GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

First Quarter Results

For the period ended March 31, 2014

E1138(3/14)-3/14

Quarterly Report to Shareholders

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

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

GREAT-WEST
LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to March 31, 2014 Three Months Results

The condensed consolidated interim unaudited financial statements including notes at March 31, 2014 were approved by the Board of Directors at a meeting held today in Winnipeg.

Great-West Lifeco Inc. (Lifeco) has reported net earnings attributable to common shareholders of $587 million or $0.587 per common share for the three months ended March 31, 2014 compared to $517 million or $0.544 per common share for the same period in 2013, an increase of 13.5%.

Consolidated assets under administration at March 31, 2014 grew to $806 billion, up $48 billion from December 31, 2013.

Highlights – In Quarter

- Lifeco premiums and deposits during the quarter were $23.9 billion, up 41% from a year ago, including $2.9 billion from Irish Life Group Limited (Irish Life), reflecting continued strong persistency and growth.
- Total Company sales in the first quarter of 2014 were up 43% compared to the same period in 2013:
  - Canada sales were $3.2 billion, up 6%.
  - Europe Insurance & Annuities sales were $3.5 billion, up 265%, including sales of $2.6 billion from Irish Life.
  - Putnam sales were US$9.1 billion, up 23%, driven by an increase in mutual fund sales of US$2.7 billion which were at their highest level since the first quarter of 2003.
  - Great-West Financial sales were US$2.9 billion, up 16%.
- Irish Life contributed $52 million of net earnings to Lifeco in the first quarter of 2014 up from $44 million in the fourth quarter of 2013.
- On April 3, 2014, the Company announced that Great-West Financial reached an agreement to acquire the J.P. Morgan Retirement Plan Services large-market recordkeeping business. The transaction is scheduled to close in the third quarter of 2014, subject to regulatory approval in the U.S.
- The Company maintained a strong ROE of 16.0% based on net earnings. ROE based on adjusted operating earnings was 15.2%, which excludes the impact of Irish Life related restructuring and acquisition costs and certain litigation provisions.
- The Company's capital position remained very strong. The Great-West Life Assurance Company, Lifeco's major operating subsidiary, reported a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 230% at March 31, 2014.
- The Company declared a quarterly common dividend of $0.3075 per common share payable June 30, 2014.

OPERATING RESULTS

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.

CANADA

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

Net earnings attributable to common shareholders for the first quarter of 2014 were $294 million, up 11% compared to $265 million in the first quarter of 2013.

Total sales in the first quarter of 2014 were $3.2 billion, compared to $3.0 billion in the first quarter of 2013. This reflects a 14% increase in Individual Insurance sales and a 12% increase in Wealth Management sales partially offset by lower Group creditor sales.

Total Canada segment assets under administration at March 31, 2014 were $153 billion, compared to $149 billion at December 31, 2013.

UNITED STATES

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

Great-West Financial provides an array of financial security products, including employer-sponsored defined contribution plans, administrative and record-keeping services, fund management and investment and advisory services. It also provides individual retirement accounts, life insurance and annuity products and executive benefits products. Putnam provides investment management, certain administrative functions, distributions and related services through a broad range of investment products.

Net earnings attributable to common shareholders for the first quarter of 2014 were $41 million compared to $71 million in the first quarter of 2013. Great-West Financial reported net earnings of $94 million in the first quarter compared to $85 million for the same period last year. Putnam reported a net loss of $53 million in the first quarter compared to a net loss of $14 million a year ago.

Great-West Financial sales in the first quarter of 2014 were US$2.9 billion, up from US$2.5 billion in the first quarter of 2013 due to positive results from both Retirement Services and Individual Markets. Retirement Services experienced higher sales from the Institutional market's group annuity product and higher transferred assets from plan mergers and participants of existing plans. Individual Markets experienced sales increases in the individual retirement account and the executive benefits markets.

Putnam assets under management as at March 31, 2014 were US$153.4 billion compared to US$134.7 billion a year ago, an increase of 14%. Net asset inflows for the first quarter of 2014 were US$1.1 billion compared to net asset outflows of US$0.3 billion for the same period in 2013, driven by mutual fund net inflows of US$2.4 billion, which were their highest level since the first quarter of 2001.

Total United States segment assets under administration at March 31, 2014 were $453 billion compared to $421 billion at December 31, 2013.

EUROPE
The Europe segment comprises two distinct business units: Insurance & Annuities and Reinsurance, together with an allocation of Lifeco's corporate results. Insurance & Annuities provides protection and wealth management products including payout annuities, through subsidiaries of Canada Life in the U.K., Isle of Man and Germany, and through Irish Life in Ireland. Reinsurance operates primarily in the U.S., Barbados and Ireland, and is conducted through Canada Life, London Life and their subsidiaries.

Net earnings attributable to common shareholders for the first quarter of 2014 were $259 million, which includes the impact of $5 million of restructuring costs related to the Irish Life acquisition. Excluding these costs net earnings were $264 million for the quarter, including a $52 million contribution from Irish Life, compared to $192 million in the first quarter of 2013.

Insurance & Annuities sales for the first quarter of 2014 were $3.5 billion, including $2.6 billion related to Irish Life, up 265% as compared to $961 million a year ago.

Total Europe segment assets under administration at March 31, 2014 were $200 billion, up from $188 billion at December 31, 2013.

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

Net earnings in the Lifeco Corporate segment attributable to common shareholders were a net loss of $7 million in the first quarter of 2014 compared to a net loss of $11 million in the first quarter of 2013.

QUARTERLY DIVIDENDS

At its meeting today, the Board of Directors approved a quarterly dividend of $0.3075 per share on the common shares of the Company payable June 30, 2014 to shareholders of record at the close of business June 2, 2014.

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

In addition, the Directors approved quarterly dividends on:
- Series F First Preferred Shares of $0.36875 per share;
- Series G First Preferred Shares of $0.3250 per share;
- Series H First Preferred Shares of $0.30313 per share;
- Series I First Preferred Shares of $0.28125 per share;
- Series L First Preferred Shares of $0.353125 per share;
- Series M First Preferred Shares of $0.3625 per share;
- Series N First Preferred Shares of $0.228125 per share;
- Series P First Preferred Shares of $0.3375 per share;
- Series Q First Preferred Shares of $0.321875 per share; and
- Series R First Preferred Shares of $0.3000 per share

all payable June 30, 2014 to shareholders of record at the close of business June 2, 2014.

P. A. Mahon
President and Chief Executive Officer

May 8, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED MARCH 31, 2014

DATED: MAY 8, 2014

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months ended March 31, 2014 and includes a comparison to the corresponding period in 2013, to the three months ended December 31, 2013, and to the Company's financial condition as at December 31, 2013. This MD&A provides an overall discussion, followed by analysis of the performance of Lifeco's three major reportable segments: Canada, United States (U.S.) and Europe.

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of Lifeco, which are the basis for data presented in this report, have been prepared in accordance with International Financial Reporting Standards (IFRS) unless otherwise noted and are presented in millions of Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the Company's condensed consolidated financial statements for the period ended March 31, 2014. Please also refer to the 2013 Annual MD&A and consolidated financial statements in the Company's 2013 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, are also forward-looking statements. Forward-looking statements are based on expectations and projections about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including, without limitation, with respect to market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, inflation, information systems, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, continuity and availability of personnel and third party service providers, 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 and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include technological change, investment values, payments required under investment products, reinsurance, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings and catastrophic events. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company's 2013 Annual MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate 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		
	March 31 2014	Dec. 31 2013	March 31 2013[2][3]
Premiums and deposits:			
Life insurance, guaranteed annuities and insured health products[2]	**$ 5,267**	$ 5,850	$ 4,931
Self-funded premium equivalents (Administrative services only contracts)	**658**	649	644
Segregated funds deposits:			
Individual products	**2,946**	2,757	1,768
Group products	**3,364**	1,809	2,006
Proprietary mutual funds & institutional deposits	**11,662**	11,491	7,642
Total premiums and deposits	**23,897**	22,556	16,991
Fee and other income[2]	**1,059**	1,001	798
Paid or credited to policyholders[1][2]	**7,489**	5,647	5,560
Operating earnings - common shareholders*	**587**	491	517
Net earnings - common shareholders	**587**	717	517
Per common share			
Operating earnings*	**$ 0.587**	$ 0.491	$ 0.544
Basic earnings	**0.587**	0.717	0.544
Dividends paid	**0.3075**	0.3075	0.3075
Book value	**16.05**	15.33	12.87
Return on common shareholders' equity[4]			
Operating earnings	**14.5 %**	15.0 %	16.8 %
Net earnings	**16.0 %**	16.6 %	15.7 %
Total assets[3]	**$ 342,860**	$ 325,905	$ 261,954
Proprietary mutual funds and institutional net assets[2]	**199,921**	185,243	145,838
Total assets under management[3]	**542,781**	511,148	407,792
Other assets under administration	**263,113**	247,139	174,487
Total assets under administration[3]	**$ 805,894**	$ 758,287	$ 582,279
Total equity	**$ 20,964**	$ 19,999	$ 17,268

*Operating earnings, a non-IFRS financial measure, 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) The Company reclassified comparative figures for presentation adjustments adopted in 2013.
(3) Comparative figures, where impacted, have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.
(4) Return on shareholders equity detailed within the "Capital Allocation Methodology" section.

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 Group Limited (Irish Life) results are included for the period subsequent to acquisition date of July 18, 2013.

Lifeco's net earnings attributable to common shareholders for the three month period ended March 31, 2014 were $587 million compared to $517 million a year ago and $717 million in the previous quarter. On a per share basis this represents $0.587 per common share ($0.587 diluted) for the first quarter of 2014 compared to $0.544 per common share ($0.544 diluted) a year ago and $0.717 per common share ($0.716 diluted) in the previous quarter. First quarter 2014 net earnings include a contribution from Irish Life of $52 million offset by $5 million of restructuring costs related to the ongoing integration of Irish Life. Fourth quarter 2013 Lifeco net earnings include a litigation recovery recorded in the subsequent event period, which increased net earnings by $226 million, a contribution from Irish Life of $44 million offset by $23 million of Irish Life related restructuring and acquisition costs and a mark-to-market loss on a macro capital hedge of $26 million.

Net earnings - common shareholders

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Canada			
Individual Insurance	**$ 69**	$ 73	$ 56
Wealth Management	**105**	93	90
Group Insurance	**109**	97	95
Canada Corporate	**11**	7	24
	294	270	265
United States			
Financial Services	**94**	81	85
Asset Management	**(53)**	(25)	(14)
U.S. Corporate	**-**	-	-
	41	56	71
Europe			
Insurance & Annuities	**200**	166	130
Reinsurance	**63**	63	55
Europe Corporate	**(4)**	(27)	7
	259	202	192
Lifeco Corporate	**(7)**	(37)	(11)
Operating Earnings	**$ 587**	$ 491	$ 517
Certain litigation provisions[1]	**-**	226	-
Net earnings	**$ 587**	$ 717	$ 517

[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 declined during the quarter, but did not impact the range of interest rate scenarios tested through the valuation process. The net change in interest rates had no material impact on net earnings or MCCSR relative to the Company's expectations.

Refer to note 5 of the Company's condensed consolidated financial statements for the period ended March 31, 2014 for a further description of the Company's sensitivity to interest rate fluctuations.

Equity Markets
Equity markets' performance in the first quarter of 2014 was positive in most geographies where the Company operates. The major equity indices finished the first quarter up 5.2% in Canada (as measured by S&P TSX), up 1.3% in the U.S. (as measured by S&P 500), up 2.0% in broader Europe (as measured by Eurostoxx 50), but down 2.2% in the U.K. (as measured by FTSE 100), compared to December 31, 2013.

Comparing the first quarter of 2014 to the first quarter of 2013, the average equity market levels were up by 9.9% in Canada, by 21.3% in the U.S., by 6.1% in the U.K., and by 15.4% in broader Europe.

In the first quarter of 2014, market performance was modestly above the Company's expectations resulting in 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 impact to net earnings was not material relative to the Company's expectations.

Foreign Currency
During the first quarter of 2014, 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 March 31, 2014 was an increase of $37 million as compared to translation rates a year ago. The decline in the Canadian dollar at March 31, 2014 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 $503 million recorded in other comprehensive income during the quarter.

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

PREMIUMS AND DEPOSITS AND SALES

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

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

Premiums and deposits

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Canada			
Individual Insurance	**$ 1,077**	$ 1,112	$ 1,001
Wealth Management	**4,051**	2,368	2,689
Group Insurance	**1,900**	1,886	1,875
	7,028	5,366	5,565
United States			
Financial Services	**1,808**	1,755	1,434
Asset Management	**9,972**	8,668	7,433
	11,780	10,423	8,867
Europe			
Insurance & Annuities	**4,112**	5,229	1,260
Reinsurance[(1)]	**977**	1,538	1,299
	5,089	6,767	2,559
Total	**$ 23,897**	$ 22,556	$ 16,991

Sales

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Canada	**$ 3,202**	$ 2,852	$ 3,012
United States	**13,159**	14,263	9,950
Europe - Insurance & Annuities	**3,506**	4,773	961
Total	**$ 19,867**	$ 21,888	$ 13,923

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

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

NET INVESTMENT INCOME

Net investment income

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Investment income earned (net of investment properties expenses)	**$ 1,490**	$ 1,400	$ 1,336
Allowances for credit losses on loans and receivables	**(1)**	4	(1)
Net realized gains	**22**	40	47
Regular investment income	**1,511**	1,444	1,382
Investment expenses	**(22)**	(14)	(20)
Regular net investment income	**1,489**	1,430	1,362
Changes in fair value through profit or loss	**2,122**	(225)	465
Net investment income	**$ 3,611**	$ 1,205	$ 1,827

Net investment income in the first quarter of 2014, which includes changes in fair value through profit or loss, increased by $1,784 million compared to the same period last year. The change in fair values in the first quarter of 2014 was an increase of $2,122 million compared to an increase of $465 million for the first quarter of 2013, primarily due to a larger decline in government bond yields in the first quarter of 2014 compared to the first quarter of 2013.

Regular net investment income in the first quarter of 2014, which excludes changes in fair value through profit or loss, increased by $127 million compared to the first quarter of 2013. Irish Life contributed $24 million to regular net investment income in the first quarter of 2014. Excluding the impact of Irish Life, regular net investment income increased by $103 million mostly as a result of a strengthening of the British pound and U.S. dollar against the Canadian dollar. Net realized gains include gains on available-for-sale securities of $11 million in the first quarter of 2014 compared to $35 million for the same period last year.

Net investment income in the first quarter of 2014 was $2,406 million higher than the fourth quarter of 2013, primarily due to net increases in fair values of $2,122 million in the first quarter of 2014 compared to net decreases of $225 million in the previous quarter. In the first quarter of 2014, government bond yields decreased compared to increasing in the fourth quarter of 2013.

Credit Markets

In the first quarter of 2014, the Company experienced net recoveries on impaired investments, which positively impacted common shareholders' net earnings by $5 million ($3 million net recovery in the first quarter of 2013). There were no new impairments in the first quarter.

In the first quarter of 2014, changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted common shareholders' net earnings by $3 million in the quarter ($1 million net recovery in the first quarter of 2013).

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013[(1)]
Canada			
Segregated funds, mutual funds and other	**$ 306**	$ 295	$ 272
ASO contracts	**38**	35	37
	344	330	309
United States			
Segregated funds, mutual funds and other	**419**	395	337
Europe			
Segregated funds, mutual funds and other	**296**	276	152
Total fee and other income	**$ 1,059**	$ 1,001	$ 798

(1) The Company reclassified certain comparative figures for presentation adjustments adopted in 2013.

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

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Canada	**$ 3,365**	$ 2,629	$ 2,456
United States	**1,298**	927	760
Europe[1]	**2,826**	2,091	2,344
Total	**$ 7,489**	$ 5,647	$ 5,560

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

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 March 31, 2014, consolidated amounts paid or credited to policyholders were $7.5 billion, including $4.7 billion of policyholder benefit payments and a $2.8 billion increase in contract liabilities. The increase of $1.9 billion from the same period in 2013 consisted of a $2.2 billion contract liability increase, largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe, partially offset by a $314 million decrease in benefit payments. The decrease in benefit payments is due to the commutation of a health insurance treaty, partly offset by currency movement, the contribution from Irish Life and normal business growth.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders increased by $1.8 billion. The increase consisted of a $1.7 billion contract liability increase largely driven by fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and a $164 million increase in benefit payments.

INCOME TAXES

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

The Company had an effective income tax rate of 21% for the first quarter of 2014 compared to 18% in the first quarter of 2013. The Company’s effective income tax rate for the first quarter of 2014 increased as a result of higher non-deductible expenses in the participating account in the quarter as well as an increase in reserves for uncertain tax positions. In addition, during the first quarter of 2014, newly enacted U.S. state income tax laws reduced the carrying values of certain deferred income tax assets in Putnam, which further negatively impacted the Company’s effective income tax rate.

The first quarter effective income tax rate of 21% is higher than the fourth quarter of 2013 rate of 18% primarily due to the reasons noted above.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	March 31, 2014			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 61,126**	**$ 33,282**	**$ 43,914**	**$ 138,322**
Goodwill and intangible assets	**5,106**	**1,910**	**2,363**	**9,379**
Other assets	**3,138**	**3,706**	**18,625**	**25,469**
Segregated funds net assets	**65,827**	**29,464**	**74,399**	**169,690**
Total assets	**135,197**	**68,362**	**139,301**	**342,860**
Proprietary mutual funds and institutional net assets	**4,382**	**177,063**	**18,476**	**199,921**
Total assets under management	**139,579**	**245,425**	**157,777**	**542,781**
Other assets under administration	**13,812**	**207,348**	**41,953**	**263,113**
Total assets under administration	**$ 153,391**	**$ 452,773**	**$ 199,730**	**$ 805,894**

	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

Total assets under administration at March 31, 2014 increased by $47.6 billion to $805.9 billion compared to December 31, 2013, primarily as a result of market value gains, positive currency movement and new business growth. Other assets under administration increased by $16.0 billion, primarily due to positive currency movement, new plan sales in the U.S. segment and market value gains.

INVESTED ASSETS

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

Bond portfolio – 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 $95.4 billion or 69% of invested assets at March 31, 2014 and $89.9 billion or 69% at December 31, 2013. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 81% rated A or higher.

Bond portfolio quality

	March 31, 2014		December 31, 2013	
AAA	**$ 32,680**	**34 %**	$ 30,626	34 %
AA	**16,731**	**18**	15,913	18
A	**27,413**	**29**	25,348	28
BBB	**17,210**	**18**	16,809	19
BB or lower	**1,334**	**1**	1,218	1
Total	**$ 95,368**	**100 %**	$ 89,914	100 %

Holdings of Debt Securities of Governments

	Carrying Value by Rating - March 31, 2014						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 10,120	$ 3,119	$ 3,313	$ 69	$ 18	$ 16,639	$ 16,105
U.K.	8,718	1,341	217	591	-	10,867	10,266
U.S.	5,922	1,571	195	-	3	7,691	7,469
Ireland	-	-	-	670	-	670	629
	24,760	**6,031**	**3,725**	**1,330**	**21**	**35,867**	**34,469**
Portugal	-	-	-	-	11	11	11
Italy	-	-	-	73	-	73	68
Greece	-	-	-	-	-	-	-
Spain	-	-	-	13	-	13	13
	-	**-**	**-**	**86**	**11**	**97**	**92**
Germany	1,937	37	-	-	-	1,974	1,958
France	-	1,093	-	-	-	1,093	1,035
Netherlands	552	157	-	-	-	709	688
Austria	427	23	-	-	-	450	445
Supranationals	1,219	123	-	-	-	1,342	1,299
All other (9 countries)	598	315	138	22	-	1,073	1,053
	4,733	**1,748**	**138**	**22**	**-**	**6,641**	**6,478**
Total	**$ 29,493**	**$ 7,779**	**$ 3,863**	**$ 1,438**	**$ 32**	**$ 42,605**	**$ 41,039**

* Includes certain funds held by ceding insurers with a carrying value of $2,983 million and an amortized cost of $2,822 million.

At March 31, 2014, 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 $42.6 billion up from $40.6 billion at December 31, 2013. Government bond holdings increased by $2.0 billion mainly due to a strengthening of the British pound, U.S. dollar and euro against the Canadian dollar and an increase in market values driven by decreasing government bond yields. Government and government-related debt securities include investments in Public-Private Partnerships. At March 31, 2014, $18 million of these securities were rated below investment grade. Included in this portfolio are debt securities issued by Portugal, Italy and Spain, with an aggregate carrying value of $97 million, down from $104 million at December 31, 2013 mainly as a result of the disposal of Italian sovereign debt. The Company does not hold any debt securities of the government of Greece.

Holdings of Debt Securities of Banks and Other Financial Institutions

Carrying Value by Rating - March 31, 2014

	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 68	$ 452	$ 1,038	$ 181	$ -	$ 1,739	$ 1,671
U.K.	252	523	1,909	968	542	4,194	3,953
U.S.	751	1,522	1,981	613	20	4,887	4,547
Ireland	-	-	-	72	10	82	96
	1,071	**2,497**	**4,928**	**1,834**	**572**	**10,902**	**10,267**
Portugal	-	-	-	-	-	-	-
Italy	-	-	31	90	-	121	117
Greece	-	-	-	-	-	-	-
Spain	74	-	57	115	-	246	239
	74	**-**	**88**	**205**	**-**	**367**	**356**
Germany	4	29	193	1	-	227	219
France	117	110	295	255	-	777	731
Netherlands	17	297	215	40	-	569	541
Australia	139	340	84	90	-	653	634
All other (19 institutions)	69	275	469	104	17	934	898
	346	**1,051**	**1,256**	**490**	**17**	**3,160**	**3,023**
Total	**$ 1,491**	**$ 3,548**	**$ 6,272**	**$ 2,529**	**$ 589**	**$ 14,429**	**$ 13,646**

Carrying Value by Seniority - March 31, 2014

	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 74	$ 1,170	$ 176	$ 66	$ 253	$ -	$ 1,739	$ 1,671
U.K.	316	1,801	990	553	374	160	4,194	3,953
U.S.	489	3,127	1,086	-	185	-	4,887	4,547
Ireland	69	3	-	-	10	-	82	96
	948	**6,101**	**2,252**	**619**	**822**	**160**	**10,902**	**10,267**
Portugal	-	-	-	-	-	-	-	-
Italy	32	-	-	-	89	-	121	117
Greece	-	-	-	-	-	-	-	-
Spain	85	-	70	41	50	-	246	239
	117	**-**	**70**	**41**	**139**	**-**	**367**	**356**
Germany	44	84	99	-	-	-	227	219
France	211	218	174	54	120	-	777	731
Netherlands	17	463	25	25	39	-	569	541
Australia	151	383	68	-	51	-	653	634
All other (19 institutions)	82	524	148	99	81	-	934	898
	505	**1,672**	**514**	**178**	**291**	**-**	**3,160**	**3,023**
Total	**$ 1,570**	**$ 7,773**	**$ 2,836**	**$ 838**	**$ 1,252**	**$ 160**	**$ 14,429**	**$ 13,646**

* Includes certain funds held by ceding insurers with a carrying value of $3,066 million and an amortized cost of $2,750 million.

At March 31, 2014, 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 $14.4 billion up from $13.4 billion at December 31, 2013, mainly due to a strengthening of the British pound and U.S. dollar against the Canadian dollar and net purchases of securities.

Included in this portfolio are $367 million of debt securities issued by banks and other financial institutions domiciled in Italy and Spain, compared to $339 million at December 31, 2013. Of the Spanish holdings of $246 million, $217 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.

In the first quarter of 2014, the Company exchanged certain Contingent Capital securities pursuant to an exchange offer made by a U.K. domiciled bank. The Company exchanged approximately $112 million of Contingent Capital securities for new Additional Tier 1 securities. The Additional Tier 1 securities carry a below investment grade rating. Separately, the Company also sold in the open market approximately $56 million of Contingent Capital securities that had been issued by the same U.K. domiciled bank. These transactions enabled the Company to better manage early redemption risk associated with the Contingent Capital securities at favourable market pricing for these securities.

At March 31, 2014, 96% of the $14.4 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 mortgages 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 loans. 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

	March 31, 2014				December 31, 2013	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 896**	**$ 889**	**$ 1,785**	**9 %**	$ 1,758	9 %
Multi-family residential	**2,774**	**2,284**	**5,058**	**25**	4,812	25
Commercial	**202**	**12,837**	**13,039**	**66**	12,493	66
Total	**$ 3,872**	**$ 16,010**	**$ 19,882**	**100 %**	$ 19,063	100 %

The total mortgage portfolio was $19.9 billion or 14% of invested assets at March 31, 2014 compared to $19.1 billion or 14% of invested assets at December 31, 2013. Total insured loans were $3.9 billion or 19% of the mortgage portfolio.

Single family residential mortgage						
Region		**March 31, 2014**			December 31, 2013	
Ontario	**$**	**850**	**48 %**	$	826	47 %
Quebec		**391**	**22**		392	22
Alberta		**125**	**7**		123	7
British Columbia		**109**	**6**		109	6
Newfoundland		**95**	**5**		93	5
Saskatchewan		**65**	**4**		63	4
Nova Scotia		**63**	**4**		63	4
Manitoba		**44**	**2**		45	3
New Brunswick		**40**	**2**		41	2
Other		**3**	**-**		3	-
Total	**$**	**1,785**	**100 %**	$	1,758	100 %

During the three month period ended March 31, 2014, single family mortgage originations, including renewals, were $114 million, of which 32% 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 March 31, 2014.

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

At March 31, 2014, the total provision for future credit losses in insurance contract liabilities was $2,920 million compared to $2,795 million at December 31, 2013, an increase of $125 million primarily due to the impact of currency movement and normal business activity.

The aggregate of impairment provisions of $26 million ($38 million at December 31, 2013) and $2,920 million ($2,795 million at December 31, 2013) for future credit losses in insurance contract liabilities represents 2.4% of bond and mortgage assets including funds held by ceding insurers at March 31, 2014 (2.4% at December 31, 2013).

LIABILITIES

Total liabilities				
		March 31 2014		Dec. 31 2013
Insurance and investment contract liabilities	**$**	**138,526**	$	132,063
Other general fund liabilities		**13,680**		13,064
Investment and insurance contracts on account of segregated fund policyholders		**169,690**		160,779
Total	**$**	**321,896**	$	305,906

Total liabilities increased by $16.0 billion to $321.9 billion at March 31, 2014 from December 31, 2013.

Investment and insurance contracts on account of segregated fund policyholders increased by $8.9 billion primarily due to the impact of market value gains and investment income of $3.9 billion, the impact of currency movement of $4.0 billion and net deposits of $1.4 billion. Insurance and investment contract liabilities increased by $6.5 billion primarily due to the impact of currency movement, fair value adjustments as a result of changes in interest rates, as well as business growth.

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

The guaranteed minimum withdrawal benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At March 31, 2014, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,793 million ($2,674 million at December 31, 2013). The Company has a hedging program in place to manage certain risks associated with options embedded in its GMWB products.

Segregated funds guarantee exposure

		March 31, 2014 Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total***
Canada	$ 27,878	$ -	$ 22	$ 70	$ 70
United States	9,245	-	-	43	43
Europe					
Insurance & Annuities	7,988	-	13	44	44
Reinsurance**	1,168	305	-	24	329
	9,156	**305**	**13**	**68**	**373**
Total	**$ 46,279**	**$ 305**	**$ 35**	**$ 181**	**$ 486**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2014.
** Reinsurance exposure is to markets in Canada and the United States.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e., income election, maturity, or death) assuming it occurred on March 31, 2014. 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, with the majority arising in the Europe Reinsurance segment.

ACTUARIAL STANDARDS UPDATE

In December 2013, the Canadian Actuarial Standards Board published an exposure draft indicating the intent to revise the Standards of Practice related to economic reinvestment assumptions used in the valuation of policy liabilities. The comment period has closed and the Company's current understanding is that these revisions will be published in May 2014 with an effective date of October 15, 2014. Under the latest draft of the new Standards and current economic conditions, the Company does not anticipate the impact on net earnings or capital will be material. The new Standards will impact net earnings sensitivity to changes in interest rates and the impact could be positive or negative depending on the prevailing economic environment.

In April 2014, the Canadian Institute of Actuaries published guidance on the calibration criteria for fixed income funds with respect to the valuation of segregated fund guarantees. The assumptions currently used in the valuation of segregated funds already meet these calibration criteria in all material respects.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at March 31, 2014 was $9,429 million, which comprises $7,115 million of common shares, $2,064 million of non-cumulative First Preferred Shares and $250 million of non-cumulative five-year rate reset First Preferred Shares.

The Company commenced a normal course issuer bid on December 9, 2013, terminating December 8, 2014, to purchase and cancel up to 6,000,000 of its common shares at market prices in order to mitigate the dilutive effect of stock options under the Company's Stock Option Plan. During the three months ended March 31, 2014, the Company repurchased and subsequently cancelled 425,878 common shares (2013 - nil) at an average cost per share of $31.30 under its normal course issuer bid program.

NON-CONTROLLING INTERESTS

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

During the period ended March 31, 2014, the Company modified certain Putnam share-based compensation plans. As a result, these plans are now classified as equity-settled share-based payment transactions wherein compensation is measured by reference to the fair value of the equity investments at grant date with a corresponding increase to equity. During the quarter, the Company reclassified the share-based liability into equity ($217 million to non-controlling interest and $26 million to contributed surplus).

LIQUIDITY AND CAPITAL MANAGEMENT AND ADEQUACY

LIQUIDITY

The Company's liquidity requirements are largely self-funded, with short-term obligations being met by generating internal funds and maintaining adequate levels of liquid investments. The Company holds cash and cash equivalents at the Lifeco holding company level and Lifeco consolidated subsidiary companies. At March 31, 2014, the Company and its operating subsidiaries held cash and cash equivalents of $9.1 billion ($6.4 billion at December 31, 2013) and other available government bonds of $27.7 billion ($28.3 billion at December 31, 2013). Included in the cash and cash equivalents at March 31, 2014 is approximately $0.5 billion ($0.6 billion at December 31, 2013) at the Lifeco holding company level. In addition, the Company maintains sufficient committed lines of credit with Canadian chartered banks for unanticipated liquidity needs, if required.

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

CASH FLOWS

Cash flows	**For the three months ended March 31**	
	2014	2013
Cash flows relating to the following activities:		
Operations	**$ 1,273**	$ 565
Financing	**(410)**	1,097
Investment	**(561)**	(1,466)
	302	196
Effects of changes in exchange rates on cash and cash equivalents	**103**	(7)
Increase (decrease) in cash and cash equivalents in the period	**405**	189
Cash and cash equivalents, beginning of period	**2,791**	1,895
Cash and cash equivalents, end of period	**$ 3,196**	$ 2,084

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. Cash flow related financing activities include the issuance and repayment of capital instruments, and associated dividends and interest payments.

In the first quarter, cash and cash equivalents increased by $405 million from December 31, 2013. Cash flows provided by operations during the first quarter of 2014 were $1,273 million, an increase of $708 million compared to the first quarter of 2013. Cash flows used in financing were $410 million, primarily used for payment of dividends to the preferred and common shareholders of $336 million and a decrease in a line of credit of a subsidiary of $66 million. For the three months ended March 31, 2014, cash flows were used by the Company to acquire an additional $561 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations have not changed materially from December 31, 2013.

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 is 175% to 215% (on a consolidated basis).

Great-West Life’s MCCSR ratio at March 31, 2014 was 230% (223% at December 31, 2013). London Life’s MCCSR ratio at March 31, 2014 was 253% (238% at December 31, 2013). Canada Life's MCCSR ratio at March 31, 2014 was 234% (231% at December 31, 2013). The MCCSR ratio does not take into account any impact from $0.5 billion of liquidity at the Lifeco holding company level.

At January 1, 2013, the total impact to equity for the adoption of IAS 19R, *Employee Benefits*, at the consolidated Lifeco level was $575 million for accounting purposes. For MCCSR regulatory capital purposes, Great-West Life elected to phase-in $454 million over eight quarters. 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.

Due to the evolving nature of IFRS, and proposed future changes to IFRS for the measurement of insurance contract liabilities, 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 operational 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

	Mar. 31 2014	Dec. 31 2013	Mar. 31 2013
Canada	**22.7 %**	23.9 %	22.8 %
U.S. Financial Services [(1)]	**17.6 %**	17.8 %	20.2 %
U.S. Asset Management (Putnam)	**(5.3)%**	(3.7)%	(2.5)%
Europe	**14.8 %**	14.9 %	18.9 %
Lifeco Corporate [(2)]	**(19.4)%**	(12.6)%	(9.3)%
Total Lifeco Operating Earnings Basis [(2)]	**14.5 %**	15.0 %	16.8 %
Total Lifeco Net Earnings Basis	**16.0 %**	16.6 %	15.7 %

(1) Includes U.S. Corporate.

(2) 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.

ROE is the calculation of net earnings divided by the average common shareholders' equity over the trailing four quarters. The Company reported ROE based on net earnings of 16.0% compared to 16.6% at December 31, 2013, which includes the impact of certain litigation provisions and recoveries. At March 31, 2014, the Company achieved a 14.5% ROE on operating earnings which included $98 million of Irish Life restructuring and acquisition charges incurred over the past twelve months. Excluding these charges, the ROE is 15.2%, which is in line with the Company's long-term objective.

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 first quarter of 2014.

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-	

Irish Life is not part of the Company's fleet ratings but maintains its own credit ratings. On February 21, 2014, Standard & Poor’s Ratings Services upgraded Irish Life Assurance Plc's (ILA) counterparty credit rating from BBB+ to A-. The ILA €200 million perpetual capital notes assumed on acquisition are rated BBB by both Standard & Poor's Ratings Services and Fitch Ratings.

RISK MANAGEMENT AND CONTROL PRACTICES

DERIVATIVE FINANCIAL INSTRUMENTS

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in the first quarter of 2014. 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 $21 million ($19 million at December 31, 2013) and pledged on derivative liabilities was $233 million ($222 million at December 31, 2013).

During the three month period ended March 31, 2014 the outstanding notional amount of derivative contracts increased by $6.1 billion to $27.7 billion primarily as a result of an increase of $5.2 billion in forward settling to-be-announced security transactions and currency movement.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, decreased to $547 million at March 31, 2014 from $593 million at December 31, 2013. 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. The decrease was partly offset by an increase to market values of interest rate swaps that receive fixed rates and pay floating rates due to declining interest rates.

On October 16, 2013, the Company purchased six month equity put options on the S&P 500 with a notional amount of $6.8 billion for consideration of $41 million as a macro capital hedge against a severe decline in equity markets as a result of political uncertainty regarding the status of the borrowing authority of the United States government. The options expired unexercised on April 17, 2014.

ACCOUNTING POLICIES

Due to the evolving nature of IFRS, there are a number of IFRS changes impacting the Company in 2014 as well as standards that could impact the Company in subsequent periods. The Company actively monitors future IFRS changes proposed by the International Accounting Standards Board (IASB) to assess if the changes to the standards may have an impact on the Company's results or operations.

The Company adopted the guidance in the following standards effective January 1, 2014: IAS 32, *Financial Instruments: Presentation*, IAS 36, *Impairment of Assets*, IAS 39, *Recognition and Measurement* and IFRIC 21, *Levies*. The adoption did not have a significant impact on the Company's financial statements.

IFRS that may change subsequent to 2014 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 proposed standard differs significantly from the Company's current accounting and actuarial practices under the Canadian Asset Liability Method (CALM) and is expected to produce more volatile financial results. Current accounting practices closely link the accounting valuations of insurance contract liabilities and the specific assets used to support those liabilities, thereby minimizing accounting mismatches when liabilities and assets are well-matched economically. The IASB exposure draft proposed that, amongst many other changes, most insurance contract liabilities would be measured based on current rates, disconnected from the underlying asset rates. The IASB requested a response to five target areas: unlocking the contractual service margin, participating contracts, insurance contract revenue, other comprehensive income (OCI) and transition. In March 2014, after reviewing responses to the re-exposure draft, the IASB deliberated on two of the five target areas and decided that presenting the effects of changes in discount rates in OCI would be permitted but not required and that the contractual service margin would be unlocked for changes in the risk adjustment that relate to future coverage and other services. The IASB continues to deliberate on the remaining three target areas as well as considering several non-targeted issues identified by respondents. 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 (ballot draft for the replacement of 2010 standard expected in mid-2014), impairment (final IFRS expected first half of 2014) and hedge accounting (final standard was issued in November, 2013). The accounting for macro hedging is expected to be issued as a separate standard outside of IFRS 9. A tentative decision on the mandatory effective date of IFRS 9 of January 1, 2018 was reached. The full impact of IFRS 9 on the Company will be evaluated once the final standard is released. 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 proposing 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 IASB continues to deliberate the proposals in the May 2013 Leases exposure draft. 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.

SEGMENTED OPERATING RESULTS

The consolidated operating results of Lifeco including the comparative figures are presented on an IFRS basis after capital allocation. Consolidated operating results for Lifeco comprise the net earnings of Great-West Life and its operating subsidiaries, London Life and Canada Life; Great-West Financial and Putnam, together with Lifeco's corporate results.

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

CANADA

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

Selected consolidated financial information - Canada

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 7,028**	$ 5,366	$ 5,565
Sales	**3,202**	2,852	3,012
Fee and other income[(1)]	**344**	330	309
Net earnings - common shareholders	**294**	270	265
Total assets[(2)]	**$ 135,197**	$ 129,983	$ 125,544
Proprietary mutual funds net assets	**4,382**	4,114	3,767
Total assets under management	**139,579**	134,097	129,311
Other assets under administration	**13,812**	14,607	13,600
Total assets under administration	**$ 153,391**	$ 148,704	$ 142,911

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.
(2) Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

2014 Developments

- Premiums and deposits for the three months ended March 31, 2014 were $7,028 million, compared to $5,565 million for the same period in 2013. The increase was primarily driven by the conversion of certain pension plan assets into a segregated fund product during the first quarter of 2014.
- Sales for the three months ended March 31, 2014 were $3,202 million, compared to $3,012 million in the first quarter of 2013. This increase reflects strong Individual Insurance and Wealth Management sales slightly offset by lower Group creditor sales during the first quarter of 2014.
- For the three months ended March 31, 2014, fee and other income was $344 million, an increase of $35 million from the same period last year.
- Net earnings for the three months ended March 31, 2014 were $294 million, compared to $265 million for the first quarter of 2013, reflecting strong core growth in all business units.
- Individual Insurance continues to review rates on its products and adjust pricing in response to economic conditions across all products lines. Price reductions on universal life level cost of insurance, term 10 and certain Living Benefits products were announced during the quarter.

BUSINESS UNITS - CANADA

Individual insurance

Operating Results

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 1,077**	$ 1,112	$ 1,001
Sales	**122**	144	107
Net earnings	**69**	73	56

Premiums and deposits

Individual Insurance premiums in the first quarter of 2014 increased by $76 million to $1,077 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $76 million to $994 million compared to the same quarter last year, primarily due to a 10% increase in participating life premiums. Living Benefits premiums for the quarter of $83 million were comparable to the same quarter last year.

Individual Insurance premiums in the first quarter of 2014 decreased by $35 million compared to the previous quarter, primarily due to a 6% decrease in participating life insurance premiums.

Sales

Individual Insurance sales in the first quarter of 2014 increased by $15 million to $122 million compared to the same quarter last year. Individual Life sales increased by $19 million to $114 million, driven by a 23% increase in participating life insurance sales and a 38% increase in universal life sales. Sales of Living Benefits of $8 million were $4 million lower than in the same quarter last year.

Individual Insurance sales in the first quarter of 2014 decreased by $22 million compared to the previous quarter. Individual Life sales decreased by $19 million, primarily due to a 16% decrease in participating life insurance sales. Living Benefits sales were $3 million lower compared to the previous quarter.

Net earnings
Net earnings for the first quarter of 2014 increased by $13 million to $69 million compared to the same quarter of 2013. This increase was primarily a result of lower new business strain, driven by price increases and higher yields projected on assets backing new business and favourable investment experience, partially offset by less favourable policyholder behaviour experience and lower contributions from insurance contract liability basis changes.

Net earnings in the first quarter of 2014 decreased by $4 million compared to the previous quarter. This decrease was primarily due to lower contributions from insurance contract liability basis changes, partially offset by favourable investment experience.

The net earnings attributable to the participating account was $22 million in the first quarter of 2014 compared to net earnings of $15 million in the first quarter of 2013. This increase was primarily driven by lower new business strain.

The net earnings attributable to the participating account increased by $166 million from the fourth quarter of 2013. Fourth quarter 2013 net earnings included a revision to the participating account litigation provision. Excluding this impact, net earnings decreased by $60 million, primarily due to lower contributions from insurance contract liability basis changes.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 4,051**	$ 2,368	$ 2,689
Sales	**2,933**	2,592	2,617
Fee and other income[(1)]	**294**	281	258
Net earnings	**105**	93	90

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

Premiums and deposits
Wealth Management premiums and deposits increased in the first quarter of 2014 by $1,362 million to $4,051 million compared to the same quarter last year. The increase was driven primarily by the conversion of certain pension plan assets into a segregated fund product. Premiums and deposits related to retail segregated fund and mutual fund products also contributed to the increase in the first quarter of 2014.

Wealth Management premiums and deposits in the first quarter of 2014 increased by $1,683 million compared to the previous quarter. The increase was due to the same drivers as discussed above for the year-over-year comparison.

Sales
Wealth Management sales increased in the first quarter of 2014 by $316 million to $2,933 million compared to the same quarter last year. This result was driven by higher sales of proprietary retail investment funds and group capital accumulation plan (GCAP) products.

Wealth Management sales in the first quarter of 2014 increased by $341 million compared to the previous quarter. This result was driven by higher sales of proprietary retail investment funds and GCAP products.

Net deposits for the first quarter of 2014 were $1,312 million compared to $542 million in the same quarter last year and $274 million in the previous quarter. The growth in net deposits was due to the same drivers as the growth in premiums.

Fee and other income
Fee and other income increased by $36 million to $294 million in the first quarter of 2014 compared to the same quarter in 2013. This increase was due to growth in assets under management driven by market gains and positive net cash flows, partially offset by lower fee margins.

Fee and other income in the first quarter of 2014 was $13 million higher compared to the previous quarter due to higher daily average assets under management, partially offset by lower fee margins.

Net earnings
Net earnings for the first quarter of 2014 increased by $15 million to $105 million compared to the same quarter last year. The increase was primarily a result of higher fee income and higher contributions from insurance contract basis changes, partially offset by less favourable investment experience reflecting revisions in certain partnership investment cash flows.

Net earnings in the first quarter of 2014 increased by $12 million compared to the previous quarter. This increase was primarily driven by higher fee income, higher contributions from insurance contract basis changes and more favourable mortality experience, partially offset by less favourable investment experience.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 1,900**	$ 1,886	$ 1,875
Sales	**147**	116	288
Fee and other income	**38**	35	37
Net earnings	**109**	97	95

Premiums and deposits
Premiums and deposits for the first quarter of 2014 increased by $25 million to $1,900 million compared to the same period last year, primarily due to an increase in small/mid-size case market premiums and deposits.

In the first quarter of 2014, premiums and deposits increased by $14 million compared to the previous quarter, primarily due to an increase in small/mid-size case market premiums and deposits.

Sales
Sales for the first quarter of 2014 decreased by $141 million to $147 million compared to the same quarter last year. The decrease was primarily due to lower creditor sales mainly due to one large sale for $30 million in 2014 compared to one large sale for $156 million in 2013. Sales of creditor/direct marketing products can be highly variable from quarter to quarter.

Sales in the first quarter of 2014 increased by $31 million compared to the previous quarter primarily due to higher sales in the creditor/direct marketing products.

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 $38 million for the three month period ended March 31, 2014 was both comparable to the same quarter in 2013 and the previous quarter.

Net earnings
Net earnings for the first quarter of 2014 increased by $14 million to $109 million compared to the same quarter last year primarily due to higher contributions from insurance contract liability basis changes and more favourable investment experience. The increase was partially offset by less favourable mortality and morbidity experience.

Net earnings increased by $12 million compared to the previous quarter primarily due to higher contributions from insurance contract liability basis changes and more favourable morbidity and investment experience. The increase was partially offset by less favourable mortality experience.

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

Canada Corporate reported net earnings for the quarter of $11 million compared with net earnings of $24 million in the first quarter of 2013. During the first quarter of 2013, the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings by $23 million in the first quarter of 2013. Excluding the impact of this recovery in 2013, net earnings were $10 million higher in 2014, primarily due to higher income on surplus assets.

Net earnings for the three months ended March 31, 2014 in Canada Corporate were $11 million compared to net earnings of $7 million in the previous quarter. The $4 million increase was primarily due to higher income on surplus assets and lower operating expenses, partially offset by an increase in reserves for uncertain tax positions.

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.

On March 20, 2014, the Company announced that Robert L. Reynolds was appointed as President and Chief Executive Officer of Great-West Lifeco U.S. Inc., the parent company of Great-West Financial and Putnam. Mr. Reynolds will also assume the position of President and Chief Executive Officer of Great-West Financial upon the retirement of Mitchell Graye in May 2014, and will continue as President and Chief Executive Officer of Putnam.

Both long-established industry leaders, Great-West Financial and Putnam will remain distinct entities, while working closely to leverage the strength of both organizations. Under the leadership of Mr. Reynolds, the retirement business of Putnam will be combined with that of Great-West Financial to create one of the nation’s leading providers of comprehensive retirement services capabilities to small, mid and large-sized corporate 401(k) clients, government 457 plans and non-profit 403(b) entities. The combined retirement business will reside within Great-West Financial.

Selected consolidated financial information - United States

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 11,780**	$ 10,423	$ 8,867
Sales	**13,159**	14,263	9,950
Fee and other income[(1)]	**419**	395	337
Net earnings - common shareholders	**41**	56	71
Net earnings - common shareholders (US$)	**37**	53	70
Total assets	**$ 68,362**	$ 64,558	$ 62,462
Proprietary mutual funds and institutional net assets[(1)]	**177,063**	164,515	142,071
Total assets under management	**245,425**	229,073	204,533
Other assets under administration	**207,348**	192,490	160,774
Total assets under administration	**$ 452,773**	$ 421,563	$ 365,307

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

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

2014 DEVELOPMENTS

- On April 3, 2014, the Company announced that Great-West Financial reached an agreement to acquire the J.P. Morgan Retirement Plan Services large-market record-keeping business. Upon completion of the acquisition, Great-West Financial will become the second-largest retirement services provider by participants in the U.S. defined contribution market, with nearly 6.8 million participants and US$387 billion in record-keeping assets. The transaction is scheduled to close in the third quarter of 2014, subject to regulatory approval in the U.S. While this transaction will not have an immediate material impact on the financial results, it will increase the competitive position of Great-West Financial.
- For the three months ended March 31, 2014, sales were US$2.9 billion, up 16% over the same period last year with positive results from both Retirement Services and Individual Markets. Retirement Services experienced higher transferred assets from plan mergers and participants of existing plans and higher sales from the institutional market's group annuity product. Individual Markets' sales reflects increases in the executive benefits market, as well as the individual retirement account (IRA) market.
- Premiums and deposits for the three months ended March 31, 2014 were US$1.6 billion, up 16% over the same period last year primarily due to higher Retirement Services' institutional market sales and higher Individual Markets' executive benefits sales.
- Fee and other income for the three months ended March 31, 2014 was US$169 million, an increase of US$23 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.
- Net earnings for the first quarter of 2014 were US$85 million, up 1% from the same period last year.

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 1,808**	$ 1,755	$ 1,434
Sales	**3,187**	5,595	2,517
Fee and other income[(1)]	**185**	173	146
Net earnings	**94**	81	85
Premiums and deposits (US$)	**$ 1,644**	$ 1,673	$ 1,420
Sales (US$)	**2,897**	5,329	2,492
Fee and other income (US$)[(1)]	**169**	165	146
Net earnings (US$)	**85**	77	84

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

Premiums and deposits

Premiums and deposits for the first quarter of 2014 increased by US$224 million to US$1,644 million compared to the first quarter of 2013 due to an increase of US$117 million in Retirement Services and an increase of US$107 million in Individual Markets. The increase in Retirement Services was primarily related to higher institutional sales of US$124 million. The increase in Individual Markets was primarily due to higher sales in the executive benefits market of US$71 million and higher sales in the retail bank life insurance market of US$23 million.

Compared to the previous quarter, premiums and deposits were down slightly by US$29 million or less than 2%.

Sales

In the first quarter of 2014, sales increased by US$405 million to US$2,897 million compared to the first quarter of 2013 due to an increase of US$257 million in Retirement Services and an increase of US$148 million in Individual Markets. The increase in Retirement Services is primarily due to higher institutional sales of US$124 million and higher sales for 401(k) and public/non-profit mainly related to higher transferred assets from participants of existing plans and plan mergers. The increase in Individual Markets was primarily related to higher sales in the executive benefits market of US$71 million primarily due to the continued success of the community bank market, the IRA market of US$46 million, and the retail bank life insurance market of US$23 million.

Sales in the first quarter of 2014 decreased by US$2,432 million compared to the previous quarter due to a decrease of US$2,399 million in Retirement Services and a decrease of US$33 million in Individual Markets. The decrease in Retirement Services was primarily due to one large plan sale for public/non-profit of US$1,636 million and two large 401(k) client sales of US$839 million in the fourth quarter of 2013 which did not repeat in first quarter 2014.

Fee and other income

Fee and other income for the first quarter of 2014 increased by US$23 million to US$169 million compared to the first quarter of 2013 primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

Fee and other income for the first quarter of 2014 increased by US$4 million compared to the previous quarter primarily due to higher administrative fees and increased average asset levels driven by higher average equity market levels and positive cash flows.

Net earnings
Net earnings for the first quarter of 2014 increased by US$1 million to US$85 million compared to the first quarter of 2013 primarily due to earnings related to business growth including higher fees, partly offset by higher expenses.

Net earnings for the first quarter of 2014 increased by US$8 million compared to the fourth quarter of 2013 primarily due to higher mortality gains of US$14 million, partly offset by less favourable investment experience of US$5 million.

ASSET MANAGEMENT

2014 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at March 31, 2014 of US$153 billion increased by US$19 billion compared to the same period last year primarily due to favourable financial markets and investment performance.
- Putnam's gross sales for the three months ended March 31, 2014 increased by US$1.7 billion compared to the same period last year primarily from strong mutual fund sales in the current quarter, which were at their highest levels since the first quarter of 2003.
- For the three months ended March 31, 2014, fee and other income was US$212 million, an increase of US$23 million compared to the same period last year.
- Four of Putnam's mutual funds received 2014 Lipper Fund Awards to honour their consistent, strong risk-adjusted performance relative to peers for periods of three years or more.
- Putnam has been ranked the number one website for defined contribution plan sponsors by Kasina, a well-regarded financial services research and consulting firm.
- Putnam continues to sustain strong risk-adjusted investment performance relative to its peers. During the three months ended March 31, 2014, approximately 78% of Putnam's fund assets performed at levels above the Lipper median and on a one-year and five-year basis 89% and 85% of fund assets performed above the Lipper median, respectively. Additionally, approximately 74% and 65% of Putnam's fund assets performed at levels in the Lipper Top Quartile on a one-year and five-year basis, respectively.

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 9,972**	$ 8,668	$ 7,433
Fee and other income			
Investment management fees	**175**	165	140
Performance fees	**3**	5	1
Service fees	**43**	40	36
Underwriting & distribution fees	**13**	12	14
Fee and other income	**234**	222	191
Net loss	**(53)**	(25)	(14)
Premiums and deposits (US$)	**$ 9,065**	$ 8,255	$ 7,359
Fee and other income (US$)			
Investment management fees (US$)	**158**	157	139
Performance fees (US$)	**3**	5	1
Service fees (US$)	**39**	38	36
Underwriting & distribution fees (US$)	**12**	11	13
Fee and other income (US$)	**212**	211	189
Net loss (US$)	**(48)**	(24)	(14)

Premiums and deposits

Premiums and deposits increased by US$1.7 billion to US$9.1 billion in the first quarter of 2014 compared to the same period in 2013 as a result of stronger overall mutual fund sales, up by US$2.7 billion, partially offset by a decrease in institutional sales of US$960 million.

Premiums and deposits increased by US$810 million compared to the previous quarter due an increase in mutual fund sales of US$696 million and an increase in institutional sales of US$114 million.

Fee and other income

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

Fee and other income for the first quarter of 2014 increased by US$23 million to US$212 million compared to the same period in 2013 primarily due to an increase in investment management fees from higher average AUM.

Fee and other income was comparable to the previous quarter. An increase in investment management fees and other asset and sales-based fees from higher average AUM and increased sales was partially offset by a decrease in performance fees due to the seasonality in which these fees are earned.

Net earnings

For the first quarter of 2014, the net loss was US$48 million compared to a net loss of US$14 million in the same period a year ago. First quarter 2014 includes the impact of share-based liability compensation expense of US$21 million (US$2 million in the first quarter of 2013), a change in U.S. state tax rates of US$5 million and proxy expenses for the Putnam Funds of US$4 million. Excluding these items, the first quarter 2014 net loss increased by US$6 million, as a result of higher compensation costs from sustained superior investment performance, higher asset and sales-based expenses and other operating items.

Adjusting for the impact of the change in U.S. state tax rates and proxy expenses for the Putnam Funds in the first quarter of 2014, Putnam's net loss increased by US$15 million compared to the previous quarter. The increase was due to increased compensation expense related to the seasonal impact of payroll taxes, higher volume related expenses and lower net investment income. Investment income in the fourth quarter of 2013 included US$3 million of one-time gains on the redemption of seed capital which did not recur in 2014.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Beginning assets	**$ 149,556**	$ 140,773	$ 128,329
Sales - Mutual funds	**6,376**	5,680	3,710
Redemptions - Mutual funds	**(3,929)**	(3,926)	(3,358)
Net asset flows - Mutual funds	**2,447**	1,754	352
Sales - Putnam Institutional	**2,689**	2,575	3,649
Redemptions - Putnam Institutional	**(4,046)**	(4,015)	(4,315)
Net asset flows - Putnam Institutional	**(1,357)**	(1,440)	(666)
Net asset flows - Total	**1,090**	314	(314)
Impact of market/performance	**2,786**	8,469	6,699
Ending assets	**$ 153,432**	$ 149,556	$ 134,714
Average assets under management			
Mutual funds	**78,406**	73,784	64,996
Institutional assets	**72,034**	71,786	68,170
Total average assets under management	**$ 150,440**	$ 145,570	$ 133,166

Average AUM for the three months ended March 31, 2014 was US$150.4 billion. Average AUM increased by US$17.3 billion compared to the three months ended March 31, 2013 primarily due to the cumulative impact of positive market and investment performance on AUM and net asset inflows. Net asset inflows for the first quarter of 2014 were US$1.1 billion compared to net outflows of US$0.3 billion in the same quarter last year. Net inflows were driven by quarterly mutual fund net asset inflows of US$2.4 billion, the highest level since the first quarter of 2001.

Average AUM increased by US$4.9 billion compared to the previous quarter primarily due to the impact of positive market performance and net asset inflows.

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.

Selected consolidated financial information - Europe

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits[1]	**$ 5,089**	$ 6,767	$ 2,559
Fee and other income[1]	**296**	276	152
Net earnings - common shareholders	**259**	202	192
Total assets[1][2]	**$ 139,301**	$ 131,364	$ 73,948
Proprietary mutual funds and institutional net assets	**18,476**	16,614	-
Total assets under management	**157,777**	147,978	73,948
Other assets under administration	**41,953**	40,042	113
Total assets under administration	**$ 199,730**	$ 188,020	$ 74,061

[1] The Company reclassified comparative figures for presentation adjustments adopted in 2013.
[2] Comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements.*

2014 DEVELOPMENTS

Irish Life was acquired in the third quarter of 2013 and has resulted in significant growth in the Europe segment. The contribution to the Europe segment from Irish Life in the first quarter of 2014 is as follows:

Selected consolidated financial information - Europe

	For the three months ended March 31, 2014		
	Irish Life	Non-Irish Life	Total
Premiums and deposits	$ 2,858	$ 2,231	$ 5,089
Fee and other income	120	176	296
Net earnings - common shareholders	47	212	259
Net earnings - common shareholders excluding restructuring costs	52	212	264
Total assets	$ 50,788	$ 88,513	$ 139,301
Proprietary mutual funds and institutional net assets	18,476	-	18,476
Total assets under management	69,264	88,513	157,777
Other assets under administration	41,782	171	41,953
Total assets under administration	**$ 111,046**	**$ 88,684**	**$ 199,730**

OPERATING RESULTS

- Net earnings for the three months ended March 31, 2014 were $259 million, up $67 million from the same period last year. Irish Life contributed $52 million of net earnings, excluding restructuring charges of $5 million, during the quarter.
- Premiums and deposits for the three months ended March 31, 2014 were $5.1 billion, up $2.5 billion compared to the same period of 2013 mainly due to the $2.9 billion contribution from Irish Life.
- Insurance & Annuities sales for the three months ended March 31, 2014 were $3.5 billion, up $2.5 billion compared to the same period of 2013 driven primarily by Irish Life sales of $2.6 billion.
- Fee and other income for the three months ended March 31, 2014 was $296 million, up $144 million compared to the same period of 2013 primarily due to the contribution from Irish Life.
- In the first quarter of 2014, the Company achieved €8.7 million of annualized cost synergies that resulted in a €1.3 million reduction in Irish operating expenses in period. Since the acquisition of Irish Life, €23.3 million in annualized synergies have been achieved resulting in a €4.9 million reduction of Irish operating expenses in the first quarter of 2014.
- In the U.K., Canada Life Group Insurance won “Best Group Risk Provider” of the year at the 2014 Corporate Adviser Awards. In addition, Canada Life Group Insurance was ranked overall No.1 in the U.K. Group Insurance market in 2013 on all three key metrics of premium income, schemes and lives covered.
- Irish Life won the "Overall Best Life Company" award for 2013 at the 2014 Irish Brokers Association annual awards for the fourth year running. Irish Life was also awarded the Best Protection Product, Best Single Premium Investment Product and Best Pension Product. At the 2014 Digital Media Awards, Irish Life Corporate Business won "Best Innovation in Financial Services".
- Irish Life ranked No. 1 in the Protection, Savings, Retail Pensions and Retail Personal Retirement Savings Account markets in 2013.
- The 2014 U.K. Budget introduced greater flexibility for those with defined contribution pension savings to access their savings in retirement. The main changes are planned to be effective from April 2015, following consultation, and will impact the future sales of annuities in the U.K. The Company’s earnings contribution from the U.K. annuity market comes from new sales and existing in-force business, and include yield enhancement on the in-force business. The earnings contribution to the Company from the in-force business is more significant than the earnings contribution from new sales and the in-force U.K. annuity business is unaffected by the U.K. Budget changes. Moody’s Investors Service expects that the volume of annuities sold in the U.K. could decline by between 50% to 75% while bringing opportunities for insurers to develop a wider range of alternative products.
- On March 31, 2014, the Financial Conduct Authority in the U.K. announced plans to review this summer a representative sample of insurance firms’ closed accounts to evaluate if customers are being treated fairly. The regulator’s objective is to assess whether there is an issue that requires action; however, no conclusions have been reached as work on this initiative has not started.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits	**$ 4,112**	$ 5,229	$ 1,260
Sales	**3,506**	4,773	961
Fee and other income	**286**	266	141
Net earnings	**200**	166	130

Premiums and deposits
Premiums and deposits for the first quarter of 2014 increased by $2.9 billion to $4.1 billion compared to the same period in 2013. The increase was due to the contribution of $2.9 billion from Irish Life and currency movement, partly offset by lower sales of single premium savings products in the U.K.

Premiums and deposits decreased by $1.1 billion compared to the previous quarter due to lower Ireland fund management sales, which can be highly variable from quarter to quarter, partly offset by currency movement.

Sales
Sales increased by $2.5 billion to $3.5 billion compared to the same period of 2013 primarily driven by the contribution from Irish Life and currency movement.

Sales decreased by $1.3 billion from the previous quarter mainly due to the $1.1 billion reduction in Ireland sales related to normal fluctuations in fund management sales, partly offset by currency movement.

Fee and other income
Fee and other income increased by $145 million to $286 million compared to the same period in 2013 primarily due to the contribution from Irish Life.

Fee and other income increased by $20 million compared to the previous quarter mainly due to higher fees in Ireland and the impact of currency movements.

Net earnings
Net earnings for the first quarter of 2014 increased by $70 million to $200 million compared to the same quarter last year. Irish Life contributed $52 million, excluding restructuring costs, to net earnings during the quarter. Excluding the contribution from Irish Life, net earnings increased by $18 million compared to the same quarter last year primarily due to the favourable impact of currency movements and more favourable mortality experience in U.K. group insurance and payout annuity operations. These increases were partly offset by less favourable investment experience.

Net earnings for the first quarter of 2014 increased by $34 million compared to the fourth quarter of 2013. The increase was due to more favourable investment experience, reduced expenses and currency movement, partly offset by less favourable morbidity experience in the U.K.

REINSURANCE

OPERATING RESULTS

	For the three months ended		
	March 31 2014	Dec. 31 2013	March 31 2013
Premiums and deposits[(1)]	**$ 977**	$ 1,538	$ 1,299
Fee and other income[(1)]	**10**	10	11
Net earnings	**63**	63	55

(1) The Company reclassified comparative figures for presentation adjustments adopted in 2013.

Premiums and deposits
Premiums and deposits for the first quarter of 2014 decreased by $322 million to $977 million compared to the same quarter in 2013 primarily due to the commutation of a health reinsurance treaty, partly offset by currency movement.

Premiums and deposits decreased by $561 million compared to the previous quarter primarily due to higher business volumes in the fourth quarter of 2013.

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 of $10 million for the first quarter of 2014 was comparable to the same quarter in 2013 and to the previous quarter.

Net earnings
Net earnings for the first quarter of 2014 increased by $8 million to $63 million compared to the same quarter in 2013. Favourable net earnings in traditional life as well as more favourable lapse and annuitant mortality experience were partially offset by less favourable investment experience and the impact of basis changes. Currency movements also favourably impacted results.

Net earnings for the first quarter of 2014 were comparable to the previous quarter. Net earnings in the first quarter of 2014 reflect a lower cost of basis changes and positive currency movement as compared to 2013; however, the release of certain income tax provisions in the fourth quarter of 2013 was not repeated.

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.

In the first quarter of 2014, Europe Corporate had a net loss of $4 million due to restructuring charges related to Irish Life of $5 million. Excluding these charges, net earnings for the quarter were $1 million compared to $7 million in the first quarter of 2013. During the first quarter of 2013, the Company completed a review of remaining contingent liabilities relating to the cost of acquiring Canada Life Financial Corporation in 2003 and determined that most provisions were no longer required. This positively impacted net earnings by $11 million in 2013 and did not recur in 2014. In the first quarter of 2013, net earnings also included $4 million of costs associated with the acquisition of Irish Life.

Net earnings for the three months ended March 31, 2014 increased by $23 million from the fourth quarter of 2013. The increase in net earnings was primarily due to lower restructuring and other charges related to Irish Life, which were $23 million in the fourth quarter of 2013 and $5 million in the first quarter of 2014.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended March 31, 2014, Lifeco Corporate had a net loss of $7 million compared to a net loss of $11 million in the first quarter of 2013 primarily due to higher investment income.

The net loss for the three months ended March 31, 2014 in Lifeco Corporate was $7 million compared to net earnings of $189 million in the previous quarter. Fourth quarter 2013 net earnings included a litigation recovery, which increased net earnings by $226 million. Excluding the impact of the litigation recovery, the net loss decreased by $30 million, primarily due to lower mark-to-market losses on a macro capital hedge of $21 million.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2014**	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue[(1)]	**$ 9,937**	$ 8,056	$ 7,206	$ 3,628	$ 7,556	$ 7,305	$ 8,756	$ 7,918
Common Shareholders Net earnings								
Total	**587**	717	523	521	517	351	518	488
Basic - per share	**0.587**	0.717	0.527	0.548	0.544	0.370	0.546	0.512
Diluted - per share	**0.587**	0.716	0.522	0.547	0.544	0.369	0.542	0.509
Operating earnings[(2)]								
Total	**587**	491	523	521	517	491	518	488
Basic - per share	**0.587**	0.491	0.527	0.548	0.544	0.517	0.546	0.512
Diluted - per share	**0.587**	0.490	0.522	0.547	0.544	0.514	0.542	0.509

(1) The Company reclassified comparative figures for presentation adjustments in 2013.
(2) Operating earnings, a non-IFRS financial measure, excludes the impact of certain litigation provisions. Refer to the "Cautionary Note Regarding Non-IFRS Financial Measures" section of this document.

Lifeco's consolidated net earnings attributable to common shareholders were $587 million for the first quarter of 2014 compared to $517 million reported a year ago. On a per share basis, this represents $0.587 per common share ($0.587 diluted) for the first quarter of 2014 compared to $0.544 per common share ($0.544 diluted) a year ago.

Total revenue for the first quarter of 2014 was $9,937 million and comprises premium income of $5,267 million, regular net investment income of $1,489 million, a positive change in fair value through profit or loss on investment assets of $2,122 million, and fee and other income of $1,059 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.

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

There have been no changes in the Company's internal control over financial reporting during the three month period ended March 31, 2014 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 March 31, 2014, 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.

In the first quarter of 2014, Irish Life had revenue of $491 million and net earnings of $52 million (excludes $5 million of restructuring costs incurred by Irish Life). At March 31, 2014 Irish Life's total assets were $50.8 billion, including investments on account of segregated fund policyholders of $40.7 billion. Total liabilities for Irish Life were $49.4 billion, including $40.7 billion investment and insurance contracts on account of segregated fund policyholders.

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

Translation of foreign currency **Period ended**	**Mar. 31 2014**	Dec. 31 2013	Sept. 30 2013	June 30 2013	Mar. 31 2013
United States dollar					
Balance sheet	**$1.11**	$1.06	$1.03	$1.05	$1.02
Income and expenses	**$1.10**	$1.05	$1.04	$1.02	$1.01
British pound					
Balance sheet	**$1.84**	$1.76	$1.66	$1.60	$1.54
Income and expenses	**$1.83**	$1.70	$1.61	$1.57	$1.56
Euro					
Balance sheet	**$1.52**	$1.47	$1.39	$1.37	$1.30
Income and expenses	**$1.51**	$1.43	$1.38	$1.34	$1.33

MUTUAL FUNDS DEPOSITS AND ASO PREMIUM EQUIVALENTS (ASO CONTRACTS)

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

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

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended		
	March 31 2014	December 31 2013	March 31 2013 (note 2)
Income			
Premium income			
Gross premiums written	**$ 6,111**	$ 6,739	$ 5,670
Ceded premiums	**(844)**	(889)	(739)
Total net premiums	**5,267**	5,850	4,931
Net investment income (note 4)			
Regular net investment income	**1,489**	1,430	1,362
Changes in fair value through profit or loss	**2,122**	(225)	465
Total net investment income	**3,611**	1,205	1,827
Fee and other income	**1,059**	1,001	798
	9,937	8,056	7,556
Benefits and expenses			
Policyholder benefits			
Insurance and investment contracts			
Gross	**4,801**	4,835	5,027
Ceded	**(475)**	(597)	(374)
Total net policyholder benefits	**4,326**	4,238	4,653
Policyholder dividends and experience refunds	**388**	312	375
Changes in insurance and investment contract liabilities	**2,775**	1,097	532
Total paid or credited to policyholders	**7,489**	5,647	5,560
Commissions	**505**	531	432
Operating and administrative expenses	**933**	929	696
Premium taxes	**85**	83	74
Financing charges (note 9)	**76**	76	67
Amortization of finite life intangible assets	**33**	33	27
Restructuring and acquisition expenses (note 10)	**5**	27	4
Earnings before income taxes	**811**	730	696
Income taxes (note 16)	**173**	128	128
Net earnings before non-controlling interests	**638**	602	568
Attributable to non-controlling interests	**22**	(148)	18
Net earnings	**616**	750	550
Preferred share dividends	**29**	33	33
Net earnings - common shareholders	**$ 587**	$ 717	$ 517
Earnings per common share (note 15)			
Basic	**$ 0.587**	$ 0.717	$ 0.544
Diluted	**$ 0.587**	$ 0.716	$ 0.544

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended		
	March 31 2014	December 31 2013	March 31 2013
Net earnings	**$ 616**	$ 750	$ 550
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	**528**	490	(27)
Unrealized foreign exchange loss on euro debt designated as hedge of the net assets of foreign operations	**(25)**	(40)	-
Unrealized gains (losses) on available-for-sale assets	**95**	(33)	32
Income tax (expense) benefit	**(21)**	6	(5)
Realized (gains) losses on available-for-sale assets	**(11)**	(7)	(35)
Income tax expense (benefit)	**3**	2	5
Unrealized gains (losses) on cash flow hedges	**(59)**	(37)	(64)
Income tax (expense) benefit	**22**	15	14
Realized (gains) losses on cash flow hedges	**-**	1	-
Income tax expense (benefit)	**-**	(1)	-
Non-controlling interests	**(28)**	8	(8)
Income tax (expense) benefit	**7**	(2)	2
Total items that may be reclassified	**511**	402	(86)
Items that will not be reclassified to Consolidated Statements of Earnings			
Re-measurements on defined benefit pension and other post-employment benefit plans (note 14)	**(120)**	214	98
Income tax (expense) benefit	**29**	(55)	(26)
Non-controlling interests	**9**	(18)	(3)
Income tax (expense) benefit	**(2)**	4	-
Total items that will not be reclassified	**(84)**	145	69
Total other comprehensive income (loss)	**427**	547	(17)
Comprehensive income	**$ 1,043**	$ 1,297	$ 533

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	March 31 2014	December 31 2013
Assets		
Cash and cash equivalents	**$ 3,196**	$ 2,791
Bonds (note 4)	**95,368**	89,914
Mortgage loans (note 4)	**19,882**	19,063
Stocks (note 4)	**7,843**	8,554
Investment properties (note 4)	**4,481**	4,288
Loans to policyholders	**7,552**	7,332
	138,322	131,942
Funds held by ceding insurers	**11,322**	10,832
Goodwill	**5,831**	5,812
Intangible assets	**3,548**	3,456
Derivative financial instruments	**547**	593
Owner occupied properties	**601**	590
Fixed assets	**213**	211
Reinsurance assets (note 8)	**5,444**	5,070
Premiums in course of collection, accounts and interest receivable	**3,526**	3,068
Other assets	**2,398**	2,220
Current income taxes	**193**	165
Deferred tax assets	**1,225**	1,167
Investments on account of segregated fund policyholders (note 7)	**169,690**	160,779
Total assets	**$ 342,860**	$ 325,905
Liabilities		
Insurance contract liabilities (note 8)	**$ 137,675**	$ 131,174
Investment contract liabilities (note 8)	**851**	889
Debentures and other debt instruments	**5,778**	5,740
Funds held under reinsurance contracts	**297**	270
Derivative financial instruments	**952**	744
Accounts payable	**1,788**	1,583
Other liabilities	**3,035**	2,807
Current income taxes	**825**	981
Deferred tax liabilities	**842**	776
Capital trust debentures	**163**	163
Investment and insurance contracts on account of segregated fund policyholders (note 7)	**169,690**	160,779
Total liabilities	**321,896**	305,906
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	**2,390**	2,354
Non-controlling interests in subsidiaries	**220**	8
Shareholders' equity		
Share capital (note 11)		
Preferred shares	**2,314**	2,314
Common shares	**7,115**	7,112
Accumulated surplus	**8,328**	8,067
Accumulated other comprehensive income	**514**	87
Contributed surplus	**83**	57
Total equity	**20,964**	19,999
Total liabilities and equity	**$ 342,860**	$ 325,905

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	March 31, 2014					
	Share capital	**Contributed surplus**	**Accumulated surplus**	**Accumulated other comprehensive income**	**Non-controlling interests**	**Total equity**
Balance, beginning of year	**$ 9,426**	**$ 57**	**$ 8,067**	**$ 87**	**$ 2,362**	**$ 19,999**
Net earnings	**-**	**-**	**616**	**-**	**22**	**638**
Other comprehensive income	**-**	**-**	**-**	**427**	**14**	**441**
	9,426	**57**	**8,683**	**514**	**2,398**	**21,078**
Share issue costs	**-**	**-**	**-**	**-**	**-**	**-**
Dividends to shareholders						
Preferred shareholders	**-**	**-**	**(29)**	**-**	**-**	**(29)**
Common shareholders (note 15)	**-**	**-**	**(307)**	**-**	**-**	**(307)**
Shares issued under stock option plan (note 11)	**6**	**-**	**-**	**-**	**-**	**6**
Modification to share-based plans (note 2)	**-**	**26**	**-**	**-**	**217**	**243**
Equity settlement of Putnam share-based plans	**-**	**-**	**-**	**-**	**(14)**	**(14)**
Shares purchased and cancelled under Normal Course Issuer Bid	**(13)**	**-**	**-**	**-**	**-**	**(13)**
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**10**	**-**	**(10)**	**-**	**-**	**-**
Dilution loss on non-controlling interests	**-**	**-**	**(9)**	**-**	**9**	**-**
Balance, end of period	**$ 9,429**	**$ 83**	**$ 8,328**	**$ 514**	**$ 2,610**	**$ 20,964**

	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
Dividends to shareholders						
Preferred shareholders	-	-	(130)	-	-	(130)
Common shareholders	-	-	(1,200)	-	-	(1,200)
Exchange of subscription receipts on acquisition of Irish Life	1,220	-	-	-	-	1,220
Shares issued under stock option plan (note 11)	57	-	-	-	-	57
Shares purchased and cancelled under Normal Course Issuer Bid	(59)	-	-	-	-	(59)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	46	-	(46)	-	-	-
Redemption of preferred shares	(230)	-	-	-	-	(230)
Share-based payments	-	(3)	-	-	-	(3)
Balance, end of year	$ 9,426	$ 57	$ 8,067	$ 87	$ 2,362	$ 19,999

	March 31, 2013					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 8,392	$ 60	$ 7,035	$ (932)	$ 2,456	$ 17,011
Net earnings	-	-	550	-	18	568
Other comprehensive income (loss)	-	-	-	(17)	9	(8)
	8,392	60	7,585	(949)	2,483	17,571
Dividends to shareholders						
Preferred shareholders	-	-	(33)	-	-	(33)
Common shareholders (note 15)	-	-	(292)	-	-	(292)
Shares issued under stock option plan	20	-	-	-	-	20
Share-based payments	-	2	-	-	-	2
Balance, end of period	$ 8,412	$ 62	$ 7,260	$ (949)	$ 2,483	$ 17,268

GREAT-WEST LIFECO INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the three months ended March 31	
	2014	2013
		(note 2)
Operations		
Earnings before income taxes	**$ 811**	$ 696
Income taxes paid, net of refunds received	**(286)**	(85)
Adjustments:		
Change in insurance and investment contract liabilities	**3,035**	660
Change in funds held by ceding insurers	**139**	351
Change in funds held under reinsurance contracts	**(17)**	(1)
Change in deferred acquisition costs	**9**	10
Change in reinsurance assets	**(185)**	(29)
Changes in fair value through profit or loss	**(2,122)**	(465)
Other	**(111)**	(572)
	1,273	565
Financing Activities		
Issue of common shares (note 11)	**6**	20
Issue of subscription receipts	**-**	1,238
Purchased and cancelled common shares (note 11)	**(13)**	-
Increase (decrease) in line of credit of subsidiary	**(66)**	166
Decrease in debentures and other debt instruments	**(1)**	(2)
Dividends paid on common shares	**(307)**	(292)
Dividends paid on preferred shares	**(29)**	(33)
	(410)	1,097
Investment Activities		
Bond sales and maturities	**9,067**	8,530
Mortgage loan repayments	**390**	375
Stock sales	**1,309**	493
Investment property sales	**58**	17
Change in loans to policyholders	**8**	79
Investment in bonds	**(10,079)**	(10,022)
Investment in mortgage loans	**(867)**	(401)
Investment in stocks	**(392)**	(510)
Investment in investment properties	**(55)**	(27)
	(561)	(1,466)
Effect of changes in exchange rates on cash and cash equivalents	**103**	(7)
Increase in cash and cash equivalents	**405**	189
Cash and cash equivalents, beginning of period	**2,791**	1,895
Cash and cash equivalents, end of period	**$ 3,196**	$ 2,084
Supplementary cash flow information		
Interest income received	**$ 1,322**	$ 1,083
Interest paid	**$ 40**	$ 37
Dividend income received	**$ 78**	$ 56

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

(in Canadian $ millions except per share amounts)

1. Corporate Information

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

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

The condensed consolidated interim unaudited financial statements (financial statements) of the Company as at and for the three months ended March 31, 2014 were approved by the Board of Directors on May 8, 2014.

2. Basis of Presentation and Summary of Accounting Policies

These financial statements should be read in conjunction with the Company's December 31, 2013 consolidated annual audited financial statements and notes thereto. Certain March 31, 2013 comparative figures in these financial statements have been reclassified for presentation adjustments as disclosed in note 36 to the Company's December 31, 2013 consolidated annual financial statements. This resulted in increases to gross premiums written of $351 and fee and other income of $20, offset by increases in operating and administrative expenses of $26 and paid or credited to policyholders of $345. These presentation adjustments also resulted in a decrease in the investment in bonds in the Consolidated Statements of Cash Flows of $1,949 for the period ended March 31, 2013. These adjustments did not have an impact on the net earnings or equity of the Company.

The financial statements of Lifeco at March 31, 2014 have been prepared in compliance with the requirements of International Accounting Standard (IAS) 34, *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB) using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2013 except as described below.

During the period ended March 31, 2014, the Company modified certain Putnam share-based compensation plans. As a result, these plans are now classified as equity settled share-based payment transactions wherein compensation expense is measured by reference to the fair value of the equity investments at grant date with a corresponding increase to equity. During the period ended March 31, 2014, the Company re-classified the share-based liability into equity.

In addition, the Company adopted the guidance in the following standards effective January 1, 2014: IAS 32, *Financial Instruments: Presentation*, IAS 36, *Impairment of Assets*, IAS 39, *Financial Instruments: Recognition and Measurement* and IFRIC 21, *Levies*. The adoption of these standards did not have a significant impact on the Company's financial statements.

<u>Use of Significant Judgments, Estimates and Assumptions</u>
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. Areas where significant estimates and assumptions have been used by management are further described in the relevant accounting policies as described in the Company's December 31, 2013 consolidated annual audited financial statements and notes thereto.

The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The estimation of insurance and investment contract liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available.

3. Acquisitions

(a) Irish Life Group Limited

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 Company presented the allocation of the purchase price to the amounts of assets acquired, goodwill and liabilities assumed in the December 31, 2013 consolidated annual audited financial statements.

The Company will finalize the purchase accounting in the first six months of 2014. The balance sheet item that remains incomplete is insurance contract liabilities. Experience studies on certain insurance contract liabilities on the balance sheet are under review. 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 in the second quarter of 2014. The unaudited condensed consolidated interim financial statements at March 31, 2014 reflect management's best estimate of the purchase price allocation.

During the three months ended March 31, 2014, Irish Life contributed $491 in revenue and $52 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.

The Company incurred restructuring and acquisition expenses (note 10) of $5 related to Irish Life in the first quarter of 2014 ($4 in the first quarter of 2013).

(b) Subsequent Event

On April 3, 2014, the Company announced that its subsidiary Great-West Financial reached an agreement to acquire the J.P. Morgan Retirement Plan Services large-market recordkeeping business. Subject to regulatory approval in the United States, the transaction is scheduled to close in the third quarter of 2014. This transaction will not have an immediate material financial impact.

4. Portfolio Investments

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

	March 31, 2014		December 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 70,395**	**$ 70,395**	$ 68,091	$ 68,091
Classified fair value through profit or loss [1]	**2,073**	**2,073**	2,053	2,053
Available-for-sale	**10,775**	**10,775**	7,915	7,915
Loans and receivables	**12,125**	**13,222**	11,855	12,672
	95,368	**96,465**	89,914	90,731
Mortgage loans				
Residential	**6,843**	**7,076**	6,570	6,716
Non-residential	**13,039**	**13,584**	12,493	12,801
	19,882	**20,660**	19,063	19,517
Stocks				
Designated fair value through profit or loss [1]	**6,525**	**6,525**	7,232	7,232
Available-for-sale	**741**	**741**	745	745
Other	**577**	**705**	577	743
	7,843	**7,971**	8,554	8,720
Investment properties	**4,481**	**4,481**	4,288	4,288
Total	**$ 127,574**	**$ 129,577**	$ 121,819	$ 123,256

[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) Included in portfolio investments are the following:

Carrying amount of impaired investments

	March 31 2014	December 31 2013
Impaired amounts by classification		
Fair value through profit or loss	**$ 394**	$ 384
Available-for-sale	**28**	19
Loans and receivables	**28**	34
Total	**$ 450**	$ 437

The above carrying values for loans and receivables are net of allowances of $18 at March 31, 2014 and $25 at December 31, 2013.

4. Portfolio Investments (cont'd)

(c) Net investment income comprises the following:

For the three months ended March 31, 2014		**Bonds**		**Mortgage loans**		**Stocks**		**Investment properties**		**Other**		**Total**
Regular net investment income:												
Investment income earned	**$**	**994**	**$**	**234**	**$**	**71**	**$**	**77**	**$**	**130**	**$**	**1,506**
Net realized gains												
Available-for-sale		**12**		**-**		**(1)**		**-**		**-**		**11**
Other classifications		**9**		**2**		**-**		**-**		**-**		**11**
Net allowances for credit losses on loans and receivables		**-**		**(1)**		**-**		**-**		**-**		**(1)**
Other income and expenses		**-**		**-**		**-**		**(16)**		**(22)**		**(38)**
		1,015		**235**		**70**		**61**		**108**		**1,489**
Changes in fair value on fair value through profit or loss assets:												
Net realized/unrealized gains (losses)												
Classified fair value through profit or loss		**32**		**-**		**-**		**-**		**-**		**32**
Designated fair value through profit or loss		**1,712**		**-**		**210**		**90**		**78**		**2,090**
		1,744		**-**		**210**		**90**		**78**		**2,122**
Total	**$**	**2,759**	**$**	**235**	**$**	**280**	**$**	**151**	**$**	**186**	**$**	**3,611**

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

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and classified or designated as fair value through profit or loss. Investment income from bonds and mortgages includes interest income and premium and discount amortization. Income from stocks includes dividends and equity income from the investment in IGM Financial Inc. 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.

5. 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 Company's approach to risk management has not substantially changed from that described in Lifeco's 2013 Annual Report. Certain risks have been outlined below. For a complete discussion of the Company's risk governance structure and risk management approach, see the "Financial Instruments Risk Management" note in the consolidated audited financial statements and notes thereto in the Company's December 31, 2013 Annual Report.

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

(a) Credit Risk

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

<u>Concentration of Credit Risk</u>
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 2013.

(b) Liquidity Risk

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

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets.
- Management 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 via capital market transactions. The Company maintains committed lines of credit with Canadian chartered banks.

(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.

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

(ii) Interest Rate Risk

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

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

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

The range of interest rates covered by these provisions is set in consideration of long-term historical results and is monitored quarterly with a full review annually. An immediate 1% parallel shift in the yield curve would not have a material impact on the Company's view of the range of interest rates to be covered by the provisions. If sustained however, the parallel shift could impact the Company's range of scenarios covered.

The total provision for interest rates also considers the impact of the Canadian Institute of Actuaries prescribed scenarios.

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would be to increase these insurance and investment contract liabilities by approximately $40 causing a decrease in net earnings of approximately $29.

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

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $28 causing a decrease in net earnings of approximately $39.
- 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 $462 causing a decrease in net earnings of approximately $300.

(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 $46 causing an increase in net earnings of approximately $37. A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $153 causing a decrease in net earnings of approximately $119.

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 $480 causing an increase in net earnings of approximately $370. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $536 causing a decrease in net earnings of approximately $409.

6. 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.

6. Fair Value Measurement (cont'd)

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

	March 31, 2014			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 3,196**	**$ -**	**$ -**	**$ 3,196**
Financial assets at fair value through profit or loss				
Bonds	**-**	**72,128**	**340**	**72,468**
Stocks	**6,502**	**3**	**20**	**6,525**
Total financial assets at fair value through profit or loss	**6,502**	**72,131**	**360**	**78,993**
Available-for-sale financial assets				
Bonds	**-**	**10,751**	**24**	**10,775**
Stocks	**115**	**-**	**1**	**116**
Total available-for-sale financial assets	**115**	**10,751**	**25**	**10,891**
Investment properties	**-**	**-**	**4,481**	**4,481**
Derivatives [(1)]	**-**	**547**	**-**	**547**
Other assets:				
Trading account assets in Putnam	**168**	**148**	**-**	**316**
Other trading assets	**74**	**-**	**-**	**74**
Other [(2)]	**107**	**-**	**-**	**107**
Total assets measured at fair value	**$ 10,162**	**$ 83,577**	**$ 4,866**	**$ 98,605**
Liabilities measured at fair value				
Derivatives [(3)]	**$ 3**	**$ 949**	**$ -**	**$ 952**
Investment contract liabilities	**-**	**821**	**30**	**851**
Other liabilities - other	**107**	**-**	**-**	**107**
Total liabilities measured at fair value	**$ 110**	**$ 1,770**	**$ 30**	**$ 1,910**

(1) Excludes collateral received of $21.
(2) Includes cash collateral under securities lending agreements.
(3) Excludes collateral pledged of $221.

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

6. Fair Value Measurement (cont'd)

	December 31, 2013			
Assets measured at fair value	Level 1	Level 2	Level 3	Total
Cash	$ 2,791	$ -	$ -	$ 2,791
Financial assets at fair value through profit or loss				
Bonds	-	69,811	333	70,144
Stocks	7,202	6	24	7,232
Total financial assets at fair value through profit or loss	7,202	69,817	357	77,376
Available-for-sale financial assets				
Bonds	-	7,891	24	7,915
Stocks	112	-	1	113
Total available-for-sale financial assets	112	7,891	25	8,028
Investment properties	-	-	4,288	4,288
Derivatives [1]	-	593	-	593
Other assets:				
Trading account assets in Putnam	154	131	21	306
Other trading assets	70	-	-	70
Other [2]	20	-	-	20
Total assets measured at fair value	$ 10,349	$ 78,432	$ 4,691	$ 93,472
Liabilities measured at fair value				
Derivatives [3]	$ 6	$ 738	$ -	$ 744
Investment contract liabilities	-	859	30	889
Other liabilities - other	20	-	-	20
Total liabilities measured at fair value	$ 26	$ 1,597	$ 30	$ 1,653

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

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

6. Fair Value Measurement (cont'd)

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

	March 31, 2014							
	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	**$ 333**	**$ 24**	**$ 24**	**$ 1**	**$ 4,288**	**$ 21**	**$ 4,691**	**$ 30**
Total gains								
Included in net earnings	**27**	**-**	**-**	**-**	**90**	**-**	**117**	**-**
Included in other comprehensive income [1]	**-**	**1**	**-**	**-**	**128**	**-**	**129**	**-**
Purchases	**-**	**-**	**-**	**-**	**33**	**-**	**33**	**-**
Sales	**-**	**-**	**(3)**	**-**	**(58)**	**(21)**	**(82)**	**-**
Repayments	**(20)**	**(1)**	**-**	**-**	**-**	**-**	**(21)**	**-**
Transfers into Level 3 [2]	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers out of Level 3 [2]	**-**	**-**	**(1)**	**-**	**-**	**-**	**(1)**	**-**
Balance, end of period	**$ 340**	**$ 24**	**$ 20**	**$ 1**	**$ 4,481**	**$ -**	**$ 4,866**	**$ 30**
Total gains for the year included in net investment income	**$ 27**	**$ -**	**$ -**	**$ -**	**$ 90**	**$ -**	**$ 117**	**$ -**
Change in unrealized gains for the year included in net earnings for assets held at March 31, 2014	**$ 27**	**$ -**	**$ -**	**$ -**	**$ 90**	**$ -**	**$ 117**	**$ -**

(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.

6. Fair Value Measurement (cont'd)

	December 31, 2013							
	Fair value through profit or loss bonds	Available-for-sale bonds	Fair value through profit or loss stocks [3]	Available-for-sale stocks	Investment properties	Other assets – trading account [4]	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 273	$ 27	$ 12	$ 1	$ 3,572	$ 9	$ 3,894	$ 33
Total gains								
Included in net earnings	68	4	-	-	152	12	236	-
Included in other comprehensive income [1]	-	3	-	-	216	-	219	-
Acquisition of Irish Life	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 for the year included in net investment income	$ 68	$ 4	$ -	$ -	$ 152	$ 12	$ 236	$ -
Change in unrealized gains 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.

6. Fair Value Measurement (cont'd)

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

Type of asset	**Valuation approach**	**Significant unobservable input**	**Input value**	**Inter-relationship between key unobservable inputs and fair value measurement**
Asset-backed securities (included with bonds)	Discounted cash flow	Prepayment speed assumption (estimated % of collateral that prepays annually) Constant default rate assumption (estimated % of defaults in the collateral pool annually) Adjusted Asset-backed Securities Index (ABX index) spread assumption (adjusted for internally calculated liquidity premium)	8.5% (weighted average) 5.0% (weighted average) 487 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 3.6% - 11.0% Range of 5.4% - 8.3% Weighted average of 4.0%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value. 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.

7. 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.

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

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 $799 at March 31, 2014 ($772 at December 31, 2013).

Within the Consolidated Statements of Earnings, all segregated fund policyholders' income, including fair value changes and net investment income, is credited to the segregated fund policyholders and reflected in the assets and liabilities on account of segregated fund policyholders within the Consolidated Balance Sheets. As these amounts do not directly impact the revenues and expenses of the Company, these amounts are not included separately in the Consolidated Statements of Earnings.

Segregated Funds Guarantee Exposure

The Company offers retail segregated fund products, unitized with profits products and variable annuity products that provide for certain guarantees that are tied to the fair values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the financial statements. In addition to the Company's exposure on the guarantees the fees earned by the Company on these products are impacted by the fair value of these funds.

In Canada, the Company offers retail segregated fund products through Great-West Life, London Life and Canada Life. These products provide guaranteed minimum death benefits and guaranteed minimum accumulation on maturity benefits.

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

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

The Company also offers a guaranteed minimum withdrawal benefits product in Canada, the U.S. and Europe. The guaranteed minimum withdrawal benefits products offered by the Company offer levels of death and maturity guarantees. At March 31, 2014, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,793 ($2,674 at December 31, 2013).

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

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

	March 31, 2014				
		Investment deficiency by benefit type			
	Market value	**Income**	**Maturity**	**Death**	**Total***
Canada	**$ 27,878**	**$ -**	**$ 22**	**$ 70**	**$ 70**
United States	**9,245**	**-**	**-**	**43**	**43**
Europe	**9,156**	**305**	**13**	**68**	**373**
Total	**$ 46,279**	**$ 305**	**$ 35**	**$ 181**	**$ 486**

*A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on March 31, 2014.

The investment deficiency measures the point-in-time exposure to a trigger event (i.e. income election, maturity, or death) assuming it occurred on March 31, 2014. 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 $2 for the first quarter of 2014, 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

	March 31 2014	December 31 2013
Cash and cash equivalents	**$ 12,057**	$ 11,374
Bonds	**36,781**	34,405
Mortgage loans	**2,391**	2,427
Stocks and units in unit trusts	**66,989**	62,882
Mutual funds	**43,903**	41,555
Investment properties	**8,628**	8,284
	170,749	160,927
Accrued income	**411**	380
Other liabilities/assets	**(2,269)**	(1,300)
Non-controlling mutual funds interest	**799**	772
Total	**$ 169,690**	$ 160,779

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

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

	For the three months ended March 31	
	2014	2013
Balance, beginning of year	**$ 160,779**	$ 105,432
Additions (deductions):		
Policyholder deposits	**6,310**	3,774
Net investment income	**265**	93
Net realized capital gains on investments	**1,160**	911
Net unrealized capital gains on investments	**2,462**	3,222
Unrealized gains (losses) due to changes in foreign exchange rates	**3,981**	(321)
Policyholder withdrawals	**(4,928)**	(3,388)
Segregated fund investment in General Fund	**(377)**	-
Net transfer from (to) General Fund	**13**	16
Non-controlling mutual funds interest	**27**	(5)
Other	**(2)**	1
Total	**8,911**	4,303
Balance, end of period	**$ 169,690**	$ 109,735

(c) Investment income on account of segregated fund policyholders

	For the three months ended March 31	
	2014	2013
Net investment income	**$ 265**	$ 93
Net realized capital gains on investments	**1,160**	911
Net unrealized capital gains on investments	**2,462**	3,222
Unrealized gains (losses) due to changes in foreign exchange rates	**3,981**	(321)
Total	**7,868**	3,905
Change in investment and insurance contracts liability on account of segregated fund policyholders	**7,868**	3,905
Net	**$ -**	$ -

(d) Investments on account of segregated fund policyholders by fair value hierarchy level (note 6)

	March 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [1]	**$ 112,111**	**$ 49,997**	**$ 9,687**	**$ 171,795**

[1] Excludes other liabilities, net of other assets, of $2,105.

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

	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 the first three months of 2014 certain foreign stock holdings valued at $7 ($1,780 at December 31, 2013) 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:

	March 31 2014	December 31 2013
Balance, beginning of year	**$ 9,298**	$ 6,287
Total gains included in segregated fund investment income	**276**	694
Acquisition of Irish Life	**-**	2,326
Purchases	**165**	428
Sales	**(51)**	(440)
Transfers in to Level 3	**6**	4
Transfers out of Level 3	**(7)**	(1)
Balance, end of period	**$ 9,687**	$ 9,298

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

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

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

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

8. Insurance and Investment Contract Liabilities

	March 31, 2014		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 137,675**	**$ 5,444**	**$ 132,231**
Investment contract liabilities	**851**	**-**	**851**
Total	**$ 138,526**	**$ 5,444**	**$ 133,082**

	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

9. Financing Charges

Financing charges consist of the following:

	For the three months ended March 31	
	2014	2013
Operating charges:		
Interest on operating lines and short-term debt instruments	**$ 1**	$ 1
Financial charges:		
Interest on long-term debentures and other debt instruments	**66**	58
Interest on capital trust debentures	**3**	3
Other	**6**	5
	75	66
Total	**$ 76**	$ 67

10. Restructuring and Acquisition Expenses

With the acquisition of Irish Life on July 18, 2013, the Company has developed a plan to restructure by combining the life and pension operations of Canada Life (Ireland) and Irish Life.

Restructuring and acquisition expenses by major heading were as follows:

	For the three months ended March 31	
	2014	2013
Acquisition expenses	**$ -**	$ 4
Restructuring - Irish Life		
Information systems	**4**	-
Other	**1**	-
Total	**$ 5**	$ 4

11. Share Capital

Common Shares - Issued and Outstanding

	March 31, 2014		December 31, 2013	
	Number	**Carrying value**	Number	Carrying value
Common shares:				
Balance, beginning of year	**999,402,079 $**	**7,112**	950,596,440 $	5,848
Common Shares exchanged for subscription receipts on acquisition of Irish Life	**-**	**-**	48,660,000	1,220
Purchased and cancelled under Normal Course Issuer Bid	**(425,878)**	**(13)**	(1,885,381)	(59)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**-**	**10**	-	46
Exercised and issued under stock option plan	**182,362**	**6**	2,031,020	57
Balance, end of period	**999,158,563 $**	**7,115**	999,402,079 $	7,112

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 the three months ended March 31, 2014, the Company repurchased and subsequently cancelled 425,878 common shares (nil during the three months ended March 31, 2013 under the previous normal course issuer bid) at a cost of $13. The Company's share capital was reduced by the average carrying value of the shares repurchased for cancellation. The excess paid over the average carrying value was $10 and was recognized as a reduction to equity.

12. Capital Management

(a) Policies and Objectives

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

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

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

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

12. Capital Management (cont'd)

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:

	March 31 2014	December 31 2013
Adjusted Net Tier 1 Capital	**$ 10,923**	$ 10,432
Net Tier 2 Capital	**2,350**	2,236
Total Capital Available	**$ 13,273**	$ 12,668
Total Capital Required	**$ 5,780**	$ 5,673
Tier 1 Ratio	**189%**	184%
Total Ratio	**230%**	223%

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

13. Share-Based Payments

Under the Company's stock option plan, 1,556,300 options were granted during the three months ended March 31, 2014 (1,810,600 options were granted during the three months ended March 31, 2013). The weighted average fair value of options granted was $5.78 per option during the three months ended March 31, 2014 ($4.33 per option during the three months ended March 31, 2013). Compensation expense relating to the Company's stock option plan of $1 after-tax has been recognized in the Consolidated Statements of Earnings for the three months ended March 31, 2014 ($2 after-tax for the three months ended March 31, 2013).

14. Pension Benefits and Other Post-Employment Benefits

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

	For the three months ended March 31	
	2014	2013
Pension plans		
Service costs	**$ 39**	$ 31
Net interest cost	**1**	7
	40	38
Other post-employment benefits		
Service costs	**-**	1
Net interest cost	**5**	4
	5	5
Pension and other post-employment benefit expense - Statements of Earnings	**45**	43
Pension plans - re-measurements		
Actuarial loss recognized	**225**	17
Return on assets greater than assumed	**(119)**	(114)
Administrative expenses less than assumed	**(1)**	-
Change in effect of the asset ceiling	**(7)**	(5)
Pension plan re-measurement (income) loss	**98**	(102)
Other post-employment benefits - re-measurements		
Actuarial loss recognized	**18**	4
Pension and other post-employment benefits expense - other comprehensive (income) loss	**116**	(98)
Total pension and other post-employment benefits expense (recovery)	**$ 161**	$ (55)

During the three months ended March 31, 2014, the Company incurred $4 of actuarial losses for pension plan re-measurements not included in the table above (nil for the three months ended March 31, 2013). This represents the Company's share of losses for an investment in an associate accounted for under the equity method acquired with Irish Life.

During the first quarter of 2014, the Company's pension plans reallocated certain investments which resulted in an additional $1,066 of plan assets invested into segregated funds of the Company (note 7).

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

	Weighted average discount rate
March 31, 2014 (March 31, 2013)	**4.3 %** (4.3 %)
December 31, 2013 (December 31, 2012)	**4.7 %** (4.3 %)

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15. Earnings per Common Share

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

	For the three months ended March 31	
	2014	2013
Earnings		
Net earnings	**$ 616**	$ 550
Preferred share dividends	**(29)**	(33)
Net earnings - common shareholders	**$ 587**	$ 517
Number of common shares		
Average number of common shares outstanding	**999,215,630**	950,998,752
Add:		
- Potential exercise of outstanding stock options	**1,258,267**	485,466
Average number of common shares outstanding - diluted basis	**1,000,473,897**	951,484,218
Basic earnings per common share	**$ 0.587**	$ 0.544
Diluted earnings per common share	**$ 0.587**	$ 0.544
Dividends per common share	**$ 0.3075**	$ 0.3075

16. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended March 31	
	2014	2013
Current income taxes	**$ 106**	$ 141
Deferred income taxes	**67**	(13)
Total income tax expense	**$ 173**	$ 128

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the three months ended March 31, 2014 was 21% compared to 17% for the full year 2013 and 18% for the three months ended March 31, 2013. The effective income tax rates are generally lower than the Company's statutory income tax rate of 26.5% due to benefits related to non-taxable investment income and lower income tax in foreign jurisdictions.

The effective income tax rate for the three months ended March 31, 2014 is higher than the full year 2013 effective income tax rate as a result of non-deductible expenditures incurred in the quarter as well as an increase in reserves for uncertain tax positions. In addition, during the first quarter of 2014 newly enacted state income tax laws reduced the carrying values of certain deferred income tax assets in Putnam which further increased the Company's effective income tax rate for the quarter.

The effective income tax rate for the three months ended March 31, 2014 is higher than the same period last year primarily as a result of the items noted above.

(c) Deferred Tax Assets

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

Recognition is based on the fact that it is probable that the entity will have taxable profits and/or tax planning opportunities will be 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.

The deferred income tax asset includes balances which are dependent on future taxable profits while the relevant entities have incurred losses in either the current year or the preceding year. The aggregate deferred income tax asset for the most significant entities where this applies is $1,360 at March 31, 2014 ($1,299 at December 31, 2013).

17. Legal Provisions and Contingent Liabilities (changes since December 31, 2013 Annual Report)

Subsequent Events

On May 1, 2014 a subsidiary of the Company, Putnam Advisory Company, LLC, reached a settlement with the Massachusetts Securities Division in relation to its administrative complaint. The resolution of this matter will not have a material adverse effect on the consolidated financial position of the Company. On April 28, 2014, the remaining civil litigation matter brought against Putnam Advisory Company, LLC, in relation to its role as manager of two collateral debt obligations was dismissed.

18. Segmented Information

(a) Consolidated Net Earnings

For the three months ended March 31, 2014

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,613	$ 812	$ 1,842	$ -	$ 5,267
Net investment income					
Regular net investment income	638	357	498	(4)	1,489
Changes in fair value through profit or loss	947	323	852	-	2,122
Total net investment income	1,585	680	1,350	(4)	3,611
Fee and other income	344	419	296	-	1,059
Total income	4,542	1,911	3,488	(4)	9,937
Benefits and expenses:					
Paid or credited to policyholders	3,365	1,298	2,826	-	7,489
Other*	715	494	310	4	1,523
Financing charges	29	35	12	-	76
Amortization of finite life intangible assets	13	15	5	-	33
Restructuring and acquisition expenses	-	-	5	-	5
Earnings before income taxes	420	69	330	(8)	811
Income taxes	105	23	47	(2)	173
Net earnings before non-controlling interests	315	46	283	(6)	638
Non-controlling interests	22	1	(1)	-	22
Net earnings	293	45	284	(6)	616
Preferred share dividends	23	-	6	-	29
Net earnings before capital allocation	270	45	278	(6)	587
Impact of capital allocation	24	(4)	(19)	(1)	-
Net earnings - common shareholders	$ 294	$ 41	$ 259	$ (7)	$ 587

*Includes commissions, operating and administrative expenses and premium taxes.

18. Segmented Information (cont'd)

For the three months ended March 31, 2013 [1]

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	$ 2,515	$ 629	$ 1,787	$ -	$ 4,931
Net investment income					
Regular net investment income	619	323	427	(7)	1,362
Changes in fair value through profit or loss	56	(6)	415	-	465
Total net investment income	675	317	842	(7)	1,827
Fee and other income	309	337	152	-	798
Total income	3,499	1,283	2,781	(7)	7,556
Benefits and expenses:					
Paid or credited to policyholders	2,456	760	2,344	-	5,560
Other*	653	378	168	3	1,202
Financing charges	29	34	4	-	67
Amortization of finite life intangible assets	12	13	2	-	27
Restructuring and acquisition expenses	-	-	4	-	4
Earnings before income taxes	349	98	259	(10)	696
Income taxes	67	20	43	(2)	128
Net earnings before non-controlling interests	282	78	216	(8)	568
Non-controlling interests	15	3	-	-	18
Net earnings	267	75	216	(8)	550
Preferred share dividends	27	-	6	-	33
Net earnings before capital allocation	240	75	210	(8)	517
Impact of capital allocation	25	(4)	(18)	(3)	-
Net earnings - common shareholders	$ 265	$ 71	$ 192	$ (11)	$ 517

[1] Certain comparative figures have been reclassified for presentation adjustments (note 2).
* Includes commissions, operating and administrative expenses and premium taxes.

18. Segmented Information (cont'd)

(b) Consolidated Total Assets and Liabilities

	March 31, 2014			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 61,126**	**$ 33,282**	**$ 43,914**	**$ 138,322**
Goodwill and intangible assets	**5,106**	**1,910**	**2,363**	**9,379**
Other assets	**3,138**	**3,706**	**18,625**	**25,469**
Investments on account of segregated fund policyholders	**65,827**	**29,464**	**74,399**	**169,690**
Total	**$ 135,197**	**$ 68,362**	**$ 139,301**	**$ 342,860**

	March 31, 2014			
	Canada	**United States**	**Europe**	**Total**
Liabilities				
Insurance and investment contract liabilities	**$ 56,308**	**$ 30,238**	**$ 51,980**	**$ 138,526**
Other liabilities	**5,213**	**4,726**	**3,741**	**13,680**
Investment and insurance contracts on account of segregated fund policyholders	**65,827**	**29,464**	**74,399**	**169,690**
Total	**$ 127,348**	**$ 64,428**	**$ 130,120**	**$ 321,896**

	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

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