In Canada, the Common Shares and Non-Cumulative First Preferred Shares, Series F are transferable at the following locations:

Canadian Offices	Computershare Investor Services Inc.
	8th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1
	600, 530 8th Avenue S.W., Calgary, Alberta T2P 3S8
	1500 University Street, 7th Floor, Montréal, Québec H3A 3S8
	2nd Floor, 510 Burrard Street, Vancouver, British Columbia V6C 3B9
	1969 Upper Water Street, Purdy's Wharf Tower 2, Suite 2008, Halifax, Nova Scotia B3J 3R7
	Phone: 1-888-284-9137 (toll free in Canada and the United States), 514-982-9557 (direct dial)

The Non-Cumulative First Preferred Shares, Series G, H, I, L, M, N, P, Q and R are only transferable at the Toronto Office of Computershare Investor Services Inc.

Internationally, the Common Shares and Non-Cumulative First Preferred Shares, Series F are also transferable at the following locations:

United States Office	Computershare Trust Company, N.A.
	350 Indiana Street, Suite 800 Golden, Colorado, United States 80401
	Phone: 1-888-284-9137 (toll free in Canada and the United States)
United Kingdom Office	Computershare Investor Services PLC
	The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, United Kingdom
	Phone: 44 0870 702 0003
Ireland Office	Computershare Investor Services (Ireland) Limited
	Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland
	Phone: 353 1 447 5566

Shareholders wishing to contact the transfer agent by email can do so at GWO@computershare.com.

Dividends

Common Shares and First Preferred Shares Series F, G, H, I, L, M, N, P, Q and R – Dividend record dates are usually between the 1st and 4th of March, June, September and December. Dividends are usually paid the last day of each quarter.

Investor Information

For financial information about Great-West Lifeco Inc. please contact:

Canada Operations Senior Vice-President and Chief Financial Officer, Canada 204-946-8396

United States Operations Vice President, Reporting and Finance 303-737-4149

Europe Operations Senior Vice-President and Chief Financial Officer, Europe 44 1707 423198

For copies of the annual or quarterly reports, please contact the Corporate Secretary's Office at 204-946-4388 or visit **www.greatwestlifeco.com**.

Common Share Investment Data

	Market price per common share ($)			Dividend	Dividend	Dividend
	High	Low	Close	paid ($)	payout ratio*	yield**
2013	**33.34**	**24.20**	**32.75**	**1.23**	**58.3%**	**4.3%**
2012	25.01	19.82	24.35	1.23	60.0%***	5.5%
2011	27.77	19.17	20.40	1.23	57.8%	5.2%
2010	29.17	23.73	26.40	1.23	70.4%	4.7%
2009	27.01	11.35	26.88	1.23	71.4%	6.4%
2008	35.29	19.49	20.70	1.20	76.9%	4.4%
2007	37.58	32.50	35.57	1.06	46.0%	3.0%
2006	34.39	27.16	33.80	0.9275	44.1%	3.0%

* Ratio based on operating earnings in 2010-2013 and the previous CGAAP basic earnings for 2009 and prior.

** Dividends as per cent of average high and low market price.

*** Dividend payout ratio based on restated earnings.

GREAT-WEST
LIFECO INC.

A MEMBER OF THE POWER FINANCIAL CORPORATION GROUP OF COMPANIES™

Conserving for our future

Great-West Lifeco recognizes the importance of environmental responsibility and takes a balanced and sustainable approach to conducting business.

To help reduce our environmental footprint, annual meeting materials for our group of companies, including annual reports and management proxy circulars, have been printed on 30 per cent post-consumer recycled fibre.

Domtar EarthChoice® papers earn Forest Stewardship Council™ (FSC®) certification and Rainforest Alliance Certified™ seal. Using this paper has helped save:

401	**187,414**	**181**	**12,546**	**34,556**
Trees	Gallons of waste water	Millions BTU net energy	Pounds of solid waste	Pounds of greenhouse gases

** Environmental impact estimates for savings pertaining to the use of post-consumer recycled fibre are based on the Environmental Paper Network calculator.*

When you are finished with this report, please consider recycling it. The report is also downloadable at www.greatwestlifeco.com.

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