GREAT-WEST LIFECO INC.

Quarterly Report to Shareholders

Third Quarter Results

For the period ended September 30, 2014

E1138(9/14)-9/14

Quarterly Report to Shareholders

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

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

GREAT-WEST LIFECO INC.

QUARTERLY REPORT TO THE SHAREHOLDERS

January 1 to September 30, 2014 Nine Months Results

The condensed consolidated interim unaudited financial statements including notes at September 30, 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 $687 million or $0.687 per common share for the three months ended September 30, 2014 compared to $523 million or $0.527 per common share for the same period in 2013, an increase of 31%. Net earnings in the third quarter of 2014 and 2013 include $6 million and $60 million, respectively, of restructuring and acquisition charges pertaining to Irish Life. Excluding these amounts, the year over year growth in net earnings was 19%.

For the nine months ended September 30, 2014, net earnings attributable to common shareholders were $1,889 million, compared to $1,561 million a year ago. This represents $1.891 per common share for the nine months ended September 30, 2014, compared to $1.618 per common share for the same period in 2013.

Highlights - In Quarter

- Consolidated assets under administration at September 30, 2014 grew to over $1.0 trillion, compared to $758 billion at December 31, 2013 driven by the addition of $197 billion of other assets under administration related to the completion of the acquisition of the J.P. Morgan Retirement Plan Services large-market recordkeeping business.
- Total Company sales in the third quarter of 2014 of $21.3 billion, were up 28% compared to the same period in 2013:
  - Canada sales were $2.7 billion, up 15%, reflecting strong growth in insurance sales which were up 32% and Wealth Management sales which were up 13%.
  - Europe Insurance & Annuities sales were $2.9 billion, down 12%, primarily as a result of lower U.K. payout annuity sales and lower Ireland fund management sales.
  - Putnam sales were US$8.2 billion, down 2% overall. Institutional sales increased by 5%, and mutual fund sales, while slightly lower year over year, remained very strong.
  - Great-West Financial sales were US$6.2 billion, up 180%, reflecting one large Retirement Services plan sale for US$3.2 billion and a 147% increase in Individual Markets' sales.
- Lifeco premiums and deposits during the quarter were $20.2 billion, up 1% from a year ago, reflecting continued strong sales and persistency in Canada and the U.S., offset by lower sales in Europe.
- On October 30, 2014, Great-West Financial announced the new brand name "Empower Retirement" for the combined retirement businesses of Great-West Financial, Great-West Financial Retirement Plan Services (formerly J.P. Morgan Retirement Plan Services) and Putnam Investments.
- The Company maintained a strong ROE of 16.3% based on net earnings. ROE based on adjusted operating earnings was 15.2%, which excludes the impact of restructuring and acquisition costs related to Irish Life and the J.P. Morgan Retirement Plan Services large-market recordkeeping business as well as 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 233% at September 30, 2014.
- The Company declared a quarterly common dividend of $0.3075 per common share payable December 31, 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 third quarter of 2014 were $330 million, down 1% compared to $332 million in the third quarter of 2013. For the nine months ended September 30, 2014 net earnings attributable to common shareholders were $928 million compared to $878 million for the same period in 2013.

Total sales in the third quarter of 2014 were $2.7 billion, compared to $2.4 billion in the third quarter of 2013. This reflects an increase in insurance sales of 32% driven by strong Group insurance and participating life insurance sales which were up 54% and 21% respectively. Wealth Management sales increased 13% compared to the third quarter of 2013 reflecting a 26% increase in retail segregated fund sales and a 37% increase in proprietary mutual fund sales. Total sales for the nine months ended September 30, 2014 were $8.9 billion compared to $7.9 billion in 2013.

Total Canada segment assets under administration at September 30, 2014 were $159 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 recordkeeping 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.

On August 29, 2014, Great-West Financial completed its acquisition of the J.P. Morgan Retirement Plan Services large-market recordkeeping business and is now the second-largest retirement plan recordkeeper by total participants in the United States. This acquisition increases the Company's United States defined contribution operations to over 7 million participants and $456 billion in retirement plan assets as at September 30, 2014.

Net earnings attributable to common shareholders for the third quarter of 2014 were $107 million compared to $76 million in the third quarter of 2013. Great-West Financial reported net earnings of $115 million in the third quarter compared to $86 million for the same period last year. Putnam reported a net loss of $8 million in the third quarter compared to a net loss of $10 million a year ago. For the nine months ended September 30, 2014 net earnings attributable to common shareholders were $217 million compared to $220 million in 2013.

Great-West Financial sales in the third quarter of 2014 were US$6.2 billion, up from US$2.2 billion in the third quarter of 2013 due to one large 401(k) plan sale and significant increases in Individual Markets' sales in the executive benefits, retail bank insurance, Individual Retirement Account (IRA) and individual annuity markets. Sales for the nine months ended September 30, 2014 were US$11.3 billion compared to US$7.2 billion in 2013.

Putnam assets under management as at September 30, 2014 were US$157 billion compared to US$141 billion a year ago, an increase of 12%. Net asset inflows for the third quarter of 2014 were US$1.3 billion compared to net asset inflows of US$1.1 billion for the same period in 2013, driven by mutual fund net inflows of US$1.1 billion, a decrease of US$0.4 billion compared to the same period in 2013. Institutional net inflows of US$0.2 billion improved by US$0.6 billion compared to the same period in 2013.

Total United States segment assets under administration at September 30, 2014 were $663 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 third quarter of 2014 were $259 million compared to $129 million a year ago. Restructuring costs related to the ongoing integration of Irish Life were $6 million in-quarter. Third quarter 2013 net earnings include Irish Life acquisition and restructuring related costs of $60 million. For the nine months ended September 30, 2014 net earnings attributable to common shareholders were $764 million compared to $499 million for the same period in 2013. On a year-to-date basis, net earnings in 2014 include $19 million of restructuring costs related to the ongoing integration of Irish Life. For the nine months ended September 30, 2013, net earnings include Irish Life acquisition and restructuring related costs of $74 million. The 2014 year-to-date results include nine months of Irish Life results while 2013 year-to-date results include Irish Life results from the date of acquisition, July 18, 2013 (approximately three months).

Insurance & Annuities sales for the third quarter of 2014 were $2.9 billion, compared to $3.3 billion a year ago down 12%, primarily driven by a 56% reduction in U.K. payout annuity sales as a result of changes announced in the 2014 U.K. Budget and a reduction in Ireland fund management sales reflecting normal fluctuations. Total sales for the nine months ended September 30, 2014 were $9.2 billion, up 79%, compared to $5.1 billion for the same period in 2013.

Total Europe segment assets under administration at September 30, 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 $9 million in the third quarter of 2014 compared to a net loss of $14 million in the third quarter of 2013. For the nine months ended September 30, 2014 net earnings attributable to common shareholders were a net loss of $20 million compared to a net loss of $36 million for the same period in 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 December 31, 2014 to shareholders of record at the close of business December 3, 2014.

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;
- Series R First Preferred Shares of $0.3000 per share; and
- Series S First Preferred Shares of $0.328125 per share

all payable December 31, 2014 to shareholders of record at the close of business December 3, 2014.

P. A. Mahon
President and Chief Executive Officer

November 6, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

DATED: NOVEMBER 6, 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 and nine months ended September 30, 2014 and includes a comparison to the corresponding periods in 2013, to the three months ended June 30, 2014, 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 September 30, 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, 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			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013[2][3]	**Sept. 30 2014**	Sept. 30 2013[2][3]
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products, net[2]	**$ 4,690**	$ 5,764	$ 4,859	**$ 15,721**	$ 14,386
Self-funded premium equivalents (Administrative services only contracts)	**633**	658	620	**1,949**	1,918
Segregated funds deposits:					
Individual products	**2,865**	2,830	2,352	**8,641**	5,551
Group products	**1,824**	1,940	1,838	**7,128**	5,744
Proprietary mutual funds & institutional deposits	**10,223**	9,160	10,309	**31,045**	24,628
Total premiums and deposits	**20,235**	20,352	19,978	**64,484**	52,227
Fee and other income[2]	**1,092**	1,110	955	**3,261**	2,584
Paid or credited to policyholders[1][2]	**5,966**	7,580	5,025	**21,035**	12,164
Operating earnings - common shareholders	**687**	615	523	**1,889**	1,561
Net earnings - common shareholders	**687**	615	523	**1,889**	1,561
Per common share					
Basic earnings	**$ 0.687**	$ 0.616	$ 0.527	**$ 1.891**	$ 1.618
Dividends paid	**0.3075**	0.3075	0.3075	**0.9225**	0.9225
Book value	**16.54**	16.04	14.39		
Return on common shareholders' equity[4]					
Operating earnings	**14.9%**	14.3%	16.0%		
Net earnings	**16.3%**	15.8%	14.9%		
Total assets[3]	**$ 349,072**	$ 344,380	$ 312,473		
Proprietary mutual funds and institutional net assets[2]	**207,451**	200,113	167,619		
Total assets under management[3]	**556,523**	544,493	480,092		
Other assets under administration[3]	**465,264**	260,079	225,187		
Total assets under administration[3]	**$ 1,021,787**	$ 804,572	$ 705,279		
Total equity	**$ 21,627**	$ 21,122	$ 19,435		

(1) Paid or credited to policyholders includes 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 is 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 the acquisition date of July 18, 2013.

Lifeco's net earnings attributable to common shareholders for the three month period ended September 30, 2014 were $687 million compared to $523 million a year ago and $615 million in the previous quarter. On a per share basis this represents $0.687 per common share ($0.686 diluted) for the third quarter of 2014 compared to $0.527 per common share ($0.522 diluted) a year ago and $0.616 per common share ($0.615 diluted) in the previous quarter. Restructuring costs related to the ongoing integration of Irish Life were $6 million in-quarter. Third quarter 2013 net earnings include Irish Life acquisition and restructuring related costs of $60 million.

For the nine months ended September 30, 2014, Lifeco's net earnings attributable to common shareholders were $1,889 million compared to $1,561 million a year ago. On a per share basis, this represents $1.891 per common share ($1.889 diluted) for 2014 compared to $1.618 per common share ($1.580 diluted) a year ago. On a year-to-date basis, net earnings in 2014 include $19 million of restructuring costs related to the ongoing integration of Irish Life. For the nine months ended September 30, 2013, net earnings include Irish Life acquisition and restructuring related costs of $74 million. The 2014 year-to-date results include nine months of Irish Life results while 2013 year-to-date results include Irish Life results from the date of acquisition (approximately three months).

Net earnings - common shareholders	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Canada					
Individual Insurance	**$ 109**	$ 97	$ 102	**$ 275**	$ 229
Wealth Management	**96**	113	114	**314**	294
Group Insurance	**125**	92	115	**326**	328
Canada Corporate	**—**	2	1	**13**	27
	330	304	332	**928**	878
United States					
Financial Services	**115**	78	86	**287**	258
Asset Management	**(8)**	(9)	(10)	**(70)**	(38)
U.S. Corporate	**—**	—	—	**—**	—
	107	69	76	**217**	220
Europe					
Insurance & Annuities	**208**	184	134	**592**	382
Reinsurance	**59**	72	57	**194**	182
Europe Corporate	**(8)**	(10)	(62)	**(22)**	(65)
	259	246	129	**764**	499
Lifeco Corporate	**(9)**	(4)	(14)	**(20)**	(36)
Net earnings	**$ 687**	$ 615	$ 523	**$ 1,889**	$ 1,561

The information in the table above 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 the Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio relative to the Company's expectations.

Refer to note 5 of the Company's condensed consolidated financial statements for the period ended September 30, 2014 for a further description of the Company's sensitivity to interest rate fluctuations.

Equity Markets
Equity markets trended down in the third quarter of 2014; however, remained positive on a year-to-date basis and were well above levels from the same period a year ago. This positively impacted asset-based fee income and continued to have a favourable impact on costs related to guarantees of death, maturity or income benefits within certain wealth management products offered by the Company.

The major equity indices finished the third quarter down 1.2% in Canada (as measured by S&P TSX), down 2.7% in broader Europe (as measured by Eurostoxx 50), and down 1.8% in the U.K. (as measured by FTSE 100), but up 0.6% in the U.S. (as measured by S&P 500) compared to June 30, 2014. Comparing the third quarter of 2014 to the third quarter of 2013, the average equity market levels were up by 21.4% in Canada, by 18.1% in the U.S., by 13.4% in broader Europe and by 3.5% in the U.K.

Foreign Currency
During the third quarter of 2014, the average currency translation rates of the U.S. dollar, British pound and euro increased as compared to the third quarter of 2013. The overall impact of currency movement on the Company's net earnings for the three month period ended September 30, 2014 was an increase of $25 million ($96 million year-to-date) compared to translation rates a year ago.

From June 30, 2014 to September 30, 2014, the market rates at the end of the reporting period used to translate U.S. dollar assets and liabilities to the Canadian dollar also increased, while the end of period market rates for British pound and euro assets and liabilities decreased. The movements in end of period market rates resulted in unrealized foreign exchange gains from the translation of foreign operations, including related hedging activities, of $208 million in-quarter ($400 million net unrealized gains year-to-date) recorded in other comprehensive income.

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

ACTUARIAL ASSUMPTION CHANGES

The Company updated a number of assumptions resulting in a positive net earnings impact of $98 million in the third quarter of 2014, compared to $18 million in the third quarter of 2013. In 2014, provision releases for future credit losses in Europe and the U.S., refinements to policyholder behaviour provisions in Canada and modeling enhancements in Reinsurance were partially offset by the strengthening of provisions for policyholder behaviour in Reinsurance and longevity in Canada.

For the nine months ended September 30, 2014, assumption changes resulted in a positive net earnings impact of $163 million as compared to $80 million for the same period in 2013.

PREMIUMS AND DEPOSITS AND SALES

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

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

Premiums and deposits

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Canada					
Individual Insurance	**$ 1,117**	$ 1,122	$ 1,035	**$ 3,316**	$ 3,065
Wealth Management	**2,386**	2,736	2,191	**9,173**	7,251
Group Insurance	**1,965**	1,912	1,852	**5,777**	5,617
	5,468	5,770	5,078	**18,266**	15,933
United States					
Financial Services	**1,823**	1,597	1,710	**5,228**	4,556
Asset Management	**8,958**	8,041	8,679	**26,971**	22,611
	10,781	9,638	10,389	**32,199**	27,167
Europe					
Insurance & Annuities	**3,446**	3,498	3,775	**11,056**	6,292
Reinsurance(1)	**540**	1,446	736	**2,963**	2,835
	3,986	4,944	4,511	**14,019**	9,127
Total	**$ 20,235**	$ 20,352	$ 19,978	**$ 64,484**	$ 52,227

Sales

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Canada	**$ 2,747**	$ 2,904	$ 2,389	**$ 8,853**	$ 7,948
United States	**15,686**	10,480	10,973	**39,325**	29,949
Europe - Insurance & Annuities	**2,913**	2,814	3,299	**9,233**	5,149
Total	**$ 21,346**	$ 16,198	$ 16,661	**$ 57,411**	$ 43,046

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

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

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Investment income earned (net of investment properties expenses)	**$ 1,493**	$ 1,531	$ 1,423	**$ 4,514**	$ 4,148
Allowances for credit losses on loans and receivables	**(9)**	1	(4)	**(9)**	(6)
Net realized gains	**18**	18	17	**58**	94
Regular investment income	**1,502**	1,550	1,436	**4,563**	4,236
Investment expenses	**(23)**	(24)	(25)	**(69)**	(62)
Regular net investment income	**1,479**	1,526	1,411	**4,494**	4,174
Changes in fair value through profit or loss	**1,190**	1,670	(19)	**4,982**	(2,754)
Net investment income	**$ 2,669**	$ 3,196	$ 1,392	**$ 9,476**	$ 1,420

Net investment income in the third quarter of 2014, which includes changes in fair value through profit or loss, increased by $1,277 million compared to the same period last year. The change in fair values in the third quarter of 2014 was an increase of $1,190 million compared to a decrease of $19 million for the third quarter of 2013. Bond values increased during the third quarter of 2014, primarily due to declining U.K. government bond yields and narrowing Canadian corporate spreads. In the third quarter of 2013, declines in bond values due to rising government bond yields were offset by rising equity and real estate markets.

Regular net investment income in the third quarter of 2014, which excludes changes in fair value through profit or loss, increased by $68 million compared to the third quarter of 2013, primarily due to the impact of currency movement as the U.S. dollar and British pound strengthened against the Canadian dollar. Net realized gains include gains on available-for-sale securities of $11 million in the third quarter of 2014 compared to $5 million for the same period last year.

For the nine months ended September 30, 2014, net investment income increased by $8,056 million compared to the same period last year. The change in fair values for the nine month period in 2014 was an increase of $4,982 million compared to a decrease in fair values of $2,754 million during the same period in 2013, primarily as a result of government and corporate bond yields decreasing in the first nine months of 2014 but increasing in the same period of 2013. Regular net investment income for the nine months ended September 30, 2014 increased by $320 million compared to the same period last year, primarily as a result of the U.S. dollar and British pound strengthening against the Canadian dollar and the inclusion of Irish Life for an additional two quarters in 2014. Net realized gains include gains on available-for-sale securities of $35 million for the nine months ended September 30, 2014, compared to $58 million for the same period last year.

Net investment income in the third quarter of 2014 was $527 million lower than the second quarter of 2014. The decrease was primarily due to net increases in fair values of $1,190 million in the third quarter of 2014 compared to net increases of $1,670 million in the previous quarter, mainly as a result of stronger equity markets in the second quarter.

Credit Markets

In the third quarter of 2014, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $1 million ($3 million net charge in the third quarter of 2013). 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 $4 million in the third quarter ($3 million net recovery in the third quarter of 2013).

For the nine months ended September 30, 2014, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $21 million ($3 million net recovery year-to-date in 2013). 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 $16 million year-to-date ($7 million net charge year-to-date in 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			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013[1]	**Sept. 30 2014**	Sept. 30 2013[1]
Canada					
Segregated funds, mutual funds and other	**$ 323**	$ 318	$ 285	**$ 947**	$ 835
ASO contracts	**37**	38	36	**113**	111
	360	356	321	**1,060**	946
United States					
Segregated funds, mutual funds and other	**443**	436	365	**1,298**	1,051
Europe					
Segregated funds, mutual funds and other	**289**	318	269	**903**	587
Total fee and other income	**$ 1,092**	$ 1,110	$ 955	**$ 3,261**	$ 2,584

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

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

PAID OR CREDITED TO POLICYHOLDERS

Paid or credited to policyholders

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Canada	**$ 2,617**	$ 3,367	$ 2,207	**$ 9,349**	$ 5,716
United States	**1,079**	1,295	1,014	**3,672**	2,140
Europe[1]	**2,270**	2,918	1,804	**8,014**	4,308
Total	**$ 5,966**	$ 7,580	$ 5,025	**$ 21,035**	$ 12,164

(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 September 30, 2014, consolidated amounts paid or credited to policyholders were $6.0 billion, including $4.6 billion of policyholder benefit payments and a $1.4 billion increase in contract liabilities. The increase of $941 million from the same period in 2013 consisted of a $683 million increase in the change in contract liabilities, 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. The increase also consisted of a $258 million increase in benefit payments primarily due to currency movement and normal business growth.

For the nine months ended September 30, 2014, consolidated amounts paid or credited to policyholders were $21.0 billion, including $13.7 billion of policyholder benefit payments and a $7.3 billion increase in contract liabilities. The increase of $8.9 billion from the same period in 2013 consisted of an $8.7 billion increase in the change in contract liabilities, primarily due to fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe and the impact of a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014. The increase also consisted of a $199 million increase in benefit payments primarily due to the contribution of Irish Life, currency movement and normal business growth, partly offset by the commutation of a health reinsurance treaty.

Compared to the previous quarter, consolidated amounts paid or credited to policyholders decreased by $1.6 billion. The decrease consisted of a $1.7 billion decrease in the change in contract liabilities due to lower 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 $78 million increase in benefit payments. In addition, the change in the contract liabilities was higher in the second quarter due to the impact of a Dutch-based annuity reinsurance agreement entered into during the same period.

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 15% for the third quarter of 2014 compared to 12% for the third quarter of 2013. In the third quarter of 2013, a reduction in the statutory corporate income tax rates in the U.K., from 23% to 20%, was substantively enacted and reduced the effective income tax rate for that period. Items impacting the third quarter of 2014 include tax benefits of approximately $27 million arising in the multi-jurisdictional Reinsurance division, which recorded a strengthening of insurance reserves in a higher tax jurisdiction and a reduction of insurance reserves in a lower tax jurisdiction. Also impacting the effective income tax rate in the third quarter of 2014 is a prior years' tax true-up related to Putnam's foreign seed capital investments, which resulted in a charge of $14 million.

The Company had an effective income tax rate of 18% for the nine months ended September 30, 2014 compared to 16% for the same period in 2013. The increase in the effective tax rate is primarily driven by the same items discussed for the in-quarter results as well as a decrease of non-taxable investment income.

The third quarter 2014 effective income tax rate of 15% is lower than the second quarter rate of 19%. The decrease in the effective tax rate compared to the previous quarter primarily reflects the items impacting the 2014 rate discussed for the in-quarter results. True-ups of prior year tax provisions to tax filings, which occurred during the third quarter, decreased the effective tax rate as compared to the second quarter rate.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	September 30, 2014			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 63,374**	**$ 34,694**	**$ 44,677**	**$ 142,745**
Goodwill and intangible assets	**5,114**	**1,981**	**2,309**	**9,404**
Other assets	**3,169**	**3,634**	**18,686**	**25,489**
Segregated funds net assets	**67,952**	**29,633**	**73,849**	**171,434**
Total assets	**139,609**	**69,942**	**139,521**	**349,072**
Proprietary mutual funds and institutional net assets	**4,639**	**183,166**	**19,646**	**207,451**
Total assets under management	**144,248**	**253,108**	**159,167**	**556,523**
Other assets under administration	**14,336**	**410,420**	**40,508**	**465,264**
Total assets under administration	**$ 158,584**	**$ 663,528**	**$ 199,675**	**$ 1,021,787**

	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 September 30, 2014 increased by $263.5 billion to just over $1.0 trillion compared to December 31, 2013, primarily due to the addition of $197 billion of other assets under administration related to the acquisition of the J.P. Morgan Retirement Plan Services large-market recordkeeping business. Market value gains, currency movement and new business growth also contributed to the increase.

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 $99.2 billion or 70% of invested assets at September 30, 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.

Subsequent to September 30, 2014, the Company participated in a debt restructuring by a U.K. domiciled company. The Company tendered approximately $55 million of debt securities primarily in exchange for new debt securities and cash. In addition, the maturity dates on a further $68 million of securities of this issuer were shortened.

Bond portfolio quality

	September 30, 2014		December 31, 2013	
AAA	**$ 33,256**	**34%**	$ 30,626	34%
AA	**18,019**	**18**	15,913	18
A	**29,006**	**29**	25,348	28
BBB	**17,703**	**18**	16,809	19
BB or lower	**1,234**	**1**	1,218	1
Total	**$ 99,218**	**100%**	$ 89,914	100%

Holdings of Debt Securities of Governments

	Carrying Value by Rating - September 30, 2014						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 10,813	$ 3,488	$ 3,509	$ 69	$ 17	$ 17,896	$ 16,927
U.K.	8,640	1,233	312	553	—	10,738	9,809
U.S.	5,860	1,687	237	—	3	7,787	7,471
Ireland	—	—	—	631	—	631	543
	25,313	**6,408**	**4,058**	**1,253**	**20**	**37,052**	**34,750**
Portugal	—	—	—	—	11	11	11
Italy	—	—	—	87	—	87	79
Greece	—	—	—	—	—	—	—
Spain	—	—	—	28	—	28	28
	—	**—**	**—**	**115**	**11**	**126**	**118**
Germany	2,265	85	—	—	—	2,350	2,272
France	—	917	—	—	—	917	761
Netherlands	3	591	—	—	—	594	554
Austria	7	428	—	—	—	435	397
Supranationals	1,271	208	—	—	—	1,479	1,378
All other (10 countries)	524	396	143	29	—	1,092	1,024
	4,070	**2,625**	**143**	**29**	**—**	**6,867**	**6,386**
Total	**$ 29,383**	**$ 9,033**	**$ 4,201**	**$ 1,397**	**$ 31**	**$ 44,045**	**$ 41,254**

* Includes certain funds held by ceding insurers with a carrying value of $2,854 million and an amortized cost of $2,654 million.

At September 30, 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 $44.0 billion, up from $40.6 billion at December 31, 2013. Government bond holdings increased by $3.4 billion, mainly due to an increase in market values driven by decreasing government bond yields and a strengthening of the British pound and U.S. dollar against the Canadian dollar. Government and government-related debt securities include investments in Public-Private Partnerships. At September 30, 2014, $17 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 $126 million, up from $104 million at December 31, 2013 mainly as a result of an increase in Spanish sovereign debt holdings and an increase in market values of Italian sovereign debt. The additional Spanish sovereign debt was acquired through a reinsurance agreement entered into during the second quarter of 2014. The Company does not hold any debt securities of the government of Greece or Argentina.

Holdings of Debt Securities of Banks and Other Financial Institutions

	Carrying Value by Rating - September 30, 2014						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 236	$ 588	$ 921	$ 294	$ —	$ 2,039	$ 1,960
U.K.	484	583	1,787	1,022	440	4,316	3,996
U.S.	600	1,530	1,957	559	17	4,663	4,294
Ireland	—	—	5	60	13	78	67
	1,320	**2,701**	**4,670**	**1,935**	**470**	**11,096**	**10,317**
Portugal	—	—	—	—	—	—	—
Italy	—	—	48	85	—	133	127
Greece	—	—	—	—	—	—	—
Spain	76	—	84	108	10	278	261
	76	**—**	**132**	**193**	**10**	**411**	**388**
Germany	—	71	193	1	—	265	253
France	115	113	324	257	—	809	753
Netherlands	27	250	230	49	15	571	533
Australia	131	370	82	89	—	672	651
All other (22 institutions)	140	250	366	194	—	950	910
	413	**1,054**	**1,195**	**590**	**15**	**3,267**	**3,100**
Total	**$ 1,809**	**$ 3,755**	**$ 5,997**	**$ 2,718**	**$ 495**	**$ 14,774**	**$ 13,805**

	Carrying Value by Seniority - September 30, 2014							
	Covered	Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 74	$ 1,457	$ 135	$ 66	$ 307	$ —	$ 2,039	$ 1,960
U.K.	336	1,995	1,022	522	328	113	4,316	3,996
U.S.	588	2,800	1,083	—	192	—	4,663	4,294
Ireland	61	4	—	—	13	—	78	67
	1,059	**6,256**	**2,240**	**588**	**840**	**113**	**11,096**	**10,317**
Portugal	—	—	—	—	—	—	—	—
Italy	48	—	—	—	85	—	133	127
Greece	—	—	—	—	—	—	—	—
Spain	115	—	71	41	51	—	278	261
	163	**—**	**71**	**41**	**136**	**—**	**411**	**388**
Germany	66	102	97	—	—	—	265	253
France	212	246	195	55	101	—	809	753
Netherlands	27	433	47	25	39	—	571	533
Australia	144	411	67	—	50	—	672	651
All other (22 institutions)	181	461	147	82	79	—	950	910
	630	**1,653**	**553**	**162**	**269**	**—**	**3,267**	**3,100**
Total	**$ 1,852**	**$ 7,909**	**$ 2,864**	**$ 791**	**$ 1,245**	**$ 113**	**$ 14,774**	**$ 13,805**

* Includes certain funds held by ceding insurers with a carrying value of $3,103 million and an amortized cost of $2,731 million.

At September 30, 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 $14.8 billion, up from $13.4 billion at December 31, 2013. The increase was mainly due to net purchases of securities, an increase in market values driven by decreasing corporate bond yields and strengthening of the U.S. dollar and British pound against the Canadian dollar.

Included in this portfolio are $411 million of debt securities issued by banks and other financial institutions domiciled in Italy and Spain, compared to $339 million at December 31, 2013. The increase was primarily due to higher Spanish debt holdings acquired through a reinsurance agreement entered into during the second quarter and an increase in market values of the Spanish and Italian debt. Of the Spanish holdings of $278 million, $223 million are Sterling denominated bonds issued by U.K. domiciled Prudential Regulation Authority (PRA) regulated subsidiaries of Spanish financial institutions. The Company does not have any holdings of banks and other financial institutions domiciled in Greece or Portugal.

At September 30, 2014, 97% of the $14.8 billion carrying value of debt securities invested in banks and other financial institutions was rated investment grade.

Mortgage portfolio – It is the Company's practice to acquire only high quality commercial 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

	September 30, 2014				December 31, 2013	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 861**	**$ 1,026**	**$ 1,887**	**9%**	$ 1,758	9%
Multi-family residential	**2,790**	**2,299**	**5,089**	**25**	4,812	25
Commercial	**220**	**13,126**	**13,346**	**66**	12,493	66
Total	**$ 3,871**	**$ 16,451**	**$ 20,322**	**100%**	$ 19,063	100%

The total mortgage portfolio was $20.3 billion or 14% of invested assets at September 30, 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	**September 30, 2014**		December 31, 2013	
Ontario	**$ 923**	**49%**	$ 826	47%
Quebec	**397**	**21**	392	22
Alberta	**130**	**7**	123	7
British Columbia	**110**	**6**	109	6
Newfoundland	**99**	**5**	93	5
Saskatchewan	**74**	**4**	63	4
Nova Scotia	**62**	**3**	63	4
Manitoba	**49**	**3**	45	3
New Brunswick	**40**	**2**	41	2
Other	**3**	**—**	3	—
Total	**$ 1,887**	**100%**	$ 1,758	100%

During the nine months ended September 30, 2014, single family mortgage originations, including renewals, were $484 million, of which 31% were insured. Insured mortgages include mortgages where insurance is provided by a third party and protects the Company in the event that the borrower is unable to fulfil its obligations related to the mortgage. Loans that are insured are subject to the requirements of the mortgage default insurance provider. For new originations of non-insured residential mortgages, the Company's investment policies limit the amortization period to a maximum 25 years and the loan-to-value to a maximum of 80% of the purchase price or current appraised value of the property. The weighted average remaining amortization period for the single family residential mortgage portfolio is 22 years as at September 30, 2014.

Provision for future credit losses

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

At September 30, 2014, the total actuarial provision for future credit losses in insurance contract liabilities was $2,907 million compared to $2,795 million at December 31, 2013, an increase of $112 million primarily due to normal business activity and the impact of currency movement, partially offset by basis changes.

The aggregate of impairment provisions of $23 million ($38 million at December 31, 2013) and actuarial provisions for future credit losses in insurance contract liabilities of $2,907 million ($2,795 million at December 31, 2013) represents 2.3% of bond and mortgage assets including funds held by ceding insurers at September 30, 2014 (2.4% at December 31, 2013).

LIABILITIES

Total liabilities

	Sept. 30 2014	Dec. 31 2013
Insurance and investment contract liabilities	**$ 142,202**	$ 132,063
Other general fund liabilities	**13,809**	13,064
Investment and insurance contracts on account of segregated fund policyholders	**171,434**	160,779
Total	**$ 327,445**	$ 305,906

Total liabilities increased by $21.5 billion to $327.4 billion at September 30, 2014 from December 31, 2013.

Investment and insurance contracts on account of segregated fund policyholders increased by $10.7 billion, primarily due to the impact of market value gains and investment income of $10.3 billion as well as the impact of currency movement of $0.6 billion, partially offset by net withdrawals of $0.2 billion. Insurance and investment contract liabilities increased by $10.1 billion, primarily due to the impact of new business, fair value adjustments as a result of changes in interest rates as well as currency movement.

Investment Guarantees Associated with Wealth Management Products

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

The guaranteed minimum withdrawal benefit (GMWB) products offered by the Company offer levels of death and maturity guarantees. At September 30, 2014, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $2,913 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

		September 30, 2014 Investment deficiency by benefit type			
	Market Value	**Income**	**Maturity**	**Death**	**Total***
Canada	$ 28,702	$ —	$ 25	$ 77	$ 77
United States	9,572	4	—	42	46
Europe					
Insurance & Annuities	8,008	—	6	25	25
Reinsurance**	1,150	308	—	21	329
	9,158	**308**	**6**	**46**	**354**
Total	**$ 47,432**	**$ 312**	**$ 31**	**$ 165**	**$ 477**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 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 September 30, 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 were $3 million in-quarter and $8 million year-to-date, with the majority arising in the Europe Reinsurance segment.

ACTUARIAL STANDARDS UPDATE

On May 15, 2014, the Canadian Actuarial Standards Board published the Standards of Practice that are effective October 15, 2014, reflecting revisions to economic reinvestment assumptions used in the valuation of insurance contract liabilities. Under the new Standards and current economic conditions, the impact on adoption is anticipated as follows:

- An increase in the low end of the range of long-term reinvestment interest rates tested is expected to result in a liability release, primarily from the Canadian segment where the Company is exposed to low interest rates on reinvestments in later durations.
- New constraints on the recognition of non-fixed income investments are expected to result in a liability increase.

The Company is still considering potential changes to the additional scenarios tested in addition to those prescribed, fine tuning the spread assumptions used in the above estimates and a number of the more detailed implications of the Standards.

The net impact of the above changes is expected to be positive to net earnings upon adoption in the fourth quarter of 2014. While difficult to fully quantify at this point given matters still under review, current estimates and assumptions indicate the impact to be approximately $50 million.

As disclosed in note 5 of the Company’s condensed consolidated financial statements for the period ended September 30, 2014, the total provision for interest rates is sufficient to cover a broader or more severe set of risks than the prescribed scenario minimums under the current standards. As a result, the impact of the new Standards on net earnings sensitivity to changes in interest rates, changes in the equity return assumption and the impact of an equity market shock is not anticipated to be material.

SHARE CAPITAL AND SURPLUS

Share capital outstanding at September 30, 2014 was $9,627 million, which comprises $7,113 million of common shares, $2,264 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 nine months ended September 30, 2014, the Company repurchased and subsequently cancelled 1,137,757 common shares (2013 - 429,625) at an average cost per share of $31.06 (2013 - $30.19) under its normal course issuer bid program.

The Company issued 8,000,000, 5.25% non-cumulative fixed rate perpetual First Preferred Shares, Series S, for gross proceeds of $200 million, which closed on May 22, 2014.

NON-CONTROLLING INTERESTS

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

During the first quarter of 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 first quarter of 2014, the Company reclassified the share-based liability into equity. As at September 30, 2014, amounts reclassified were $211 million to non-controlling interest and $34 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 internal funds and maintaining adequate levels of liquid investments. The Company holds cash, cash equivalents and short-term bonds at the Lifeco holding company level and with the Lifeco consolidated subsidiary companies. At September 30, 2014, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $10.0 billion ($6.4 billion at December 31, 2013) and other available government bonds of $28.4 billion ($28.3 billion at December 31, 2013). Included in the cash, cash equivalents and short-term bonds at September 30, 2014 is approximately $0.7 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. For entities based in Europe, the local solvency capital regime will be changing to the Solvency II basis, which is expected to be introduced effective January 1, 2016. Uncertainty of the rules and regulatory interpretation could increase the near term risk of additional local capital requirements. The Company continues to assess the impact of this change and will take appropriate steps to respond to the new regulatory environment.

CASH FLOWS

Cash flows

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Cash flows relating to the following activities:				
Operations	**$ 2,077**	$ 1,556	**$ 4,731**	$ 3,668
Financing	**(444)**	(463)	**(1,076)**	944
Investment	**(1,342)**	(1,103)	**(3,075)**	(3,788)
	291	(10)	**580**	824
Effects of changes in exchange rates on cash and cash equivalents	**26**	18	**55**	77
Increase (decrease) in cash and cash equivalents in the period	**317**	8	**635**	901
Cash and cash equivalents, beginning of period	**3,109**	2,788	**2,791**	1,895
Cash and cash equivalents, end of period	**$ 3,426**	$ 2,796	**$ 3,426**	$ 2,796

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 third quarter of 2014, cash and cash equivalents increased by $317 million from June 30, 2014. Cash flows provided by operations during the third quarter of 2014 were $2,077 million, an increase of $521 million compared to the third quarter of 2013. Cash flows used in financing were $444 million, primarily used for payment of dividends to the preferred and common shareholders of $340 million and a decrease in a line of credit of a subsidiary of $93 million. For the three months ended September 30, 2014, cash flows were used by the Company to acquire an additional $1,342 million of investment assets.

For the nine months ended September 30, 2014, cash and cash equivalents increased by $635 million from December 31, 2013. Cash flows provided by operations were $4,731 million, an increase of $1,063 million compared to the same period in 2013. Cash flows used in financing were $1,076 million, primarily used for payment of dividends to the preferred and common shareholders of $1,012 million and a decrease in a line of credit of a subsidiary of $235 million, partly offset by the issuance of preferred shares of $200 million. For the nine months ended September 30, 2014, cash flows were used by the Company to acquire an additional $3,075 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. The capitalization decisions of the Company and its operating subsidiaries also 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.

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 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 September 30, 2014 was 233% (223% at December 31, 2013). London Life's MCCSR ratio at September 30, 2014 was 260% (238% at December 31, 2013). Canada Life's MCCSR ratio at September 30, 2014 was 238% (231% at December 31, 2013). The MCCSR ratio does not take into account any impact from $0.7 billion of liquidity at the Lifeco holding company level at September 30, 2014 ($0.6 billion at December 31, 2013). 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.

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.

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, risk profile 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 a debt-to-equity ratio in each business unit mirroring the consolidated Company.

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

Return on Equity

	Sept. 30 2014	June 30 2014	Dec. 31 2013
Canada	**22.5 %**	23.7 %	23.9 %
U.S. Financial Services [(1)]	**17.4 %**	16.2 %	17.8 %
U.S. Asset Management (Putnam)	**(4.5)%**	(4.5)%	(3.7)%
Europe	**16.3 %**	14.4 %	14.9 %
Lifeco Corporate [(2)]	**(12.0)%**	(18.3)%	(12.6)%
Total Lifeco Operating Earnings Basis [(2)]	**14.9 %**	14.3 %	15.0 %
Total Lifeco Net Earnings Basis	**16.3 %**	15.8 %	16.6 %

(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 16.3% compared to 16.6% at December 31, 2013, which includes the impact of certain litigation provisions. At September 30, 2014, the Company achieved a 14.9% ROE on operating earnings, which includes $44 million of restructuring and acquisition charges related to Irish Life and J.P. Morgan Retirement Plan Services large-market recordkeeping business 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 third 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. Standard & Poor's Ratings Services has assigned a counterparty credit rating of A- to Irish Life Assurance Plc (ILA). The ILA €200 million perpetual capital notes assumed on acquisition are rated BBB by Standard & Poor's Ratings Services and BBB+ by 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 during 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. At September 30, 2014, total financial collateral, including initial margin and overcollateralization, received on derivative assets was $52 million ($19 million at December 31, 2013) and pledged on derivative liabilities was $249 million ($222 million at December 31, 2013).

During the nine month period ended September 30, 2014, the outstanding notional amount of derivative contracts increased by $0.5 billion to $22.1 billion. The increase was a result of an increase of $6.8 billion in forward settling to-be-announced security transactions, the impact of currency movement and regular hedging activities, mostly offset by the expiration of equity put options with an initial notional amount of $6.8 billion.

The Company's exposure to derivative counterparty credit risk, which reflects the current fair value of those instruments in a gain position, increased to $621 million at September 30, 2014 from $593 million at December 31, 2013. Market values increased on interest rate swaps that receive fixed rates and pay floating rates due to declining interest rates.

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 future reporting 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 narrow scope amendments for IAS 32, *Financial Instruments: Presentation,* IAS 36, *Impairment of Assets*, and IAS 39, *Financial Instruments: Recognition and Measurement* as well as the guidance in IFRIC 21, *Levies* effective January 1, 2014. The adoption did not have a significant impact on the Company's financial statements.

IFRS that have changed or may change subsequent to 2014 and could impact the Company in future reporting periods, 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 Contracts* exposure draft proposing changes to the accounting standard for insurance contracts in June 2013. The IASB continues to deliberate the proposals in this exposure draft. 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. The Company is actively monitoring 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	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. The standard is effective January 1, 2018. The Company is evaluating the impact this standard will have on its financial statements.
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 IASB continues to deliberate the proposals in the exposure draft. The full impact of adoption of the proposed changes will be determined once the final standard is issued.
IFRS 15 – Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 - *Revenue from Contracts with Customers*, which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from insurance contracts, leases and financial instruments are not required to apply the revenue recognition requirements in IFRS 15. 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 standard is effective January 1, 2017. The Company is evaluating the impact of the adoption of this standard.

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			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 5,468**	$ 5,770	$ 5,078	**$ 18,266**	$ 15,933
Sales	**2,747**	2,904	2,389	**8,853**	7,948
Fee and other income[(1)]	**360**	356	321	**1,060**	946
Net earnings - common shareholders	**330**	304	332	**928**	878
Total assets[(2)]	**$ 139,609**	$ 138,167	$ 126,170		
Proprietary mutual funds and institutional net assets	**4,639**	4,587	3,875		
Total assets under management	**144,248**	142,754	130,045		
Other assets under administration	**14,336**	14,225	13,867		
Total assets under administration	**$ 158,584**	$ 156,979	$ 143,912		

(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 September 30, 2014 were $5,468 million, compared to $5,078 million for the same quarter last year. The increase in premiums and deposits reflects strong persistency and growth in large single Group premium sales and increased segregated and mutual fund deposits.
- Sales for the three months ended September 30, 2014 were $2,747 million, compared to $2,389 million in the third quarter of 2013. The increase reflects strong retail investment fund sales in Wealth Management combined with increased Insurance sales.
- For the three months ended September 30, 2014, fee and other income was $360 million, an increase of $39 million from the same quarter last year.
- Net earnings for the three months ended September 30, 2014 were $330 million, compared to $332 million for the same quarter last year.

- The Carbon Disclosure Project (CDP), which grades emissions data from large corporations, has awarded Great-West Lifeco's Canadian operating companies a 98B score for their 2014 submission, up from 67B for 2013.
- On September 3, 2014, Great-West Life acquired Plan Direct Insurance Services Inc., a service provider that markets and administers individual health insurance for Canadians.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 1,117**	$ 1,122	$ 1,035	**$ 3,316**	$ 3,065
Sales	**130**	125	120	**377**	335
Net earnings	**109**	97	102	**275**	229

Premiums and deposits
Individual Insurance premiums in the third quarter of 2014 increased by $82 million to $1,117 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $81 million to $1,036 million compared to the same quarter last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums for the quarter were comparable to the same quarter last year.

For the nine months ended September 30, 2014, Individual Insurance premiums increased by $251 million to $3,316 million compared to the same period last year. Individual Life premiums increased by $251 million to $3,071 million compared to the same period last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums for the nine months were comparable to the same period last year.

Individual Insurance premiums in the third quarter of 2014 were comparable to the previous quarter.

Sales
Individual Insurance sales in the third quarter of 2014 increased by $10 million to $130 million compared to the same quarter last year. Individual Life sales increased by $12 million to $122 million, driven by a 21% increase in participating life insurance sales. Living Benefits sales of $8 million were $2 million lower than the same quarter last year.

For the nine months ended September 30, 2014, Individual Insurance sales increased by $42 million to $377 million compared to the same period last year. Individual Life sales increased by $49 million to $352 million, primarily due to a 26% increase in participating life insurance sales. Living Benefits sales of $25 million were $7 million lower than the same period last year.

Individual Insurance sales in the third quarter of 2014 increased by $5 million compared to the previous quarter. Individual Life sales increased by $6 million, primarily due to an 11% increase in participating life insurance sales. Living Benefits sales were $1 million lower compared to the previous quarter.

Net earnings
Net earnings for the third quarter of 2014 increased by $7 million to $109 million compared to the same quarter last year. The increase was primarily due to favourable morbidity and policyholder behaviour experience, lower income taxes and higher contributions from insurance contract liability basis changes reflecting refinements to policyholder behaviour provisions. The increase was partially offset by lower contributions from investment experience and less favourable mortality experience.

For the nine months ended September 30, 2014, net earnings increased by $46 million to $275 million compared to the same period last year. The increase was primarily due to lower new business strain, favourable investment experience and higher contributions from insurance contract liability basis changes, partially offset by less favourable mortality experience.

Net earnings in the third quarter of 2014 increased by $12 million compared to the previous quarter. The increase was primarily due to higher contributions from insurance contract liability basis changes and lower income taxes, partially offset by lower contributions from investment experience and less favourable mortality experience.

In the third quarter of 2014, the net earnings attributable to the participating account of $18 million were comparable to the same quarter last year. For the nine months ended September 30, 2014, the net earnings attributable to the participating account were $64 million compared to net earnings of $53 million for the same period last year. The increase in year-to-date net earnings was primarily driven by lower new business strain, partially offset by higher income taxes.

The net earnings attributable to the participating account in the third quarter of 2014 decreased by $6 million from the previous quarter, primarily due to higher new business strain.

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 2,386**	$ 2,736	$ 2,191	**$ 9,173**	$ 7,251
Sales	**2,408**	2,673	2,133	**8,014**	7,073
Fee and other income[(1)]	**308**	301	271	**903**	794
Net earnings	**96**	113	114	**314**	294

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

Premiums and deposits

Wealth Management premiums and deposits in the third quarter of 2014 increased by $195 million to $2,386 million compared to the same quarter last year. The increase was primarily driven by higher premiums relating to retail investment funds.

For the nine months ended September 30, 2014, premiums and deposits increased by $1,922 million to $9,173 million compared to the same period last year. The increase was primarily driven by the conversion of certain pension plan assets into a segregated fund product in the first quarter of 2014. Premiums and deposits related to retail investment funds, group capital accumulation plan (GCAP) products and single premium group annuities (SPGAs) also contributed to the increase in the first nine months of 2014.

Wealth Management premiums and deposits in the third quarter of 2014 decreased by $350 million compared to the previous quarter, primarily due to lower premiums related to SPGAs and GCAP products.

Sales

Wealth Management sales in the third quarter of 2014 increased by $275 million to $2,408 million compared to the same quarter last year, primarily driven by higher sales of retail investment funds.

For the nine months ended September 30, 2014, sales increased by $941 million to $8,014 million compared to the same period last year, primarily driven by higher sales of retail investment funds and SPGAs.

Wealth Management sales in the third quarter of 2014 decreased by $265 million compared to the previous quarter, primarily driven by lower sales of retail investment funds and SPGAs.

Net deposits for the third quarter of 2014 were $286 million compared to $119 million in the same quarter last year and $290 million in the previous quarter. For the nine months ended September 30, 2014, net deposits were $1,888 million compared to $823 million in the same period last year. The growth in net deposits was due to the same drivers as the growth in premiums and deposits.

Fee and other income
Fee and other income for the third quarter of 2014 increased by $37 million to $308 million compared to the same quarter last year. The increase was due to growth in assets under management driven by market gains and positive net cash flows, partially offset by lower fee margins.

For the nine months ended September 30, 2014, fee and other income increased by $109 million to $903 million compared to the same period last year for the same reasons discussed for the in-quarter results.

Fee and other income in the third quarter of 2014 was $7 million higher compared to the previous quarter due to higher average assets under management.

Net earnings
Net earnings for the third quarter of 2014 decreased by $18 million to $96 million compared to the same quarter last year. The decrease was primarily a result of lower contributions from insurance contract basis changes reflecting strengthening of provisions for future longevity improvement and lower contributions from investment experience, partially offset by higher fee income and more favourable mortality experience.

For the nine months ended September 30, 2014, net earnings increased by $20 million to $314 million compared to the same period last year. The increase was primarily a result of higher fee income and more favourable mortality experience, partially offset by lower contributions from insurance contract basis changes and higher asset based expenses.

Net earnings in the third quarter of 2014 decreased by $17 million compared to the previous quarter. The decrease was primarily driven by lower contributions from insurance contract basis changes as well as lower contributions from investment experience and less favourable mortality experience, partially offset by higher fee income.

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			**For the nine months ended**	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 1,965**	$ 1,912	$ 1,852	**$ 5,777**	$ 5,617
Sales	**209**	106	136	**462**	540
Fee and other income	**37**	38	36	**113**	111
Net earnings	**125**	92	115	**326**	328

Premiums and deposits
Premiums and deposits for the third quarter of 2014 increased by $113 million to $1,965 million compared to the same quarter last year, primarily due to an increase in large case market premiums and deposits.

For the nine months ended September 30, 2014, premiums and deposits increased by $160 million to $5,777 million compared to the same period last year. The increase was due to an increase in mid-size and large case market premiums and deposits.

Premiums and deposits for the third quarter of 2014 increased by $53 million compared to the previous quarter, primarily due to the same reasons discussed for the in-quarter results.

Sales
Sales for the third quarter of 2014 increased by $73 million to $209 million compared to the same quarter last year, primarily due to higher single premium sales in the large case market. Sales in the large case market are variable quarter over quarter.

For the nine months ended September 30, 2014, sales decreased by $78 million to $462 million compared to the same period last year. The decrease was primarily due to lower creditor sales in the large case market. Sales of creditor/ direct marketing products can be highly variable from quarter to quarter.

Sales for the third quarter of 2014 increased by $103 million compared to the previous quarter, primarily due to higher sales in the mid-size and large case markets.

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 $37 million for the three month period ended September 30, 2014 was both comparable to the same quarter last year and the previous quarter.

Fee and other income of $113 million for the nine month period ended September 30, 2014 was comparable to the same period last year.

Net earnings
Net earnings for the third quarter of 2014 increased by $10 million to $125 million compared to the same quarter last year. The increase was primarily due to favourable morbidity experience, partially offset by lower contributions from investment experience and less favourable mortality experience.

For the nine months ended September 30, 2014, net earnings were comparable to the same period last year. Higher contributions from insurance contract liability basis changes were offset by less favourable morbidity experience.

Net earnings for the third quarter of 2014 increased by $33 million compared to the previous quarter, primarily due to favourable morbidity experience and lower income taxes.

CANADA CORPORATE

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

Canada Corporate net earnings for the third quarter of 2014 were nil compared to $1 million in the third quarter of 2013. The decrease in net earnings was primarily due to lower tax benefits in 2014, mostly offset by lower preferred share dividends due to the redemption of preferred shares in the fourth quarter of 2013 and lower net expenses.

For the nine months ended September 30, 2014, Canada Corporate had net earnings of $13 million compared to $27 million for the same period in 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 2013.

Excluding the impact of this recovery in 2013, net earnings were $9 million higher in 2014, primarily due to lower preferred share dividends due to the redemption of preferred shares in the fourth quarter of 2013 and lower net expenses.

Net earnings for the three months ended September 30, 2014 were nil compared to net earnings of $2 million in the previous quarter. The decrease in net earnings was primarily due to lower tax benefits, partially offset by higher investment income.

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 recordkeeping services, fund management and investment and advisory services. It also provides individual retirement accounts, life insurance and annuity products and executive benefits products. Through its Asset Management business unit, the Company provides investment management, certain administrative functions, distributions and related services through a broad range of investment products.

Organizational Developments

During the third quarter of 2014, the Company took significant steps related to the development of the retirement services business in the U.S. including continued progression on the combination of the retirement services businesses of Great-West Financial and Putnam as well as the completion of the acquisition of the J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business. Great-West Financial completed its acquisition of RPS on August 29, 2014 and is now the second-largest retirement plan recordkeeper by total participants in the United States.

As at September 30, 2014, the RPS business comprises approximately 200 clients with 2.1 million participants and $197 billion in assets under administration. It also includes the more than 1,000 personnel affiliated with RPS, including sales staff, consultant relations, relationship managers and client services specialists. This acquisition increases the Company’s operations in the United States defined contribution market to over 7 million participants and $456 billion in retirement plan assets.

Selected consolidated financial information - United States

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 10,781**	$ 9,638	$ 10,389	**$ 32,199**	$ 27,167
Sales	**15,686**	10,480	10,973	**39,325**	29,949
Fee and other income[1]	**443**	436	365	**1,298**	1,051
Net earnings - common shareholders	**107**	69	76	**217**	220
Net earnings - common shareholders (US$)	**97**	63	74	**197**	215
Total assets	**$ 69,942**	$ 66,743	$ 63,857		
Proprietary mutual funds and institutional net assets[1]	**183,166**	176,577	150,342		
Total assets under management	**253,108**	243,320	214,199		
Other assets under administration	**410,420**	203,517	175,120		
Total assets under administration	**$ 663,528**	$ 446,837	$ 389,319		

(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 that highlights 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

- Sales for the three months ended September 30, 2014 were US$6.2 billion, up 180% over the same period last year, primarily due to one large 401(k) plan sale and significant increases in Individual Markets' sales in the executive benefits, retail bank insurance, Individual Retirement Account (IRA) and individual annuity markets.
- The executive benefits market's community bank-owned life insurance sales through the first three quarters of 2014 were US$333 million, up from its best full year sales of US$255 million experienced in 2013.
- The retail bank insurance market achieved a 76% increase in sales over last year driven by bank sold single premium universal life insurance. This resulted in Great-West Financial achieving the top position in bank life sales in the U.S. and a 37% market share (as at June 30, 2014), increasing from a 24% market share in the previous year (as at June 30, 2013).
- Fee and other income for the three months ended September 30, 2014 was US$170 million, an increase of US$16 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 three months ended September 30, 2014 were US$105 million, up US$22 million over the same period last year.
- A current institutional client assigned its retirement plan business to Great-West Financial on October 1, 2014. This retirement plan business comprised US$3.5 billion in assets from 416 plans and 68,927 participants. It is distributed through more than 50 banks, opening potential new distribution opportunities.
- Great-West Financial ranked No. 1 in recordkeeping assets for government 457 plans in a 2014 survey published in PLANADVISER magazine.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 1,823**	$ 1,597	$ 1,710	**$ 5,228**	$ 4,556
Sales	**6,728**	2,439	2,294	**12,354**	7,338
Fee and other income[(1)]	**186**	189	163	**560**	465
Net earnings	**115**	78	86	**287**	258
Premiums and deposits (US$)	**$ 1,673**	$ 1,465	$ 1,643	**$ 4,782**	$ 4,448
Sales (US$)	**6,172**	2,238	2,206	**11,307**	7,176
Fee and other income (US$)[(1)]	**170**	173	154	**512**	453
Net earnings (US$)	**105**	71	83	**261**	252

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

Premiums and deposits
Premiums and deposits for the third quarter of 2014 increased by US$30 million to US$1,673 million compared to the third quarter of 2013, due to an increase of US$253 million in Individual Markets, partly offset by a decrease of US$223 million in Retirement Services. The increase in Individual Markets was primarily due to higher sales in the executive benefits market of US$140 million and higher sales in the retail bank life insurance market of US$80 million. The decrease in Retirement Services was primarily due to a decrease of US$158 million in 401(k), as a result of lower transfers from retail investment options and lower sales. Retirement Services also experienced a decrease of US$128 million related to the public/non-profit market primarily due to lower transfers from retail investment options. These decreases were partly offset by an increase of US$63 million in institutional market premiums and deposits, due to higher group annuity product sales.

For the nine months ended September 30, 2014, premiums and deposits increased by US$334 million to US$4,782 million compared to the same period last year, due to an increase of US$558 million in Individual Markets, partly offset by a decrease of US$224 million in Retirement Services. The increase in Individual Markets premiums was primarily related to higher sales in the executive benefits market of US$328 million and higher sales in the retail bank life insurance market of US$166 million. The decrease in Retirement Services premiums was primarily due to lower transfers from retail investment options of US$194 million.

Compared to the previous quarter, premiums and deposits increased by US$208 million. Individual Markets premiums increased US$107 million primarily due to higher sales in the executive benefits, IRA and individual annuity markets. Retirement Services premiums increased by US$101 million primarily due to 401(k) as a result of higher transfers from retail investment options and higher sales.

Sales
In the third quarter of 2014, sales increased by US$3,966 million to US$6,172 million compared to the same period in 2013 due to an increase of US$3,585 million in Retirement Services and an increase of US$381 million in Individual Markets. The increase in Retirement Services sales was primarily due to one large 401(k) plan sale for US$3,168 million. The increase in Individual Markets sales was primarily due to higher sales in the IRA and individual annuity markets of US$176 million, higher sales in the executive benefits market of US$127 million driven by the continued success of the community bank market and higher retail bank life insurance market sales of US$78 million.

For the nine months ended September 30, 2014, sales increased by US$4,131 million to US$11,307 million compared to the same period last year, driven by an increase of US$3,417 million in Retirement Services and an increase in Individual Markets of US$714 million. The increase in Retirement Services was primarily due to one large 401(k) plan sale for US$3,168 million and higher institutional market sales of US$296 million as a result of a higher number of plan sales. The increase in Individual Markets was primarily due to higher sales in the executive benefits market of US$286 million driven by the continued success of the community bank market, higher sales in the IRA and individual annuity markets of US$264 million, and higher retail bank life insurance market sales of US$164 million.

Sales in the third quarter of 2014 increased by US$3,934 million compared to the previous quarter due to an increase of US$3,752 million in Retirement Services and an increase of US$182 million in Individual Markets. The increase in Retirement Services was primarily due to one large 401(k) plan sale for US$3,168 million, a higher number of small 401(k) plan sales, and higher public/non-profit market sales of US$337 million. The increase in Individual Markets was primarily due to higher sales in the IRA and individual annuity markets of US$138 million, and higher sales in the executive benefits market of US$43 million.

Fee and other income
Fee and other income for the third quarter of 2014 increased by US$16 million to US$170 million compared to the third quarter of 2013, primarily due to increased average asset levels driven by higher average equity market levels and positive cash flows.

For the nine months ended September 30, 2014, fee and other income increased by US$59 million to US$512 million compared to the same period last year due to the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2014 was comparable to the previous quarter.

Net earnings
For the three months ended September 30, 2014, net earnings increased by US$22 million to US$105 million compared to the same period in 2013, primarily due to higher contributions from basis changes of US$32 million and higher mortality gains of US$6 million, partly offset by lower contributions from investment experience of US$12 million.

For the nine months ended September 30, 2014, net earnings increased by US$9 million to US$261 million compared to the same period in 2013, primarily due to higher contributions from basis changes of US$26 million, higher mortality gains of US$13 million and higher fee income. The increases were mostly offset by lower contributions from investment experience of US$20 million and higher expenses, which include RPS related acquisition costs of US$2 million and integration costs of US$3 million.

Net earnings for the third quarter of 2014 increased by US$34 million compared to the second quarter of 2014, primarily due to higher contributions from basis changes of US$39 million.

ASSET MANAGEMENT

2014 DEVELOPMENTS
- Putnam's ending assets under management (AUM) at September 30, 2014 of US$157 billion increased by US$16 billion compared to the same period last year.
- For the three months ended September 30, 2014, fee and other income was US$236 million, an increase of US$41 million compared to the same period last year and US$9 million to the previous quarter.
- Putnam has been ranked the number one social media leader in the asset management industry 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 nine months ended September 30, 2014, approximately 72% of Putnam's fund assets performed at levels above the Lipper median, while 84%, 89%, and 86% of fund assets on a one-year, three-year and five-year basis, respectively, performed above the Lipper median. Additionally, approximately 56% and 78% of Putnam's fund assets performed at levels in the Lipper Top Quartile on a one-year and three-year basis, respectively.

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 8,958**	$ 8,041	$ 8,679	**$ 26,971**	$ 22,611
Fee and other income					
Investment management fees	**189**	182	153	**546**	437
Performance fees	**7**	7	1	**17**	3
Service fees	**44**	44	38	**131**	111
Underwriting & distribution fees	**17**	14	10	**44**	35
Fee and other income	**257**	247	202	**738**	586
Net loss	**(8)**	(9)	(10)	**(70)**	(38)
Premiums and deposits (US$)	**$ 8,218**	$ 7,377	$ 8,345	**$ 24,660**	$ 22,076
Fee and other income (US$)					
Investment management fees (US$)	**173**	168	147	**499**	427
Performance fees (US$)	**6**	6	1	**15**	3
Service fees (US$)	**41**	40	37	**120**	109
Underwriting & distribution fees (US$)	**16**	13	10	**41**	34
Fee and other income (US$)	**236**	227	195	**675**	573
Net loss (US$)	**(8)**	(8)	(9)	**(64)**	(37)

Premiums and deposits
For the three months ended September 30, 2014, premiums and deposits decreased by US$0.1 billion to US$8.2 billion compared to the same period in 2013.

For the nine months ended September 30, 2014, premiums and deposits increased by US$2.6 billion to US$24.7 billion compared to the same period last year, due to an increase in mutual fund sales of US$4.1 billion, partially offset by lower institutional sales of US$1.5 billion.

Premiums and deposits for the third quarter of 2014 increased by US$0.8 billion compared to the previous quarter due to an increase in institutional sales of US$1.1 billion, partially offset by a decrease in mutual fund sales of US$281 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 third quarter of 2014 increased by US$41 million to US$236 million compared to the same period in 2013, primarily due to an increase in investment management fees and other asset and sales-based fees due to higher average AUM. The increase was also due to a higher number of accounts and an increase in performance fees.

For the nine months ended September 30, 2014, fee and other income increased by US$102 million to US$675 million compared to the same period last year for the same reasons discussed for the in-quarter results.

Fee and other income for the third quarter of 2014 increased by US$9 million to US$236 million compared to the previous quarter, primarily due to an increase in investment management fees and other asset and sales-based fees due to higher average AUM.

Net earnings

For the three months ended September 30, 2014, the net loss was US$8 million compared to a net loss of US$9 million in the same period in 2013. The current quarter includes a tax true-up from prior years related to foreign seed capital investments, which negatively impacted net earnings by US$13 million. Excluding the impact of the tax true-up, third quarter 2014 net earnings were US$5 million, an increase of US$14 million compared to the same period in 2013. Higher fee revenue for the quarter was partially offset by lower net investment income, higher compensation costs related to strong investment performance and higher asset and sales-based expenses. In addition, the modification of certain Putnam share-based compensation plans to equity-settled lowered compensation expense by US$6 million in the third quarter of 2014 as compared to the same period a year ago.

For the nine months ended September 30, 2014, the net loss was US$64 million compared to a net loss of US$37 million in the same period last year. The current year includes the impact of the share-based compensation expense of US$22 million (US$9 million in the same period of 2013) incurred prior to the plan modification date in March 2014. The 2014 year-to-date net loss also includes higher expenses as a result of the one-time tax true-up of US$13 million as described for the in-quarter results, the impact of a change in U.S. state tax rates of US$5 million, and proxy expenses for the Putnam Funds of US$4 million. Higher fee revenue and net investment income for the first nine months of 2014 were partially offset by increased compensation costs related to strong investment performance and higher asset and sales-based expenses.

The net loss for the third quarter of 2014 of US$8 million was comparable to the previous quarter. Excluding the tax true-up discussed for the in-quarter results, third quarter 2014 net earnings were US$5 million, an increase of US$13 million compared to the previous quarter. The increase was primarily a result of the third quarter release of certain income tax reserves of US$8 million related to the completion of prior year tax audits, higher fee revenue and lower compensation costs, partially offset by a decrease in net investment income.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Beginning assets	**$ 158,571**	$ 153,432	$ 133,685	**$ 149,556**	$ 128,329
Sales - Mutual funds	**5,396**	5,677	5,666	**17,449**	13,345
Redemptions - Mutual funds	**(4,315)**	(3,986)	(4,159)	**(12,230)**	(11,413)
Net asset flows - Mutual funds	**1,081**	1,691	1,507	**5,219**	1,932
Sales - Putnam Institutional	**2,822**	1,700	2,679	**7,211**	8,731
Redemptions - Putnam Institutional	**(2,622)**	(3,222)	(3,121)	**(9,890)**	(10,319)
Net asset flows - Putnam Institutional	**200**	(1,522)	(442)	**(2,679)**	(1,588)
Net asset flows - Total	**1,281**	169	1,065	**2,540**	344
Impact of market/performance	**(2,805)**	4,970	6,023	**4,951**	12,100
Ending assets	**$ 157,047**	$ 158,571	$ 140,773	**$ 157,047**	$ 140,773
Average assets under management					
Mutual funds	**84,842**	82,016	69,257	**81,806**	67,120
Institutional assets	**73,244**	72,516	69,574	**72,608**	68,861
Total average assets under management	**$ 158,086**	$ 154,532	$ 138,831	**$ 154,414**	$ 135,981

Average AUM for the three months ended September 30, 2014 was US$158.1 billion. Average AUM increased by US$19.3 billion compared to the same period last year, primarily due to the cumulative impact of positive market and investment performance on AUM and net asset inflows. Net asset inflows for the third quarter of 2014 were US$1.3 billion compared to net inflows of US$1.1 billion in the same quarter last year. Net inflows were the result of in-quarter mutual fund net asset inflows of US$1.1 billion and institutional net asset inflows of US$0.2 billion.

Average AUM for the nine months ended September 30, 2014 increased by US$18.4 billion to US$154.4 billion compared to the same period last year due to the same reasons discussed for the three month period. Net asset inflows for the nine months ended September 30, 2014 were US$2.5 billion compared to net inflows of US$0.3 billion in the prior year, driven by mutual fund net asset inflows of US$5.2 billion.

Average AUM increased by US$3.6 billion compared to the previous quarter primarily due to the impact of positive 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., the 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 that highlights the impact of changes in currency translation rates on IFRS results. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

Selected consolidated financial information - Europe

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits[1]	**$ 3,986**	$ 4,944	$ 4,511	**$ 14,019**	$ 9,127
Fee and other income[1]	**289**	318	269	**903**	587
Net earnings - common shareholders	**259**	246	129	**764**	499
Total assets[1][2]	**$ 139,521**	$ 139,470	$ 122,446		
Proprietary mutual funds and institutional net assets	**19,646**	18,949	13,402		
Total assets under management	**159,167**	158,419	135,848		
Other assets under administration[2]	**40,508**	42,337	36,200		
Total assets under administration	**$ 199,675**	$ 200,756	$ 172,048		

(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 results include Irish Life results for all periods in 2014, while 2013 comparatives include Irish Life results from the date of acquisition, July 18, 2013.

Irish Life, which was acquired in the third quarter of 2013, resulted in significant growth in the Europe segment. The contribution to the Europe segment from Irish Life for the three and nine months ended September 30, 2014 is as follows:

Selected consolidated financial information - Europe

	For the three months ended September 30, 2014			For the nine months ended September 30, 2014		
	Irish Life[(1)]	Non-Irish Life	Total	Irish Life[(1)]	Non-Irish Life	Total
Premiums and deposits	$ 2,457	$ 1,529	$ 3,986	$ 7,671	$ 6,348	$ 14,019
Fee and other income	144	145	289	417	486	903
Net earnings - common shareholders	76	183	259	172	592	764
Net earnings - common shareholders excluding restructuring costs	82	183	265	191	592	783
Total assets	$ 55,835	$ 83,686	$ 139,521			
Proprietary mutual funds and institutional net assets	19,365	281	19,646			
Total assets under management	75,200	83,967	159,167			
Other assets under administration	40,508	—	40,508			
Total assets under administration	$ 115,708	$ 83,967	$ 199,675			

(1) Beginning in the second quarter of 2014, the financial information above includes both Irish Life and Canada Life (Ireland) reflecting the integration of the businesses.

2014 DEVELOPMENTS

- Net earnings for the three months ended September 30, 2014 were $259 million, up $130 million from the same period last year, due to increased earnings in Insurance & Annuities, reduced Irish Life related restructuring and acquisition costs as well as currency movement.
- In the third quarter of 2014, the Company achieved €7.0 million (€20.5 million year-to-date) of annualized synergies. The 2014 synergies of €20.5 million have resulted in a €3.5 million reduction in expenses in-quarter (€7.2 million year-to-date). Since the acquisition of Irish Life, €35.1 million in annualized synergies have been achieved resulting in an €18.2 million reduction of expenses for the first nine months of 2014.
- The 2014 U.K. Budget introduced greater flexibility for those individuals with defined contribution pensions 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.

  Moody's Investors Service expected that the volume of annuities sold in the U.K. could decline by between 50% to 75%, while the changes would bring opportunities for insurers to develop a wider range of alternative products. Following the announced changes, U.K. retail payout annuity new business volumes have dropped significantly. During the third quarter of 2014, the Company issued £98 million of new U.K. retail payout annuities, down 35% from the second quarter of 2014, and down 56% from the third quarter of 2013.

  The Company's earnings contribution from the U.K. annuity market comes from new sales, existing in-force business and include yield enhancement on the in-force business. The earnings contribution from the in-force business is more significant than the earnings contribution from new sales. The in-force U.K. annuity business is unaffected by the U.K. Budget changes.
- In Europe, the Company has a number of Solvency II related initiatives underway including establishing an intermediate European holding company. The Company's regulated European insurance companies, and the intermediate European holding company, will be subject to Solvency II regulation. The Company is subject to increased regulatory uncertainty over the near term as the Company moves toward implementing Solvency II.
- At the International Adviser International Life Awards 2014, Canada Life received the "Readers Choice Award" for the U.K. and was awarded "Best overall product range" for the U.K. Offshore category.

- The Investments Life and Pensions Moneyfacts 2014 awards in the U.K. named Canada Life "Best Tax and Estate Planning Solutions Provider" for the fourth year in a row and "Most Competitive Annuity Provider" for the fifth consecutive year. In addition, Canada Life won the "Best Group Protection Provider" category.
- Irish Life launched a significant brand repositioning campaign in October 2014, marking Irish Life's 75 years of experience with the slogan: "We know Irish life. We are Irish Life."

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits	**$ 3,446**	$ 3,498	$ 3,775	**$ 11,056**	$ 6,292
Sales	**2,913**	2,814	3,299	**9,233**	5,149
Fee and other income	**278**	307	257	**871**	554
Net earnings	**208**	184	134	**592**	382

Premiums and deposits
Premiums and deposits for the third quarter of 2014 decreased by $0.3 billion to $3.4 billion compared to the same period in 2013. The decrease was due to a reduction in U.K. payout annuity sales primarily driven by changes announced in the 2014 U.K. Budget and lower Ireland fund management sales. The decrease was partly offset by currency movement, higher sales of single premium savings products in the U.K. and higher pension sales in Ireland.

For the nine months ended September 30, 2014, premiums and deposits increased by $4.8 billion to $11.1 billion compared to the same period last year. The increase was primarily due to the inclusion of Irish Life for an additional two quarters in 2014, increased U.K. group insurance premiums and currency movement. These increases were partly offset by lower U.K. payout annuity and single premium savings product sales.

Premiums and deposits for the third quarter of 2014 decreased by $52 million compared to the previous quarter, due to the normal seasonal decrease in U.K. group premiums and lower sales of U.K. payout annuities partly offset by higher sales of single premium savings product in the U.K.

Sales
Sales for the third quarter of 2014 decreased by $0.4 billion to $2.9 billion compared to the same period in 2013, primarily driven by reduction in U.K. payout annuity sales from changes announced in the 2014 U.K. Budget and a reduction in Ireland fund management sales reflecting normal fluctuations. The decrease was partly offset by currency movement and higher sales of single premium savings products in the U.K.

For the nine months ended September 30, 2014, sales increased by $4.1 billion to $9.2 billion compared to the same period last year. The increase was primarily due to the inclusion of Irish Life for an additional two quarters in 2014 and currency movement, partially offset by lower sales in U.K. payout annuity and single premium savings products.

Sales for the third quarter of 2014 increased by $0.1 billion from the previous quarter, mainly due to an increase in single premium savings product sales in the U.K., partly offset by lower U.K. payout annuity sales reflecting the impact of the 2014 U.K. Budget changes and currency movement.

Fee and other income
Fee and other income for the third quarter of 2014 increased by $21 million to $278 million compared to the same period in 2013, primarily due to higher fees in Ireland and currency movement.

For the nine months ended September 30, 2014, fee and other income increased by $317 million to $871 million compared to the same period last year, mainly due to the inclusion of Irish Life for an additional two quarters in 2014 and currency movement.

Fee and other income in the third quarter of 2014 decreased by $29 million compared to the previous quarter, mainly due to lower surrender fees in the U.K. and currency movement. The pattern of sales and surrenders on certain shorter term single premium investment products can cause surrender fees to fluctuate from quarter to quarter.

Net earnings
Net earnings for the third quarter of 2014 increased by $74 million to $208 million compared to the same quarter in 2013 due to favourable investment and mortality experience, the positive impact of basis changes and currency movement. This was partially offset by the impact of lower U.K. payout annuity new business volumes.

Net earnings for the nine months ended September 30, 2014 increased by $210 million to $592 million compared to the same period last year. The increase was primarily due to the inclusion of Irish Life for an additional two quarters in 2014, more favourable mortality and morbidity experience and the impact of currency movement. These increases were partly offset by lower U.K. payout annuity new business volumes and margins.

Net earnings for the third quarter of 2014 increased by $24 million compared to the second quarter of 2014. The increase was primarily due to favourable investment experience and the impact of basis changes, partly offset by lower payout annuity new business volumes and less favourable mortality experience in the U.K.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the nine months ended	
	Sept. 30 2014	June 30 2014	Sept. 30 2013	**Sept. 30 2014**	Sept. 30 2013
Premiums and deposits[(1)]	**$ 540**	$ 1,446	$ 736	**$ 2,963**	$ 2,835
Fee and other income[(1)]	**11**	11	12	**32**	33
Net earnings	**59**	72	57	**194**	182

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

Premiums and deposits
Premiums and deposits for the third quarter of 2014 decreased by $196 million to $540 million compared to the same quarter last year, primarily due to the commutation of a health reinsurance treaty.

For the nine months ended September 30, 2014, premiums and deposits increased by $128 million to $3.0 billion compared to the same period last year. The increase was primarily due to a Dutch-based annuity reinsurance agreement entered into during the second quarter of 2014, partly offset by the commutation of a health reinsurance treaty.

Premiums and deposits for the third quarter of 2014 decreased by $906 million compared to the previous quarter, primarily due to a Dutch-based annuity reinsurance agreement entered into during the previous quarter.

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 $11 million for the third quarter of 2014 was comparable to the same quarter in 2013 and to the previous quarter.

For the nine months ended September 30, 2014, fee and other income of $32 million was comparable to the same period last year.

Net earnings
Net earnings for the third quarter of 2014 increased by $2 million to $59 million compared to the same quarter in 2013. The increase was primarily due to currency movement and experience gains, mostly offset by the impact of basis changes.

For the nine months ended September 30, 2014, net earnings increased by $12 million to $194 million compared to the same period last year. The increase is primarily a result of a change in mix and higher underlying margins in the life business and currency movement, partially offset by the impact of basis changes and less favourable mortality and claims experience.

Net earnings for the third quarter of 2014 decreased by $13 million compared to the previous quarter. The decrease was primarily due to the impact of basis changes, lower new business gains and less favourable claims experience, partially offset by favourable mortality experience.

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 third quarter of 2014, Europe Corporate had a net loss of $8 million compared to a net loss of $62 million for the same period in 2013. Third quarter 2014 results include restructuring charges of $6 million related to the acquisition of Irish Life, compared to Irish Life acquisition and restructuring related costs of $60 million in the third quarter of 2013.

For the nine months ended September 30, 2014, Europe Corporate had a net loss of $22 million compared to a net loss of $65 million for the same period last year. Included in the year-to-date net loss was $19 million of Irish Life related restructuring costs in 2014, compared to $74 million of acquisition and restructuring costs related to Irish Life for the same period in 2013. Excluding these charges, the net loss for the nine months ended September 30, 2014 was $3 million compared to net earnings of $9 million for the same period last year. During the first half 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.

The net loss for the three months ended September 30, 2014 decreased from $10 million in the previous quarter to $8 million in the current quarter, primarily due to lower restructuring charges related to Irish Life.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended September 30, 2014, Lifeco Corporate had a net loss of $9 million compared to a net loss of $14 million in the third quarter of 2013. The third quarter of 2013 included a $5 million charge as a result of prior year capital tax audit reassessment, which did not recur in 2014. Excluding the impact of the capital tax charge in 2013, Lifeco Corporate third quarter net earnings in 2014 were comparable to same period in 2013 as lower unallocated financing charges were offset by an increase in preferred share dividends related to preferred shares issued in the second quarter of 2014. In 2014, financing charges related to the euro-denominated debt issued as part of the Irish Life acquisition were allocated to the Europe results.

For the nine months ended September 30, 2014, Lifeco Corporate had a net loss of $20 million compared to a net loss of $36 million in the same period last year. The net loss decreased by $16 million, primarily due to the non-recurring capital tax charge incurred in 2013 and lower unallocated financing charges, which were partially offset by an increase in preferred share dividends.

The net loss for the three months ended September 30, 2014 in Lifeco Corporate increased by $5 million to $9 million compared to the previous quarter, primarily due to preferred share dividends paid during the quarter.

OTHER INFORMATION

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	**2014**			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Total revenue[(1)]	**$ 8,451**	$10,070	$ 9,937	$ 8,056	$ 7,206	$ 3,628	$ 7,556	$ 7,305
Common Shareholders Net earnings								
Total	**687**	615	587	717	523	521	517	351
Basic - per share	**0.687**	0.616	0.587	0.717	0.527	0.548	0.544	0.370
Diluted - per share	**0.686**	0.615	0.587	0.716	0.522	0.547	0.544	0.369
Operating earnings[(2)]								
Total	**687**	615	587	491	523	521	517	491
Basic - per share	**0.687**	0.616	0.587	0.491	0.527	0.548	0.544	0.517
Diluted - per share	**0.686**	0.615	0.587	0.490	0.522	0.547	0.544	0.514

(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 $687 million for the third quarter of 2014 compared to $523 million reported a year ago. On a per share basis, this represents $0.687 per common share ($0.686 diluted) for the third quarter of 2014 compared to $0.527 per common share ($0.522 diluted) a year ago.

Total revenue for the third quarter of 2014 was $8,451 million and comprises premium income of $4,690 million, regular net investment income of $1,479 million, a positive change in fair value through profit or loss on investment assets of $1,190 million and fee and other income of $1,092 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 nine month period ended September 30, 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 AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Effective September 30, 2014, the Company's management no longer limits 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.

TRANSLATION OF FOREIGN CURRENCY

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

Translation of foreign currency **Period ended**	**Sept. 30 2014**	June 30 2014	Mar. 31 2014	Dec. 31 2013	Sept. 30 2013	June 30 2013	Mar. 31 2013
United States dollar							
Balance sheet	**$ 1.12**	$ 1.07	$ 1.11	$ 1.06	$ 1.03	$ 1.05	$ 1.02
Income and expenses	**$ 1.09**	$ 1.09	$ 1.10	$ 1.05	$ 1.04	$ 1.02	$ 1.01
British pound							
Balance sheet	**$ 1.82**	$ 1.83	$ 1.84	$ 1.76	$ 1.66	$ 1.60	$ 1.54
Income and expenses	**$ 1.82**	$ 1.84	$ 1.83	$ 1.70	$ 1.61	$ 1.57	$ 1.56
Euro							
Balance sheet	**$ 1.42**	$ 1.46	$ 1.52	$ 1.47	$ 1.39	$ 1.37	$ 1.30
Income and expenses	**$ 1.44**	$ 1.50	$ 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.

CONSOLIDATED STATEMENTS OF EARNINGS *(unaudited)*

(in Canadian $ millions except per share amounts)

	For the three months ended			For the nine months ended	
	September 30 2014	June 30 2014	September 30 2013 (note 2)	**September 30 2014**	September 30 2013 (note 2)
Income					
Premium income					
Gross premiums written	**$ 5,527**	$ 6,646	$ 5,655	**$ 18,284**	$ 16,702
Ceded premiums	**(837)**	(882)	(796)	**(2,563)**	(2,316)
Total net premiums	**4,690**	5,764	4,859	**15,721**	14,386
Net investment income (note 4)					
Regular net investment income	**1,479**	1,526	1,411	**4,494**	4,174
Changes in fair value through profit or loss	**1,190**	1,670	(19)	**4,982**	(2,754)
Total net investment income	**2,669**	3,196	1,392	**9,476**	1,420
Fee and other income	**1,092**	1,110	955	**3,261**	2,584
	8,451	10,070	7,206	**28,458**	18,390
Benefits and expenses					
Policyholder benefits					
Insurance and investment contracts					
Gross	**4,635**	4,592	4,387	**14,028**	13,629
Ceded	**(464)**	(476)	(411)	**(1,415)**	(1,147)
Total net policyholder benefits	**4,171**	4,116	3,976	**12,613**	12,482
Policyholder dividends and experience refunds	**381**	358	318	**1,127**	1,059
Changes in insurance and investment contract liabilities	**1,414**	3,106	731	**7,295**	(1,377)
Total paid or credited to policyholders	**5,966**	7,580	5,025	**21,035**	12,164
Commissions	**519**	546	463	**1,570**	1,338
Operating and administrative expenses	**888**	915	814	**2,736**	2,230
Premium taxes	**85**	83	84	**253**	230
Financing charges (note 9)	**75**	76	75	**227**	216
Amortization of finite life intangible assets	**33**	32	28	**98**	84
Restructuring and acquisition expenses (note 10)	**10**	10	63	**25**	77
Earnings before income taxes	**875**	828	654	**2,514**	2,051
Income taxes (note 16)	**135**	156	79	**464**	335
Net earnings before non-controlling interests	**740**	672	575	**2,050**	1,716
Attributable to non-controlling interests	**20**	28	20	**70**	58
Net earnings	**720**	644	555	**1,980**	1,658
Preferred share dividends	**33**	29	32	**91**	97
Net earnings - common shareholders	**$ 687**	$ 615	$ 523	**$ 1,889**	$ 1,561
Earnings per common share (note 15)					
Basic	**$ 0.687**	$ 0.616	$ 0.527	**$ 1.891**	$ 1.618
Diluted	**$ 0.686**	$ 0.615	$ 0.522	**$ 1.889**	$ 1.580

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(unaudited)*

(in Canadian $ millions)

	For the three months ended			For the nine months ended	
	September 30 2014	June 30 2014	September 30 2013	**September 30 2014**	September 30 2013
Net earnings	**$ 720**	$ 644	$ 555	**$ 1,980**	$ 1,658
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	**188**	(341)	69	**375**	368
Unrealized foreign exchange gain (loss) on euro debt designated as hedge of the net assets of foreign operations	**20**	30	(12)	**25**	(12)
Unrealized gains (losses) on available-for-sale assets	**39**	57	(9)	**191**	(128)
Income tax (expense) benefit	**(5)**	(13)	1	**(39)**	30
Realized gains on available-for-sale assets	**(12)**	(11)	(5)	**(34)**	(58)
Income tax expense (benefit)	**1**	4	1	**8**	12
Unrealized gains (losses) on cash flow hedges	**(63)**	66	30	**(56)**	(52)
Income tax (expense) benefit	**25**	(25)	(13)	**22**	19
Realized losses on cash flow hedges	**—**	1	—	**1**	1
Non-controlling interests	**—**	(18)	4	**(46)**	59
Income tax (expense) benefit	**—**	5	(1)	**12**	(16)
Total items that may be reclassified	**193**	(245)	65	**459**	223
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)	**(128)**	(119)	116	**(367)**	390
Income tax (expense) benefit	**30**	28	(31)	**87**	(110)
Non-controlling interests	**10**	8	(17)	**27**	(40)
Income tax (expense) benefit	**(3)**	(2)	4	**(7)**	9
Total items that will not be reclassified	**(91)**	(85)	72	**(260)**	249
Total other comprehensive income (loss)	**102**	(330)	137	**199**	472
Comprehensive income	**$ 822**	$ 314	$ 692	**$ 2,179**	$ 2,130

GREAT-WEST LIFECO INC.

CONSOLIDATED BALANCE SHEETS *(unaudited)*

(in Canadian $ millions)

	September 30 2014	December 31 2013
Assets		
Cash and cash equivalents	$ 3,426	$ 2,791
Bonds (note 4)	99,218	89,914
Mortgage loans (note 4)	20,322	19,063
Stocks (note 4)	7,630	8,554
Investment properties (note 4)	4,560	4,288
Loans to policyholders	7,589	7,332
	142,745	131,942
Funds held by ceding insurers	11,768	10,832
Goodwill	5,875	5,812
Intangible assets	3,529	3,456
Derivative financial instruments	621	593
Owner occupied properties	613	590
Fixed assets	207	211
Reinsurance assets (note 8)	5,093	5,070
Premiums in course of collection, accounts and interest receivable	3,580	3,068
Other assets	2,218	2,220
Current income taxes	200	165
Deferred tax assets	1,189	1,167
Investments on account of segregated fund policyholders (note 7)	171,434	160,779
Total assets	$ 349,072	$ 325,905
Liabilities		
Insurance contract liabilities (note 8)	$ 141,358	$ 131,174
Investment contract liabilities (note 8)	844	889
Debentures and other debt instruments	5,541	5,740
Funds held under reinsurance contracts	305	270
Derivative financial instruments	957	744
Accounts payable	1,915	1,583
Other liabilities	3,242	2,807
Current income taxes	848	981
Deferred tax liabilities	839	776
Capital trust debentures	162	163
Investment and insurance contracts on account of segregated fund policyholders (note 7)	171,434	160,779
Total liabilities	327,445	305,906
Equity		
Non-controlling interests		
Participating account surplus in subsidiaries	2,440	2,354
Non-controlling interests in subsidiaries	159	8
Shareholders' equity		
Share capital (note 11)		
Preferred shares	2,514	2,314
Common shares	7,113	7,112
Accumulated surplus	9,000	8,067
Accumulated other comprehensive income	286	87
Contributed surplus	115	57
Total equity	21,627	19,999
Total liabilities and equity	$ 349,072	$ 325,905

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(unaudited)*

(in Canadian $ millions)

	September 30, 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	—	—	1,980	—	70	2,050
Other comprehensive income	—	—	—	199	14	213
	9,426	57	10,047	286	2,446	22,262
Dividends to shareholders						
Preferred shareholders	—	—	(91)	—	—	(91)
Common shareholders (note 15)	—	—	(921)	—	—	(921)
Shares exercised and issued under stock option plan (note 11)	9	(2)	—	—	—	7
Modification to share-based plans (note 2)	—	34	—	—	211	245
Equity settlement of Putnam share-based plans	—	—	—	—	(62)	(62)
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(35)	—	—	—	—	(35)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid note 11)	27	—	(27)	—	—	—
Issuance of preferred shares (note 11)	200	—	—	—	—	200
Share issue costs (note 11)	—	—	(4)	—	—	(4)
Share-based payments	—	26	—	—	—	26
Reallocation from shareholder account to participating account in London Life	—	—	(4)	—	4	—
Balance, end of period	$ 9,627	$ 115	$ 9,000	$ 286	$ 2,599	$ 21,627

	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 (note 11)	1,220	—	—	—	—	1,220
Shares issued under stock option plan (note 11)	57	(11)	—	—	—	46
Shares purchased and cancelled under Normal Course Issuer Bid (note 11)	(59)	—	—	—	—	(59)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid (note 11)	46	—	(46)	—	—	—
Redemption of preferred shares	(230)	—	—	—	—	(230)
Share-based payments	—	8	—	—	—	8
Balance, end of year	$ 9,426	$ 57	$ 8,067	$ 87	$ 2,362	$ 19,999

	September 30, 2013					
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Non-controlling interests	Total equity
Balance, beginning of year	$ 8,392	$ 60	$ 7,035	$ (932)	$ 2,456	$ 17,011
Net earnings	—	—	1,658	—	58	1,716
Other comprehensive income (loss)	—	—	—	472	(12)	460
	8,392	60	8,693	(460)	2,502	19,187
Dividends to shareholders						
Preferred shareholders	—	—	(97)	—	—	(97)
Common shareholders (note 15)	—	—	(893)	—	—	(893)
Exchange of subscription receipts on acquisition of Irish Life	1,220	—	—	—	—	1,220
Shares exercised and issued under stock option plan	31	—	—	—	—	31
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)	—	—	—
Balance, end of period	$ 9,640	$ 60	$ 7,693	$ (460)	$ 2,502	$ 19,435

CONSOLIDATED STATEMENTS OF CASH FLOWS *(unaudited)*

(in Canadian $ millions)

	For the nine months ended September 30	
	2014	2013 (note 2)
Operations		
Earnings before income taxes	**$ 2,514**	$ 2,051
Income taxes paid, net of refunds received	**(411)**	(148)
Adjustments:		
Change in insurance and investment contract liabilities	**6,738**	(1,521)
Change in funds held by ceding insurers	**536**	657
Change in funds held under reinsurance contracts	**(13)**	25
Change in deferred acquisition costs	**37**	50
Change in reinsurance assets	**(91)**	219
Changes in fair value through profit or loss	**(4,982)**	2,754
Other	**403**	(419)
	4,731	3,668
Financing Activities		
Issue of common shares (note 11)	**9**	1,251
Issue of preferred shares (note 11)	**200**	—
Share issue costs (note 11)	**(4)**	—
Purchased and cancelled common shares (note 11)	**(35)**	(13)
Issue of euro-denominated debt	**—**	659
Increase (decrease) in line of credit of subsidiary	**(235)**	110
Increase (decrease) in debentures and other debt instruments	**1**	(73)
Dividends paid on common shares	**(921)**	(893)
Dividends paid on preferred shares	**(91)**	(97)
	(1,076)	944
Investment Activities		
Bond sales and maturities	**20,324**	22,431
Mortgage loan repayments	**1,669**	1,319
Stock sales	**2,514**	1,470
Investment property sales	**98**	21
Change in loans to policyholders	**16**	116
Business acquisitions, net of cash and cash equivalents acquired (note 3)	**(42)**	(1,234)
Investment in bonds	**(23,719)**	(24,523)
Investment in mortgage loans	**(2,595)**	(1,785)
Investment in stocks	**(1,189)**	(1,468)
Investment in investment properties	**(151)**	(135)
	(3,075)	(3,788)
Effect of changes in exchange rates on cash and cash equivalents	**55**	77
Increase in cash and cash equivalents	**635**	901
Cash and cash equivalents, beginning of period	**2,791**	1,895
Cash and cash equivalents, end of period	**$ 3,426**	$ 2,796
Supplementary cash flow information		
Interest income received	**$ 3,602**	$ 3,349
Interest paid	**$ 197**	$ 178
Dividend income received	**$ 185**	$ 167

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 and nine months ended September 30, 2014 were approved by the Board of Directors on November 6, 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 September 30, 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. For the three months ended September 30, 2013 this resulted in increases to gross premiums written of $261 and fee and other income of $22, offset by increases in operating and administrative expenses of $28 and paid or credited to policyholders of $255. For the nine months ended September 30, 2013 this resulted in increases to gross premiums written of $876 and fee and other income of $62, offset by increases in operating and administrative expenses of $80 and paid or credited to policyholders of $858. These presentation adjustments also resulted in a decrease in the investment in bonds in the Consolidated Statements of Cash Flows of $2,115 for the period ended September 30, 2013. These adjustments did not have an impact on the net earnings or equity of the Company.

The financial statements of Lifeco at September 30, 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 first quarter of 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 first quarter of 2014, the Company re-classified the share-based liability into equity.

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

Future Accounting Policies

IFRS that have been issued by the IASB and could impact the Company are as follows:

New Standard	Summary of Future Changes
IFRS 9 - *Financial Instruments*	In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following: • classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset; • impairment based on an expected loss model; and • hedge accounting that incorporates the risk management practices of an entity. The standard is effective January 1, 2018. The Company is evaluating the impact this standard will have on its financial statements.
IFRS 15 - *Revenue from Contracts with Customers*	In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from insurance contracts, leases and financial instruments are not required to apply the revenue recognition requirements in IFRS 15. 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 standard is effective January 1, 2017. The Company is evaluating the impact of the adoption of this standard.

Use of Significant Judgments, Estimates and Assumptions

In preparation of these financial statements, management is required to make significant judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosures. Although some variability is inherent in these judgments and estimates, management believes that the amounts recorded are reasonable. 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. Business 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 disclosed the allocation of the purchase price to the amounts of assets acquired, goodwill and liabilities assumed in note 4 to the December 31, 2013 consolidated annual audited financial statements.

During the second quarter of 2014, experience studies on certain insurance contract liabilities assumed on acquisition were completed. There were no changes to the amounts reported in the Company's December 31, 2013 consolidated annual audited financial statements.

The Company incurred restructuring and acquisition expenses (note 10) related to Irish Life of $7 during the three months ended September 30, 2014 ($63 during the three months ended September 30, 2013) and $22 during the nine months ended September 30, 2014 ($77 during the nine months ended September 30, 2013).

(b) J.P. Morgan Retirement Plan Services

On August 29, 2014, the Company, through its wholly-owned subsidiary Great-West Financial, completed the acquisition of J.P. Morgan Retirement Plan Services' (RPS) large-market recordkeeping business.

As at September 30, 2014, the initial accounting for the acquisition is incomplete pending the completion of a comprehensive valuation of the net assets acquired. Balance sheet items that are incomplete include the identification and valuation of intangible assets and the valuation of contingent consideration. As at September 30, 2014, provisional amounts for intangible assets have not been separately identified and valued within the assets of the purchase price allocation pending completion of the valuation exercise. The financial statements at September 30, 2014 reflect management's best estimate of the purchase price allocation, which includes provisional amounts. As a result, the excess of the purchase price over the fair value of net assets acquired representing goodwill will be adjusted retrospectively in future periods.

The initial amounts assigned to the assets acquired, goodwill, liabilities assumed and contingent consideration on August 29, 2014 reported as at September 30, 2014 are below:

Assets acquired and goodwill	
Goodwill	$ 55
Other assets	41
Total assets acquired and goodwill	$ 96
Liabilities assumed and contingent consideration	
Other liabilities	$ 28
Contingent consideration	37
Total liabilities assumed and contingent consideration	$ 65

The total consideration paid on the August 29, 2014 acquisition date includes cash consideration and an amount the Company is obligated to make as an additional payment based on the retention of aggregated revenue, defined in the Purchase and Sale Agreement, 24 months after the close date. As such, the remaining payment is due on August 29, 2016. The potential undiscounted amount of the payment that the Company could be required to make under the contingent consideration arrangement can be up to U.S. $50. As at September 30, 2014 a provisional fair value of the contingent consideration of $37 has been recognized by the Company within other liabilities in the Consolidated Balance Sheets.

The comprehensive evaluation of the fair value of the net assets acquired and completion of the purchase price allocation is anticipated to be finalized during the first six months of 2015.

From date of acquisition to September 30, 2014, RPS contributed $16 in revenue and $1 to net earnings. These amounts are included in the Consolidated Statements of Earnings for the three and nine months ended September 30, 2014.

At the date of the acquisition, RPS was the named defendant in four pending lawsuits. Per the terms of the acquisition, the Company is indemnified from any and all losses incurred in conjunction with the pending lawsuits. Due to the Company's limited involvement with the pending legal proceedings, it is unable to make an estimate of the possible loss and related indemnity associated with these claims.

During the three and nine months ended September 30, 2014, the Company incurred acquisition costs of $3 (note 10).

Supplementary pro-forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as at the beginning of the reporting period, has not been included as it is impracticable due to historical records not being made available.

(c) Plan Direct Insurance Services Inc.

On September 3, 2014, the Company, through its wholly-owned subsidiary Great-West Life, acquired Plan Direct Insurance Services Inc., a service provider that markets and administers individual health insurance for Canadians. The acquisition was not material.

4. Portfolio Investments

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

	September 30, 2014		December 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
Bonds				
Designated fair value through profit or loss [1]	**$ 72,317**	**$ 72,317**	$ 68,091	$ 68,091
Classified fair value through profit or loss [1]	**2,147**	**2,147**	2,053	2,053
Available-for-sale	**12,039**	**12,039**	7,915	7,915
Loans and receivables	**12,715**	**14,050**	11,855	12,672
	99,218	**100,553**	89,914	90,731
Mortgage loans				
Residential	**6,976**	**7,302**	6,570	6,716
Non-residential	**13,346**	**14,178**	12,493	12,801
	20,322	**21,480**	19,063	19,517
Stocks				
Designated fair value through profit or loss [1]	**6,372**	**6,372**	7,232	7,232
Available-for-sale	**703**	**703**	745	745
Other	**555**	**644**	577	743
	7,630	**7,719**	8,554	8,720
Investment properties	**4,560**	**4,560**	4,288	4,288
Total	**$ 131,730**	**$ 134,312**	$ 121,819	$ 123,256

[1] A financial asset is designated as fair value through profit or loss on initial recognition if it eliminates or significantly reduces an accounting mismatch. Changes in the fair value of financial assets designated as fair value through profit or loss are generally offset by changes in insurance contract liabilities, since the measurement of insurance contract liabilities is determined with reference to the assets supporting the liabilities.

A financial asset is classified as fair value through profit or loss on initial recognition if it is part of a portfolio that is actively traded for the purpose of earning investment income.

(b) Included in portfolio investments are the following:

Carrying amount of impaired investments

	September 30 2014	December 31 2013
Impaired amounts by classification		
Fair value through profit or loss	**$ 355**	$ 384
Available-for-sale	**20**	19
Loans and receivables	**27**	34
Total	**$ 402**	$ 437

The above carrying values for loans and receivables are net of allowances of $18 at September 30, 2014 and $25 at December 31, 2013.

4. Portfolio Investments (cont'd)

(c) Net investment income comprises the following:

For the three months ended September 30, 2014	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 1,025**	**$ 238**	**$ 55**	**$ 76**	**$ 118**	**$ 1,512**
Net realized gains (losses)						
Available-for-sale	**12**	**—**	**(1)**	**—**	**—**	**11**
Other classifications	**1**	**6**	**—**	**—**	**—**	**7**
Net allowances for credit losses on loans and receivables	**(8)**	**(1)**	**—**	**—**	**—**	**(9)**
Other income and expenses	**—**	**—**	**—**	**(19)**	**(23)**	**(42)**
	1,030	**243**	**54**	**57**	**95**	**1,479**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	**(1)**	**—**	**—**	**—**	**—**	**(1)**
Designated fair value through profit or loss	**1,135**	**—**	**—**	**73**	**(17)**	**1,191**
	1,134	**—**	**—**	**73**	**(17)**	**1,190**
Total	**$ 2,164**	**$ 243**	**$ 54**	**$ 130**	**$ 78**	**$ 2,669**

For the three months ended September 30, 2013	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 964	$ 222	$ 61	$ 70	$ 124	$ 1,441
Net realized gains						
Available-for-sale	4	—	1	—	—	5
Other classifications	8	4	—	—	—	12
Net allowances for credit losses on loans and receivables	—	(4)	—	—	—	(4)
Other income and expenses	—	—	—	(18)	(25)	(43)
	976	222	62	52	99	1,411
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	(6)	—	—	—	—	(6)
Designated fair value through profit or loss	(320)	—	291	32	(16)	(13)
	(326)	—	291	32	(16)	(19)
Total	$ 650	$ 222	$ 353	$ 84	$ 83	$ 1,392

4. Portfolio Investments (cont'd)

For the nine months ended September 30, 2014	**Bonds**	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Regular net investment income:						
Investment income earned	**$ 3,069**	**$ 710**	**$ 189**	**$ 233**	**$ 365**	**$ 4,566**
Net realized gains						
Available-for-sale	**28**	**—**	**7**	**—**	**—**	**35**
Other classifications	**13**	**10**	**—**	**—**	**—**	**23**
Net allowances for credit losses on loans and receivables	**(8)**	**(1)**	**—**	**—**	**—**	**(9)**
Other income and expenses	**—**	**—**	**—**	**(52)**	**(69)**	**(121)**
	3,102	**719**	**196**	**181**	**296**	**4,494**
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains						
Classified fair value through profit or loss	**49**	**—**	**—**	**—**	**—**	**49**
Designated fair value through profit or loss	**4,078**	**—**	**502**	**210**	**143**	**4,933**
	4,127	**—**	**502**	**210**	**143**	**4,982**
Total	**$ 7,229**	**$ 719**	**$ 698**	**$ 391**	**$ 439**	**$ 9,476**

For the nine months ended September 30, 2013	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income:						
Investment income earned	$ 2,823	$ 661	$ 181	$ 199	$ 333	$ 4,197
Net realized gains						
Available-for-sale	57	—	1	—	—	58
Other classifications	17	19	—	—	—	36
Net allowances for credit losses on loans and receivables	—	(6)	—	—	—	(6)
Other income and expenses	—	—	—	(49)	(62)	(111)
	2,897	674	182	150	271	4,174
Changes in fair value on fair value through profit or loss assets:						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	(59)	—	—	—	—	(59)
Designated fair value through profit or loss	(3,077)	—	416	65	(99)	(2,695)
	(3,136)	—	416	65	(99)	(2,754)
Total	$ (239)	$ 674	$ 598	$ 215	$ 172	$ 1,420

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.

Concentration of Credit Risk
Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. No significant changes have occurred from the year ended December 31, 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 $95 causing a decrease in net earnings of approximately $70.

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

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $35 causing an increase in net earnings of approximately $15.
- 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 $548 causing a decrease in net earnings of approximately $371.

(iii)Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets and other price risk. 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 values. There will be additional impacts on these liabilities as equity values fluctuate. A 10% increase in equity values would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $39 causing an increase in net earnings of approximately $31. A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $131 causing a decrease in net earnings of approximately $101.

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 $499 causing an increase in net earnings of approximately $388. A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $542 causing a decrease in net earnings of approximately $417.

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:

	September 30, 2014			
Assets measured at fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 3,426	$ —	$ —	$ 3,426
Financial assets at fair value through profit or loss				
Bonds	—	74,166	298	74,464
Stocks	6,352	6	14	6,372
Total financial assets at fair value through profit or loss	6,352	74,172	312	80,836
Available-for-sale financial assets				
Bonds	—	12,021	18	12,039
Stocks	92	—	1	93
Total available-for-sale financial assets	92	12,021	19	12,132
Investment properties	—	—	4,560	4,560
Derivatives [1]	2	619	—	621
Other assets:				
Trading account assets in Putnam	154	136	—	290
Other trading assets	75	—	—	75
Other [2]	70	—	—	70
Total assets measured at fair value	$ 10,171	$ 86,948	$ 4,891	$ 102,010
Liabilities measured at fair value				
Derivatives [3]	$ 1	$ 956	$ —	$ 957
Investment contract liabilities	—	816	28	844
Other liabilities - other	70	—	—	70
Total liabilities measured at fair value	$ 71	$ 1,772	$ 28	$ 1,871

[1] Excludes collateral received of $52.
[2] Includes cash collateral under securities lending agreements.
[3] Excludes collateral pledged of $288.

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

	September 30, 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	**25**	**—**	**—**	**—**	**210**	**1**	**236**	**—**
Included in other comprehensive income [1]	**—**	**—**	**—**	**—**	**75**	**—**	**75**	**—**
Purchases	**—**	**—**	**—**	**—**	**106**	**—**	**106**	**—**
Sales	**—**	**—**	**(9)**	**—**	**(98)**	**(22)**	**(129)**	**—**
Repayments	**(60)**	**(6)**	**—**	**—**	**—**	**—**	**(66)**	**—**
Other	**—**	**—**	**—**	**—**	**(21)**	**—**	**(21)**	**(2)**
Transfers into Level 3 [2]	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Transfers out of Level 3 [2]	**—**	**—**	**(1)**	**—**	**—**	**—**	**(1)**	**—**
Balance, end of period	**$ 298**	**$ 18**	**$ 14**	**$ 1**	**$ 4,560**	**$ —**	**$ 4,891**	**$ 28**
Total gains for the period included in net investment income	**$ 25**	**$ —**	**$ —**	**$ —**	**$ 210**	**$ 1**	**$ 236**	**$ —**
Change in unrealized gains (losses) for the period included in net earnings for assets held at September 30, 2014	**$ 25**	**$ —**	**$ (2)**	**$ —**	**$ 179**	**$ 1**	**$ 203**	**$ —**

[1] Amount of other comprehensive income for investment properties represents the unrealized gains 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 gains 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)	8.4% (weighted average)	The Company does not believe that changing one or more of the inputs to reasonably alternate assumptions would change their fair values significantly.
		Constant default rate assumption (estimated % of defaults in the collateral pool annually)	4.7% (weighted average)	
		Adjusted Asset-backed Securities Index (ABX index) spread assumption (adjusted for internally calculated liquidity premium)	505 bps (weighted average)	
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows. The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates.	Discount rate	Range of 3.7% - 10.8%	A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
		Reversionary rate	Range of 5.3% - 8.3%	A decrease in the reversionary rate would result in an increase in fair value. An increase in the reversionary rate would result in a decrease in fair value.
		Vacancy rate	Weighted average of 2.6%	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.

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 $976 at September 30, 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 market values of the investment funds. While these products are similar to mutual funds, there is a key difference from mutual funds as the segregated funds have certain guarantee features that protect the segregated fund policyholder from market declines in the underlying investments. These guarantees are the Company's primary exposure on these funds. The Company accounts for these guarantees within insurance and investment contract liabilities within the financial statements. In addition to the Company's exposure on the guarantees, the fees earned by the Company on these products are impacted by the market value of these funds.

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

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

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

The Company also offers a guaranteed minimum withdrawal benefits product in Canada, the U.S. and Europe. The guaranteed minimum withdrawal benefits products offered by the Company offer levels of death and maturity guarantees. At September 30, 2014, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, the U.S., Ireland and Germany was $2,913 ($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:

	September 30, 2014				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 28,702	$ —	$ 25	$ 77	$ 77
United States	9,572	4	—	42	46
Europe	9,158	308	6	46	354
Total	**$ 47,432**	**$ 312**	**$ 31**	**$ 165**	**$ 477**

*A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on September 30, 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 September 30, 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 were $3 in quarter and $8 year-to-date, with the majority arising in the Europe segment.

For further details on the Company's risk and guarantee exposure and the management of these risks, refer to the Risk Management and Control Practice section of the Company's December 31, 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

	September 30 2014	December 31 2013
Cash and cash equivalents	**$ 11,172**	$ 11,374
Bonds	**36,998**	34,405
Mortgage loans	**2,427**	2,427
Stocks and units in unit trusts	**67,817**	62,882
Mutual funds	**45,186**	41,555
Investment properties	**9,246**	8,284
	172,846	160,927
Accrued income	**378**	380
Other liabilities	**(2,766)**	(1,300)
Non-controlling mutual funds interest	**976**	772
Total	**$ 171,434**	$ 160,779

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

	For the nine months ended September 30	
	2014	2013
Balance, beginning of year	**$ 160,779**	$ 105,432
Additions (deductions):		
Policyholder deposits	**15,769**	11,295
Net investment income	**1,133**	559
Net realized capital gains on investments	**4,371**	2,039
Net unrealized capital gains on investments	**4,843**	4,170
Unrealized gains due to changes in foreign exchange rates	**610**	2,625
Policyholder withdrawals	**(15,950)**	(12,183)
Acquisition of Irish Life	**—**	36,348
Segregated fund investment in General Fund	**(380)**	—
Net transfer from General Fund	**55**	51
Non-controlling mutual funds interest	**204**	74
Total	**10,655**	44,978
Balance, end of period	**$ 171,434**	$ 150,410

(c) Investment income on account of segregated fund policyholders

	For the nine months ended September 30	
	2014	2013
Net investment income	**$ 1,133**	$ 559
Net realized capital gains on investments	**4,371**	2,039
Net unrealized capital gains on investments	**4,843**	4,170
Unrealized gains due to changes in foreign exchange rates	**610**	2,625
Total	**10,957**	9,393
Change in investment and insurance contracts liability on account of segregated fund policyholders	**10,957**	9,393
Net	**$ —**	$ —

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

	September 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments on account of segregated fund policyholders [(1)]	**$ 112,126**	**$ 51,684**	**$ 10,098**	**$ 173,908**

(1) Excludes other liabilities, net of other assets, of $2,474.

	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 nine months of 2014 certain foreign stock holdings valued at $2 ($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:

	September 30 2014	December 31 2013
Balance, beginning of year	**$ 9,298**	$ 6,287
Total gains included in segregated fund investment income	**558**	694
Acquisition of Irish Life	**—**	2,326
Purchases	**687**	428
Sales	**(439)**	(440)
Transfers into Level 3	**4**	4
Transfers out of Level 3	**(10)**	(1)
Balance, end of period	**$ 10,098**	$ 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 a 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.

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

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

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

8. Insurance and Investment Contract Liabilities

	September 30, 2014		
	Gross liability	**Reinsurance assets**	**Net**
Insurance contract liabilities	**$ 141,358**	**$ 5,093**	**$ 136,265**
Investment contract liabilities	**844**	**—**	**844**
Total	**$ 142,202**	**$ 5,093**	**$ 137,109**

	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 September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Operating charges:				
Interest on operating lines and short-term debt instruments	**$ —**	$ 1	**$ 3**	$ 4
Financial charges:				
Interest on long-term debentures and other debt instruments	**65**	65	**196**	187
Interest on capital trust debentures	**3**	3	**8**	8
Other	**7**	6	**20**	17
	75	74	**224**	212
Total	**$ 75**	$ 75	**$ 227**	$ 216

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.

With the acquisition of RPS on August 29, 2014, the Company incurred acquisition expenses of $3 for the three and nine months ended September 30, 2014.

Restructuring and acquisition expenses by major heading were as follows:

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Acquisition expenses	**$ 3**	$ 34	**$ 3**	$ 48
Restructuring - Irish Life				
Staff costs	**1**	11	**2**	11
Information systems	**6**	1	**16**	1
Other	**—**	8	**4**	8
	7	20	**22**	20
Other Europe restructuring	**—**	9	**—**	9
Total	**$ 10**	$ 63	**$ 25**	$ 77

11. Share Capital

(a) Preferred Shares

On May 22, 2014 the Company issued 8,000,000 Series S, 5.25% Non-Cumulative First Preferred Shares at $25.00 per share. The shares are redeemable at the option of the Company on or after June 30, 2019 for $25.00 per share plus a premium if redeemed prior to June 30, 2023, together in each case with all declared and unpaid dividends up to but excluding the date of redemption. Transaction costs incurred in connection with the preferred share issue of $5 ($4 after-tax) were charged to accumulated surplus.

(b) Common Shares

	September 30, 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	**(1,137,757)**	**(35)**	(1,885,381)	(59)
Excess of redemption proceeds over stated capital per Normal Course Issuer Bid	**—**	**27**	—	46
Exercised and issued under stock option plan	**286,862**	**9**	2,031,020	57
Balance, end of period	**998,551,184**	**$ 7,113**	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 nine months ended September 30, 2014, the Company repurchased and subsequently cancelled 1,137,757 common shares at a cost of $35 (429,625 during the nine months ended September 30, 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 $27 and was recognized as a reduction to equity ($10 during the nine months ended September 30, 2013 under the previous normal course issuer bid).

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.

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

(b) Regulatory Capital

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

	September 30 2014	December 31 2013
Adjusted Net Tier 1 Capital	**$ 11,244**	$ 10,432
Net Tier 2 Capital	**2,419**	2,236
Total Capital Available	**$ 13,663**	$ 12,668
Total Capital Required	**$ 5,866**	$ 5,673
Tier 1 Ratio	**192%**	184%
Total Ratio	**233%**	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, 38,380 options were granted during the three months ended September 30, 2014, 109,400 options were granted during the three months ended June 30, 2014 and 1,556,300 options were granted during the three months ended March 31, 2014 (1,832,100 options were granted during the nine months ended September 30, 2013). The weighted average fair value of options granted was $5.75 per option during the nine months ended September 30, 2014 ($4.33 for the nine months ended September 30, 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 September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Pension plans				
Service costs	**$ 39**	$ 39	**$ 118**	$ 104
Net interest cost	**1**	7	**2**	20
	40	46	**120**	124
Other post-employment benefits				
Service costs	**—**	1	**1**	2
Net interest cost	**5**	4	**14**	13
	5	5	**15**	15
Pension and other post-employment benefits expense - Consolidated Statements of Earnings	**45**	51	**135**	139
Pension plans - re-measurements				
Actuarial (gain) loss recognized	**170**	(49)	**632**	(242)
Return on assets (greater) less than assumed	**(46)**	(67)	**(300)**	(127)
Administrative expenses less than assumed	**—**	—	**(1)**	—
Change in the asset ceiling	**(5)**	—	**(12)**	(2)
Pension plan re-measurement (income) loss	**119**	(116)	**319**	(371)
Other post-employment benefits - re-measurements				
Actuarial (gain) loss recognized	**5**	(3)	**32**	(22)
Pension and other post-employment benefits expense - other comprehensive (income) loss	**124**	(119)	**351**	(393)
Total pension and other post-employment benefits expense (recovery)	**$ 169**	$ (68)	**$ 486**	$ (254)

During the three and nine months ended September 30, 2014, the Company incurred $4 and $16, respectively, of actuarial losses for pension plan re-measurements not included in the table above ($3 of actuarial losses for the three and nine months ended September 30, 2013). This represents the Company's share of pension plan re-measurement losses for an investment in an associate accounted for under the equity method acquired with Irish Life.

During the first nine months 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	
September 30, 2014 (September 30, 2013)	**3.8%**	(4.8%)
June 30, 2014 (June 30, 2013)	**4.0%**	(4.7%)
December 31, 2013 (December 31, 2012)	**4.7%**	(4.3%)

15. Earnings per Common Share

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

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Earnings				
Net earnings	**$ 720**	$ 555	**$ 1,980**	$ 1,658
Preferred share dividends	**(33)**	(32)	**(91)**	(97)
Net earnings - common shareholders	**$ 687**	$ 523	**$ 1,889**	$ 1,561
Number of common shares				
Average number of common shares outstanding	**998,741,064**	991,427,893	**999,003,335**	964,810,569
Add:				
- Impact of subscription receipts from date of issue, March 12, 2013	**—**	8,991,522	**—**	22,814,945
- Potential exercise of outstanding stock options	**1,440,056**	1,113,222	**1,189,072**	682,706
Average number of common shares outstanding - diluted basis	**1,000,181,120**	1,001,532,637	**1,000,192,407**	988,308,220
Basic earnings per common share	**$ 0.687**	$ 0.527	**$ 1.891**	$ 1.618
Diluted earnings per common share	**$ 0.686**	$ 0.522	**$ 1.889**	$ 1.580
Dividends per common share	**$ 0.3075**	$ 0.3075	**$ 0.9225**	$ 0.9225

16. Income Taxes

(a) Income Tax Expense

Income tax expense (recovery) consists of the following:

	For the three months ended September 30		For the nine months ended September 30	
	2014	2013	**2014**	2013
Current income taxes	**$ 107**	$ 132	**$ 295**	$ 463
Deferred income taxes	**28**	(53)	**169**	(128)
Total income tax expense	**$ 135**	$ 79	**$ 464**	$ 335

(b) Effective Income Tax Rate

The overall effective income tax rate for Lifeco for the nine months ended September 30, 2014 was 18% compared to 17% for the full year 2013 and 16% for the nine months ended September 30, 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 nine months ended September 30, 2014 is higher than the nine months ended September 30, 2013 and the full year 2013 effective income tax rates as a result of recording of prior years' taxes related to Putnam's seed capital invested in foreign funds and a decrease in non-taxable investment income. The above increases to the effective income tax rate were partially offset by an increase in income taxed outside of Canada at lower rates.

(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 $1,363 at September 30, 2014 ($1,299 at December 31, 2013).

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

Participating Account Legal Matter

On September 4, 2014, the Supreme Court of Canada dismissed, with costs, the plaintiffs' application for leave to appeal the February 3, 2014 decision of the Court of Appeal for Ontario.

Putnam Collateralized Debt Obligation Matter

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. On July 2, 2014, the complainant filed an appeal of the dismissal of the civil litigation matter.

18. Segmented Information

(a) Consolidated Net Earnings

For the three months ended September 30, 2014

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Total net premiums	$ 2,655	$ 1,028	$ 1,007	$ —	$ 4,690
Net investment income					
Regular net investment income	629	340	511	(1)	1,479
Changes in fair value through profit or loss	166	(58)	1,082	—	1,190
Total net investment income	795	282	1,593	(1)	2,669
Fee and other income	360	443	289	—	1,092
	3,810	1,753	2,889	(1)	8,451
Benefits and expenses:					
Paid or credited to policyholders	2,617	1,079	2,270	—	5,966
Other *	726	466	297	3	1,492
Financing charges	29	35	11	—	75
Amortization of finite life intangible assets	15	13	5	—	33
Restructuring and acquisition expenses	—	3	7	—	10
Earnings (loss) before income taxes	423	157	299	(4)	875
Income taxes	77	45	13	—	135
Net earnings (loss) before non-controlling interests	346	112	286	(4)	740
Non-controlling interests	18	1	1	—	20
Net earnings (loss)	328	111	285	(4)	720
Preferred share dividends	23	—	6	4	33
Net earnings (loss) before capital allocation	305	111	279	(8)	687
Impact of capital allocation	25	(4)	(20)	(1)	—
Net earnings (loss) - common shareholders	$ 330	$ 107	$ 259	$ (9)	$ 687

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

18. Segmented Information (cont'd)

For the three months ended September 30, 2013 (1)

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Total net premiums	$ 2,516	$ 927	$ 1,416	$ —	$ 4,859
Net investment income					
Regular net investment income	638	344	429	—	1,411
Changes in fair value through profit or loss	(129)	(82)	192	—	(19)
Total net investment income	509	262	621	—	1,392
Fee and other income	321	365	269	—	955
	3,346	1,554	2,306	—	7,206
Benefits and expenses:					
Paid or credited to policyholders	2,207	1,014	1,804	—	5,025
Other *	684	405	263	9	1,361
Financing charges	29	35	6	5	75
Amortization of finite life intangible assets	12	12	4	—	28
Restructuring and acquisition expenses	—	—	63	—	63
Earnings (loss) before income taxes	414	88	166	(14)	654
Income taxes	62	8	12	(3)	79
Net earnings (loss) before non-controlling interests	352	80	154	(11)	575
Non-controlling interests	19	1	—	—	20
Net earnings (loss)	333	79	154	(11)	555
Preferred share dividends	26	—	6	—	32
Net earnings (loss) before capital allocation	307	79	148	(11)	523
Impact of capital allocation	25	(3)	(19)	(3)	—
Net earnings (loss) - common shareholders	$ 332	$ 76	$ 129	$ (14)	$ 523

(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)

For the nine months ended September 30, 2014

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Total net premiums	$ 8,044	$ 2,672	$ 5,005	$ —	$ 15,721
Net investment income					
Regular net investment income	1,910	1,049	1,538	(3)	4,494
Changes in fair value through profit or loss	1,893	567	2,522	—	4,982
Total net investment income	3,803	1,616	4,060	(3)	9,476
Fee and other income	1,060	1,298	903	—	3,261
	12,907	5,586	9,968	(3)	28,458
Benefits and expenses:					
Paid or credited to policyholders	9,349	3,672	8,014	—	21,035
Other *	2,169	1,438	939	13	4,559
Financing charges	87	105	35	—	227
Amortization of finite life intangible assets	41	42	15	—	98
Restructuring and acquisition expenses	—	3	22	—	25
Earnings (loss) before income taxes	1,261	326	943	(16)	2,514
Income taxes	272	93	102	(3)	464
Net earnings (loss) before non-controlling interests	989	233	841	(13)	2,050
Non-controlling interests	64	4	2	—	70
Net earnings (loss)	925	229	839	(13)	1,980
Preferred share dividends	70	—	17	4	91
Net earnings (loss) before capital allocation	855	229	822	(17)	1,889
Impact of capital allocation	73	(12)	(58)	(3)	—
Net earnings (loss) - common shareholders	$ 928	$ 217	$ 764	$ (20)	$ 1,889

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

18. Segmented Information (cont'd)

For the nine months ended September 30, 2013 (1)

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Total net premiums	$ 7,500	$ 2,256	$ 4,630	$ —	$ 14,386
Net investment income					
Regular net investment income	1,877	1,009	1,292	(4)	4,174
Changes in fair value through profit or loss	(1,349)	(589)	(816)	—	(2,754)
Total net investment income	528	420	476	(4)	1,420
Fee and other income	946	1,051	587	—	2,584
	8,974	3,727	5,693	(4)	18,390
Benefits and expenses:					
Paid or credited to policyholders	5,716	2,140	4,308	—	12,164
Other *	2,003	1,162	614	19	3,798
Financing charges	86	103	15	12	216
Amortization of finite life intangible assets	37	38	9	—	84
Restructuring and acquisition expenses	—	—	77	—	77
Earnings (loss) before income taxes	1,132	284	670	(35)	2,051
Income taxes	196	48	99	(8)	335
Net earnings (loss) before non-controlling interests	936	236	571	(27)	1,716
Non-controlling interests	53	5	—	—	58
Net earnings (loss)	883	231	571	(27)	1,658
Preferred share dividends	80	—	17	—	97
Net earnings (loss) before capital allocation	803	231	554	(27)	1,561
Impact of capital allocation	75	(11)	(55)	(9)	—
Net earnings (loss) - common shareholders	$ 878	$ 220	$ 499	$ (36)	$ 1,561

(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

	September 30, 2014			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 63,374**	**$ 34,694**	**$ 44,677**	**$ 142,745**
Goodwill and intangible assets	**5,114**	**1,981**	**2,309**	**9,404**
Other assets	**3,169**	**3,634**	**18,686**	**25,489**
Investments on account of segregated fund policyholders	**67,952**	**29,633**	**73,849**	**171,434**
Total	**$ 139,609**	**$ 69,942**	**$ 139,521**	**$ 349,072**

	September 30, 2014			
	Canada	**United States**	**Europe**	**Total**
Liabilities				
Insurance and investment contract liabilities	**$ 58,030**	**$ 31,431**	**$ 52,741**	**$ 142,202**
Other liabilities	**5,332**	**4,750**	**3,727**	**13,809**
Investment and insurance contracts on account of segregated fund policyholders	**67,952**	**29,633**	**73,849**	**171,434**
Total	**$ 131,314**	**$ 65,814**	**$ 130,317**	**$ 327,445**

	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

GREAT-WEST
LIFECO INC.

A MEMBER OF THE POWER FINANCIAL CORPORATION GROUP OF COMPANIES™

To help reduce our environmental footprint, we have printed this report on paper that is Forest Stewardship Council® certified and manufactured with 30 per cent post-consumer recycled waste fibre. When you finish reading this report, please consider recycling it. You may also download an electronic copy at www.greatwestlifeco.com

Great-West Lifeco Inc. 100 Osborne Street North Winnipeg MB R3C 1V3 Canada