GREAT-WEST LIFECO INC.

Management's Discussion and Analysis

For the year 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE PERIOD ENDED DECEMBER 31, 2014

DATED: FEBRUARY 12, 2015

This Management's Discussion and Analysis (MD&A) presents management's view of the financial condition, results of operations and cash flows of Great-West Lifeco Inc. (Lifeco or the Company) for the three months and twelve months ended December 31, 2014 and includes a comparison to the corresponding periods in 2013, to the three months ended September 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.

BUSINESSES OF LIFECO

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

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

In the U.S., Great-West Financial is a leading provider of employer-sponsored retirement savings plans in the public/non-profit and corporate sectors. Under the Empower Retirement brand name, Great-West Financial® offers employer-sponsored defined contribution plans, enrollment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Its products and services are marketed nationwide through its sales force, brokers, consultants, advisors, third-party administrators and financial institutions. Putnam provides investment management, certain administrative functions, distribution, and related services through a broad range of investment products, including the Putnam Funds, its own family of mutual funds which are offered to individual and institutional investors.

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

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

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

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

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

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 this MD&A under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", which, along with other filings, is available for review at www.sedar.com. The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING NON-IFRS FINANCIAL MEASURES

This MD&A contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, “operating earnings”, “constant currency basis”, “premiums and deposits”, “sales” and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. 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 twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits:					
Amounts per financial statements					
Net premium income (Life insurance, guaranteed annuities and insured health products)	**$ 5,501**	$ 4,690	$ 5,850	**$ 21,222**	$ 20,236
Policyholder deposits (segregated funds):					
Individual products	**3,185**	2,865	2,757	**11,826**	8,308
Group products	**1,955**	1,824	1,809	**9,083**	7,553
Premiums and deposits per financial statements	**10,641**	9,379	10,416	**42,131**	36,097
Self-funded premium equivalents (Administrative services only contracts)(1)	**654**	633	649	**2,603**	2,567
Proprietary mutual funds & institutional deposits(1)(2)	**12,729**	10,690	11,968	**45,306**	38,046
Total premiums and deposits(1)	**24,024**	20,702	23,033	**90,040**	76,710
Fee and other income	**1,161**	1,092	1,001	**4,422**	3,585
Paid or credited to policyholders(3)	**8,125**	5,966	5,647	**29,160**	17,811
Earnings					
Operating earnings - common shareholders(4)	**657**	687	491	**2,546**	2,052
Net earnings - common shareholders	**657**	687	717	**2,546**	2,278
Per common share					
Operating earnings(4)	**$ 0.658**	$ 0.687	$ 0.491	**$ 2.549**	$ 2.108
Basic earnings	**0.658**	0.687	0.717	**2.549**	2.340
Dividends paid	**0.3075**	0.3075	0.3075	**1.230**	1.230
Book value(6)	**16.80**	16.36	15.16		
Return on common shareholders' equity(5)(6)					
Operating earnings	**15.7%**	15.1%	15.2%		
Net earnings	**15.7%**	16.5%	16.8%		
Total assets per financial statements(6)	**$ 356,709**	$ 349,041	$ 325,876		
Proprietary mutual funds and institutional net assets(7)	**216,271**	207,451	185,243		
Total assets under management(6)(7)	**572,980**	556,492	511,119		
Other assets under administration(8)	**490,353**	465,264	247,139		
Total assets under administration(6)	**$ 1,063,333**	$ 1,021,756	$ 758,258		
Total equity(6)	**$ 21,897**	$ 21,448	$ 19,830		

(1) In addition to premiums and deposits per the financial statements, the Company includes premium equivalents on self-funded group insurance administrative services only (ASO) contracts and deposits on proprietary mutual funds and institutional accounts to calculate total premiums and deposits (a non-IFRS financial measure). This measure provides useful information as it is an indicator of top line growth.

(2) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.

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

(4) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2014 annual consolidated financial statements.

(5) Return on shareholders' equity is detailed within the "Capital Allocation Methodology" section.

(6) Comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

(7) Total assets under management (a non-IFRS financial measure) provides an indicator of the size and volume of the overall business of the Company. Services provided in respect of assets under management include the selection of investments, the provision of investment advice and discretionary portfolio management on behalf of clients. This includes internally and externally managed funds where the Company has oversight over the investment policies.

(8) Other assets under administration (a non-IFRS financial measure) include assets where the Company only provides administration services for which the Company earns fee and other income. These assets are beneficially owned by clients and the Company does not direct the investing activities. Services provided relating to assets under administration include recordkeeping, safekeeping, collecting investment income, settling of transactions or other administrative services. Administrative services are an important aspect of the overall business of the Company and should be considered when comparing volumes, size and trends.

LIFECO 2014 HIGHLIGHTS

Maintained solid capital position

- In 2014, Lifeco used excess regulatory capital to repay $353 million (US$304 million) of debt in its capital structure, which improved the Company's financial leverage ratio to less than 30%, consistent with credit rating agencies' targets for highly rated entities. By reducing debt and lowering its leverage ratio, the Company has increased financial flexibility to invest in organic growth and acquisition strategies.
- Lifeco's common share dividend has remained unchanged since 2009. During the year, Lifeco's common share dividend payout ratio fell below 50% for the first time since 2007.
- The Company's strong capital position is evidenced by a Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio at December 31, 2014 of 224% at The Great-West Life Assurance Company, Lifeco's major Canadian operating subsidiary.

Growth through acquisitions

- The Irish Life integration continued through 2014. While focused on integration, Irish Life exceeded sales targets and increased their market share. In 2014, Irish Life contributed $261 million, excluding restructuring costs, to Lifeco's net earnings. Since the acquisition of Irish Life, the Company has achieved €40.8 million in annualized synergies and expects to exceed the annualized synergy target of €40 million by at least 10%.
- As part of the J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business acquisition, a new combined brand - Empower Retirement - was launched to consolidate and support the retirement services businesses of Great-West Financial, the acquired J.P. Morgan Retirement Plan Services and Putnam Investments. Effective January 1, 2015, the new organization brings together best in class capabilities that leverage the attributes and specializations of each of the predecessor businesses: Great-West Financial's modern technology platform that allows for recordkeeping scale and flexibility; J.P. Morgan Retirement Plan Services' mega-market expertise; and Putnam Investments' highly regarded plan sponsor and participant experiences.
- Total assets under administration grew to approximately $1.1 trillion at December 31, 2014, up 40.2% from December 31, 2013. This includes $207 billion of assets under administration related to RPS, which was acquired in the third quarter of 2014, and strong organic growth in all geographies.

Financial strength

- For the twelve months ended December 31, 2014, operating earnings grew to $2,546 million an increase of 24% from the previous year due to the inclusion of Irish Life for a full year, continued strong investment performance and robust growth in underlying core earnings.

Outlook for 2015

- Lifeco will continue to invest in new products and technology to deliver long-term value to its customers and shareholders.
- In Europe, changes in U.K. pension legislation will allow greater flexibility for individuals with defined contribution pensions to access their savings in retirement and are expected to reduce sales of payout annuity products. The Company is investing in a wide range of innovative retirement income products in response to these changes.
- In the U.S., significant investments are being made to unite three established retirement businesses and build on their respective strengths to create a new brand, Empower Retirement, dedicated to helping Americans meet their retirement savings needs.
- In Canada, increased investment in digital technology, product development and service enhancements will support a multi-year organic growth strategy and the Company's purpose to improve the financial, mental and physical wellbeing of Canadians.

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 December 31, 2014 were $657 million compared to $717 million a year ago. Net earnings in the fourth quarter of 2013 included the impact of a litigation recovery, which increased net earnings by $226 million. Excluding the impact of the litigation recovery in 2013, Lifeco's net earnings attributable to common shareholders of $657 million for the fourth quarter of 2014 compare to $491 million a year ago and $687 million in the previous quarter. On a per share basis, this represents $0.658 per common share ($0.657 diluted) for the fourth quarter of 2014 compared to $0.491 per common share ($0.490 diluted) a year ago and $0.687 per common share ($0.686 diluted) in the previous quarter. Restructuring costs related to the integration of Irish Life and J.P. Morgan Retirement Plan Services were $9 million in-quarter. Fourth quarter 2013 net earnings include Irish Life acquisition and restructuring related costs of $23 million.

For the twelve months ended December 31, 2014, Lifeco's net earnings attributable to common shareholders were $2,546 million compared to $2,278 million a year ago. Excluding the impact of the litigation recovery in 2013, Lifeco's net earnings attributable to common shareholders of $2,546 million in 2014 compare to $2,052 million in 2013. On a per share basis, this represents $2.549 per common share ($2.546 diluted) for 2014 compared to $2.108 per common share ($2.070 diluted) a year ago. On a year-to-date basis, net earnings in 2014 include $30 million of acquisition and restructuring costs related to the integration of Irish Life and J.P. Morgan Retirement Plan Services. For the twelve months ended December 31, 2013, net earnings include Irish Life acquisition and restructuring related costs of $97 million. The 2014 year-to-date results include twelve months of Irish Life results while 2013 year-to-date results include Irish Life results from the date of acquisition (approximately six months).

Net earnings - common shareholders	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Canada					
Individual Insurance	**$ 120**	$ 109	$ 73	**$ 395**	$ 302
Wealth Management	**69**	96	93	**383**	387
Group Insurance	**96**	125	97	**422**	425
Canada Corporate	**15**	—	7	**28**	34
	300	330	270	**1,228**	1,148
United States					
Financial Services[1]	**93**	117	81	**382**	339
Asset Management	**(1)**	(8)	(25)	**(71)**	(63)
U.S. Corporate[1]	**(3)**	(2)	—	**(5)**	—
	89	107	56	**306**	276
Europe					
Insurance & Annuities	**218**	208	166	**810**	548
Reinsurance	**71**	59	63	**265**	245
Europe Corporate	**(15)**	(8)	(27)	**(37)**	(92)
	274	259	202	**1,038**	701
Lifeco Corporate	**(6)**	(9)	(37)	**(26)**	(73)
Operating Earnings[2]	**$ 657**	$ 687	$ 491	**$ 2,546**	$ 2,052
Certain litigation provisions	**—**	—	226	**—**	226
Net earnings	**$ 657**	$ 687	$ 717	**$ 2,546**	$ 2,278

(1) During the year, the Company reclassified comparative figures for presentation adjustments.
(2) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2014 annual consolidated financial statements.

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 2014, but did not impact the range of interest rate scenarios tested through the valuation process. The change in interest rates during 2014 resulted in movements in the required capital, which reduced the Great-West Life MCCSR ratio by 10 percentage points. The net change in interest rates had no material impact on net earnings relative to the Company’s expectations.

In order to mitigate the Company's exposure to interest rate fluctuations, the Company follows disciplined processes for managing the matching of assets and liabilities. As a result, the impact of changes in fair values of bonds backing insurance and investment contract liabilities recorded through profit or loss are mostly offset by a corresponding change in the insurance and investment contract liabilities.

The Company's sensitivity to interest rate fluctuations is detailed in the "Accounting Policies - Summary of Critical Accounting Estimates" section.

Equity Markets

Equity markets were mixed in the fourth quarter of 2014; however, they remained positive on a year-to-date basis in most geographies where the Company operates. 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 fourth quarter down 2% in Canada (as measured by S&P TSX), down 3% in broader Europe (as measured by Eurostoxx 50), and down 1% in the U.K. (as measured by FTSE 100), but up 4% in the U.S. (as measured by S&P 500) compared to September 30, 2014. Comparing the fourth quarter of 2014 to the fourth quarter of 2013, the average equity market levels were up by 10% in Canada, by 14% in the U.S. and by 2% in broader Europe, but down by 1% in the U.K.

Foreign Currency

Throughout this document, a number of terms are used to highlight the impact of foreign exchange on results, such as: “constant currency basis”, “impact of currency movement” and “effect of currency translation fluctuations”. These measures have been calculated using the average or period end rates, as appropriate, in effect at the date of the comparative period. This non-IFRS measure provides useful information as it facilitates the comparability of results between periods.

During the fourth quarter of 2014, the average currency translation rate of the U.S. dollar and British pound increased, while the average currency translation rates of the euro declined as compared to the fourth quarter of 2013. The overall impact of currency movement on the Company’s net earnings for the three month period ended December 31, 2014 was an increase of $18 million ($114 million year-to-date) compared to translation rates a year ago.

From September 30, 2014 to December 31, 2014, the market rates at the end of the reporting period used to translate U.S. dollar assets and liabilities to the Canadian dollar 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 $174 million in-quarter ($574 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.

Credit Markets

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

	For the three months ended December 31, 2014			For the twelve months ended December 31, 2014		
	Impairment (charges) / recoveries	Changes in future credit losses in insurance contract liabilities	Total	Impairment (charges) / recoveries	Changes in future credit losses in insurance contract liabilities	Total
Canada	$ (2)	$ —	$ (2)	$ (2)	$ 4	$ 2
United States	2	(1)	1	13	(2)	11
Europe	1	(19)	(18)	11	(38)	(27)
Total	**$ 1**	**$ (20)**	**$ (19)**	**$ 22**	**$ (36)**	**$ (14)**

In the fourth quarter of 2014, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $1 million ($8 million net recovery in the fourth 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 $20 million in the quarter ($9 million net recovery in the fourth quarter of 2013). The increase in provisions for future credit losses in the fourth quarter of 2014 included $22 million related to the impact of downgrades to bonds of a large U.K. retailer.

For the twelve months ended December 31, 2014, the Company experienced net recoveries on impaired investments, including dispositions, which positively impacted common shareholders' net earnings by $22 million ($11 million net recovery 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 $36 million year-to-date ($2 million net recovery year-to-date in 2013).

ACTUARIAL STANDARDS UPDATE

On May 15, 2014, the Canadian Actuarial Standards Board published the Standards of Practice effective October 15, 2014, reflecting revisions to economic reinvestment assumptions used in the valuation of insurance contract liabilities. The Company adopted the revised Standards of Practice in the fourth quarter of 2014 which resulted in a positive net earnings impact of $60 million in the fourth quarter of 2014. As the new standards have a more stable long-term reinvestment range, the Company no longer has a sensitivity to situations where an immediate shift down in the yield curve causes a shift down in the ultimate long-term reinvestment range. The new Standards had an immaterial impact on net earnings sensitivity to other changes in interest rates, changes in the equity return assumptions and the impact of an equity market shock.

Additional commentary regarding net earnings sensitivity to actuarial assumption changes is included in the "Summary of Critical Accounting Estimates" section and disclosed in note 7 to the Company's December 31, 2014 annual consolidated financial statements.

ACTUARIAL ASSUMPTION CHANGES

In addition to adopting the revised Standards of Practice, the Company also updated a number of assumptions resulting in a positive net earnings impact of $116 million in the fourth quarter of 2014, compared to $23 million in the fourth quarter of 2013. In 2014, refinements to annuitant mortality assumptions in Europe and Reinsurance, life mortality assumptions and policyholder behavior assumptions in the U.S. and modeling enhancements in Canada, were partially offset by strengthening of provisions for life mortality in Canada and Reinsurance as well as modeling enhancements in the U.S.

For the twelve months ended December 31, 2014, assumption changes resulted in a positive net earnings impact of $339 million as compared to $103 million for the same period in 2013.

PREMIUMS AND DEPOSITS AND SALES

Total premiums and deposits (a non-IFRS financial measure) include premiums on risk-based insurance and annuity products (as defined under IFRS), 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. This measure provides an indicator of top line growth.

Sales (a non-IFRS financial measure) for risk-based insurance and annuity products include 100% of single premium and annualized premiums expected in the first twelve months of the plan. Group insurance and ASO sales reflect annualized premiums and premium equivalents for new policies and new benefits covered or expansion of coverage on existing policies. For individual wealth management products, sales include deposits on segregated fund products, proprietary mutual funds and institutional accounts and deposits on non-proprietary mutual funds. For group wealth management products, sales include assets transferred from a previous plan provider and the expected annual contributions from the new plan. This measure provides an indicator of new business growth.

Total premiums and deposits

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Canada					
Individual Insurance	**$ 1,202**	$ 1,117	$ 1,112	**$ 4,518**	$ 4,177
Wealth Management	**2,741**	2,386	2,368	**11,914**	9,619
Group Insurance	**1,931**	1,965	1,886	**7,708**	7,503
	5,874	5,468	5,366	**24,140**	21,299
United States					
Financial Services[(1)]	**2,268**	2,290	2,232	**9,028**	8,238
Asset Management	**10,542**	8,958	8,668	**37,513**	31,279
	12,810	11,248	10,900	**46,541**	39,517
Europe					
Insurance & Annuities	**3,875**	3,446	5,229	**14,931**	11,521
Reinsurance	**1,465**	540	1,538	**4,428**	4,373
	5,340	3,986	6,767	**19,359**	15,894
Total	**$ 24,024**	$ 20,702	$ 23,033	**$ 90,040**	$ 76,710

Sales

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Canada	**$ 3,311**	$ 2,747	$ 2,852	**$ 12,164**	$ 10,800
United States	**15,105**	15,686	14,263	**54,430**	44,212
Europe - Insurance & Annuities	**3,155**	2,913	4,773	**12,388**	9,922
Total	**$ 21,571**	$ 21,346	$ 21,888	**$ 78,982**	$ 64,934

(1) Comparative figures for total premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.

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

NET INVESTMENT INCOME

Net investment income	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Investment income earned (net of investment properties expenses)	**$ 1,511**	$ 1,493	$ 1,400	**$ 6,025**	$ 5,548
Allowances for credit losses on loans and receivables	**(8)**	(9)	4	**(17)**	(2)
Net realized gains	**43**	18	40	**101**	134
Regular investment income	**1,546**	1,502	1,444	**6,109**	5,680
Investment expenses	**(30)**	(23)	(14)	**(99)**	(76)
Regular net investment income	**1,516**	1,479	1,430	**6,010**	5,604
Changes in fair value through profit or loss	**2,545**	1,190	(225)	**7,527**	(2,979)
Net investment income	**$ 4,061**	$ 2,669	$ 1,205	**$ 13,537**	$ 2,625

Net investment income in the fourth quarter of 2014, which includes changes in fair value through profit or loss, increased by $2,856 million compared to the same period last year. The change in fair values in the fourth quarter of 2014 was an increase of $2,545 million compared to a decrease of $225 million for the fourth quarter of 2013. Bond values increased during the fourth quarter of 2014, primarily due to declining U.K. and Canadian government bond yields. In the fourth quarter of 2013, declines in bond values due to rising government bond yields were partially offset by rising equity markets.

Regular net investment income in the fourth quarter of 2014, which excludes changes in fair value through profit or loss, increased by $86 million compared to the fourth 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 $23 million in the fourth quarter of 2014 compared to $8 million for the same period last year.

For the twelve months ended December 31, 2014, net investment income increased by $10,912 million compared to the same period last year. The change in fair values for the twelve month period in 2014 was an increase of $7,527 million compared to a decrease in fair values of $2,979 million during the same period in 2013, primarily as a result of government and corporate bond yields decreasing in 2014 but increasing in 2013. Regular net investment income for the twelve months ended December 31, 2014 increased by $406 million compared to the same period last year, primarily as a result of the British pound and the U.S. dollar strengthening against the Canadian dollar as well as the inclusion of Irish Life for an additional two quarters in 2014. Net realized gains include gains on available-for-sale securities of $58 million for the twelve months ended December 31, 2014, compared to $66 million for the same period last year.

Net investment income in the fourth quarter of 2014 was $1,392 million higher than the third quarter of 2014. The increase was primarily due to net increases in fair values of $2,545 million in the fourth quarter of 2014 compared to net increases of $1,190 million in the previous quarter, primarily as a result of a larger decline in government bond yields in the fourth quarter of 2014, as compared to the third quarter.

FEE AND OTHER INCOME

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

Fee and other income

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Canada					
Segregated funds, mutual funds and other	**$ 309**	$ 323	$ 295	**$ 1,256**	$ 1,130
ASO contracts	**40**	37	35	**153**	146
	349	360	330	**1,409**	1,276
United States					
Segregated funds, mutual funds and other	**522**	443	395	**1,820**	1,446
Europe					
Segregated funds, mutual funds and other	**290**	289	276	**1,193**	863
Total fee and other income	**$ 1,161**	$ 1,092	$ 1,001	**$ 4,422**	$ 3,585

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 twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Canada	**$ 3,327**	$ 2,617	$ 2,629	**$ 12,676**	$ 8,345
United States	**1,229**	1,079	927	**4,901**	3,067
Europe	**3,569**	2,270	2,091	**11,583**	6,399
Total	**$ 8,125**	$ 5,966	$ 5,647	**$ 29,160**	$ 17,811

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

For the three months ended December 31, 2014, consolidated amounts paid or credited to policyholders were $8.1 billion, including $5.2 billion of policyholder benefit payments and a $2.9 billion increase in contract liabilities. The increase of $2.5 billion from the same period in 2013 consisted of a $1.9 billion 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 $641 million increase in benefit payments primarily due to new and restructured reinsurance treaties, currency movement and normal business growth.

For the twelve months ended December 31, 2014, consolidated amounts paid or credited to policyholders were $29.2 billion, including $18.9 billion of policyholder benefit payments and a $10.2 billion increase in contract liabilities. The increase of $11.3 billion from the same period in 2013 consisted of a $10.5 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 as well as the impact of a new annuity reinsurance agreement entered into during the second quarter of 2014. The increase also consisted of an $840 million increase in benefit payments, primarily due to new and restructured reinsurance treaties, 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 increased by $2.2 billion. The increase consisted of a $1.5 billion increase in the change in contract liabilities, due to higher fair value adjustments to insurance contract liabilities as a result of changes in interest rates in Canada, the U.S. and Europe, and a $639 million increase in benefit payments primarily due to new and restructured reinsurance treaties.

OTHER BENEFITS AND EXPENSES

Other benefits and expenses	**For the three months ended**			**For the twelve months ended**	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Commissions	**$ 514**	$ 519	$ 531	**$ 2,084**	$ 1,869
Operating and administrative expenses	**1,005**	888	929	**3,741**	3,159
Premium taxes	**86**	85	83	**339**	313
Financing charges	**77**	75	76	**304**	292
Amortization of finite life intangible assets	**34**	33	33	**132**	117
Restructuring and acquisition expenses	**7**	10	27	**32**	104
Total	**$ 1,723**	$ 1,610	$ 1,679	**$ 6,632**	$ 5,854

Other benefits and expenses for the fourth quarter of 2014 of $1,723 million were up slightly from the fourth quarter of 2013 and include increased operating and administrative expenses related to the acquisition of J.P. Morgan Retirement Plan Services (RPS).

For the twelve months ended December 31, 2014, other benefits and expenses increased by $778 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, increased operating and administrative expenses related to the acquisition of RPS as well as increased compensation and benefit expenses in Putnam.

Other benefits and expenses for the fourth quarter of 2014 increased by $113 million compared to the previous quarter, primarily due to an increase in operating and administrative expenses related to the acquisition of RPS.

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 19% for the fourth quarter of 2014 compared to 18% in the fourth quarter of 2013. The increase in the Company's effective income tax rate for 2014 was primarily due to a lower percentage of the Company’s income consisting of non-taxable investment income and income subject to lower rates of income tax in foreign jurisdictions.

The Company had an effective income tax rate of 19% for the twelve months ended December 31, 2014, an increase from 17% for the same period in 2013, primarily due to lower true-ups of prior year tax provisions to tax filings in 2014 as compared to 2013.

The fourth quarter 2014 effective income tax rate of 19% was higher than the third quarter rate of 15%. The increase in the effective income tax rate compared to the previous quarter primarily reflects items impacting the third quarter of 2014, which included tax benefits of approximately $27 million arising in the multi-jurisdictional Reinsurance division resulting from a strengthening of insurance reserves in a higher tax jurisdiction and a reduction of insurance reserves in a lower tax jurisdiction.

CONSOLIDATED FINANCIAL POSITION

ASSETS

Assets under administration

	December 31, 2014			
	Canada	**United States**	**Europe**	**Total**
Assets				
Invested assets	**$ 64,718**	**$ 36,198**	**$ 45,440**	**$ 146,356**
Goodwill and intangible assets	**5,123**	**2,061**	**2,296**	**9,480**
Other assets	**3,277**	**3,613**	**19,017**	**25,907**
Segregated funds net assets	**68,372**	**31,030**	**75,564**	**174,966**
Total assets	**141,490**	**72,902**	**142,317**	**356,709**
Proprietary mutual funds and institutional net assets	**4,718**	**190,817**	**20,736**	**216,271**
Total assets under management	**146,208**	**263,719**	**163,053**	**572,980**
Other assets under administration	**14,793**	**433,754**	**41,806**	**490,353**
Total assets under administration	**$ 161,001**	**$ 697,473**	**$ 204,859**	**$ 1,063,333**

	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(1)	2,941	3,327	17,619	23,887
Segregated funds net assets	62,204	28,168	70,407	160,779
Total assets	129,983	64,529	131,364	325,876
Proprietary mutual funds and institutional net assets	4,114	164,515	16,614	185,243
Total assets under management	134,097	229,044	147,978	511,119
Other assets under administration	14,607	192,490	40,042	247,139
Total assets under administration	$ 148,704	$ 421,534	$ 188,020	$ 758,258

(1) Certain comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

Total assets under administration at December 31, 2014 increased by $305.1 billion to approximately $1.1 trillion compared to December 31, 2013, primarily due to the addition of $207 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.

Invested asset distribution

	December 31, 2014				
	Canada	**United States**	**Europe**	**Total**	
Bonds					
Government & related	**$ 19,541**	**$ 7,624**	**$ 16,867**	**$ 44,032**	**30%**
Corporate & other	**21,102**	**18,558**	**19,476**	**59,136**	**41**
Sub-total bonds	**40,643**	**26,182**	**36,343**	**103,168**	**71**
Mortgages	**12,593**	**4,212**	**3,741**	**20,546**	**14**
Stocks	**7,018**	**149**	**653**	**7,820**	**5**
Investment properties	**1,556**	**4**	**3,053**	**4,613**	**3**
Sub-total portfolio investments	**61,810**	**30,547**	**43,790**	**136,147**	**93**
Cash and cash equivalents	**413**	**528**	**1,557**	**2,498**	**2**
Loans to policyholders	**2,495**	**5,123**	**93**	**7,711**	**5**
Total invested assets	**$ 64,718**	**$ 36,198**	**$ 45,440**	**$ 146,356**	**100%**

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

At December 31, 2014 total invested assets were $146.4 billion, an increase of $14.4 billion from December 31, 2013. The increase was primarily due to positive currency movement and an increase in bond fair values as a result of lower government and corporate bond yields. The distribution of assets has not changed significantly and remains heavily weighted to bonds and mortgages.

Bond portfolio – It is the Company's policy to acquire only investment grade bonds subject to prudent and well-defined investment policies. The total bond portfolio, including short-term investments, was $103.2 billion or 71% of invested assets at December 31, 2014 and $89.9 billion or 69% at December 31, 2013. The overall quality of the bond portfolio remained high, with 99% of the portfolio rated investment grade and 82% rated A or higher. The Company's bond exposure to the Oil & Gas industry, including funds held by ceding insurers, was less than 3% of invested assets at December 31, 2014.

In the fourth quarter of 2014, the Company participated in a debt restructuring by a U.K. domiciled company. The Company tendered approximately $55 million of below investment grade debt securities 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. The impact of this exchange on earnings in the quarter was not significant.

Bond portfolio quality	December 31, 2014		December 31, 2013	
AAA	**$ 34,332**	**34%**	$ 30,626	34%
AA	**18,954**	**18**	15,913	18
A	**31,133**	**30**	25,348	28
BBB	**17,370**	**17**	16,809	19
BB or lower	**1,379**	**1**	1,218	1
Total	**$ 103,168**	**100%**	$ 89,914	100%

At December 31, 2014 non-investment grade bonds were $1.4 billion or 1.3% of the bond portfolio, which is comparable to $1.2 billion or 1.4% of the bond portfolio at December 31, 2013.

Holdings of Debt Securities of Governments

	Carrying Value by Rating - December 31, 2014						
	AAA	**AA**	**A**	**BBB**	**BB & Lower**	**Total***	**Amortized Cost***
Canada	$ 10,766	$ 3,738	$ 3,638	$ 68	$ 17	$ 18,227	$ 16,764
U.K.	9,147	1,297	329	580	—	11,353	9,956
U.S.	7,397	1,836	253	—	3	9,489	9,065
Ireland	—	—	611	—	—	611	520
	27,310	**6,871**	**4,831**	**648**	**20**	**39,680**	**36,305**
Portugal	—	—	—	—	11	11	10
Italy	—	—	—	80	—	80	73
Greece	—	—	—	—	—	—	—
Spain	—	—	—	27	—	27	26
	—	**—**	**—**	**107**	**11**	**118**	**109**
Germany	2,312	95	—	—	—	2,407	2,301
France	—	897	—	—	—	897	692
Netherlands	3	749	—	—	—	752	700
Austria	—	430	—	—	—	430	367
Supranationals	1,089	163	—	—	—	1,252	1,105
All other (12 countries)	575	532	164	29	1	1,301	1,179
	3,979	**2,866**	**164**	**29**	**1**	**7,039**	**6,344**
Total	**$ 31,289**	**$ 9,737**	**$ 4,995**	**$ 784**	**$ 32**	**$ 46,837**	**$ 42,758**

* Includes certain funds held by ceding insurers with a carrying value of $2,805 million and an amortized cost of $2,534 million.

At December 31, 2014, the Company held government and government-related debt securities (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $46.8 billion, up from $40.6 billion at December 31, 2013. Government bond holdings increased by $6.2 billion, mainly due to an increase in market values driven by decreasing government bond yields, net purchases as well as 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 December 31, 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 $118 million, up from $104 million at December 31, 2013 mainly as a result of an increase in Spanish sovereign debt holdings. 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 - December 31, 2014						
	AAA	AA	A	BBB	BB & Lower	Total*	Amortized Cost*
Canada	$ 68	$ 563	$ 925	$ 294	$ —	$ 1,850	$ 1,759
U.K.	345	592	1,819	1,003	415	4,174	3,771
U.S.	110	1,491	1,994	531	15	4,141	3,737
Ireland	—	—	4	78	13	95	82
	523	**2,646**	**4,742**	**1,906**	**443**	**10,260**	**9,349**
Portugal	—	—	—	—	—	—	—
Italy	—	—	48	62	—	110	104
Greece	—	—	—	—	—	—	—
Spain	81	—	82	105	7	275	252
	81	**—**	**130**	**167**	**7**	**385**	**356**
Germany	—	53	203	1	—	257	236
France	166	67	309	251	—	793	726
Netherlands	27	210	238	49	15	539	487
Australia	134	251	69	90	—	544	516
All other (18 institutions)	100	233	324	179	—	836	787
	427	**814**	**1,143**	**570**	**15**	**2,969**	**2,752**
Total	**$ 1,031**	**$ 3,460**	**$ 6,015**	**$ 2,643**	**$ 465**	**$ 13,614**	**$ 12,457**

	Carrying Value by Seniority - December 31, 2014						
	Covered / Senior Debt	Subordinated Debt	Upper Tier Two	Capital Securities	Contingent Capital	Total*	Amortized Cost*
Canada	$ 1,340	$ 134	$ 69	$ 307	$ —	$ 1,850	$ 1,759
U.K.	2,264	992	514	301	103	4,174	3,771
U.S.	2,833	1,114	—	194	—	4,141	3,737
Ireland	82	—	—	13	—	95	82
	6,519	**2,240**	**583**	**815**	**103**	**10,260**	**9,349**
Portugal	—	—	—	—	—	—	—
Italy	48	—	—	62	—	110	104
Greece	—	—	—	—	—	—	—
Spain	118	70	41	46	—	275	252
	166	**70**	**41**	**108**	**—**	**385**	**356**
Germany	159	98	—	—	—	257	236
France	465	196	40	92	—	793	726
Netherlands	431	44	25	39	—	539	487
Australia	427	67	—	50	—	544	516
All other (18 institutions)	540	135	81	80	—	836	787
	2,022	**540**	**146**	**261**	**—**	**2,969**	**2,752**
Total	**$ 8,707**	**$ 2,850**	**$ 770**	**$ 1,184**	**$ 103**	**$ 13,614**	**$ 12,457**

* Includes certain funds held by ceding insurers with a carrying value of $3,031 million and an amortized cost of $2,599 million.

At December 31, 2014, the Company held debt securities, including short-term debt securities, issued by banks and other financial institutions (including certain assets reported as funds held by ceding insurers) with an aggregate carrying value of $13.6 billion, up from $13.4 billion at December 31, 2013. The increase was mainly due to an increase in market values driven by decreasing corporate bond yields as well as a strengthening of the U.S. dollar and British pound against the Canadian dollar, mostly offset by net dispositions.

Included in this portfolio are $385 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 $275 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 December 31, 2014, 97% of the $13.6 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

	December 31, 2014				December 31, 2013	
Mortgage loans by type	**Insured**	**Non-insured**	**Total**		Total	
Single family residential	**$ 837**	**$ 1,079**	**$ 1,916**	**9%**	$ 1,758	9%
Multi-family residential	**2,908**	**2,414**	**5,322**	**26**	4,812	25
Commercial	**239**	**13,069**	**13,308**	**65**	12,493	66
Total	**$ 3,984**	**$ 16,562**	**$ 20,546**	**100%**	$ 19,063	100%

The total mortgage portfolio was $20.5 billion or 14% of invested assets at December 31, 2014, compared to $19.1 billion or 14% of invested assets at December 31, 2013. Total insured loans were $4.0 billion or 19% of the mortgage portfolio.

Single family residential mortgages

Region	**December 31, 2014**		December 31, 2013	
Ontario	**$ 933**	**49%**	$ 826	47%
Quebec	**401**	**21**	392	22
Alberta	**134**	**7**	123	7
British Columbia	**111**	**6**	109	6
Newfoundland	**102**	**5**	93	5
Saskatchewan	**78**	**4**	63	4
Nova Scotia	**62**	**3**	63	4
Manitoba	**51**	**3**	45	3
New Brunswick	**41**	**2**	41	2
Other	**3**	**—**	3	—
Total	**$ 1,916**	**100%**	$ 1,758	100%

During the twelve months ended December 31, 2014, single family mortgage originations, including renewals, were $658 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 December 31, 2014.

Commercial mortgages

	December 31, 2014				December 31, 2013			
	Canada	**U.S.**	**Europe**	**Total**	Canada	U.S.	Europe	Total
Retail & shopping centres	**$ 3,410**	**$ 503**	**$ 1,581**	**$ 5,494**	$ 3,422	$ 488	$ 1,298	$ 5,208
Office buildings	**1,574**	**637**	**693**	**2,904**	1,365	429	613	2,407
Industrial	**1,578**	**1,365**	**734**	**3,677**	1,733	1,276	744	3,753
Other	**455**	**383**	**395**	**1,233**	422	311	392	1,125
Total	**$ 7,017**	**$ 2,888**	**$ 3,403**	**$ 13,308**	$ 6,942	$ 2,504	$ 3,047	$ 12,493

Equity portfolio

	December 31, 2014		December 31, 2013	
Equity portfolio by type				
Publicly traded stocks	**$ 7,012**	**57%**	$ 7,678	60%
Privately held equities (at cost)	**808**	**6**	876	7
Sub-total	**7,820**	**63**	8,554	67
Investment properties	**4,613**	**37**	4,288	33
Total	**$ 12,433**	**100%**	$ 12,842	100%

Investment properties

	December 31, 2014				December 31, 2013			
	Canada	**U.S.**	**Europe**	**Total**	Canada	U.S.	Europe	Total
Office buildings	**$ 749**	**$ —**	**$ 774**	**$ 1,523**	$ 748	$ —	$ 816	$ 1,564
Industrial	**290**	**—**	**638**	**928**	287	—	539	826
Retail	**204**	**—**	**1,191**	**1,395**	203	—	1,075	1,278
Other	**313**	**4**	**450**	**767**	275	4	341	620
Total	**$ 1,556**	**$ 4**	**$ 3,053**	**$ 4,613**	$ 1,513	$ 4	$ 2,771	$ 4,288

Equity portfolio – The total equity portfolio was $12.4 billion or 8% of invested assets at December 31, 2014 compared to $12.8 billion or 9% of invested assets at December 31, 2013. The equity portfolio consists of publicly traded stocks, privately held equities and investment properties. Publicly traded stocks decreased by $0.7 billion in 2014, primarily due to net dispositions. The increase in investment properties of $0.3 billion was mainly a result of net market value increases.

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

Impaired investments

	December 31, 2014				December 31, 2013			
	Gross amount	**Impairment recovery**	**Impairment provision**	**Carrying amount**	Gross amount	Impairment recovery	Impairment provision	Carrying amount
Fair value through profit or loss	**$ 292**	**$ 66**	**$ (3)**	**$ 355**	$ 355	$ 40	$ (11)	$ 384
Available-for-sale	**15**	**—**	**(1)**	**14**	21	—	(2)	19
Loans and receivables	**33**	**—**	**(18)**	**15**	59	—	(25)	34
Total	**$ 340**	**$ 66**	**$ (22)**	**$ 384**	$ 435	$ 40	$ (38)	$ 437

The gross amount of impaired investments totaled $340 million or 0.2% of portfolio investments (including certain assets reported as funds held by ceding insurers) at December 31, 2014 compared with $435 million or 0.3% at December 31, 2013, a net decrease of $95 million. Impaired investments decreased primarily due to dispositions and repayments, which were partly offset by a strengthening of the U.S. dollar and British pound against the Canadian dollar.

The impairment recovery at December 31, 2014 was $66 million, and reflects the improvement in market values of certain impaired investments from the date at which they became impaired. These investments are still considered to be impaired to the extent that the Company does not expect to fully recover the original yield on the investment.

The impairment provision at December 31, 2014 was $22 million compared to $38 million at December 31, 2013. The primary reason for the change was an increase in the fair values of the fair value through profit or loss impaired investments and the disposal of an impaired loan. While the fair values have improved on certain impaired assets, these assets remain impaired based on other impairment factors as described in the "Summary of Critical Accounting Estimates" section of this document and in note 2 to the Company's December 31, 2014 annual consolidated financial statements.

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 December 31, 2014, the total actuarial provision for future credit losses in insurance contract liabilities was $3,133 million compared to $2,795 million at December 31, 2013, an increase of $338 million primarily due to normal business activity and the impact of currency movement, partially offset by basis changes.

The aggregate of impairment provisions of $22 million ($38 million at December 31, 2013) and actuarial provisions for future credit losses in insurance contract liabilities of $3,133 million ($2,795 million at December 31, 2013) represents 2.4% of bond and mortgage assets including funds held by ceding insurers at December 31, 2014 (2.4% at December 31, 2013).

DERIVATIVE FINANCIAL INSTRUMENTS

There were no major changes to the Company's policies and procedures with respect to the use of derivative financial instruments in 2014. The Company's derivative transactions are generally governed by International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements, which provide for legally enforceable set-off and close-out netting of exposure to specific counterparties in the event of early termination of a transaction, which includes, but is not limited to, events of default and bankruptcy. In the event of an early termination, the Company is permitted to set off receivables from a counterparty against payables to the same counterparty, in the same legal entity, arising out of all included transactions. The Company's ISDA Master Agreements may include Credit Support Annex provisions, which require both the pledging and accepting of collateral in connection with its derivative transactions.

Total financial collateral, including initial margin and overcollateralization, received on derivative assets was $52 million ($19 million at December 31, 2013) and pledged on derivative liabilities was $299 million ($222 million at December 31, 2013).

During the twelve month period ended December 31, 2014 the outstanding notional amount of derivative contracts decreased by $6.1 billion to $15.5 billion, primarily as a result of 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 $652 million at December 31, 2014 from $593 million at December 31, 2013. Market value increases on interest rate swaps that receive fixed rates and pay floating rates due to declining interest rates, were partially offset by market value decreases on cross currency swaps that pay U.S. dollars and receive Canadian dollars due to the U.S. dollar strengthening against the Canadian dollar.

Goodwill and intangible assets

Goodwill and intangible assets

	December 31	
	2014	2013
Goodwill	**$ 5,855**	$ 5,812
Indefinite life intangible assets	**2,788**	2,655
Finite life intangible assets	**837**	801
Total	**$ 9,480**	$ 9,268

The Company's goodwill and intangible assets relate primarily to its acquisitions of London Life, Canada Life, Putnam and Irish Life. Goodwill and intangible assets have increased by $212 million to $9,480 million at December 31, 2014 compared to December 31, 2013.

Goodwill has increased $43 million to $5,855 million primarily driven by the acquisitions of J.P. Morgan Retirement Plan Services by Great-West Financial and PlanDirect Insurance Services Inc. by Great-West Life's Group operations.

Indefinite and finite life intangible assets have increased $169 million during 2014. The increase was driven by currency movements, net additions to computer software finite life intangible assets and the acquisition of J.P. Morgan Retirement Plan Services.

IFRS principles require the Company to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an impairment test on goodwill and intangibles at least annually or more frequently if events indicate that impairment may have occurred. Intangible assets that were previously impaired are reviewed at each reporting date for evidence of reversal. In the fourth quarter of 2014, the Company conducted its annual impairment testing of goodwill and intangible assets. There were no impairments to goodwill and indefinite life intangible assets identified during the testing. In the fourth quarter of 2014, the Company recognized an impairment of $7 million ($5 million after-tax) to finite life intangible assets related to computer software.

Refer to note 11 in the Company's December 31, 2014 annual consolidated financial statements for further detail of the Company's goodwill and intangible assets. Also refer to the “Summary of Critical Accounting Estimates” section of this document for details on impairment testing of these assets.

Other general fund assets

Other general fund assets	December 31	
	2014	2013
Funds held by ceding insurers	**$ 12,154**	$ 10,832
Reinsurance assets	**5,151**	5,070
Premiums in course of collection, accounts and interest receivable	**3,056**	3,068
Other assets	**2,368**	2,220
Deferred tax assets[1]	**1,631**	1,138
Derivative financial instruments	**652**	593
Owner occupied properties	**619**	590
Fixed assets	**228**	211
Current income taxes	**48**	165
Total	**$ 25,907**	$ 23,887

(1) Comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

Total other general fund assets at December 31, 2014 were $25.9 billion, an increase of $2.0 billion from December 31, 2013. The increase was primarily due to a $1.3 billion increase in funds held by ceding insurers and a $493 million increase in deferred tax assets, partially offset by a $117 million decrease in current income taxes. The increase in funds held by ceding reinsurers was primarily due to increases in fair values of the underlying assets and currency movement. During 2014, the Company reclassified certain deferred tax assets and current income tax assets.

Other assets comprise several items including prepaid amounts and accounts receivable. Refer to note 13 in the Company's December 31, 2014 annual consolidated financial statements for a breakdown of other assets.

Investments on account of segregated fund policyholders

Segregated funds	December 31, 2014	December 31, 2013	December 31, 2012
Stock and units in unit trusts[1]	**$ 68,911**	$ 62,882	$ 35,154
Mutual Funds[1]	**46,707**	41,555	34,100
Bonds	**37,912**	34,405	24,070
Investment properties	**9,533**	8,284	6,149
Cash and other	**8,383**	10,454	3,172
Mortgage loans	**2,508**	2,427	2,303
Sub-total	**$ 173,954**	$ 160,007	$ 104,948
Non-controlling mutual funds interest[1]	**1,012**	772	484
Total	**$ 174,966**	$ 160,779	$ 105,432
Year-over-year growth	**9%**	52%	

(1) Certain 2012 comparative figures have been restated for the retrospective impact of IFRS 10, *Consolidated Financial Statements*.

Investments on account of segregated fund policyholders which are measured at fair value, increased by $14.2 billion to $175.0 billion at December 31, 2014, primarily due to the combined impact of market value gains and investment income of $14.0 billion as well as the impact of currency movement of $0.8 billion, partially offset by net withdrawals of $0.1 billion.

Proprietary mutual funds

Proprietary mutual funds and institutional net assets	December 31	
	2014	2013
Mutual funds		
Blend equity	**$ 37,343**	$ 26,808
Growth equity	**13,587**	12,314
Equity value	**21,130**	18,202
Fixed income	**32,975**	28,001
Money market	**118**	119
Great-West Financial Funds[1]	**8,033**	5,986
Sub-total	**113,186**	91,430
Institutional accounts		
Equity	**65,157**	58,414
Fixed income	**37,674**	35,167
Other	**254**	232
Sub-total	**103,085**	93,813
Total proprietary mutual funds and institutional accounts	**$ 216,271**	$ 185,243

(1) Excludes $1.0 billion of assets wherein Putnam is the sub-advisor ($819 million at December 31, 2013).

At December 31, 2014, total proprietary mutual funds and institutional accounts includes $190.8 billion at Putnam and Great-West Financial, $4.6 billion at Quadrus, and $20.4 billion at Irish Life. Proprietary mutual funds and institutional accounts under management increased by $31.0 billion, primarily as a result of the positive impact of currency movement of $16.9 billion, an increase in market values of $10.1 billion and net inflows of $4.0 billion.

LIABILITIES

Total liabilities

	Dec. 31 2014	Dec. 31 2013
Insurance and investment contract liabilities	**$ 146,055**	$ 132,063
Other general fund liabilities[1]	**13,791**	13,204
Investment and insurance contracts on account of segregated fund policyholders	**174,966**	160,779
Total	**$ 334,812**	$ 306,046

(1) Comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

Total liabilities increased by $28.8 billion to $334.8 billion at December 31, 2014 from December 31, 2013.

Investment and insurance contracts on account of segregated fund policyholders increased by $14.2 billion, primarily due to the combined impact of market value gains and investment income of $14.0 billion as well as the impact of currency movement of $0.8 billion, partially offset by net withdrawals of $0.1 billion. Insurance and investment contract liabilities increased by $14.0 billion. The increase was primarily due to the impact of new business, an increase in fair value adjustments driven by declining interest rates and currency movements as a result of a strengthening of the U.S. dollar and British pound against the Canadian dollar.

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

Assets supporting insurance and investment contract liabilities

	Participating Account	Non-Participating Canada	Non-Participating United States	Non-Participating Europe	Total
December 31, 2014					
Bonds	**$ 19,904**	**$ 18,991**	**$ 18,678**	**$ 30,723**	**$ 88,296**
Mortgage loans	**8,126**	**3,941**	**3,330**	**3,702**	**19,099**
Stocks	**4,414**	**1,740**	**—**	**191**	**6,345**
Investment properties	**1,230**	**5**	**—**	**2,738**	**3,973**
Other assets	**9,246**	**3,417**	**603**	**15,076**	**28,342**
Total assets	**$ 42,920**	**$ 28,094**	**$ 22,611**	**$ 52,430**	**$ 146,055**
Total insurance and investment contract liabilities	**$ 42,920**	**$ 28,094**	**$ 22,611**	**$ 52,430**	**$ 146,055**
December 31, 2013					
Bonds	$ 17,342	$ 16,157	$ 15,508	$ 27,273	$ 76,280
Mortgage loans	7,881	3,769	2,911	3,290	17,851
Stocks	5,066	1,796	—	225	7,087
Investment properties	1,192	3	—	2,460	3,655
Other assets	8,210	4,173	619	14,188	27,190
Total assets	$ 39,691	$ 25,898	$ 19,038	$ 47,436	$ 132,063
Total insurance and investment contract liabilities	$ 39,691	$ 25,898	$ 19,038	$ 47,436	$ 132,063

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

Asset and liability cash flows are matched within reasonable limits to minimize the financial effects of a shift in interest rates and mitigate the Company's financial position to interest rate volatility.

Other general fund liabilities

Other general fund liabilities

	December 31 2014	December 31 2013
Debentures and other debt instruments	**$ 5,355**	$ 5,740
Other liabilities	**3,099**	2,807
Accounts payable	**1,480**	1,583
Deferred tax liabilities [(1)]	**1,450**	916
Derivative financial instruments	**1,195**	744
Current income taxes	**737**	981
Funds held under reinsurance contracts	**313**	270
Capital trust debentures	**162**	163
Total	**$ 13,791**	$ 13,204

(1) Comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

Total other general fund liabilities increased by $0.6 billion to $13.8 billion, primarily due to an increase in derivative financial instruments of $0.5 billion, partially offset by the repayment of a term loan facility of $0.3 billion. As well, during 2014, the Company reclassified certain current income tax and deferred tax liabilities.

Other liabilities of $3.1 billion include pension and other post-employment benefits, deferred income reserve, bank overdraft and other liability balances. Refer to note 19 in the Company's December 31, 2014 annual consolidated financial statements for a breakdown of the other liabilities balance and note 17 in the Company's December 31, 2014 annual consolidated financial statements for details of the debentures and other debt instruments.

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

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

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

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

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

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

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

For purposes of determining the required capital for these guarantees a Total Gross Calculated Requirement (TGCR) is determined and the required capital is equal to the TGCR less the policy liabilities held. The TGCR was $206 million at December 31, 2014 ($218 million at December 31, 2013). The Office of the Superintendent of Financial Institutions (OSFI) rules for the TGCR provide for a CTE98 level for cash flows within one year, CTE95 level for cash flows between one and five years, and between CTE90 level and CTE95 level for cash flows greater than five years. The TGCR is determined separately for business written on or after January 1, 2011, as this business is subject to more stringent rules and cannot be offset by business written prior to 2011. All Canadian business is valued using OSFI approved internal models or approved OSFI factors.

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

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

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

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

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

The GMWB products offered by the Company offer levels of death and maturity guarantees. At December 31, 2014, the amount of GMWB product in-force in Canada, the U.S., Ireland and Germany was $3,016 million ($2,674 million at December 31, 2013).

Segregated funds guarantee exposure

		December 31, 2014 Investment deficiency by benefit type			
	Market Value	Income	Maturity	Death	Total*
Canada	$ 28,958	$ —	$ 30	$ 97	$ 97
United States	10,014	1	—	43	44
Europe					
Insurance & Annuities	8,128	1	36	52	52
Reinsurance**	1,173	350	—	20	370
	9,301	**351**	**36**	**72**	**422**
Total	**$ 48,273**	**$ 352**	**$ 66**	**$ 212**	**$ 563**

* A policy can only receive a payout from one of the three trigger events (income election, maturity or death). Total deficiency measures the point-in-time exposure assuming the most costly trigger event for each policy occurred on December 31, 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 December 31, 2014. The actual cost to the Company will depend on the trigger event having occurred and the market values at that time. The actual claims before tax associated with these guarantees were $2 million in-quarter and $10 million year-to-date, with the majority arising in the Europe Reinsurance segment.

LIFECO CAPITAL STRUCTURE

DEBENTURES AND OTHER DEBT INSTRUMENTS

Debentures and other debt instruments decreased by $385 million compared to 2013, primarily due to the repayment of the Putnam Acquisition Financing LLC term loan facility of US$304 million in December 2014.

Refer to note 17 in the Company's December 31, 2014 annual consolidated financial statements for further details of the Company's debentures and other debt instruments.

CAPITAL PERMANENCE

In 2013, Lifeco completed a consent solicitation of the holders of its 6.67% debentures due March 21, 2033 and amended the related trust indenture to remove the replacement capital covenant relating to certain preferred shares (Lifeco series F,G,H,I,L,M) and the Great-West Lifeco Finance (Delaware) 5.691% and 7.127% subordinated debentures. The removal of the replacement capital covenant provides the Company with the ability to be responsive to credit rating agency considerations, regulatory capital developments and greater flexibility to manage its capital structure. The consent solicitation and the resulting amendment of the trust indenture does not imply that Lifeco intends to take any future action with respect to the redemption of any of the securities previously subject to the replacement capital covenants.

CAPITAL TRUST SECURITIES

At December 31, 2014, the Company had $150 million principal outstanding of Canada Life Capital Trust Securities – Series B (CLiCS – Series B). Included in the Company's invested assets are CLiCS – Series B with a fair value of $51 million and principal value of $37 million (fair value of $47 million at December 31, 2013).

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

EQUITY

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

Share capital outstanding at December 31, 2014 was $9,616 million, which comprises $7,102 million of common shares, $2,264 million of fixed rate First Preferred Shares and $250 million of rate reset First Preferred Shares.

Common shares

At December 31, 2014, the Company had 996,699,371 common shares outstanding with a stated value of $7,102 million compared to 999,402,079 common shares with a stated value of $7,112 million at December 31, 2013.

The Company commenced a normal course issuer bid (NCIB) 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 twelve months ended December 31, 2014, the Company repurchased and subsequently cancelled 3,024,050 common shares (2013 - 1,885,381) at an average cost per share of $31.60 (2013 - $31.32) under its NCIB program.

In order to mitigate the dilutive effect of stock options granted under the Company's Stock Option Plan, the Company renewed its NCIB on December 9, 2014 for one year, enabling the Company to purchase and cancel up to 8,000,000 of its common shares at market prices.

Preferred shares

At December 31, 2014, the Company had ten series of fixed rate First Preferred Shares and one series of rate reset First Preferred Shares outstanding with aggregate stated values of $2,264 million and $250 million, respectively. On May 22, 2014, Lifeco opportunistically issued 8,000,000 5.25% non-cumulative fixed rate First Preferred Shares, Series S for $200 million given market receptivity at the time and cost of capital considerations.

The terms and conditions of the outstanding First Preferred Shares are set out in the table below:

	Great-West Lifeco Inc.					
	Series F	**Series G**	**Series H**	**Series I**	**Series L**	**Series M**
General Type	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Jul 10, 2003	Sep 14, 2004	Aug 12, 2005	Apr 12, 2006	Oct 2, 2009	Mar 4, 2010
Shares Outstanding	7,740,032	12,000,000	12,000,000	12,000,000	6,800,000	6,000,000
Amount Outstanding (Par)	$193,531,075	$300,000,000	$300,000,000	$300,000,000	$170,000,000	$150,000,000
Yield	5.90%	5.20%	4.85%	4.50%	5.65%	5.80%
Earliest Issuer Redemption Date	Sep 30, 2008	Dec 31, 2009	Sep 30, 2010	Jun 30, 2011	Dec 31, 2014	Mar 31, 2015

	Great-West Lifeco Inc.				
	Series N[1]	**Series P**	**Series Q**	**Series R**	**Series S**
General Type	5-Year Rate Reset	Fixed Rate	Fixed Rate	Fixed Rate	Fixed Rate
Cumulative/Non-Cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Date Issued	Nov 23, 2010	Feb 22, 2012	Jul 6, 2012	Oct 11, 2012	May 22, 2014
Shares Outstanding	10,000,000	10,000,000	8,000,000	8,000,000	8,000,000
Amount Outstanding (Par)	$250,000,000	$250,000,000	$200,000,000	$200,000,000	$200,000,000
Yield	3.65%	5.40%	5.15%	4.80%	5.25%
Earliest Issuer Redemption Date	Dec 31, 2015	Mar 31, 2017	Sep 30, 2017	Dec 31, 2017	Jun 30, 2019

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

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

NON-CONTROLLING INTERESTS

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

Non-controlling interests

	December 31	
	2014	2013
Participating account surplus in subsidiaries:		
Great-West Life	**$ 579**	$ 549
London Life	**1,720**	1,661
Canada Life	**167**	132
Great-West Financial	**14**	12
	$ 2,480	$ 2,354
Non-controlling interests in subsidiaries	**$ 163**	$ 8

During 2014, the Company modified certain Putnam share-based compensation plans. As a result, these plans previously accounted for as liability settled 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 2014, the Company reclassified the share-based liability into equity. As at December 31, 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 December 31, 2014, the Company and its operating subsidiaries held cash, cash equivalents and short-term bonds of $7.3 billion ($6.4 billion at December 31, 2013) and other available government bonds of $32.8 billion ($28.3 billion at December 31, 2013). Included in the cash, cash equivalents and short-term bonds at December 31, 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.

Lifeco has conservatively managed its capital and maintained its common share dividend unchanged since 2009. As a result, the Company has a strong capital position evidenced by its 2014 common share dividend payout ratio, which fell below 50% for the first time since 2007.

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.

Liquid assets and other marketable securities

	December 31	
	2014	2013
Liquid assets		
Cash, treasury bills and certificates of deposits	**$ 7,272**	$ 6,404
Government bonds	**32,804**	28,330
Total liquid assets	**40,076**	34,734
Other marketable securities		
Corporate bonds	**40,255**	35,135
Common/Preferred shares (public)	**7,012**	7,678
Residential mortgages - insured	**3,745**	3,561
Total	**$ 91,088**	$ 81,108

Cashable liability characteristics

	December 31	
	2014	2013
Surrenderable insurance and investment contract liabilities		
At market value	**$ 16,794**	$ 15,727
At book value	**42,210**	38,631
Total	**$ 59,004**	$ 54,358

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

The carrying value of the Company's liquid assets and other marketable securities is approximately $91.1 billion or 1.5 times the Company's expected total surrenderable insurance and investment contract liabilities. The Company believes that it holds a sufficient amount of liquid assets to meet unanticipated cash flow requirements prior to their maturity.

CASH FLOWS

Cash flows	For the three months ended December 31		For the twelve months ended December 31	
	2014	2013	**2014**	2013
Cash flows relating to the following activities:				
Operations	**$ 712**	$ 1,213	**$ 5,443**	$ 5,026
Financing	**(609)**	(451)	**(1,685)**	493
Investment	**(1,054)**	(880)	**(4,129)**	(4,813)
	(951)	(118)	**(371)**	706
Effects of changes in exchange rates on cash and cash equivalents	**23**	113	**78**	190
Increase (decrease) in cash and cash equivalents in the period	**(928)**	(5)	**(293)**	896
Cash and cash equivalents, beginning of period	**3,426**	2,796	**2,791**	1,895
Cash and cash equivalents, end of period	**$ 2,498**	$ 2,791	**$ 2,498**	$ 2,791

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 fourth quarter of 2014, cash and cash equivalents decreased by $928 million from September 30, 2014. Cash flows provided by operations during the fourth quarter of 2014 were $712 million, a decrease of $501 million compared to the fourth quarter of 2013. Cash flows used in financing were $609 million, primarily used for payment of dividends to the preferred and common shareholders of $338 million and to repay debentures and other debt instruments of $349 million, partially offset by an increase in a line of credit of a subsidiary. For the three months ended December 31, 2014, cash flows were used by the Company to acquire an additional $1,054 million of investment assets.

For the twelve months ended December 31, 2014, cash and cash equivalents decreased by $293 million from December 31, 2013. Cash flows provided by operations were $5,443 million, an increase of $417 million compared to the same period in 2013. Cash flows used in financing were $1,685 million, primarily used for payment of dividends to the preferred and common shareholders of $1,350 million and to repay debentures and other debt instruments of $348 million. For the twelve months ended December 31, 2014, cash flows were used by the Company to acquire an additional $4,129 million of investment assets.

COMMITMENTS/CONTRACTUAL OBLIGATIONS

Commitments/contractual obligations
At December 31, 2014

	Payments due by period						
	Total	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**Over 5 years**
1) Debentures and other debt instruments	$ 4,845	$ 70	$ —	$ 280	$ 200	$ —	$ 4,295
2) Operating leases							
- office	440	103	93	79	64	34	67
- equipment	9	4	3	2	—	—	—
3) Purchase obligations	180	71	34	26	17	16	16
4) Credit-related arrangements							
(a) Contractual commitments	591	591	—	—	—	—	—
(b) Letters of credit	see note 4(b) below						
5) Pension contributions	175	175	—	—	—	—	—
Total contractual obligations	**$ 6,240**	**$ 1,014**	**$ 130**	**$ 387**	**$ 281**	**$ 50**	**$ 4,378**

1) Refer to note 17 in the Company's December 31, 2014 annual consolidated financial statements.

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

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

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

(b) Letters of credit (LOC) are written commitments provided by a bank. The total amount of LOC facilities is US$3.0 billion of which US$2.6 billion were issued as of December 31, 2014.

The Reinsurance operation periodically uses letters of credit as collateral under certain reinsurance contracts for on balance sheet policy liabilities. Various Lifeco subsidiaries have provided LOCs as follows:

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

The Great-West Life Assurance Company has a letter of credit facility for US$650 million with a bank syndicate, which can be used by Great-West Life and its subsidiaries. As of December 31, 2014, Great-West Life subsidiaries have issued US$154 million to external parties.

The Great-West Life Assurance Company also has a letter of credit facility for US$325 million for use by Great-West Life and its subsidiaries. Under this facility, Canada Life has issued US$65 million to external parties to support reinsurance contracts.

As well, certain London Reinsurance Group subsidiaries and London Life have provided LOCs totaling US$8 million to external parties.

To internal parties
GWL&A Financial Inc. has a US$1.2 billion letter of credit facility. As of December 31, 2014, US$1,169 million has been issued to the U.S. branch of Canada Life as beneficiary, to allow it to receive statutory capital credit for reserves ceded to Great-West Life & Annuity Insurance Company of South Carolina.

GWL&A also has a US$70 million letter of credit facility in place. As of December 31, 2014, US$70 million has been issued to GWL&A insurance Company of South Carolina as beneficiary, to allow it to receive statutory capital credit.

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

Canada Life Reinsurance has a US$500 million letter of credit facility. As of December 31, 2014, US$325 million has been issued to Canada Life's U.S. Branch.

In addition, using capacity from the facilities listed above, GWL subsidiaries have issued US$632 million to other subsidiaries.

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

CAPITAL MANAGEMENT AND ADEQUACY

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

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate. Other foreign operations and foreign subsidiaries are required to comply with local capital or solvency requirements in their respective jurisdictions. 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 December 31, 2014 was 224% (223% at December 31, 2013). London Life's MCCSR ratio at December 31, 2014 was 247% (238% at December 31, 2013). Canada Life's MCCSR ratio at December 31, 2014 was 237% (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 December 31, 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 December 31, 2014, the Risk Based Capital (RBC) ratio of Great-West Financial, Lifeco's regulated U.S. operating company, is estimated to be 453% of the Company Action Level set by the National Association of Insurance Commissioners. Great-West Financial reports its RBC ratio annually to U.S. Insurance Regulators.

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. As at December 31, 2014, the phase in period has been completed. 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	**Dec. 31 2014**	Sept. 30 2014[3]	Dec. 31 2013[3]
Canada	**22.1 %**	22.7 %	24.2 %
U.S. Financial Services [1]	**16.3 %**	17.6 %	18.1 %
U.S. Asset Management (Putnam)	**(3.6)%**	(4.5)%	(3.7)%
Europe	**17.7 %**	16.4 %	15.0 %
Lifeco Corporate [2]	**(5.3)%**	(12.1)%	(12.8)%
Total Lifeco Operating Earnings Basis [2]	**15.7 %**	15.1 %	15.2 %
Total Lifeco Net Earnings Basis	**15.7 %**	16.5 %	16.8 %

(1) Includes U.S. Corporate
(2) Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2014 annual consolidated financial statements.
(3) Comparative figures have been adjusted as described in note 35 to the Company's December 31, 2014 annual 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 15.7% compared to 16.8% at December 31, 2013, which includes the impact of certain litigation provisions. At December 31, 2014, the Company achieved a 15.7% ROE on operating earnings, which includes $30 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 15.9% at December 31, 2014.

RATINGS

Lifeco achieved a reduction in its leverage ratio in 2014 by repaying one of the debt facilities in its capital structure. At the end of 2014, leverage ratios were below 30%, which is consistent with rating agencies' targets for similarly rated entities. By reducing debt and lowering its leverage ratio, the Company has increased financial flexibility to invest in organic growth and acquisition strategies.

Great-West Lifeco maintains ratings from five independent ratings' companies. In 2014, the credit ratings for Lifeco and its major operating subsidiaries were unchanged (set out in table below). The Company continues to receive strong ratings relative to its North American peer group resulting from its conservative risk profile, stable net earnings and consistent dividend track record.

Lifeco's operating companies 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 fleet credit ratings in 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	Claim 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-	

Standard & Poor's Ratings Services upgraded the issuer credit rating of Irish Life Assurance Plc (ILA) twice during 2014, from BBB+ at December 31, 2013 to A at December 31, 2014. Fitch Ratings upgraded Irish Life's Insurer Financial Strength (IFS) rating once in 2014, from A to A+. Subsequent to December 31, 2014, in January 2015, Fitch Ratings upgraded Irish Life's IFS to AA- from A+. At December 31, 2014, the ILA €200 million perpetual capital notes assumed on acquisition were rated BBB+ by Standard & Poor's Ratings Services and BBB+ by Fitch Ratings. Subsequent to December 31, 2014, Fitch Ratings upgraded the rating of these notes from BBB+ to A-.

RISK GOVERNANCE

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

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

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

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

RISK MANAGEMENT AND CONTROL PRACTICES

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

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

The risks specifically associated with the Asset Management business are discussed in Operational Risks.

INSURANCE RISKS

GENERAL

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

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

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

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

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

Risk	Management of Risk
Claims Mortality and Morbidity	
Mortality relates to the occurrence of death and morbidity relates to the incidence and duration of disability insurance claims, the incidence of critical conditions for critical illness insurance, and the utilization of health care benefits. There is a risk that the Company mis-estimates the level of mortality or morbidity, or accepts customers who generate worse mortality and morbidity experience than expected.	Research and analysis is done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active. Underwriting limits control the amount of risk exposure. Underwriting practices control the selection of risks insured for consistency with claims expectations. Underwriting policies have been developed to support the long-term sustainability of the business. The insurance contract liabilities established to fund future claims include a provision for adverse deviation, set in accordance with professional standards. This margin is required to make provision for the possibilities of mis-estimation of the best estimate and/or future deterioration in the best estimate assumptions. The Company sets and adheres to retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk. The Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or benefits usually constrained by contractual limits or in the case of participating policies through future changes in policyholder dividends. Effective plan design and claims adjudication practices, for both morbidity and mortality risks are critical to the management of the risk.
Concentration	
For Group life products, exposure to a multiple death scenario, due to concentration of risk in employment locations for example, could have an impact on financial results.	Risk concentrations are monitored for new business and renewals. Plan design features and medical underwriting limit the amount of insurance on any one life. The Company may impose single-event limits on some group plans and declines to quote in localized areas where the aggregate risk is deemed excessive.

Healthcare Cost Inflation	
For Group healthcare products, inflation and utilization will influence the level of claim costs. Claims utilization can be difficult to predict. The impact of aging, which plays a role in utilization, is well documented; however, the introduction of new services, such as breakthrough drug therapies, has the potential to substantially escalate benefit plan costs.	The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees, and through pricing that considers demographic and other trend factors.
Longevity	
Annuitants could live longer than was estimated by the Company.	Business is priced using prudent mortality assumptions, which take into account recent Company and industry experience and the latest research on expected future trends in annuitant mortality. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk. The Company has processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to limit annuity payments to those contractually entitled to receive them and helps ensure mortality data used to develop pricing assumptions is as complete as possible.
Policy Termination	
Many products are priced and valued to reflect the expected duration of contracts. There is a risk that the contract may be terminated before expenses can be recovered, to the extent that higher costs are incurred in early contract years. Risk also exists where the contract is terminated later than assumed, on certain long-term level premium products where costs increase by age. The risk also includes the potential cost of cash flow mismatch on book value products.	Business is priced using prudent policy termination assumptions, which take into account recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated for future new issues as necessary. The Company also incorporates early surrender charges into contracts and incorporates commission claw backs in its distribution agreements to reduce unrecovered expenses. Policyholder taxation rules in many jurisdictions encourage the retention of insurance coverage.
Expense Management	
Increases in operating expenses could reduce profit margins.	Expense management programs are regularly monitored to control unit costs and form a component of management incentive compensation plans.
Interest Rate Pricing and Repricing	
Products are priced and valued based on the investment returns available on the assets that support the insurance and investment contract liabilities. If actual investment returns are different from those implicit in the pricing assumptions, actual returns in a given period may be insufficient to cover contractual guarantees and commitments or insurance and investment contract liability requirements. Products with long-term cash flows and pricing guarantees carry more risk.	There is regular and ongoing communication between pricing, valuation and investment management to establish appropriate interest rate assumptions, with a focus on closely matching assets and liabilities to minimize reinvestment risks, bearing in mind assets may not be available to match the liabilities, especially at longer durations.

Cash Flow Matching	
Mismatches between asset and liability cash flows could reduce profit margins in unfavourable interest rate environments.	Margins on non-adjustable products are protected through matching of assets and liabilities within reasonable limits. Margins on adjustable products are protected through frequent monitoring of asset and liability positions. The valuation of both of these product types employs modeling using multiple scenarios of future interest rates, and prudent reserving including provisions for adverse deviations. The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are selected and managed in relation to the liabilities in the segment. Changes in the fair value of these assets are essentially offset by changes in the fair value of insurance and investment contract liabilities.
Reinsurance Assumed	
The reinsurance business in particular has exposure to natural catastrophic events that result in property damage. As retrocessionaire for property catastrophe risk, the Company generally participates at significantly higher event-loss exposures than primary carriers and reinsurers. Generally, an event of significant size must occur prior to the Company incurring a claim.	The Company limits the total maximum claim amount under all contracts. The Company monitors cedant companies' claims experience on an ongoing basis and incorporates their experience in pricing models to ensure that the compensation is adequate for the risk undertaken.
Investment Guarantees	
A significant decline in market values could increase the cost to the Company associated with segregated fund death, maturity, income and withdrawal guarantees. In addition, lower interest rates and increased policyholder utilization could increase the cost to the Company associated with general fund account guarantees, segregated fund income and withdrawal guarantees.	Prudent product design, effective marketing, asset allocation within client portfolios and our broad distribution within Canada and the U.S., all contribute to a significantly diverse profile of in-force segregated funds, issued steadily over many years, which helps to mitigate exposure in Canada and the U.S. to guarantees related to segregated funds. The Company has implemented a hedging program for segregated funds with withdrawal guarantees. This program consists of entering into equity futures, currency forwards, interest rate futures and swaps to mitigate exposure to the movement in the cost of withdrawal guarantees due to changes in capital markets.

INVESTMENT AND FINANCIAL MARKET RISKS

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

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

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

Risk	Management of Risk
Interest Rate Risk	
Interest rate risk exists if the cash flows of the liabilities and those of the assets supporting these liabilities are not closely matched and interest rates change causing a difference in value between the assets and liabilities.	Interest rate risk is managed by investing in assets that are suitable for the products sold. For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the liability product cash flows. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. Protection against interest rate change is achieved, as any change in the fair market value of the liabilities will be offset by a similar change in the fair value of the assets. For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of shorter duration than the anticipated timing of the benefit payments. The Company regularly monitors market and liability developments and may execute from time-to-time risk reduction programs, such as hedging. Where these products have benefit or expense payments that are dependent on inflation (inflation-indexed annuities, pensions and disability claims), the Company generally invests in real return instruments to hedge its real dollar liability cash flows. Some protection against changes in the inflation index is achieved, as any related change in the fair value of the assets will be largely offset by a similar change in the fair value of the liabilities.
Equity Market Risk	
Given the volatility in equity markets, income in any year may be adversely affected by decreases in market values, notwithstanding the Company's long-term expectation of investment returns appropriate for this asset class. Returns from equities backing a portion of the non-adjustable life and living benefits insurance contract liabilities may be insufficient.	The Company's investment policy guidelines provide for prudent investment in equity markets within clearly defined limits. Exposure to common stocks and investment properties is managed to provide returns that are consistent with the requirements of the underlying segment. The Investment Policy sets out limits for equity investments. For those used to support non-adjustable policies, the time horizon for such investments is very long-term and the policy elements backed by these equities pose little or no liquidity risk. The allowable level of equities has been determined after carefully evaluating the tolerance for short-term income statement volatility and the balance between this volatility and long-term economic value.

Credit Risk	
The risk of loss if debtors, counterparties or intermediaries are unable or unwilling to fulfil their financial obligations.	It is Company policy to acquire only investment grade assets and minimize undue concentration of assets in any single geographic area, industry and company. Guidelines specify minimum and maximum limits for each asset class. Credit ratings for bonds are determined by an internal credit assessment, taking into consideration the ratings assigned by recognized rating agencies. These portfolios are monitored continuously and reviewed regularly with the Boards of Directors or the Investment Committees. Derivative products are traded with counterparties approved by the Boards of Directors or the Investment Committees. Derivative counterparty credit risk is evaluated quarterly on a current exposure method, using practices that are at least as conservative as those recommended by regulators. Companies providing reinsurance to the Company are reviewed for financial soundness as part of the ongoing monitoring process. The Company regularly monitors investment markets and economic conditions and may execute from time-to-time risk reduction programs, such as hedging.
Liquidity Risk	
The risk of loss if insufficient funds are available to meet anticipated operating and financing commitments and unexpected cash demands. There is a risk of default if the Company is unable to post adequate collateral with derivative counterparties. In the normal course of its Reinsurance business, the Company provides LOCs to other parties, or beneficiaries. A beneficiary will typically hold a LOC as collateral in order to secure statutory credit for insurance and investment contract liabilities ceded to or amounts due from the Company. The Company may be required to seek collateral alternatives it if was unable to renew existing LOCs at maturity.	The Company closely manages operating liquidity through cash flow matching of assets and liabilities and maintaining adequate liquidity sources to cover unexpected payments. The Company forecasts earned and required yields to ensure consistency between policyholder requirements and the yield of assets. The Company carefully considers whether to enter into derivative arrangements on a collaterized or uncollaterized basis. Where the Company or its subsidiaries enter into collaterized arrangements, the Company periodically tests the availability of suitable collateral under stress scenarios. Management monitors its use of LOCs on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit. The Company has contractual rights to reduce the amount of LOCs issued to the LOC beneficiaries for certain reinsurance treaties. Management staggers the maturities of its LOCs to reduce the renewal risk.

Foreign Exchange Risk	
The Company's revenue, expenses and income denominated in currencies other than the Canadian dollar are subject to fluctuations due to the movement of the Canadian dollar against these currencies. Such fluctuations affect financial results. The Company has significant exposures to the U.S. dollar resulting from the operations of Great-West Financial and Putnam in the United States segment and Reinsurance and to the British pound and the euro resulting from operations in the U.K., Isle of Man, Ireland and Germany in the Europe segment. The Company has net investments in foreign operations. In addition, the Company's debt obligations are mainly denominated in Canadian dollars. In accordance with IFRS, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income (loss). Strengthening or weakening of the Canadian dollar spot rate compared to the U.S. dollar, British pound and euro spot rates impacts the Company's total share capital and surplus. Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted. A 1% appreciation (depreciation) of the average exchange rate of the Canadian dollar to the U.S. dollar, British pound and euro together would decrease (increase) operating earnings in 2014 by $14 million. A 1% appreciation (depreciation) of the Canadian dollar compared to the average U.S. dollar, British pound and euro together would decrease (increase) the unrealized foreign currency translation losses in accumulated other comprehensive income (loss) of shareholders' equity by $122 million as at December 31, 2014.	Management utilizes forward foreign currency contracts and foreign denominated debt to mitigate the volatility arising from the movement of rates as they impact the translation of net investments in foreign operations. The Company uses non-IFRS financial measures such as constant currency calculations to assist in communicating the effect of currency translation fluctuation on financial results. Investments are normally denominated in the same currency as the liabilities they support. Foreign currency assets acquired to back liabilities are generally converted back to the currency of the liabilities using foreign exchange contracts.
Derivative Instruments	
There is a risk of loss if derivatives are used for inappropriate purposes.	Approved policies only allow derivatives to be used to hedge imbalances in asset and liability positions or as substitutes for cash instruments. The Company's risk management process governing the use of derivative instruments requires that the Company act only as an end-user of derivative products, not as a market maker. The use of derivatives may include interest rate, foreign exchange and equity swaps, options, futures and forward contracts, as well as interest rate caps, floors and collars. There were no major changes to the Company's and its subsidiaries' policies and procedures with respect to the use of derivative financial instruments in 2014.

OPERATIONAL RISKS

Following are the significant operational risks associated with the business.

Risk	Management of Risk
Operational Risk	
There is a risk of direct or indirect loss resulting from inadequate or failed internal processes (including modelling and outsourcing risks), people and systems (including cyber risk) or from external events. Operational risk also includes risks arising from significant change management initiatives such as business model changes, mergers and acquisitions, major systems implementation, new product introductions and leadership changes.	The Company manages and mitigates internal operational risks through integrated and complementary policies, procedures, processes and practices. Human Resources hiring, performance evaluation, promotion and compensation practices are designed to attract, retain and develop the skilled personnel required. A comprehensive job evaluation process is in place and training and development programs are supported. Each business area provides training designed for their specific needs and has developed appropriate internal controls. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors. The Company applies a robust project management discipline to all significant initiatives. Appropriate security measures protect premises and information. The Company has emergency procedures in place for short-term incidents or outages and is committed to maintaining business continuity and disaster recovery plans in every business location for the recovery of critical functions in the event of a disaster, which include offsite backup data storage and alternative work area facilities.
Changes in Managed Asset Values	
The Company's investment fund businesses are fee-based, with revenue and profitability based primarily on the market value of investment fund assets under management. Accordingly, fee income derived in connection with the management of investment funds generally increases or decreases in direct relationship with changes of assets under management, which is affected by prevailing market conditions, and the inflow and outflow of client assets (including purchases and redemptions). Factors that could cause assets under management and revenues to decrease include declines in equity markets, changes in fixed-income markets, changes in interest rates and defaults, redemptions and other withdrawals, political and other economic risks, changing investment trends and relative investment performance. The risk is that fees may vary but expenses and recovery of initial expenses are relatively fixed, and market conditions may cause a shift in asset mix potentially resulting in a change in revenue and income.	Through its wide range of funds, the Company seeks to limit its risk exposure to any particular financial market. In its Canadian segregated fund business, the Company encourages its clients to follow a diversified long-term asset allocation approach to reduce the variability of returns and the frequency of fund switching. As a result of this approach, a significant proportion of individual segregated fund assets are in holdings of either a diversified group of funds or "fund of funds" investment profiles, which are designed to improve the likelihood of achieving optimal returns within a given level of risk. The investment process for assets under management is primarily based upon fundamental research with quantitative research and risk management support. Fundamental research includes valuation analysis, economic, political, industry and company research, company visits, as well as the utilization of such sources as company public records and activities, management interviews, company prepared information, and other publicly available information, as well as analyses of suppliers, customers and competitors. Quantitative analysis includes the analysis of past trends and the use of sophisticated financial modeling to gauge how particular securities may perform. Putnam's risk management capability analyzes securities across all the Putnam Funds and other portfolios to identify areas of over concentration and other potential risks. In some cases, the Company charges fees that are not related to assets but are based on premiums or other metrics, which reduces the sensitivity of income to market movements.

Staff Recruitment/Retention	
The Company is highly dependent on its ability to attract, retain and motivate highly skilled, and often highly specialized, personnel. The market for these professionals is extremely competitive and is increasingly characterized by movement among different organizations. The loss of the services of key personnel or failure to attract replacement or additional qualified personnel could negatively affect financial performance. Failure to offer or maintain competitive compensation packages may result in increased levels of turnover among these professionals. Any increase in compensation to attract or retain key personnel could result in a decrease in net earnings. Departure of key personnel could lead to the loss of clients, which could have an adverse effect on results of operations and financial condition.	The Company uses external consultants to obtain benchmark compensation data and works closely with the Board of Directors to develop competitive compensation packages for key personnel. The Company also uses incentive based compensation instruments such as share grants of Putnam and Lifeco share options to retain and attract key personnel. Compensation of this type generally links the performance of the Company and an employee's ultimate compensation.
Contract Termination	
The retirement and investment services and asset and wealth management businesses derive substantially all of their revenue and net earnings from investment advisory agreements and service agreements with mutual funds and from other investment products. The contracts are terminable on relatively short notice without cause and management and distribution fees must be approved annually. The termination of, or failure to renew, one or more of these agreements or the reduction of the fee rates applicable to such agreements, could impact the Company's revenues and profits.	The Company devotes substantial resources to the investment management process and seeks to achieve consistent, dependable and superior performance results over time for all client portfolios. Assets under management are spread across a wide range of investment objectives, which creates diversity in the product lines. The Company's exposure to the segregated and mutual funds is spread across many individual funds. Considerable resources are devoted to maintaining a strong relationship with the Plan trustees or other applicable fiduciaries of the funds under the relevant agreements. Company representatives meet frequently with the various committees, Plan trustees and other fiduciaries to fulfil legal reporting requirements, keep them apprised of business developments, renegotiate contracts and/or address any issues they may have.
Access to Distribution	
The Company's ability to market its products is significantly dependent on its access to a client base of individual, corporate and public employee pension funds, defined contribution plan administrators, endowment funds, domestic and foreign institutions and governments, insurance companies, securities firms, brokers, banks, and other intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. In addition, certain investors rely on consultants to advise them on the choice of advisor and consultants may not always consider or recommend the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries, or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.	The Company has a broad network of distribution relationships. Products are distributed through numerous broker dealers, managing general agencies, financial planners, banks and other financial institutions. In addition, Putnam has certain strategic alliances with investment management firms internationally. Putnam relies on its extensive global distribution group to market the Putnam Funds and other investment products across all major retail, institutional and retirement plan distribution channels.

Holding Company Structure	
As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital. In the event of the bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company; in addition, the other creditors of these subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of the relevant subsidiaries. Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set forth in relevant insurance, securities, corporate and other laws and regulations which require that solvency and capital standards be maintained by Great-West Life, London Life, CLFC, Canada Life, Great-West Financial, and their subsidiaries and certain subsidiaries of Putnam. There are considerable risks and benefits related to this structure.	Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access capital markets for funds. Management actively monitors the regulatory laws and regulations at both the holding company and operating company levels to ensure ongoing compliance.

OTHER RISKS

Other risks not specifically identified elsewhere include:

Risk	Management of Risk
Ratings	
Financial strength, claims paying ability ratings and ratings related to the issuance of financial instruments represent the opinions of rating agencies regarding the financial ability of Lifeco and its principal subsidiaries to meet its obligations, and are an important factor in establishing the competitive position of life insurance companies and affect financing costs. Rating organizations regularly analyze the financial performance and condition of insurers, including the Company's subsidiaries. Any ratings downgrades, or the potential for such downgrades, of the Company's subsidiaries could increase surrender levels of their insurance and annuity products and constrain the Company's ability to market and distribute products and services, and damage the Company's relationships with creditors, which may adversely impact future business prospects. These ratings represent an important consideration in maintaining customer confidence in the Company's subsidiaries and in their ability to market insurance and annuity products.	The Company strives to manage to a target credit rating by diligently monitoring the evolution of the rating criteria and processes of the various rating agencies.
Future Acquisitions	
From time-to-time, Lifeco and its subsidiaries evaluate existing companies, businesses, products and services, and such review could result in Lifeco or its subsidiaries disposing of or acquiring businesses or offering new, or discontinuing existing products and services. In the ordinary course of their operations the Company and its subsidiaries consider and discuss with third parties the purchase or sale of companies, businesses or business segments. If effected, such transactions could be material to the Company in size or scope, and could result in changes in the value of the securities of Lifeco, including the common shares of Lifeco.	Lifeco undergoes extensive due diligence upon any consideration of acquiring or disposing of businesses or companies or offering new, or discontinuing existing, products and services. In its consideration of strategic acquisitions, the Company may determine it to be prudent to hold additional capital for contingencies that may arise during the integration period following an acquisition.

Legal and Regulatory Risk	
The Company and certain of its principal subsidiaries are subject to various legal and regulatory requirements imposed by common and civil law, legislation and regulation in Canada, the U.S., the U.K., Ireland and other jurisdictions applicable to reporting issuers and to insurance companies and companies providing investment management and other financial services (including supervision by governmental authorities in the jurisdictions in which they carry on business). These requirements, which include capital adequacy, liquidity and solvency requirements, investment restrictions, restrictions on the sale and marketing of insurance and annuity products and on the business conduct of insurers, asset managers and investment advisors, are primarily intended to protect policyholders, beneficiaries and investment advisory clients, not shareholders. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements, which in turn could lead to financial sanctions or penalties and damage to the Company’s reputation, could have a material adverse effect on the Company. Regulators may reassess capital requirements from time-to-time and require additional capital to be held in various regulated subsidiaries. As well, regulatory capital requirements influence liquidity and the amount of capital that must be held by various regulated subsidiaries of the Company in particular jurisdictions and constrain the movement of capital from jurisdiction to jurisdiction, and accordingly such requirements may restrict the ability of such subsidiaries to declare and pay dividends to the Company. Potential regulatory changes in Canada include new guidance on capital requirements (OSFI’s “Roadmap”) currently expected in 2018, as well as new capital requirements for European entities, Solvency II basis, expected to be effective January 1, 2016.	The Company monitors compliance with the legal, regulatory, accounting and other standards and requirements in all jurisdictions where it conducts business and assesses trends in legal and regulatory change to keep business areas current and responsive. The risk of legal actions is managed through the various risk management and control practices described in this "Risk Management and Control Practices" section of this MD&A.

Legal and Regulatory Risk (cont'd)	
The Company adopted International Financial Reporting Standards (IFRS) on January 1, 2011, which impacted the opening surplus and net earnings of the Company. As well, new IFRS guidance including a revised standard on Insurance Contracts is being developed that may introduce significant change to the valuation of insurance contract liabilities and the presentation of results in financial statements. While there are significant uncertainties, as drafted, these accounting and regulatory developments may impact the financial position of the Company by subjecting the Company to widely fluctuating levels of reserve and capital requirements, which would increase earnings volatility, therefore impacting the Company's flexibility to distribute cash to its providers of capital in the future. The Company and its subsidiaries operate in an increasingly regulated and litigious environment and as such are from time-to-time subject to legal actions, including arbitrations and class actions, arising in the normal course of business. It is inherently difficult to predict the outcome of any of these proceedings with certainty, and it is possible that an adverse resolution could be material to the Company, or could result in significant damage to the reputation of the Company, which could in turn adversely impact future business prospects.	
Reputational Risk	
In the course of its business activities, the Company may be exposed to the risk that some actions may lead to damage to the Company's reputation and hence damage to its future business prospects. These actions may include unauthorized activities of employees or other people associated with the Company, inadvertent actions of the Company that become publicized and damage the Company's reputation, regular or past business activities of the Company that become the subject of regulator or media scrutiny and, due to a change of public perception, cause damage to the Company, or any other action or activity that gives rise to damage to the Company's general reputation.	The Company has ongoing controls to limit the unauthorized activities of people associated with the Company. The Company has adopted a Code of Business Conduct and Ethics, which sets out the standards of business conduct to be followed by all directors, officers and employees of the Company. Further, the directors, officers and employees are required to sign off annually on their compliance with the Code of Business Conduct and Ethics. The Company also reacts to address situations that may escalate to a level that might give rise to damage to its reputation.

Reinsurance	
Through its subsidiaries, the Company is both a user and a provider of reinsurance, including both traditional reinsurance ceded, which is undertaken primarily to mitigate against assumed insurance risks, and financial reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited. The Company is required to pledge amounts of collateral or deposit amounts with counterparties in certain reinsurance transactions according to contractual terms. These arrangements could require additional requirements in the future depending on regulatory and market developments. While there are significant uncertainties in these developments and the associated impact on the financial position of the Company, these may impact the Company's financial flexibility.	The Company accounts for all reinsurance transactions in accordance with IFRS. In some cases, IFRS may differ from the accounting treatment utilized by the Company's reinsurers or its reinsureds based upon the rules applicable to them in their reporting jurisdictions. The Company believes that reinsurance transactions that it has entered into are appropriate and properly accounted for by the Company. Notwithstanding, the Company may, in connection with this type of reinsurance, be exposed to reputation or other risks depending on future events. The Company maintains a Corporate Reinsurance Ceded Risk Management policy, which is reviewed and approved by the operating subsidiaries. Annually, the Chief Actuaries report to the Audit Committees, confirming compliance with the policy.
Support Systems and Customer Service Functions	
The ability to consistently and reliably obtain securities pricing information, accurately process client transactions and provide reports and other customer services is essential to the Company's operations. A failure of any of these systems could have an adverse effect on the Company's results of operations and financial condition. In addition, any delays or inaccuracies in obtaining pricing information, processing client transactions or providing reports, in addition to any inadequacies in other customer service could lead to loss of client confidence, harm to the Company's reputation, exposure to disciplinary action, and liability to the Company's clients. As part of normal operations, the Company maintains and transmits confidential information about its clients and proprietary information relating to its business operations. The Company could be subject to losses if it fails to properly safeguard sensitive and confidential information.	The Company's operations work with its systems and service providers to obtain reliability, security and efficiency of information systems. The Company utilizes high quality external systems and maintains controls relating to information security and also works with service providers to verify and assess the sufficiency of their controls.

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

Environmental Risk (cont'd)	
	Commercial assets under management are monitored nationally and measured for environmental performance, which includes GHG emissions, waste diversion and water; monitoring is carried out by a third-party environmental consultant. GWLRA’s property management and leasing functions are conducted in accordance with environmental laws and prudent industry practices. The Company strives to reduce its environmental footprint through energy conservation and waste reduction that entails recycling programs, periodic waste diversion audits and performance benchmarking. For more information on the Company’s environmental policies and initiatives, refer to the Public Accountability Statement available on the Canadian operating subsidiaries websites. The Company monitors relevant emerging issues, regulations and requirements through collaboration with its environmental and legal consultants. The Environmental Committee of GWLRA reviews policies and procedures on an annual basis and revises established policies and guidelines as required.

ACCOUNTING POLICIES

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenue and expenses during the reporting period. The results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. The estimation of insurance and investment contract liabilities relies upon investment credit ratings. The Company's practice is to use third-party independent credit ratings where available.

The significant accounting estimates include the following:

Fair Value Measurement

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

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

The Company’s assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

Level 1 inputs utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable and include situations where there is little, if any, market activity for the asset or liability.

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

Refer to note 8 in the Company's December 31, 2014 annual consolidated financial statements for disclosure of the Company's financial instruments fair value measurement at December 31, 2014.

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

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

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

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

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

Goodwill and indefinite life intangible assets have been allocated to cash generating units (CGU), representing the lowest level that the assets are monitored for internal reporting purposes. Goodwill and indefinite life intangible assets are tested for impairment by comparing the carrying value of each cash generating unit groupings containing the assets to its recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

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

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

Mortality – A life insurance mortality study is carried out annually for each major block of insurance business. The results of each study are used to update the Company's experience valuation mortality tables for that business. When there is insufficient data, use is made of the latest industry experience to derive an appropriate valuation mortality assumption. Mortality improvement has been projected to occur for the next 25 years. In addition, appropriate provisions have been made for future mortality deterioration on term insurance. A 2% increase in the best estimate assumption would cause a decrease in net earnings of approximately $238 million.

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

Morbidity – The Company uses industry developed experience tables modified to reflect emerging company experience. Both claim incidence and termination are monitored regularly and emerging experience is factored into the current valuation. For products for which morbidity is a significant assumption, a 5% decrease in best estimate termination assumptions for claim liabilities and a 5% increase in best estimate incidence assumptions for active life liabilities would cause a decrease in net earnings of approximately $220 million.

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

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

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

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

- The effect of an immediate 1% parallel increase in the yield curve on the prescribed scenarios would not change the total provision for interest rates.
- The effect of an immediate 1% parallel decrease in the yield curve on the prescribed scenarios would not change the total provision for interest rates.

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

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $75 million causing an increase in net earnings of approximately $41 million.
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $564 million causing a decrease in net earnings of approximately $383 million.

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

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities; for example segregated fund products and products with long-tail cash flows. Generally these liabilities will fluctuate in line with equity 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 $42 million, causing an increase in net earnings of approximately $34 million.
- A 10% decrease in equity values would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $149 million, causing a decrease in net earnings of approximately $113 million.

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

- A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $455 million causing an increase in net earnings of approximately $355 million.
- A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $482 million causing a decrease in net earnings of approximately $372 million.

Expenses – Contractual policy expenses (e.g. sales commissions) and tax expenses are reflected on a best estimate basis. Expense studies for indirect operating expenses are updated regularly to determine an appropriate estimate of future operating expenses for the liability type being valued. Improvements in unit operating expenses are not projected. An inflation assumption is incorporated in the estimate of future operating expenses consistent with the interest rate scenarios projected under CALM as inflation is assumed to be correlated with new money interest rates. A 5% increase in the best estimate maintenance unit expense assumption would cause a decrease in net earnings of approximately $99 million.

Policy termination – Studies to determine rates of policy termination are updated regularly to form the basis of this estimate. Industry data is also available and is useful where the Company has no experience with specific types of policies or its exposure is limited. The Company has significant exposures in respect of the T-100 and Level Cost of Insurance Universal Life products in Canada and policy renewal rates at the end of the term for renewable term policies in Canada and Reinsurance. Industry experience has guided the Company's assumptions for these products as its own experience is very limited. A 10% adverse change in the best estimate policy termination and renewal assumptions would cause a decrease in net earnings of approximately $568 million.

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

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

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

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

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

Employee future benefits – The Company's subsidiaries maintain contributory and non-contributory defined benefit and defined contribution pension plans for certain employees and advisors. The defined benefit pension plans provide pensions based on length of service and final average pay. For most plans, active plan participants share in the cost of benefits through employee contributions in respect of current service. Certain pension payments are indexed either on an ad hoc basis or a guaranteed basis. Effective January 1, 2013, both The Great-West Life Assurance Company Canadian Employees' Pension Plan and the London Life Staff Pension Plan added a defined contribution provision to their plans. All new hires after this date are eligible only for defined contribution benefits. This change is consistent with the benefit provisions of the majority of the Company's pension plans for new entrants and will continue to reduce the Company's defined benefit plan exposure in future years. The defined contribution pension plans provide pension benefits based on accumulated employee and Company contributions. The Company's subsidiaries also provide post-employment health, dental and life insurance benefits to eligible employees, advisors and their dependents. For further information on the Company's pension plans and other post-employment benefits refer to note 25 in the Company's December 31, 2014 annual consolidated financial statements.

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

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

Actuarial assumptions - employee future benefits
At December 31

	Defined benefit pension plans		Other post-employment benefits	
	2014	2013	**2014**	2013
Actuarial assumptions used to determine benefit cost				
Discount rate	**4.7 %**	4.4 %	**4.8%**	4.2%
Expected rate of compensation increase	**3.3 %**	3.1 %	**—**	—
Future pension increases	**1.8 %**	1.9 %	**—**	—
Actuarial assumptions used to determine defined benefit obligation				
Discount rate	**3.5 %**	4.7 %	**3.9%**	4.8%
Rate of compensation increase	**3.2 %**	3.3 %	**—**	—
Future pension increases	**1.1 %**	1.8 %	**—**	—
% of defined benefit obligation subject to future pension increases	**53.0 %**	54.0 %	**—**	—
Medical cost trend rates:				
Initial medical cost trend rate			**5.2%**	6.4%
Ultimate medical cost trend rate			**4.5%**	4.5%
Year ultimate trend rate is reached			**2029**	2024

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

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

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

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

Impact of a change of 1.0% in actuarial assumptions on defined benefit obligation	1% increase		1% decrease	
	2014	2013	2014	2013
Defined benefit pension plans:				
Impact of a change to the discount rate	**$ (992)**	$ (780)	**$ 1,309**	$ 1,016
Impact of a change to the rate of compensation increase	**334**	246	**(276)**	(196)
Impact of a change to the rate of inflation	**593**	620	**(474)**	(487)
Other post-employment benefits:				
Changes to assumed medical cost trend rates impact on defined benefit obligation	**34**	33	**(29)**	(28)
Impact of a change to the discount rate on defined benefit obligation	**(45)**	(42)	**55**	51

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

Funding – The Company's subsidiaries have both funded and unfunded pension plans as well as other post-employment benefit plans which are unfunded. The Company's funded pension plans are funded to or above the amounts required by relevant legislation. During the year, the Company contributed $180 million ($152 million in 2013) to the pension plans and made benefit payments of $18 million ($17 million in 2013) for post-employment benefits. The Company expects to contribute $156 million to the benefit pension plans and make benefit payments of $19 million for post-employment benefits in 2015.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 of the adoption of this standard.
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.
Annual Improvements 2010 - 2012 Cycle	In December 2013, the IASB issued *Annual Improvements 2010 - 2012 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Amendments to seven standards were included in this issue relating to IFRS 2, *Share-based Payments*, IFRS 3, *Business Combinations*, IFRS 8, *Operating Segments*, IFRS 13, *Fair Value Measurement*, IAS 16, *Property, Plant and Equipment*, IAS 24, *Related Party Transactions*, and IAS 38, *Intangible Assets*. The amendments are effective for annual periods beginning after July 1, 2014. The Company will adopt these amendments effective January 1, 2015.
Annual Improvements 2011 - 2013 Cycle	In December 2013, the IASB issued *Annual Improvements 2011 - 2013 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Amendments to four standards were included in this issue relating to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, IFRS 3, *Business Combinations,* IFRS 13, *Fair Value Measurement*, and IAS 40, *Investment Property*. The amendments are effective for annual periods beginning after July 1, 2014. The Company will adopt these amendments effective January 1, 2015.
Annual Improvements 2012 - 2014 Cycle	In September 2014, the IASB issued *Annual Improvements 2012 - 2014 Cycle* as part of its ongoing process to efficiently deal with non-urgent narrow scope amendments to IFRS. Five amendments were included in this issue relating to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7, *Financial Instruments: Disclosures,* IFRS 1, *First-time Adoption of International Financial Reporting Standards,* IAS 19, *Employee Benefits* and IAS 34 *Interim Financial Reporting.* The amendments are effective January 1, 2016. The Company is evaluating the impact of the adoption of these amendments.
IAS 16 - *Property, Plant and Equipment* and IAS 38 - *Intangible Assets*	In May 2014, the IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets* that the use of revenue-based methods to calculate the depreciation of property, plant and equipment and intangible assets is not appropriate. The amendments are effective January 1, 2016. The Company is evaluating the impact of the adoption of these amendments.

IFRS 10 - *Consolidated Financial Statements* and IAS 28 - *Investments in Associates and Joint Ventures*	In September 2014, the IASB issued amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures* to clarify that any gain or loss recognized in a transaction involving an associate or joint venture depends on whether the assets sold or contributed constitute a business as defined under IFRS 3, *Business Combinations*. The amendments are effective January 1, 2016. The Company is evaluating the impact of the adoption of these amendments.
IFRS 11 - *Joint Arrangements*	In May 2014, the IASB issued amendments to IFRS 11, *Joint Arrangements* on the accounting for acquisitions of an interest in a joint operation when the operations constitute a business as defined under IFRS 3, *Business Combinations*. The amendments are effective January 1, 2016. The Company is evaluating the impact of the adoption of these amendments.

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.

BUSINESS PROFILE

INDIVIDUAL INSURANCE

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

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

WEALTH MANAGEMENT

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

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

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

Through its Canada Life subsidiary, the Company writes creditor and direct marketing business, offering effective benefit solutions for large financial institutions, credit card companies, alumni and association groups. Canada Life is a recognized leader in the creditor insurance business with $2.2 billion in annual direct premium.

MARKET OVERVIEW

PRODUCTS AND SERVICES

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

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
• Manages largest portfolio of life insurance in Canada as measured by premium • Pre-eminent provider of individual disability and critical illness insurance with 29% market share of in-force premium[1]	***Individual Life Insurance*** • Term Life • Universal Life • Participating Life ***Living Benefits*** • Disability • Critical Illness	***Associated with:*** ***Great-West Life Distribution*** • 2,889 Great-West Life financial security advisors • 2,275 advisors associated with a number of intercorporate arrangements • 6,209 independent brokers ***London Life Distribution*** • 3,583 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors ***Canada Life Distribution*** • 7,855 independent brokers associated with 39 Managing General Agencies (MGAs) • 1,769 advisors associated with 16 national accounts • 3,131 Investors Group consultants who actively sell Canada Life products • 169 direct brokers and producer groups

(1) As at September 30, 2014

WEALTH MANAGEMENT

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

The Company offers a wide range of segregated funds through its multiple distribution channels including 91 London Life Segregated funds to individual Freedom 55 Financial™ clients, 79 Canada Life segregated funds to individual Canada Life clients, 84 Great-West Life segregated funds to individual Great-West Life clients and over 200 segregated funds to Envision Group Capital Accumulation Fund clients.

Quadrus offers 48 mutual funds under the Quadrus Group of Funds™ brand and over 3,500 third-party mutual funds. Mackenzie Financial Corporation, a member of the Power Financial Corporation group of companies, administers the Quadrus Group of Funds.

MARKET POSITION	PRODUCTS AND SERVICES		DISTRIBUTION
• 27% market share of individual segregated funds(1) • 17% market share of group capital accumulation plans(2)	**Group Retirement Services** • Group Capital Accumulation Plans • Non-registered savings programs • Deferred profit sharing plans • Defined contribution pension plans • Group RRSPs & TFSAs Invested in: • Segregated funds • Guaranteed investment options • Single company stock • Retirement Income Plans • Payout annuities • Deferred annuities • Retirement income funds • Life income funds • Investment management services only plans Invested in: • Segregated funds • Guaranteed investment options • Securities	**Individual Retirement & Investment Services** • Savings plans • Registered Retirement savings plans • Non-registered savings programs • TFSAs Invested in: • Segregated funds • Mutual funds • Guaranteed investment options • Retirement Income Plans • Segregated funds with GMWB rider • Retirement income funds • Life income funds • Payout annuities • Deferred annuities • Residential mortgages • Banking products	**Associated with:** ***Great-West Life Distribution*** • 2,889 Great-West Life financial security advisors • 2,275 advisors associated with a number of intercorporate arrangements • 6,209 independent brokers ***London Life Distribution*** • 3,583 Freedom 55 Financial and Wealth & Estate Planning Group financial security advisors ***Canada Life Distribution*** • 7,855 independent brokers associated with 39 MGAs • 1,769 advisors associated with 16 national accounts • 3,131 Investors Group consultants who actively sell Canada Life products • 169 direct brokers and producer groups **Quadrus Investment Services Ltd.** (also included in Great-West Life and London Life advisor counts): • 3,998 investment representatives **Group Retirement Services** • Benefits Consultants, Brokers and Affiliated advisors (as above)

(1) As at November 30, 2014
(2) As at June 30, 2014

GROUP INSURANCE

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

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
• Employee benefits to over 29,000 plan sponsors[(1)] • 21% market share for employee/employer plans [(2)] • Leading market share with 41% for creditor products[(2)] with coverage provided to over 7.3 million plan members[(1)]	***Life and Health*** • Life • Disability • Critical Illness • Accidental death & dismemberment • Dental • Expatriate coverage • Extended health care ***Creditor*** • Creditor life • Creditor disability • Creditor job loss • Creditor critical illness • Creditor Credit Card Outstanding Balance	• 118 account managers and sales staff located in 17 Group Offices • 99 Regional Employee Benefits Managers and Selectpac Sales Specialists located in 26 Sales and Marketing Centres

(1) As at December 31, 2014
(2) As at December 31, 2013

COMPETITIVE CONDITIONS

INDIVIDUAL INSURANCE

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

WEALTH MANAGEMENT

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

GROUP INSURANCE

There are three large group insurance carriers in Canada with significant market positions. The Company has a 21% market share. There are a number of other smaller companies operating nationally and several regional and niche competitors. The group insurance market is highly competitive. A strong market share position is a distinct advantage for competing successfully in the Canadian group insurance market.

Selected consolidated financial information - Canada

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 5,874**	$ 5,468	$ 5,366	**$ 24,140**	$ 21,299
Sales	**3,311**	2,747	2,852	**12,164**	10,800
Fee and other income	**349**	360	330	**1,409**	1,276
Net earnings - common shareholders	**300**	330	270	**1,228**	1,148
Total assets	**$ 141,490**	$ 139,609	$ 129,983		
Proprietary mutual funds and institutional net assets	**4,718**	4,639	4,114		
Total assets under management	**146,208**	144,248	134,097		
Other assets under administration	**14,793**	14,336	14,607		
Total assets under administration	**$ 161,001**	$ 158,584	$ 148,704		

Net earnings - common shareholders

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Individual Insurance	**$ 120**	$ 109	$ 73	**$ 395**	$ 302
Wealth Management	**69**	96	93	**383**	387
Group Insurance	**96**	125	97	**422**	425
Corporate	**15**	—	7	**28**	34
Net Earnings	**$ 300**	$ 330	$ 270	**$ 1,228**	$ 1,148

2014 DEVELOPMENTS

- Premiums and deposits for the twelve months ended December 31, 2014 were $24,140 million compared to $21,299 million for the same period in 2013. Premiums and deposits in the fourth quarter of 2014 were $5,874 million, an increase of $508 million compared to the same quarter in 2013, primarily driven by higher Wealth Management premiums relating to retail investment funds, group capital accumulation plan (GCAP) products and single premium group annuities (SPGAs).
- Sales for the twelve months ended December 31, 2014 were $12,164 million compared to $10,800 million for the same period in 2013. Sales in the fourth quarter of 2014 were $3,311 million, an increase of $459 million compared to the same quarter in 2013, primarily due to higher Wealth Management sales relating to retail investment funds, GCAP products and SPGAs.
- Fee and other income for the twelve months ended December 31, 2014 was $1,409 million compared to $1,276 million for the same period in 2013. Fee and other income was $349 million for the fourth quarter of 2014, an increase of $19 million compared to the same quarter in 2013, primarily due to higher assets under management.
- Net earnings for the twelve months ended December 31, 2014 were $1,228 million compared to $1,148 million for the same period in 2013. Net earnings in the fourth quarter of 2014 were $300 million, an increase of $30 million compared to the same quarter in 2013, primarily due to changes to actuarial standards related to economic reinvestment assumptions.
- The Carbon Disclosure Project (CDP), which grades emissions data from large corporations, has awarded Lifeco's Canadian operating companies a 98B score for their 2014 submission, up from 67B for 2013.

- Great-West Life implemented an alliance with Qtrade Securities Inc., a leading Canadian brokerage and part of Qtrade Financial Group. The alliance will allow advisors to offer their clients access to professional advice on securities including stocks and bonds through licensed investment advisors. This will help to augment the financial services already offered by Great-West Life.
- In Quebec, Great-West Life launched the voluntary retirement savings plan (VRSP) in 2014, which gives employers the opportunity to help their employees proactively save for their retirement without taking attention away from their businesses.
- Wealth Management has introduced an interactive and responsive sponsor resource centre that simplifies how plan compliance is monitored and provides enhanced reporting that illustrates member behaviours to create a meaningful way for sponsors to understand members investment decisions. Sponsors and advisors can easily view plan activity and spot trends by age ranges, asset classes and points in time, or plan types, among other options.
- Great-West Life's Group operations acquired PlanDirect Insurance Services Inc. (PDAssure), a service provider that markets and administers the Company's individual health insurance products. The companies have had a strong relationship in the individual benefits marketplace since 1994. The acquisition is expected to open new opportunities to continue to grow the Company's business. PDAssure continues to operate under its own name as a subsidiary of Great-West Life.
- Great-West Life piloted an Executive Benefits program offering employers an efficient, proactive way to help key employees better manage their health. The program, which launches nationally in 2015, provides innovative features and services that recognize and promote healthy living choices based on the unique needs of an organization, their executives and key employees. This, in turn, can help employers reduce health-related absences and disruptions in productivity, attract and retain top talent as well as reduce benefit plan costs related to short and long-term disability and health care.
- The Company continued to invest in technology to enhance the customer service experience.
  - The GroupNet Mobile app for plan members now includes profile updates, paramedical balances and direct deposit enrolment. The Company also introduced LinkUp, which connects plan members' Great-West GroupNet and GRS Access accounts so they can access benefits and retirement savings information with a single sign on.
  - A new version of the DrugHub app allows users to track their medications more efficiently with automatic drug database updates and an easy personalization set-up to track separate prescriptions for each family member.
  - Plan members and plan sponsors can now submit disability claims electronically, enabling faster claims decisions.
- The Great-West Life Centre for Mental Health in the Workplace (the Centre) continued to help employers develop psychologically healthy and safe workplaces, with free tools and resources. In addition to taking an active role in forums and conferences, the Centre helped develop the first national Psychological Safety Award for Canadian employers. The Centre also provides consultation and promotional support for an online certificate in Psychological Health and Safety in the Workplace through the University of Fredericton and helped develop an Implementation Handbook for the National Standard of Canada for Psychological Health and Safety in the Workplace.
- During 2014, Individual Insurance introduced a new business process to be used when applying for life, critical illness or disability insurance. Key features of the offering include a web-based application, automatic status updates, electronic medical evidence ordering and instant approval for qualified clients. Due to initial post launch system issues, service levels associated with this new offering have been impacted, but are improving.

BUSINESS UNITS - CANADA

INDIVIDUAL INSURANCE

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 1,202**	$ 1,117	$ 1,112	**$ 4,518**	$ 4,177
Sales	**117**	130	144	**494**	479
Net earnings	**120**	109	73	**395**	302

Premiums and deposits
Individual Insurance premiums in the fourth quarter of 2014 increased by $90 million to $1,202 million compared to the same quarter last year. Individual Life premiums for the quarter increased by $84 million to $1,119 million compared to the same quarter last year, primarily due to a 10% increase in participating life premiums. Living Benefits premiums increased by $6 million to $83 million compared to the same quarter last year.

For the twelve months ended December 31, 2014, Individual Insurance premiums increased by $341 million to $4,518 million compared to the same period last year. Individual Life premiums increased by $335 million to $4,190 million compared to the same period last year, primarily due to an 11% increase in participating life premiums. Living Benefits premiums increased by $6 million to $328 million compared to the same period last year.

Individual Insurance premiums in the fourth quarter of 2014 increased by $85 million compared to the previous quarter, primarily due to an 11% increase in participating life premiums.

Sales
Individual Insurance sales in the fourth quarter of 2014 decreased by $27 million to $117 million compared to the same quarter last year. Individual Life sales decreased by $23 million to $110 million, driven by a 32% decrease in non-participating life insurance sales and a 12% decrease in participating life insurance sales. Living Benefits sales decreased by $4 million to $7 million compared to the same quarter last year.

For the twelve months ended December 31, 2014, Individual Insurance sales increased by $15 million to $494 million compared to the same period last year. Individual Life sales increased by $26 million to $462 million, primarily due to a 14% increase in participating life insurance sales. Living Benefits sales decreased by $11 million to $32 million compared to the same period last year.

Individual Insurance sales in the fourth quarter of 2014 decreased by $13 million compared to the previous quarter. Individual Life sales decreased by $12 million, primarily due to a 19% decrease in non-participating life insurance sales. Living Benefits sales were comparable to the previous quarter.

Net earnings
Net earnings for the fourth quarter of 2014 increased by $47 million to $120 million compared to the same quarter last year. The increase was primarily due to higher contributions from insurance contract liability basis changes, mostly reflecting changes to actuarial standards related to economic reinvestment assumptions. The increase was partially offset by higher new business strain and lower contributions from investment experience.

For the twelve months ended December 31, 2014, net earnings increased by $93 million to $395 million compared to the same period last year. The increase was primarily due to lower new business strain and higher contributions from insurance contract liability basis changes, mostly reflecting changes to actuarial standards related to economic reinvestment assumptions. The increase was partially offset by less favourable mortality results.

Net earnings in the fourth quarter of 2014 increased by $11 million compared to the previous quarter. The increase was primarily due to favourable mortality results and higher contributions from insurance contract liability basis changes. The increase was partially offset by higher new business strain, lower contributions from investment experience and less favourable morbidity experience.

In the fourth quarter of 2014, the net earnings attributable to the participating account increased by $168 million to $24 million compared to a net loss of $146 million in the same quarter last year. The fourth quarter of 2013 included the impact of revisions to the participating account litigation provision noted above, which negatively impacted net earnings by $226 million. Excluding the impact of the revised litigation provision in 2013, net earnings decreased by $58 million, primarily due to lower contributions from insurance contract liability basis changes and higher new business strain.

For the twelve months ended December 31, 2014, the net earnings attributable to the participating account increased by $181 million to $88 million compared to a net loss of $93 million for the same period last year. Excluding the impact of the revised litigation provision, net earnings for 2014 decreased by $45 million, primarily due to lower contributions from insurance contract liability basis changes and higher income taxes.

The net earnings attributable to the participating account in the fourth quarter of 2014 increased by $6 million from the previous quarter, primarily due to higher contributions from insurance contract liability basis changes, partially offset by higher new business strain.

OUTLOOK – INDIVIDUAL INSURANCE

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

The Individual Insurance division delivered solid results in 2014. The Company's reputation for strength and stability, combined with prudent business practices as well as the depth and breadth of its distribution channels, positions the organization well for 2015 and beyond. The Company has reviewed its strategies and re-aligned aspects of its organization with the goal of achieving superior organic growth from profitable revenues.

In 2015, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term financial security regardless of market fluctuations. This approach is beneficial to the maintenance and improvement of the persistency of existing business as well as helping advisors attract new clients to the organization. A key distribution strategy will be to maximize the use of common tools, processes and support, while providing unique support to specific segments of advisors where appropriate.

During 2014, Individual Insurance implemented a new business process. Service levels associated with the new business process remained below target levels in 2014. These services levels are expected to be fully addressed during 2015.

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

The Company's diversified offering of Individual Insurance products including participating whole life, term, universal life, disability, and critical illness insurance, combined with a commitment to new business service will position it to continue to achieve market leading sales in 2015. The Company will continue to enhance its suite of product solutions and services, of which the Company is a leading provider and will continue to focus on growing its business organically by constantly improving service to clients.

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

WEALTH MANAGEMENT

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 2,741**	$ 2,386	$ 2,368	**$ 11,914**	$ 9,619
Sales	**3,073**	2,408	2,592	**11,087**	9,665
Fee and other income	**297**	308	281	**1,200**	1,075
Net earnings	**69**	96	93	**383**	387

Premiums and deposits

Wealth Management premiums and deposits in the fourth quarter of 2014 increased by $373 million to $2,741 million compared to the same quarter last year. The increase was primarily driven by higher premiums relating to retail investment funds, group capital accumulation plan (GCAP) products and single premium group annuities (SPGAs).

For the twelve months ended December 31, 2014, premiums and deposits increased by $2,295 million to $11,914 million compared to the same period last year. The increase was partially 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, GCAP products and SPGAs also contributed to the increase in 2014.

Wealth Management premiums and deposits in the fourth quarter of 2014 increased by $355 million compared to the previous quarter. The increase was primarily driven by higher premiums relating to retail investment funds, GCAP products and SPGAs.

Sales

Wealth Management sales in the fourth quarter of 2014 increased by $481 million to $3,073 million compared to the same quarter last year, primarily due to the same reasons discussed for premiums and deposits for the comparable period.

For the twelve months ended December 31, 2014, sales increased by $1,422 million to $11,087 million compared to the same period last year, primarily driven by higher sales of retail investment funds and SPGAs.

Wealth Management sales in the fourth quarter of 2014 increased by $665 million compared to the previous quarter, due to the same drivers as the growth in premiums and deposits for the comparable period.

Net cash flows for the fourth quarter of 2014 were $264 million compared to $274 million in the same quarter last year and $286 million in the previous quarter. For the twelve months ended December 31, 2014, net cash flows were $2,152 million compared to $1,097 million in the same period last year. The full-year growth in net cash flows was due to the same drivers as the growth in premiums and deposits.

Assets under administration

	December 31	
	2014	2013
Assets under management		
Individual Retirement & Investment Services		
Risk-based products	**$ 6,181**	$ 6,467
Segregated funds	**29,250**	27,022
Proprietary mutual funds	**4,620**	4,114
Group Retirement Services		
Risk-based products	**7,006**	6,553
Segregated funds	**39,122**	35,182
Institutional assets	**98**	—
	$ 86,277	$ 79,338
Other assets under administration (1)		
Individual Retirement & Investment Services	**6,050**	5,367
Group Retirement Services	**515**	562
Total	**$ 6,565**	$ 5,929
Summary by business/product		
Individual Retirement & Investment Services	**46,101**	42,970
Group Retirement Services	**46,741**	42,297
Total assets under administration	**$ 92,842**	$ 85,267

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

Fee and other income

Fee and other income in the fourth quarter of 2014 increased by $16 million to $297 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 a fee income provision. During the quarter, the Company established a fee income provision in response to certain industry developments.

For the twelve months ended December 31, 2014, fee and other income increased by $125 million to $1,200 million compared to the same period last year for the same reasons discussed for the in-quarter results.

Fee and other income in the fourth quarter of 2014 decreased by $11 million compared to the previous quarter, primarily due to a fee income provision discussed for the in-quarter results.

Net earnings

Net earnings for the fourth quarter of 2014 decreased by $24 million to $69 million compared to the same quarter last year. The decrease was primarily a result of lower contributions from insurance contract basis changes, mostly reflecting changes to actuarial standards related to economic reinvestment assumptions, and less favourable investment experience, partially offset by higher fee income.

For the twelve months ended December 31, 2014, net earnings decreased by $4 million to $383 million compared to the same period last year. The decrease was primarily a result of lower contributions from insurance contract basis changes, mostly reflecting changes to actuarial standards related to economic reinvestment assumptions, higher asset-based expenses and less favourable investment experience, partially offset by higher fee income and more favourable mortality experience.

Net earnings in the fourth quarter of 2014 decreased by $27 million compared to the previous quarter. The decrease was primarily driven by lower contributions from insurance contract basis changes, mostly reflecting changes to actuarial standards related to economic reinvestment assumptions, and lower fee income.

OUTLOOK – WEALTH MANAGEMENT

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

The Company's reputation for strength and stability, combined with prudent business practices as well as the depth and breadth of Wealth Management's distribution channels positions the organization well for 2015 and beyond. Wealth Management’s strategy and organization are focused on achieving growth from profitable revenues.

In 2015, the Company will continue to provide advisors with strategies and tools for helping clients focus on achieving long-term investment success. This approach benefits the Company by improving existing asset retention and by helping advisors attract new client deposits to the organization. A key distribution strategy is to maximize use of common tools, processes and support, while providing unique support to specific segments of advisors where appropriate.

Wealth Management's multiple brands and broad spectrum of distribution associates, including exclusive and independent channels, provide important strategic advantages within the Canadian market. The Company will continue to develop, price and market its comprehensive and competitive range of Wealth Management products to both retail and group clients. The Company continues to observe fee income compression due to the competitive market; however, the Company targets to offset these impacts by growing assets under management and continuing to improve the Company's operational efficiency.

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

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

GROUP INSURANCE

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 1,931**	$ 1,965	$ 1,886	**$ 7,708**	$ 7,503
Sales	**121**	209	116	**583**	656
Fee and other income	**40**	37	35	**153**	146
Net earnings	**96**	125	97	**422**	425

Premiums and deposits
Premiums and deposits for the fourth quarter of 2014 increased by $45 million to $1,931 million compared to the same quarter last year, primarily due to an increase in mid-size and large case market premiums and deposits.

For the twelve months ended December 31, 2014, premiums and deposits increased by $205 million to $7,708 million compared to the same period last year. The increase was due to the same reasons discussed for the in-quarter results.

Premiums and deposits for the fourth quarter of 2014 decreased by $34 million compared to the previous quarter, primarily due to a decrease in mid-size and large case market premiums and deposits.

Sales
Sales for the fourth quarter of 2014 of $121 million were comparable to the same quarter last year.

For the twelve months ended December 31, 2014, sales decreased by $73 million to $583 million compared to the same period last year, primarily due to lower creditor sales in the large case market. Sales of creditor/direct marketing products can be highly variable from period to period.

Sales in the fourth quarter of 2014 decreased by $88 million compared to the previous quarter, primarily due to lower single premium sales in the large case market. Sales in the large case market can be highly variable from quarter to quarter.

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 $40 million for the fourth quarter of 2014 were comparable to the same quarter last year and the previous quarter.

Fee and other income of $153 million for the twelve months ended December 31, 2014 were comparable to the same period last year.

Net earnings
For the fourth quarter of 2014, net earnings of $96 million were comparable to the same quarter last year. Favourable investment experience was offset by less favourable morbidity experience.

For the twelve months ended December 31, 2014, net earnings of $422 million were comparable to the same period last year. Higher contributions from insurance contract liability basis changes and favourable investment experience were offset by less favourable morbidity experience.

Net earnings for the fourth quarter of 2014 decreased by $29 million compared to the previous quarter, primarily due to less favourable morbidity experience and higher income taxes, partially offset by higher contributions from insurance contract liability basis changes and favourable investment experience.

OUTLOOK – GROUP INSURANCE

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

During 2014, the Company maintained its strong competitive position, achieving continued growth in revenue premium while maintaining strong expense management. The Company is well positioned within the Canadian group insurance business with leading market shares in most case size, regional and benefit market segments. The Company believes that this market share position, together with its low cost position and extensive distribution capability, will facilitate continued growth in revenue premium. Through effective investment in technologies and the introduction of innovative benefit solutions, the Company expects to achieve continued reductions in operational costs, thereby enhancing its competitive position.

CANADA CORPORATE

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

Canada Corporate net earnings increased by $8 million to $15 million compared to the same period last year. The increase was primarily due to higher tax benefits in 2014 and lower preferred share dividend payments due to the redemption of preferred shares in the fourth quarter of 2013.

For the twelve months ended December 31, 2014, Canada Corporate had net earnings of $28 million compared to $34 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 $17 million higher in 2014, primarily due to lower preferred share dividend payments due to the redemption of preferred shares in the fourth quarter of 2013 and lower net expenses.

Net earnings in the fourth quarter increased by $15 million compared to the previous quarter, primarily due to higher investment income and higher tax benefits, partially offset by higher net expenses.

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

On August 29, 2014, Great-West Financial completed the acquisition of J.P. Morgan Retirement Plan Services (RPS) large-market recordkeeping business, expanding the Great-West Financial footprint in the U.S. retirement services business. As part of this acquisition, a new combined brand - Empower Retirement - was launched to consolidate and support the retirement services businesses of Great-West Financial, the acquired J.P. Morgan Retirement Plan Services and Putnam Investments. Effective January 1, 2015, these retirement services businesses have merged, creating the second largest recordkeeping provider in the U.S. with 7.1 million participant accounts.

The new organization brings together best in class capabilities that leverage the attributes and specializations of each of the predecessor businesses, as follows: Great-West Financial's modern technology platform that allows for recordkeeping scale and flexibility; J.P. Morgan Retirement Plan Services' mega-market expertise; and Putnam Investments' highly regarded plan sponsor and participant experiences.

By incorporating the complementary market strengths of each of its legacy firms, Empower Retirement has become a dominant presence across the full spectrum of the retirement services landscape, including every segment of the employer-sponsored retirement plan market: small, midsize, and large corporate 401(k) clients; government 457 plans and non-profit 403(b) entities; and private label recordkeeping clients.

As at December 31, 2014, the RPS business comprises approximately 200 clients with 2.1 million participants and $207 billion in assets under administration. It also includes approximately 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 $482 billion in retirement plan assets.

BUSINESS PROFILE

FINANCIAL SERVICES

Great-West Financial provides an array of financial security products, including employer-sponsored defined contribution plans and individual retirement accounts. Under the Empower Retirement brand name, Great-West Financial offers employer-sponsored defined contribution plans, enrollment services, communication materials, investment options and education services as well as fund management, investment and advisory services. Through relationships with government plan sponsors, the Company is one of the largest providers of services to state defined contribution plans, with 18 recordkeeping and two investment-only state clients as well as the government of Guam. Great-West Financial also provides life insurance, annuity products and retirement accounts for individuals as well as executive benefits products. Through its FASCore subsidiary, it offers private label recordkeeping and administrative services for other providers of defined contribution plans.

ASSET MANAGEMENT

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

MARKET OVERVIEW

PRODUCTS AND SERVICES

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

FINANCIAL SERVICES

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
• Second largest defined contribution recordkeeper in the country, providing services for 7.1 million participant accounts and 31,943 plans[(1)] • 24% market share in state and local government deferred compensation plans[(2)] • 35% market share of individual life insurance sold through the retail bank channel[(2)] • 20% market share of executive benefits markets life insurance purchased by financial institutions[(2)] • Great-West Lifetime Funds are the 13th largest target date fund offering in the United States[(1)]	• Employer-sponsored defined contribution plans, enrollment services, communication materials, investment options and education services • Administrative and recordkeeping services for financial institutions and employer-sponsored defined contribution plans and associated defined benefit plans • Fund management, investment and advisory services • Individual retirement accounts (IRAs), individual term and single premium life insurance, and individual annuity products • Executive benefits markets life insurance products	• Retirement services products distributed to plan sponsors through brokers, consultants, advisors, third-party administrators and banks • FASCore recordkeeping and administrative services distributed through institutional clients • Individual life and annuity products distributed through wholesale and retail sales force, banks, broker dealers and investment advisors • IRAs available to individuals through the Retirement Solutions Group • Executive benefits markets life insurance products distributed through wholesalers and specialized consultants

(1) As at December 31, 2014
(2) As at September 30, 2014

ASSET MANAGEMENT

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
• A global asset manager with assets under management of US$158 billion[(1)] • Global distribution includes sales teams that are focused on major institutional markets in the U.S., Europe, the Middle East, Asia and Australia and through a strategic distribution relationship in Japan	**Investment Management Products & Services** • Individual retail investors - a family of open-end and closed-end mutual funds, college savings plans and variable annuity products • Institutional investors - defined benefit and defined contribution retirement plans sponsored by corporations, state, municipal and other governmental authorities, university endowment funds, charitable foundations, and collective investment vehicles (both U.S. and non-U.S.) • Investment and administrative services for defined contribution plans • Alternative investment products across the fixed income, currency, quantitative and equity groups **Administrative Services** • Transfer agency, underwriting, distribution, shareholder services, trustee and other fiduciary services	**Individual Retail Investors** • A broad network of distribution relationships with unaffiliated broker dealers, financial planners, registered investment advisors and other financial institutions that distribute the Putnam Funds and defined contribution plan services to their customers, which, in total, includes nearly 168,000 advisors • Sub-advisory relationships and Putnam-labeled funds as investment options for insurance companies and non-U.S. residents • Retail distribution channels are supported by Putnam's sales and relationship management team • Retirement plan sponsors and participants are supported by Putnam’s dedicated retirement plan professionals and through a relationship with Empower Retirement. **Institutional Investors** • Supported by Putnam's dedicated account management, product management and client service professionals • Strategic relationships with several investment management firms outside of the U.S.

(1) As at December 31, 2014

COMPETITIVE CONDITIONS

FINANCIAL SERVICES

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

ASSET MANAGEMENT

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

Selected consolidated financial information - United States

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits[1]	**$ 12,810**	$ 11,248	$ 10,900	**$ 46,541**	$ 39,517
Sales	**15,105**	15,686	14,263	**54,430**	44,212
Fee and other income	**522**	443	395	**1,820**	1,446
Net earnings - common shareholders	**89**	107	56	**306**	276
Net earnings - common shareholders (US$)	**77**	97	53	**274**	268
Total assets [2]	**$ 72,902**	$ 69,911	$ 64,529		
Proprietary mutual funds and institutional net assets	**190,817**	183,166	164,515		
Total assets under management	**263,719**	253,077	229,044		
Other assets under administration	**433,754**	410,420	192,490		
Total assets under administration	**$ 697,473**	$ 663,497	$ 421,534		

(1) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.

(2) Comparative figures have been restated for a prior period adjustment described in note 35 to the Company's December 31, 2014 annual consolidated financial statements.

Net earnings - common shareholders	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014(1)	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Financial services	**$ 93**	$ 117	$ 81	**$ 382**	$ 339
Asset management	**(1)**	(8)	(25)	**(71)**	(63)
Corporate	**(3)**	(2)	—	**(5)**	—
	$ 89	$ 107	$ 56	**$ 306**	$ 276

Net earnings - common shareholders (US$ millions)	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014(1)	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Financial services	**$ 80**	$ 107	$ 77	**$ 343**	$ 329
Asset management	**(1)**	(8)	(24)	**(65)**	(61)
Corporate	**(2)**	(2)	—	**(4)**	—
	$ 77	$ 97	$ 53	**$ 274**	$ 268

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

BUSINESS UNITS – UNITED STATES

TRANSLATION OF FOREIGN CURRENCY

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

Currency translation impact is a non-IFRS financial measure that highlights the impact of changes in currency translation rates on IFRS results. This measure provides useful information as it facilitates comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

FINANCIAL SERVICES

2014 DEVELOPMENTS

- Sales for the twelve months ended December 31, 2014 were US$15.3 billion, up from US$12.5 billion during the same period last year, primarily due to one large 401(k) plan sale for US$3.2 billion. Sales in the fourth quarter of 2014 were US$4.0 billion, a decrease of US$1.3 billion compared to the same quarter in 2013, primarily due to a large public/non-profit plan sale in the prior year.
- The executive benefits line of business reached its best full-year sales for community bank-owned life insurance at US$436 million, up 71% from US$255 million experienced in 2013.
- The retail bank insurance line of business achieved a 67% increase in sales over last year driven by bank sold single premium universal life insurance. This resulted in Great-West Financial retaining the top position in bank life sales in the U.S. and a 35% market share (as at September 30, 2014), increasing from a 25% market share in the previous year (as at September 30, 2013).
- Fee and other income for the twelve months ended December 31, 2014 was US$727 million compared to US$618 million for the same period in 2013. Fee and other income for the three months ended December 31, 2014 was US$215 million, an increase of US$50 million from the same period last year, primarily due to increased administrative fees due to the RPS acquisition.
- Net earnings for the twelve months ended December 31, 2014 were US$343 million compared to US$329 million for the same period in 2013. Net earnings for the three months ended December 31, 2014 were US$80 million, an increase of US$3 million over the same period last year.

- Great-West Retirement Services, now under the Empower Retirement brand, ranked No. 1 in several categories including overall perception, best overall service for micro plans, best overall service for small plans, best value for the price, best fee structure for advisors, and best wholesalers as published in PLANADVISER magazine. In the latter three categories, it has received first-place honors for three consecutive years. In addition, Empower Retirement was recognized for “best conversion experience” in an independent survey completed by financial advisors.
- During the course of the year, the retirement organization continued to have a dominant market share in serving state governments by attracting three new state plans and renewing four current state clients. Currently, Empower Retirement provides retirement services to 20 of 50 states as well as the government of Guam.

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits[(1)]	**$ 2,268**	$ 2,290	$ 2,232	**$ 9,028**	$ 8,238
Sales	**4,563**	6,728	5,595	**16,917**	12,933
Fee and other income	**245**	186	173	**805**	638
Net earnings[(2)]	**93**	117	81	**382**	339
Premiums and deposits (US$)[(1)]	**$ 1,990**	$ 2,100	$ 2,128	**$ 8,172**	$ 7,992
Sales (US$)	**4,003**	6,172	5,329	**15,310**	12,505
Fee and other income (US$)	**215**	170	165	**727**	618
Net earnings (US$)[(2)]	**80**	107	77	**343**	329

(1) Comparative figures for premiums and deposits (a non-IFRS financial measure) have been restated to improve consistency across the Company's business units.
(2) During the year, the Company reclassified comparative figures for presentation adjustments.

Premiums and deposits

Premiums and deposits for the fourth quarter of 2014 decreased by US$138 million to US$1,990 million compared to the fourth quarter of 2013, due to a decrease of US$209 million in Retirement Services, partly offset by an increase of US$71 million in Individual Markets. The decrease in Retirement Services was primarily due to lower 401(k) sales, while the increase in Individual Markets was primarily due to higher IRA and individual annuity sales.

For the twelve months ended December 31, 2014, premiums and deposits increased by US$180 million to US$8,172 million compared to the same period last year, due to an increase of US$669 million in Individual Markets, partly offset by a decrease of US$489 million in Retirement Services. The increase in Individual Markets premiums was primarily related to higher sales in the executive benefits line of business of US$317 million, higher sales in the retail bank life insurance line of business of US$186 million and an increase in IRA and individual annuity sales of US$164 million. The decrease in Retirement Services premiums was primarily due to lower 401(k) sales of US$789 million, partly offset by an increase in institutional market premiums and deposits of US$300 million as a result of higher group annuity product sales.

Compared to the previous quarter, premiums and deposits decreased by US$110 million. Individual Markets premiums decreased US$90 million, primarily due to lower sales in the executive benefits and retail bank life insurance lines of business, partly offset by higher IRA and individual annuity sales. Retirement Services premiums decreased by US $20 million, primarily due to lower institutional market premiums and deposits as a result of lower group annuity product sales.

Sales
In the fourth quarter of 2014, sales decreased by US$1,326 million to US$4,003 million compared to the same period in 2013, due to a decrease of US$1,619 million in Retirement Services partially offset by an increase of US$293 million in Individual Markets. The decrease in Retirement Services sales was primarily due to a large public/non-profit plan sale in the prior year for US$1,636 million, which did not recur in 2014. The increase in Individual Markets sales was primarily due to higher IRA sales as a result of the RPS acquisition.

For the twelve months ended December 31, 2014, sales increased by US$2,805 million to US$15,310 million compared to the same period last year, due to an increase of US$1,798 million in Retirement Services and an increase in Individual Markets of US$1,007 million. The increase in Retirement Services sales was primarily due to one large 401(k) plan sale for US$3,168 million and higher institutional market sales of US$248 million as a result of a higher number of plan sales, partly offset by a large public/non-profit plan sale in the prior year for US$1,636 million, which did not recur in 2014. The increase in Individual Markets sales was primarily due to higher IRA sales of US$483 million as a result of the RPS acquisition, higher sales in the executive benefits line of business of US$265 million driven by the continued success of the community bank sales and higher retail bank life insurance line of business sales of US$182 million.

Sales in the fourth quarter of 2014 decreased by US$2,169 million compared to the previous quarter, due to a decrease of US$2,245 million in Retirement Services, partially offset by an increase of US$76 million in Individual Markets. The decrease in Retirement Services sales was primarily due to lower large case 401(k) plan sales in the fourth quarter partially offset by an increase in small case 401(k) plan sales of US$355 million. Additionally, public/non-profit sales were lower in the fourth quarter by US$179 million. The increase in Individual Markets sales was primarily due to higher IRA sales of US$171 million as a result of the RPS acquisition, partly offset by lower sales in the retail bank life insurance line of business of US$68 million.

Financial Services - Retirement Services customer account values
(US$ millions)

	Change for the twelve months ended December 31		Total at December 31		
	2014	2013[(1)]	**2014**	2013[(1)]	**% Change**
General account - fixed options					
Public/Non-profit	**(10)**	130	**3,945**	3,955	— %
401(k)	**271**	625	**6,457**	6,186	4 %
Institutional	**42**	22	**64**	22	NMF
	$ 303	$ 777	**$ 10,466**	$ 10,163	3 %
Segregated funds - variable options					
Public/Non-profit	**(920)**	129	**9,435**	10,355	(9)%
401(k)	**244**	1,620	**9,647**	9,403	3 %
Institutional	**805**	483	**1,302**	497	NMF
	$ 129	$ 2,232	**$ 20,384**	$ 20,255	1 %
Proprietary mutual funds					
Public/Non-profit	**204**	123	**668**	464	44 %
401(k)	**1,006**	1,553	**6,315**	5,309	19 %
Institutional	**7**	9	**90**	83	8 %
	$ 1,217	$ 1,685	**$ 7,073**	$ 5,856	21 %
Unaffiliated retail investment options & administrative services only					
Public/Non-profit	**5,178**	13,347	**84,700**	79,522	7 %
401(k)	**190,962**	8,948	**228,284**	37,322	NMF
Institutional	**(2,219)**	14,120	**64,528**	66,747	(3)%
	$ 193,921	$ 36,415	**$ 377,512**	$ 183,591	106 %

(1) Prior year account values and the corresponding change for the twelve months ended December 31, 2013 have been reclassified for presentation adjustments.

The 2014 increase in the general account was primarily due to higher 401(k) plan sales while the 2014 increase in segregated funds was primarily related to growth in the equity markets, mostly offset by large public/non-profit plan terminations. Proprietary mutual funds also increased in 2014, primarily due to 401(k) plan sales and growth in the equity markets. The unaffiliated retail investment options and administrative services only account values increased year-over-year, primarily due to the RPS acquisition, growth in equity markets and higher 401(k) plan sales.

Fee and other income

Fee and other income for the fourth quarter of 2014 increased by US$50 million to US$215 million compared to the fourth quarter of 2013, primarily due to higher administrative fees resulting from the RPS acquisition as well as increased average asset levels driven by higher average equity market levels and positive cash flows.

For the twelve months ended December 31, 2014, fee and other income increased by US$109 million to US$727 million compared to the same period last year for the same reasons discussed for the in-quarter results.

Fee and other income for the fourth quarter of 2014 was US$45 million higher compared to the previous quarter for the same reasons discussed for the in-quarter results.

Net earnings
For the three months ended December 31, 2014, net earnings increased by US$3 million to US$80 million compared to the same period in 2013, primarily due to higher contributions from basis changes of US$10 million, more favourable mortality experience of US$6 million and higher fee income, partially offset by Empower Retirement related integration costs of US$7 million and lower contributions from investment experience of US$5 million. Basis changes reflect refinements to the life mortality and policyholder behaviour assumptions partly offset by the impact of modelling enhancements and the impact of changes to actuarial standards related to economic reinvestment assumptions.

For the twelve months ended December 31, 2014, net earnings increased by US$14 million to US$343 million compared to the same period in 2013, primarily due to higher contributions from basis changes of US$36 million, more favourable mortality experience of US$18 million and higher fee income. The increases were partially offset by lower contributions from investment experience of US$25 million and higher expenses, which include Empower Retirement related integration costs of US$11 million.

Net earnings for the fourth quarter of 2014 decreased by US$27 million compared to the third quarter of 2014. The decrease in net earnings was primarily due to lower contributions from basis changes of US$28 million and higher expenses, which include higher Empower Retirement related integration costs, partially offset by higher contributions from investment experience of US$11 million and higher fee income.

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

With the establishment of Empower Retirement, Great-West Financial has brought together three strong, established, respected and successful retirement businesses, with unique yet complementary product and service offerings. Empower Retirement is in a position to see significant future growth opportunities across all segments in the market.

In 2015, Empower Retirement's strategies to drive sales growth will include actively marketing the new brand, investing in product differentiation and offering a best in class service model. Among key focus areas are integrating the Great-West Financial, RPS and Putnam retirement businesses. In particular, Empower Retirement will combine the unique technology strengths of each entity to help participants better understand their needs in retirement. Service enhancements will include standardizing and improving client-facing tools, optimizing advisor relationship management and client alignment as well as adopting best practices for participant communications. The Company expects that these enhancements will increase participant retirement savings.

Great-West Financial continually examines opportunities to structure products and develop strategies to stimulate growth in assets under management. The Company expects that the Great-West Lifetime funds and managed account offerings in defined contribution plans will continue to contribute to the growth of the Company's assets under management.

The Individual Markets segment has been successful due to its focus on value oriented products with unique benefits distributed through channels that the Company understands. The Company is known for providing value and innovative products to these distribution channels and to the customers they serve.

Great-West Financial was the #1 distributor of life insurance through banks in 2014. Building on this success Great-West Financial has nearly tripled the number of bank advisors eligible to sell Great-West Financial’s retirement income product. This allows Great-West Financial to better market its retirement income products to a larger number of people. Furthermore, product changes announced in early 2015 will help Great-West Financial reposition its retirement income product within the market. The Company expects that these changes will increase Great-West Financial's market share in the retirement income marketplace.

The executive benefits line of business expanded its distribution network in 2014, which produced a significant sales increase from the prior year for the community bank segment. Great-West Financial should continue to benefit from the work performed in 2014. Furthermore, the Company expects that the increased focus on the executive benefits and high-net worth market will contribute to Great-West Financial's continued success in 2015.

ASSET MANAGEMENT

2014 DEVELOPMENTS

- Putnam's ending assets under management (AUM) at December 31, 2014 of US$158 billion increased by US$8 billion compared to the same period last year.
- Gross sales for the twelve months ended December 31, 2014 were US$33.9 billion compared to US$30.3 billion for the same period in 2013. Putnam's gross sales for the three months ended December 31, 2014 increased by US$1.0 billion compared to the same period last year.
- Fee and other income for the twelve months ended December 31, 2014 was US$918 million compared to US$784 million for the same period in 2013. For the three months ended December 31, 2014, fee and other income was US$243 million, an increase of US$32 million compared to the same period last year and US$7 million to the previous quarter.
- For the 25th consecutive year, Putnam has been recognized by DALBAR for mutual fund service quality. This recognition includes Putnam being named as a DALBAR Mutual Fund Service Award winner for 23 of those years for providing the highest level of customer service to clients.
- Putnam continues to sustain strong risk-adjusted investment performance relative to its peers. As of December 31, 2014, approximately 88% and 89% of Putnam's fund assets performed at levels above the Lipper median on a three-year and five-year basis, respectively. Additionally, approximately 79% of Putnam's fund assets performed at levels in the Lipper Top Quartile on a three-year basis.

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 10,542**	$ 8,958	$ 8,668	**$ 37,513**	$ 31,279
Fee and other income					
Investment management fees	**197**	189	165	**743**	602
Performance fees	**13**	7	5	**30**	8
Service fees	**47**	44	40	**178**	151
Underwriting & distribution fees	**20**	17	12	**64**	47
Fee and other income	**277**	257	222	**1,015**	808
Net loss	**(1)**	(8)	(25)	**(71)**	(63)
Premiums and deposits (US$)	**$ 9,248**	$ 8,218	$ 8,255	**$ 33,908**	$ 30,331
Fee and other income (US$)					
Investment management fees (US$)	**173**	173	157	**672**	584
Performance fees (US$)	**12**	6	5	**27**	8
Service fees (US$)	**41**	41	38	**161**	147
Underwriting & distribution fees (US$)	**17**	16	11	**58**	45
Fee and other income (US$)	**243**	236	211	**918**	784
Net loss (US$)	**(1)**	(8)	(24)	**(65)**	(61)

Premiums and deposits
For the three months ended December 31, 2014, premiums and deposits increased by US$1.0 billion to US$9.2 billion compared to the same period in 2013 due to an increase in mutual fund sales of US$0.6 billion and an increase in institutional sales of US$0.4 billion.

For the twelve months ended December 31, 2014, premiums and deposits increased by US$3.6 billion to US$33.9 billion compared to the same period last year due to an increase in mutual fund sales of US$4.7 billion, partially offset by lower institutional sales of US$1.1 billion.

Premiums and deposits for the fourth quarter of 2014 increased by US$1.0 billion compared to the previous quarter due to an increase in mutual fund sales of US$0.8 billion and an increase in institutional sales of US$0.2 billion.

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

Fee and other income for the fourth quarter of 2014 increased by US$32 million to US$243 million compared to the same period in 2013, primarily related to an increase in investment management fees and other asset and sales-based fees due to higher average AUM. The increase in fee income was also due to a higher number of accounts and an increase in performance fees on both mutual funds and institutional products.

For the twelve months ended December 31, 2014, fee and other income increased by US$134 million to US$918 million compared to the same period last year for the same reasons discussed for the in-quarter results.

Fee and other income for the fourth quarter of 2014 increased by US$7 million to US$243 million compared to the previous quarter, primarily related to an increase in performance fees due to the seasonality in which these fees are earned.

Net earnings
For the three months ended December 31, 2014, the net loss was US$1 million compared to a net loss of US$24 million in the same period in 2013. The decrease in the net loss was primarily driven by the modification of certain Putnam share-based compensation plans to equity settled, which lowered compensation expense by US$21 million in the fourth quarter of 2014 as compared to the same period a year ago. In addition, higher fee revenue and an expense recovery related to the settlement of a legal matter of US$12 million were offset by the impact of a change in U.S. state tax rates of US$7 million, lower net investment income, higher volume, asset and sales based expenses and higher compensation costs.

For the twelve months ended December 31, 2014, the net loss was US$65 million compared to a net loss of US$61 million in the same period last year. The current year includes the impact of the share-based compensation expense of US$23 million (US$31 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 a one-time tax true-up from prior years related to foreign seed capital of US$13 million, the impact of changes in U.S. state tax rates of US$12 million, proxy expenses for the Putnam Funds of US$4 million, partially offset by a recovery related to the settlement of a legal matter. Higher fee revenue was partially offset by increased compensation costs related to strong investment performance, higher asset and sales-based expenses and lower net investment income.

The net loss for the fourth quarter of 2014 was US$1 million compared to the net loss of US$8 million in the previous quarter. Higher fee revenue and an expense recovery related to the settlement of a legal matter were partially offset by the impact of a change in U.S. state tax rates and higher operating expenses. In addition, the previous quarter included a net tax expense related to foreign seed capital and the release of certain income tax reserves related to the completion of prior year tax audits, which did not recur in the current quarter.

ASSETS UNDER MANAGEMENT

Assets under management
(US$ millions)

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Beginning assets	**$ 157,047**	$ 158,571	$ 140,773	**$ 149,556**	$ 128,329
Sales - Mutual funds	**6,244**	5,396	5,680	**23,693**	19,025
Redemptions - Mutual funds	**(5,573)**	(4,315)	(3,926)	**(17,803)**	(15,339)
Net asset flows - Mutual funds	**671**	1,081	1,754	**5,890**	3,686
Sales - Putnam Institutional	**3,004**	2,822	2,575	**10,215**	11,306
Redemptions - Putnam Institutional	**(4,913)**	(2,622)	(4,015)	**(14,803)**	(14,334)
Net asset flows - Putnam Institutional	**(1,909)**	200	(1,440)	**(4,588)**	(3,028)
Net asset flows - Total	**(1,238)**	1,281	314	**1,302**	658
Impact of market/performance	**1,763**	(2,805)	8,469	**6,714**	20,569
Ending assets	**$ 157,572**	$ 157,047	$ 149,556	**$ 157,572**	$ 149,556
Average assets under management					
Mutual funds	**85,462**	84,842	73,784	**82,735**	68,813
Institutional assets	**71,769**	73,244	71,786	**72,394**	69,604
Total average assets under management	**$ 157,231**	$ 158,086	$ 145,570	**$ 155,129**	$ 138,417

Average AUM for the three months ended December 31, 2014 was US$157.2 billion. Average AUM increased by US$11.7 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 outflows for the fourth quarter of 2014 were US$1.2 billion compared to net inflows of US$0.3 billion in the same quarter last year. Net outflows were the result of in-quarter mutual fund net asset inflows of US$0.7 billion, which were more than offset by institutional net asset outflows of US$1.9 billion.

Average AUM for the twelve months ended December 31, 2014 increased by US$16.7 billion compared to the same period last year due to the same reasons discussed for the three month period. Net asset inflows for the twelve months ended December 31, 2014 were US$1.3 billion compared to net inflows of US$0.7 billion in the prior year, driven by mutual fund net asset inflows of US$5.9 billion.

Average AUM decreased by US$0.9 billion compared to the previous quarter primarily due to the impact of net asset outflows.

OUTLOOK – ASSET MANAGEMENT

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

In 2015, Putnam will continue to drive growth and market share through new sales and asset retention in all markets it serves including Global Institutional, PanAgora (Putnam's quantitative institutional manager), U.S. Retail, Defined Contribution Investment Only and Registered Investment Advisors, while maintaining its industry-recognized reputation for service excellence. As part of the Empower Retirement initiative to consolidate the United States retirement services business units under a single brand, Putnam sold its full service retirement business to Great-West Financial effective January 1, 2015. During 2014, Putnam's full service retirement business recorded a net loss of approximately US$20 million primarily due to business development expenses to build the platform for future growth.

Putnam continues to build strong, long-term investment performance across asset classes that have been recognized in the marketplace through net inflows and accolades from industry observers. The firm remains committed to providing clients with superior, risk-adjusted performance.

Innovation will remain a powerful differentiator for Putnam in 2015, as the firm further develops its product offerings, service features and operational functions, while bolstering its corporate and business/product brand image with a wide range of key constituents. Further, Putnam intends to continue to invest in technology in order to scale its business model more cost effectively and expand its distribution reach.

UNITED STATES CORPORATE

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

In the fourth quarter of 2014, United States Corporate had a net loss of US$2 million compared to nil for the same period in 2013. The change in the net loss is primarily due to RPS related restructuring and acquisition costs.

For the twelve months ended December 31, 2014, United States Corporate had a net loss of US$4 million, compared to nil for the same period last year. The increase in the net loss is primarily due to RPS related restructuring and acquisition costs.

The net loss for the three months ended December 31, 2014 of US$2 million was comparable to the previous quarter.

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. This measure provides useful information as it facilitates comparability of results between periods. Refer to the Cautionary Note regarding non-IFRS Financial Measures at the beginning of this document.

BUSINESS PROFILE

INSURANCE & ANNUITIES

The core products offered in the U.K. are payout annuities, savings and group insurance. These products are distributed through independent financial advisors (IFAs) and employee benefit consultants. The U.K.'s offshore operations based in the Isle of Man and Dublin provide investment, savings and individual protection products that are sold through IFAs and private banks in the U.K. and in other selected territories. Canada Life Investments is the Company's fund management operation in the U.K. Canada Life Investments manages assets including equities, fixed income, property, mortgages and cash for companies in the Lifeco group as well as a wide range of life, pension and collective funds. The external funds are distributed mainly through financial advisors as well as wealth managers and discretionary fund managers in the U.K.

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

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

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

REINSURANCE

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

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

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

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

MARKET OVERVIEW

PRODUCTS AND SERVICES

The Company provides protection and wealth management products that are distributed primarily through independent sales channels. In Ireland, the Company also distributes its products through tied and direct sales channels.

INSURANCE & ANNUITIES

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
U.K. • The market leader of the group life market, with 26% share[(1)] • Second in the group income protection market with 20% share[(1)] • Among the top ten insurers in payout annuities, with 22% market share (Advisor only)[(2)] • A market leading offshore life company selling into the U.K. market, with 19% market share[(2)] • Among the top ten in the onshore unit-linked single premium bond market with a 7% market share [(2)] **Ireland** • The market leading life assurance company with 35% share[(3)] • Strong position in the retail life and pensions market with a 31% share[(4)] • Leading positions in the group pensions, group risk and corporate annuities markets • ILIM is the largest institutional fund manager in Ireland with over €43 billion assets under management **Germany** • One of the top three insurers in the independent intermediary unit-linked market[(4)] • Among the top ten in the overall unit-linked market[(3)]	**U.K.** • Payout Annuities • Savings • Life insurance • Income Protection (Disability) • Critical Illness **Ireland** • Individual and Group Risk & Pensions • Individual and Bulk Annuities • Wealth Management Services • Individual Savings and Investment • Institutional Investment Management **Germany** • Pensions • Income protection (Disability) • Critical illness • Variable Annuities (GMWB) • Individual Life Insurance	**U.K.** • IFAs • Private banks • Employee benefit consultants **Ireland** • Independent Brokers • Pensions and Investment Consultants • Direct Sales Force • Tied Bank Branch Distribution with various Irish banks **Germany** • Independent brokers • Multi-tied agents

(1) As at December 31, 2013
(2) Market share based on annualized Q1 - Q3 2014 data
(3) As at November 30, 2014
(4) As at June 30, 2014

REINSURANCE

MARKET POSITION	PRODUCTS AND SERVICES	DISTRIBUTION
• Among the top seven life reinsurers in the U.S. by assumed business[(1)] • Niche positions in property and casualty as well as annuity business	**Life** • Yearly renewable term • Co-insurance • Modified co-insurance • Capital Relief Solutions **Property & Casualty** • Catastrophe retrocession **Annuity** • Payout annuity • Fixed annuity	• Independent reinsurance brokers • Direct placements

(1) As at December 31, 2013

COMPETITIVE CONDITIONS

United Kingdom

In the U.K., the Company has strong market positions in group risk, payout annuities and unit-linked life wealth management products where, combining sales from onshore and offshore, Canada Life is a top three unit-linked single premium bond provider in the U.K.

There was a reduction in demand for payout annuity products in the marketplace. This was due to the 2014 U.K. budget announcement, which introduced greater flexibility for individuals retiring after April 2015. During the year, the Company continued to offer both standard and enhanced annuities and was able to maintain its market share.

The Company's group life and income protection business performed well during 2014 maintaining its leading market position and growing revenue premium year-over-year.

In 2014, the offshore wealth management operations experienced continued contraction in its market caused mainly by low volumes of high single premium business from the private banking sector. Inheritance Tax Planning products continue to be the fastest growing offshore product line, and Canada Life International, a subsidiary of Canada Life, holds a market leading position in this sector of the market. The onshore wealth management market stabilized during the year, following a decline in 2013 resulting from a change in regulation affecting distribution.

The Company's U.K. investment operations, Canada Life Investments, has over £34 billion assets under management.

Ireland

The Company consolidated its market leading presence in Ireland through Irish Life in 2013 and continues to be the largest life assurance company in Ireland with a market share of 35%. Irish Life follows a multi-channel distribution strategy having the largest broker distribution network, the largest direct sales force and the largest Bancassurance distribution network where it has tied relationships with five banks. 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."

Irish Life Investment Managers (ILIM) is Ireland's largest institutional fund manager with over €43 billion of assets under management as at December 31, 2014. At the 2014 European Pension awards, ILIM was awarded Equities Manager of the Year and Passive Manager of the Year. It also was awarded the Investment Manager of the year and Alternatives Investment Manager of the year at the 2014 Irish Pension Awards. Setanta Asset Management (Setanta), a subsidiary of Canada Life, manages assets for a number of institutional clients, both third party institutions as well as for companies in the Lifeco group, and has €7.0 billion of assets under management as at December 31, 2014. At the 2014 Irish Pension Awards, Setanta was awarded Equities Manager of Year.

Germany

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

While the German economy has continued its recovery in 2014, the life and pensions market has been challenging. In this difficult environment, Canada Life has grown its sales year-over-year.

Reinsurance

In the U.S. life reinsurance market, the demand for capital relief remains high because of conservative reserving requirements on term and universal life products and uncertainty as to how regulations will change for these products in the future. As a result, more reinsurers are interested in the life capital relief reinsurance market, which will increase the competitive landscape for these products.

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

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

Property insurers/reinsurers saw few major catastrophes in 2014. The 2014 Atlantic hurricane season had a below average number of major storms. As a result, pricing in the property catastrophe market continues to be challenging.

Selected consolidated financial information - Europe

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 5,340**	$ 3,986	$ 6,767	**$ 19,359**	$ 15,894
Fee and other income	**290**	289	276	**1,193**	863
Net earnings - common shareholders	**274**	259	202	**1,038**	701
Total assets	**$ 142,317**	$ 139,521	$ 131,364		
Proprietary mutual funds and institutional net assets	**20,736**	19,646	16,614		
Total assets under management	**163,053**	159,167	147,978		
Other assets under administration	**41,806**	40,508	40,042		
Total assets under administration	**$ 204,859**	$ 199,675	$ 188,020		

Net earnings - common shareholders	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Insurance & Annuities	**$ 218**	$ 208	$ 166	**$ 810**	$ 548
Reinsurance	**71**	59	63	**265**	245
Europe Corporate	**(15)**	(8)	(27)	**(37)**	(92)
Net earnings	**$ 274**	$ 259	$ 202	**$ 1,038**	$ 701

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.

The acquisition of Irish Life 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 twelve months ended December 31, 2014 is as follows:

Selected consolidated financial information - Europe	For the three months ended December 31, 2014			For the twelve months ended December 31, 2014		
	Irish Life[(1)]	**Non-Irish Life**	**Total**	**Irish Life[(1)]**	**Non-Irish Life**	**Total**
Premiums and deposits	$ 3,074	$ 2,266	$ 5,340	$ 10,745	$ 8,614	$ 19,359
Fee and other income	147	143	290	564	629	1,193
Net earnings - common shareholders	64	210	274	236	802	1,038
Net earnings - common shareholders excluding restructuring costs	70	210	280	261	802	1,063
Total assets	$ 56,591	$ 85,726	$ 142,317			
Proprietary mutual funds and institutional net assets	20,433	303	20,736			
Total assets under management	77,024	86,029	163,053			
Other assets under administration	41,806	—	41,806			
Total assets under administration	$ 118,830	$ 86,029	$ 204,859			

(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 twelve months ended December 31, 2014 increased to $1,038 million compared to $701 million for the same period in 2013, primarily due to the inclusion of Irish Life for an additional two quarters in 2014. Net earnings for the three months ended December 31, 2014 were $274 million, up $72 million from the same period last year, due to increased earnings in Insurance & Annuities, lower Irish Life related restructuring and acquisition costs as well as positive currency movement.
- Premiums and deposits for the twelve months ended December 31, 2014 increased to $19.4 billion compared to $15.9 billion for the same period in 2013, primarily due to the inclusion of Irish Life for an additional two quarters in 2014. Premiums and deposits in the fourth quarter of 2014 were $5.3 billion down from $6.8 billion for the same period in 2013, primarily due to lower Ireland fund management sales and a reduction in U.K. payout annuity sales, following changes announced in the 2014 U.K. Budget.
- Fee and other income for the twelve months ended December 31, 2014 increased to $1,193 million compared to $863 million for the same period in 2013. Fee and other income for the three months ended December 31, 2014 was $290 million, an increase of $14 million compared to the same quarter in 2013, primarily due to higher assets under management.

- In the fourth quarter of 2014, the Company achieved €5.7 million (€26.2 million year-to-date) of annualized synergies relating to Irish Life. The 2014 synergies of €26.2 million have resulted in a €5.2 million reduction in expenses in-quarter (€12.4 million year-to-date). Since the acquisition of Irish Life, €40.8 million in annualized synergies have been achieved resulting in a €27.1 million reduction of expenses in 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, following consultation, from April 2015. These changes have reduced annuity sales in 2014 and will impact the future sales of annuities in the U.K. Moody's Investors Service predicted that the volume of annuities sold in the U.K. could decline by 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 fourth quarter of 2014, the Company issued £84 million of new U.K. retail payout annuities, down 15% from the third quarter of 2014, and down 72% from the fourth 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 assets. 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.
- 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."
- In Germany, the Company launched new occupational disability and risk term products during 2014.
- On February 10, 2015, the Company announced that it reached an agreement to acquire, through its subsidiary Canada Life Group (UK) Limited, Legal & General International (Ireland) Limited (LGII). Launched in 2007, LGII is a subsidiary of the Legal & General Group Plc and is based in Dublin, Ireland, a country with a leading international financial services centre. LGII provides quality investment and tax planning solutions, primarily focused on the U.K. high net worth market. LGII has over 4,000 U.K. offshore bond policies with assets under administration of £2.5 billion (as at October 30, 2014). The transaction is expected to close in the second quarter of 2015 and is subject to customary regulatory approvals, including approvals from the European Commission under the EU Merger Regulation, and certain closing conditions.

BUSINESS UNITS – EUROPE

INSURANCE & ANNUITIES

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 3,875**	$ 3,446	$ 5,229	**$ 14,931**	$ 11,521
Sales	**3,155**	2,913	4,773	**12,388**	9,922
Fee and other income	**284**	278	266	**1,155**	820
Net earnings	**218**	208	166	**810**	548

Premiums and deposits

Premiums and deposits for the fourth quarter of 2014 decreased by $1.4 billion to $3.9 billion compared to the same period in 2013. The decrease was due to lower Ireland fund management sales and a reduction in U.K. payout annuity sales, following changes announced in the 2014 U.K. Budget. The decrease was partly offset by higher pension sales in Ireland.

For the twelve months ended December 31, 2014, premiums and deposits increased by $3.4 billion to $14.9 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, partly offset by lower U.K. payout annuity and single premium savings sales.

Premiums and deposits for the fourth quarter of 2014 increased by $0.4 billion compared to the previous quarter, due to an increase in Ireland fund management sales as well as a normal seasonal increase in Ireland and Germany pension sales. These increases were partly offset by lower sales of single premium savings products in the U.K.

Sales

Sales for the fourth quarter of 2014 decreased by $1.6 billion to $3.2 billion compared to the same period in 2013. In Ireland, fund management sales declined slightly from the strong levels achieved following the acquisition of Irish Life in the third quarter of 2013. In the U.K., payout annuity sales decreased following changes announced in the 2014 U.K. Budget.

For the twelve months ended December 31, 2014, sales increased by $2.5 billion to $12.4 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 of payout annuity and single premium savings products in the U.K.

Sales for the fourth quarter of 2014 increased by $242 million from the previous quarter, mainly due to an increase in Ireland fund management sales caused by seasonal fluctuations as well as increased pension sales in Germany. These increases were partly offset by lower sales of annuity products in Ireland and the U.K. as well as fewer large case single premium savings sales in the U.K.

Fee and other income

Fee and other income for the fourth quarter of 2014 increased by $18 million to $284 million compared to the same period in 2013, primarily due to higher fees in Ireland resulting from growth in assets under management, primarily driven by market gains.

For the twelve months ended December 31, 2014, fee and other income increased by $335 million to $1,155 million compared to the same period last year, mainly due to the inclusion of Irish Life for an additional two quarters in 2014 and the positive impact of currency movement.

Fee and other income in the fourth quarter of 2014 increased by $6 million compared to the previous quarter, primarily due to higher fees in Ireland and Germany resulting from growth in assets under management, primarily driven by market gains.

Net earnings

Net earnings for the fourth quarter of 2014 increased by $52 million to $218 million compared to the same quarter in 2013, primarily due to a higher contribution from insurance contract liability basis changes, higher fee income in Ireland and the positive impact of currency movement. Basis changes reflect refinements to the annuitant mortality assumptions and the impact of changes to actuarial standards related to economic reinvestment assumptions. This was partially offset by the impact of lower U.K. payout annuity new business volumes, less favourable morbidity experience in the U.K. and lower contributions from investment experience.

Net earnings for the twelve months ended December 31, 2014 increased by $262 million to $810 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 experience, a higher contribution from insurance contract liability basis changes and the positive impact of currency movement. These increases were partly offset by the impact of lower U.K. payout annuity new business volumes and lower contributions from investment experience in the U.K.

Net earnings for the fourth quarter of 2014 increased by $10 million compared to the third quarter of 2014. The increase was primarily due to favourable mortality experience and a higher contribution from insurance contract liability basis changes, partly offset by the impact of lower payout annuity new business volumes and lower contributions from investment experience.

OUTLOOK – INSURANCE & ANNUITIES

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

United Kingdom – The outlook for payout annuities in 2015 is uncertain as a result of the 2014 U.K. Budget changes discussed in the 2014 Developments section. Sales of payout annuities declined during the year as individuals postponed retirement related investment decisions until the new legislation is enacted. While the Company expects there will still be market demand for the guaranteed income provided by payout annuity products, the U.K. budget changes are expected to have a negative impact on payout annuity sales. In response to these changes, the Company will look to develop additional products for individuals who prefer a more flexible product. The overall size of the retirement market continues to grow as more retirees have defined contribution pensions due to the closure of defined benefit schemes.

Canada Life continues to be a key player in the single premium investment bond marketplace. It will continue to develop a presence in both the offshore and onshore market segments. The Company's distribution strategy for onshore will remain focused on IFAs. In the offshore wealth management segment, the Company's outlook for 2015 is cautiously optimistic with an expectation that the market will experience modest growth. The majority of growth in the Company's business is expected through discretionary fund management wealth advisors, the retail market and through tax and estate planning products, with a recovery expected in private banking business.

The outlook for the group life and health insurance operations remains positive. The business is benefiting from its strong segmental pricing discipline and risk selection. It is well placed as the U.K. economy improves, with the market fundamentals of increased membership and salary inflation returning. Within Group Income Protection, the business will continue to show pricing discipline reflecting the low interest rate environment. The business has and is expected to continue to benefit from additional risk benefits within the operation's customer base because of the U.K. Government's Pensions Auto Enrolment initiative in the workplace. This initiative started in October 2012 and will be complete in 2018. In 2015, Small Employers will start to be enrolled in this initiative, which presents the Company with an opportunity to increase the penetration for Group Life schemes.

In Europe, the Company continues to develop and implement the new Solvency II regulations in advance of the first general regulatory submission in the second quarter of 2015. The implementation of Solvency II regulations will be the focus of all of the Company's regulated European businesses during 2015.

Ireland – In December 2013, Ireland formally exited the European Union / European Central Bank / International Monetary Fund bailout program, which it entered in November 2010 having achieved all of the agreed fiscal correction and borrowing targets set under the program. The exit signified a significant step forward for Ireland and its economy. The recovery in the Irish economy is broadening and gathering more pace than was expected earlier in 2014 with the country's GDP projected to grow by 4.7% in 2015 with the unemployment rate to fall to an average rate of 9.7%. Irish 10 year sovereign bond yields continued to fall during 2014 to record low levels.

The economic recovery is also becoming more broadly based with domestic demand estimated to make a positive contribution to GDP growth for the first time since 2007. These developments have resulted in new business demand in the life insurance market and the pensions market is expected to grow, after five years of decline.

Germany – The outlook for the German business is positive and the Company expects continued growth in assets under management in 2015.

Sales of unit-linked products grew in 2014. In 2015, the Company expects to grow its market share of unit-linked products, as the market for traditional fixed interest guaranteed products declines due to lower interest rates and increasing costs of guarantees. The Company is positioning itself to further strengthen its presence in the unit-linked market through continued investments in product development, distribution technology and service improvements.

Sales of occupational pension and protection products have grown strongly in 2014 and the Company expects to continue its growth in these products lines in 2015.

REINSURANCE

OPERATING RESULTS

	For the three months ended			For the twelve months ended	
	Dec. 31 2014	Sept. 30 2014	Dec. 31 2013	**Dec. 31 2014**	Dec. 31 2013
Premiums and deposits	**$ 1,465**	$ 540	$ 1,538	**$ 4,428**	$ 4,373
Fee and other income	**6**	11	10	**38**	43
Net earnings	**71**	59	63	**265**	245

Premiums and deposits
Reinsurance premiums can vary significantly from period to period depending on the terms of underlying treaties. For certain life reinsurance transactions, premiums will vary based on the form of the transaction. Treaties where insurance contract liabilities are assumed on a proportionate basis will typically have significantly higher premiums than treaties where claims are not incurred by the reinsurer until a threshold is exceeded.

Premiums and deposits for the fourth quarter of 2014 decreased by $73 million to $1,465 million compared to the same quarter last year, primarily due to the commutation of a health reinsurance treaty. This decrease was mostly offset by premiums from new and restructured treaties as well as the positive impact of currency movement.

For the twelve months ended December 31, 2014, premiums and deposits increased by $55 million to $4.4 billion compared to the same period last year. The increase was primarily due to new and restructured reinsurance agreements, including a Dutch-based annuity reinsurance agreement, as well as the positive impact of currency movement, partially offset by the commutation of a health reinsurance treaty.

Premiums and deposits for the fourth quarter of 2014 increased by $925 million compared to the previous quarter, primarily due to the impact of new and restructured treaties entered into during the quarter and currency movement.

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 for the fourth quarter of 2014 decreased by $4 million to $6 million compared to the same period in 2013, primarily due to the restructuring of certain life treaties.

For the twelve months ended December 31, 2014, fee and other income of $38 million decreased from $43 million in the same period last year due to the restructuring of several treaties.

Fee and other income for the fourth quarter of 2014 decreased by $5 million to $6 million compared to the previous quarter, due to the same reasons discussed for the in-quarter results.

Net earnings
Net earnings for the fourth quarter of 2014 increased by $8 million to $71 million compared to the same quarter in 2013. The increase was primarily due to the positive impact of basis changes and currency movement, partially offset by higher new business strain and higher income taxes.

For the twelve months ended December 31, 2014, net earnings increased by $20 million to $265 million compared to the same period last year, primarily due to a change in mix and higher underlying margins in the life business, the positive impact of basis changes and currency movements. The increase was partially offset by less favourable investment experience and higher new business strain.

Net earnings for the fourth quarter of 2014 increased by $12 million compared to the previous quarter. The increase was primarily due to a higher contribution from basis changes and the positive impact of currency movement, partially offset by less favourable claims experience and higher new business strain.

OUTLOOK – REINSURANCE

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

The U.S. life reinsurance industry business is expected to be consistent with 2014. The Company expects underlying insurance sales will remain at their current levels until the U.S. economy demonstrates a significant recovery, which constrain the demand for U.S. reinsurance until the recovery occurs. In 2015, new regulations will impact the collateral needed for non-licensed reinsurance entities. This will affect the types of insurance products sold and the reinsurance needs over the next few years. As a result of a U.S. insurance regulatory task force, there is a new regulation that changes the way captives are used to finance redundant reserves. Market demand for health reinsurance is expected to increase due to the Affordable Care Act. Additionally, new U.S. regulatory rules affecting the calculation of statutory reserves are expected to be effective in 2017.

In Europe, Solvency II is still expected to be a driver of the business in 2015 and beyond. The Company’s reinsurance operation is preparing to help European clients and other affiliated companies meet the potential capital challenges and business opportunities arising from these regulatory changes.

As 2014 saw few major catastrophes, it is expected that 2015 pricing in the property and casualty market will continue to soften. Hedge fund capacity, collateralized covers and catastrophe bond issuance is expected to grow in 2015, while buyer demand is under downward pressure due to increasing client retention. The primary focus for 2015 will look to move further away from the exposure risk, continue to utilize the most recent U.S. modeling updates from Risk Management Solutions (RMS) and control geographic exposures without significant impact on margins.

EUROPE CORPORATE

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

In the fourth quarter of 2014, Europe Corporate had a net loss of $15 million compared to a net loss of $27 million for the same period in 2013. Fourth 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 $23 million in the fourth quarter of 2013. Excluding these charges, the net loss increased by $5 million due to basis changes, mainly from an increase in expense provisions on the legacy international businesses.

For the twelve months ended December 31, 2014, Europe Corporate had a net loss of $37 million compared to a net loss of $92 million for the same period last year. Included in the year-to-date net loss was $25 million of Irish Life related restructuring costs in 2014, compared to $97 million of acquisition and restructuring costs related to Irish Life for the same period in 2013. Excluding these charges, the net loss for the twelve months ended December 31, 2014 was $12 million compared to net earnings of $5 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 decrease in earnings was also due to basis changes on the legacy international businesses.

The net loss for the three months ended December 31, 2014 increased from $8 million in the previous quarter to $15 million in the current quarter, primarily due to basis changes on the legacy international businesses discussed for the in-quarter results.

LIFECO CORPORATE OPERATING RESULTS

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

For the three months ended December 31, 2014, Lifeco Corporate had a net loss of $6 million compared to net earnings of $189 million in the fourth quarter of 2013. Fourth quarter 2013 earnings included a litigation recovery recorded in the subsequent event period, which increased earnings by $226 million, as well as mark-to-market losses on macro capital hedges of $26 million. Excluding these items, the net loss decreased by $5 million, primarily due to lower unallocated financing charges. 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 twelve months ended December 31, 2014, Lifeco Corporate had a net loss of $26 million compared to net earnings of $153 million in the same period last year. Excluding the impact of the litigation recovery noted above, the net loss decreased by $47 million, primarily due to lower mark-to-market losses on macro capital hedges and lower unallocated financing charges, partially offset by an increase in preferred share dividend payments. The 2013 year-to-date results also included a $5 million charge as a result a prior year capital tax audit reassessment, which did not recur in 2014.

The net loss for the three months ended December 31, 2014 in Lifeco Corporate decreased by $3 million to $6 million compared to the previous quarter, primarily due to lower preferred share dividends paid during the quarter.

OTHER INFORMATION

SELECTED ANNUAL INFORMATION

(in $ millions, except per share amounts)	Years ended December 31		
	2014	2013	2012[1][2]
Total revenue[1]	**$ 39,181**	$ 26,446	$ 30,597
Net earnings - common shareholders			
Operating earnings	**$ 2,546**	$ 2,052	$ 1,946
Net earnings	**2,546**	2,278	1,806
Net earnings per common share			
Operating	**$ 2.549**	$ 2.108	$ 2.049
Basic	**2.549**	2.340	1.902
Diluted	**2.546**	2.297	1.891
Total assets			
Total assets[1][2]	**$ 356,709**	$ 325,876	$ 253,850
Proprietary mutual funds and institutional net assets	**216,271**	185,243	134,598
Total assets under management	**572,980**	511,119	388,448
Other assets under administration	**490,353**	247,139	157,455
Total assets under administration	**1,063,333**	758,258	545,903
Total liabilities[1][2]	**$ 334,812**	$ 306,046	$ 236,839
Dividends paid per share			
Series F First Preferred	**1.4750**	1.4750	1.4750
Series G First Preferred	**1.3000**	1.3000	1.3000
Series H First Preferred	**1.21252**	1.21252	1.21252
Series I First Preferred	**1.1250**	1.1250	1.1250
Series J First Preferred [3]	**—**	1.50000	1.50000
Series L First Preferred	**1.41250**	1.41250	1.41250
Series M First Preferred	**1.450**	1.450	1.450
Series N First Preferred	**0.912500**	0.912500	0.912500
Series P First Preferred [4]	**1.350**	1.350	1.152120
Series Q First Preferred [5]	**1.2875**	1.2875	0.625235
Series R First Preferred [6]	**1.200**	1.200	0.26630
Series S First Preferred [7]	**0.799185**	—	—
Common	**1.230**	1.230	1.230

(1) The Company reclassified certain 2012 comparative figures for presentation adjustments in 2013.
(2) Comparative figures, where impacted, have been restated for the retrospective impact of new and revised IFRS effective during 2013 most notably IAS 19R, *Employee Benefits* and IFRS 10, *Consolidated Financial Statements*.
(3) The Series J First Preferred Shares were redeemed on December 31, 2013.
(4) The Series P First Preferred Shares were issued on February 22, 2012. The first dividend payment was made on June 30, 2012 in the amount of $0.477120 per share. Regular quarterly dividends were $0.337500 per share.
(5) The Series Q First Preferred shares were issued on July 6, 2012. The first dividend payment was made on September 30, 2012 in the amount of $0.303360 per share. Regular quarterly dividends were $0.321875 per share.
(6) The Series R First Preferred shares were issued on October 11, 2012. The first dividend payment was made on December 31, 2012 in the amount of $0.266300 per share. Regular quarterly dividends are $0.30000 per share.
(7) The Series S First Preferred Shares were issued on May 22, 2014. The first dividend payment was made on September 30, 2014 in the amount of $0.47106 per share. Regular quarterly dividends are $0.328125 per share.

QUARTERLY FINANCIAL INFORMATION

Quarterly financial information (in $ millions, except per share amounts)	2014				2013			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total revenue(1)	**$ 10,723**	$ 8,451	$ 10,070	$ 9,937	$ 8,056	$ 7,206	$ 3,628	$ 7,556
Common Shareholders Net earnings								
Total	**657**	687	615	587	717	523	521	517
Basic - per share	**0.658**	0.687	0.616	0.587	0.717	0.527	0.548	0.544
Diluted - per share	**0.657**	0.686	0.615	0.587	0.716	0.522	0.547	0.544
Operating earnings(2)								
Total	**657**	687	615	587	491	523	521	517
Basic - per share	**0.658**	0.687	0.616	0.587	0.491	0.527	0.548	0.544
Diluted - per share	**0.657**	0.686	0.615	0.587	0.490	0.522	0.547	0.544

(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 $657 million for the fourth quarter of 2014 compared to $717 million reported a year ago. On a per share basis, this represents $0.658 per common share ($0.657 diluted) for the fourth quarter of 2014 compared to $0.717 per common share ($0.716 diluted) a year ago.

Total revenue for the fourth quarter of 2014 was $10,723 million and comprises premium income of $5,501 million, regular net investment income of $1,516 million, a positive change in fair value through profit or loss on investment assets of $2,545 million and fee and other income of $1,161 million.

DISCLOSURE CONTROLS AND PROCEDURES

The Company’s disclosure controls and procedures are designed to provide reasonable assurance that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities legislation is: (a) recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) accumulated and communicated to the Company's senior management, including the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management evaluated the effectiveness of the Company’s disclosure controls and procedures as at December 31, 2014 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer, has evaluated the effectiveness of Lifeco's internal control over financial reporting based on the Internal Control - Integrated Framework (COSO Framework) published in 1992 by The Committee of Sponsoring Organizations of the Treadway Commission. In 2015, the Company's management will adopt the Internal Control - Integrated Framework that was published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO's 2013 Framework) as the basis to evaluate the effectiveness of the Lifeco's internal control over financial reporting.

Management evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2014 and, based on such evaluation, the President and Chief Executive Officer and the Executive Vice-President and Chief Financial Officer have concluded that the Company's internal control over financial reporting is effective and that there are no material weaknesses in the Company's internal control over financial reporting.

Effective September 30, 2014, the Company's management no longer limits the scope of its design of the Company's internal control over financial reporting to exclude controls, policies and procedures of Irish Life. Due to the size of the Irish Life operations and number of controls, policies and procedures of Irish Life, this represented a material addition to the Company's internal control over financial reporting during the twelve month period ended December 31, 2014. Other than the inclusion of Irish Life within the scope of the Company's internal control over financial reporting, there have been no changes in the Company's internal control over financial reporting during the twelve month period ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

TRANSACTIONS WITH RELATED PARTIES

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

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

At December 31, 2014 the Company held $43 million ($40 million in 2013) of debentures issued by IGM.

During 2014, Great-West Life, London Life and segregated funds maintained by London Life purchased residential mortgages of $184 million from IGM ($204 million in 2013).

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

There were no significant outstanding loans or guarantees at the Balance Sheets date and no loans or guarantees issued during 2014 or 2013. There were no provisions for uncollectible amounts from related parties during 2014 and 2013.

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**	**Dec. 31 2014**	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	**$ 1.16**	$ 1.12	$ 1.07	$ 1.11	$ 1.06	$ 1.03	$ 1.05	$ 1.02
Income and expenses	**$ 1.14**	$ 1.09	$ 1.09	$ 1.10	$ 1.05	$ 1.04	$ 1.02	$ 1.01
British pound								
Balance sheet	**$ 1.81**	$ 1.82	$ 1.83	$ 1.84	$ 1.76	$ 1.66	$ 1.60	$ 1.54
Income and expenses	**$ 1.80**	$ 1.82	$ 1.84	$ 1.83	$ 1.70	$ 1.61	$ 1.57	$ 1.56
Euro								
Balance sheet	**$ 1.40**	$ 1.42	$ 1.46	$ 1.52	$ 1.47	$ 1.39	$ 1.37	$ 1.30
Income and expenses	**$ 1.42**	$ 1.44	$ 1.50	$ 1.51	$ 1.43	$ 1.38	$ 1.34	$ 1.33

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.