FC 029439

In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

SATURDAY

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A13 19/04/2014 #36
COMPANIES HOUSE

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

✗ **What this form is NC**
You cannot use this foi an alteration of manne with accounting requir

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

Part 1 Corporate company name

Corporate name of overseas company ❶	The Great-West Life Assurance Company
UK establishment number	B R 0 1 4 4 2 1

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷ Insurance Companies Act (Canada)

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No** Go to **Section A3**

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸ Accounting Standards Board - Canadian GAAP

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	Auditing Standards Committee	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature **X** **X**

This form may be signed by
~~Director, Secretary,~~ Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name	Karina Morris
Company name	Canada Life Limited
Address	Canada Life Place
	High Street
Post town	Potters Bar
County/Region	Hertfordshire
Postcode	E N 6 5 B A
Country	United Kingdom
DX	
Telephone	

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address

England and Wales
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

010026/20

THE
Great-West Life
ASSURANCE COMPANY

Annual Report 2013

BASIS OF PRESENTATION AND SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of the Company, 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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This report contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar expressions or negative versions thereof In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, are also forward-looking statements Forward-looking statements are based on expectations and projections about future events that were current at the time of the statements and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company's operations will continue substantially in their current state, including without limitation, with respect to market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, inflation, information systems, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, and the Company's ability to complete strategic transactions and integrate acquisitions, and that there will be no unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct Other important factors that could cause actual results to differ materially from those contained in forward-looking statements include technological change, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings and catastrophic events The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors, including factors set out in this report under "Financial Instruments Risk Management" 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 report contains some non-IFRS financial measures Terms by which non-IFRS financial measures are identified include, but are not limited to, "operating earnings", "constant currency basis", "premiums and deposits", "sales", and other similar expressions Non-IFRS financial measures are used to provide management and investors with additional measures of performance However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS

CORPORATE PROFILE

Great-West Life is a leading Canadian insurer, with interests in life insurance, health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe

In Canada, Great-West Life and its subsidiaries, London Life and Canada Life, offer a broad portfolio of financial and benefit plan solutions and serve the financial security needs of more than 12 million people

Great-West Life's products include a wide range of investment, savings and retirement income plans, payout annuities, as well as life, disability, critical illness and health insurance for individuals and families These products and services are distributed through a diverse network of 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

For large and small businesses and organizations, Great-West Life offers a variety of group benefit plan solutions featuring options such as life, healthcare, dentalcare, critical illness, disability and wellness, international benefits plans, plus convenient online services The Company also offers group retirement and savings plans that are tailored to the unique needs of businesses and organizations These products and services are distributed through financial security advisors associated with our companies, as well as independent advisors, brokers and consultants

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

Canada Life and Irish Life provide individuals and their families with a broad range of protection and wealth management products These include payout annuities, investment products and group insurance in the United Kingdom, investment products and individual insurance in the Isle of Man, insurance, pension and investment products to individuals, employers and affinity groups in Ireland, and pension products, critical illness and disability insurance in Germany

Asset management services are provided through Canada Life Investments, Irish Life Investment Managers and Setanta Asset Management

Great-West Life participates in international reinsurance markets through Canada Life Reinsurance and London Reinsurance Group, providing life, longevity, and property and casualty reinsurance in the United States and in international markets

Great-West Life has $341 billion* in consolidated assets under administration and is a subsidiary of Great-West Lifeco Inc

For more information on Great-West Life, including current ratings, visit www greatwestlife com

A member of the Power Financial Corporation group of companies ™

**as of December 31, 2013*

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DIRECTORS' REPORT TO SHAREHOLDERS

In 2013 Great-West Life and its subsidiaries in Canada and Europe continued to deliver strong performance Our conservative investment practices and disciplined approach to introducing new products and managing expenses have served us well over the long term and position us well for organic growth

Performance measures

Measures of Great-West Life's performance in 2013 include

- Premiums and deposits remained strong, at $37 5 billion
- Common shareholder net earnings of $2 2 billion, compared to $1 7 billion at December 31, 2012
- General account assets were $133 2 billion, an increase of 11% over December 31, 2012
- Segregated fund net assets were $132 6 billion, up 62% from December 31, 2012
- Policyholder dividends remained strong at $1 1 billion

The Company's capital position remains very strong Great-West Life reported a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio of 223% at December 31 2013, compared to 207% at December 31, 2012 This measure of capital strength is slightly higher than the upper end of Great-West Life's target operating range of 175%-215% It does not include any benefit from the approximately $0 6 billion of net proceeds from capital transactions held by its parent, Great-West Lifeco

We have a high quality bond portfolio, with 99% rated investment grade at December 31, 2013

Canada – leading market positions

In Canada Great-West Life, together with London Life and Canada Life, maintained leading market positions in our individual and group businesses This was achieved by focusing on three broad goals in 2013 improving products and services for clients and advisors, maintaining strong financial discipline, and improving tools, information and processes to enable greater productivity and effectiveness

The Group retirement services business recorded strong growth, the group insurance business had strong sales in all segments while continuing to experience excellent persistency, and the individual segregated fund and mutual fund businesses maintained positive net cash flows Individual insurance sales in Canada remained constant and sales of proprietary retail investment funds increased 4 9% year over year

Group businesses

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

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

Jeffrey Orr

Paul Mahon

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

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

Individual businesses

Together, Great-West Life, London Life and Canada Life remain Canada's number one provider of individual insurance solutions From term, universal and participating life insurance to individual disability and critical illness insurance, our broad range of products gives advisors choice and flexibility in meeting clients diverse individual needs Our companies are the leading provider of participating life insurance and continue to focus on excellence in managing and growing our participating business

Within our group of companies participating products have been continuously offered since 1847 and policyholder dividends have been paid every year With over 70 years' experience in the individual disability insurance market, Great-West Life, together with Canada Life, is a leading provider of individual disability and critical illness insurance in Canada as well

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

Great-West Life, London Life and Canada Life offer a broad choice of investment, savings and income products These include segregated funds, as well as mutual funds offered through Quadrus Investment Services Ltd , a mutual fund dealer affiliated with Great-West Life

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

Products and distribution

The Canadian operations continued to focus on distribution support and development in 2013, both in the exclusive and independent distribution channels The important relationships we have with advisors support the very strong persistency of our business, provide a strategic advantage for us and contribute to strong market share across our multiple lines of business

Europe

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

U.K.

In the U.K., Canada Life successfully launched a range of funds aimed at the retail mutual fund market and continued during the year to build its footprint in this part of the investment marketplace. The Company also complemented its Isle of Man wealth management business by launching a similar offering of investment products aimed at the U.K. high net-worth investor from a Dublin base. The Company benefited from the recovery in the U.K. market in 2013 with increases in its offshore wealth management new business sales and in its group risk sales of group life and income protection products. Onshore bond sales were down as a result of a change in legislation affecting distribution which came into force at the start of the year.

Payout annuity sales during the year were very strong, and Canada Life began to focus on the enhanced annuity market where prospective policyholders are medically underwritten before acceptance.

Ireland

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

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

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

With a continued focus on delivering outstanding service, in 2013, Irish Life business continued to grow. Sales across all businesses outperformed the market and the Company gained market share. All business units continue to perform well.

Germany

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

Reinsurance

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

Corporate Social Responsibility

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

- Support and respect the protection of internationally proclaimed human rights;
- Meet its responsibilities to minimize environmental impact; and
- Make a positive contribution in the communities where the Company is established.

Giving back to our communities

As an organization, we take action to help build stronger communities by addressing national and regional issues affecting Canadians. We are an Imagine Caring Company, providing financial and volunteer support to hundreds of charitable, non-profit and community-based organizations.

Key to our approach is the engagement of staff and distribution associates, who commit their strengths, skills and compassion to local community priorities. Together we aspire to the highest standards of corporate citizenship.

Board of Directors

Organizational Changes

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

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

The Board expressed strong appreciation to outgoing Chairman of the Board Raymond McFeetors for his outstanding contribution to Great-West Life's growth and evolution during his five-year tenure as Chairman of the Board, and 16-year tenure as President and Chief Executive Officer. Mr. McFeetors continues as a member of the Company's Board of Directors. The Board of Directors would like to express their sincere appreciation and gratitude to Mr. McFeetors for his guidance and leadership throughout the years.

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

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

It was announced that Timothy Ryan Jr. would retire. Mr. Ryan had been a Director of the Company since May 2010 and was a member of the Executive, Risk, Investment and Compensation Committees.

Through his participation on the Board and various Board Committees, Mr. Ryan made a valuable contribution to the affairs of the Company, and we thank him sincerely for his many years of service.

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

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

The Honourable Paul Desmarais passed away on October 8, 2013. Mr. Desmarais joined the Board of Great-West Life in July 1977 and served as a Director until 2004.

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

Recognition

On behalf of the Board of Directors, it is our pleasure to recognize the professionalism and continuing dedication of the people across our companies, who serve our clients and distribution associates worldwide. We also thank our clients and distribution associates for their continued support.

Jeffrey Orr
Chairman of the Board

Paul Mahon
President and Chief Executive Officer

FINANCIAL HIGHLIGHTS *(unaudited)*

(in Canadian $ millions except per share amounts)

	As at or for the three months ended			For the twelve months ended	
	December 31 2013	September 30 2013	December 31 2012[2]	December 31 2013	December 31 2012[2]
Premiums and deposits					
Life insurance, guaranteed annuities and insured health products	$ 4,996	$ 4,044	$ 4,058	$ 17,364	$ 16,235
Self-funded premium equivalents (Administrative services only contracts)	649	620	677	2,567	2,666
Segregated funds deposits					
Individual products	2,657	2,303	1,993	8,041	6,338
Group products	1,078	1,104	1,567	4,689	4,637
Proprietary mutual funds and institutional deposits	2,823	1,630	197	4,840	712
Total premiums and deposits	12,203	9,701	8,492	37,501	30,588
Fee and other income	604	590	468	2,137	1,782
Paid or credited to policyholders[1]	4,809	4,144	4,193	15,074	18,993
Operating earnings – common shareholder[3]	512	514	481	2,018	1,880
Summary of net earnings (loss) attributable to					
Participating account	(149)	19	206	(94)	275
Common shareholder[3]	738	514	341	2,244	1,740
Per common share					
Dividends paid	113 02	134 46	129 91	539 79	532 67
Book value[3]	6,780 00	6,130 00	5,833 00		
Total assets[3]	$ 265,850	$ 252,744	$ 201,389		
Proprietary mutual funds net assets	20,728	17,277	3,585		
Total assets under management[3]	286,578	270,021	204,974		
Other assets under administration	54,649	50,067	13,291		
Total assets under administration[3]	$ 341,227	$ 320,088	$ 218,265		
Participating account surplus[3]	$ 2,342	$ 2,483	$ 2,440		
Shareholders' equity[3]	16,064	15,159	12,891		
Total equity[3]	$ 18,406	$ 17,642	$ 15,331		

The Company uses operating earnings a non-International Financial Reporting Standards financial measure, which excludes the impact of certain litigation provisions described in note 32 to the Company's December 31, 2013 consolidated financial statements

(1) Paid or credited to policyholders includes the impact of changes in fair values of assets supporting liabilities

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

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

FINANCIAL REPORTING RESPONSIBILITY

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

In carrying out its responsibilities, management maintains appropriate internal control over financial reporting designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, including the requirements of the Office of the Superintendent of Financial Institutions Canada

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

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

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

The Board of Directors of the Company, pursuant to the *Insurance Companies Act* (Canada), appoints an Actuary who is a Fellow of the Canadian Institute of Actuaries The Actuary

- Ensures that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations and directives
- Provides an opinion regarding the appropriateness of the policy liabilities at the balance sheet date to meet all policyholder obligations Examination of supporting data for accuracy and completeness and analysis of assets for their ability to support the policy liabilities are important elements of the work required to form this opinion
- Annually analyzes the financial condition of the Company and prepares a report for the Board of Directors The analysis covers a five year period, and tests the projected capital adequacy of the Company, under adverse economic and business conditions

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

Paul Mahon
President and
Chief Executive Officer

William W Lovatt
Executive Vice-President and
Chief Financial Officer

February 13, 2014

CONSOLIDATED STATEMENTS OF EARNINGS

(in Canadian $ millions)

For the years ended December 31	2013	2012 (notes 3 & 35)
Income		
Premium income		
Gross premiums written	$ 20,641	$ 19,324
Ceded premiums	(3,277)	(3,089)
Total net premiums	17,364	16,235
Net investment income (note 6)		
Regular net investment income	4,401	4,479
Changes in fair value through profit or loss	(2,377)	2,218
Total net investment income	2,024	6,697
Fee and other income	2,137	1,782
	21,525	24,714
Benefits and expenses		
Policyholder benefits		
Insurance and investment contracts		
Gross	16,627	16,119
Ceded	(2,040)	(1,694)
Total net policyholder benefits	14,587	14,425
Policyholder dividends and experience refunds	1,199	1,265
Changes in insurance and investment contract liabilities	(712)	3,303
Total paid or credited to policyholders	15,074	18,993
Commissions	1,638	1,561
Operating and administrative expenses (note 30)	1,806	1,513
Premium taxes	276	262
Financing charges (note 17)	48	73
Amortization of finite life intangible assets	66	55
Restructuring and acquisition expenses (note 19)	104	-
Earnings before income taxes	2,513	2,257
Income taxes (note 29)	363	242
Net earnings	2,150	2,015
Net earnings (loss) – participating account (note 22)	(94)	275
Net earnings – common shareholder	$ 2,244	$ 1,740

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in Canadian $ millions)

For the years ended December 31	2013	2012 (notes 3 & 35)
Net earnings	$ 2,150	$ 2,015
Other comprehensive income (loss)		
Items that may be reclassified subsequently to Consolidated Statements of Earnings		
Unrealized foreign exchange gains (losses) on translation of foreign operations	567	47
Unrealized gains (losses) on available-for-sale assets	(154)	56
Income tax (expense) benefit	33	(14)
Realized losses on available-for-sale assets	(49)	(105)
Income tax (expense) benefit	9	23
Total items that may be reclassified	406	7
Items that will not be reclassified to Consolidated Statements of Earnings		
Re-measurements on defined benefit pension and other post-employment benefit plans	479	(171)
Income tax (expense) benefit	(122)	44
Total items that will not be reclassified	357	(127)
Total other comprehensive income (loss)	763	(120)
Comprehensive income	$ 2,913	$ 1,895

CONSOLIDATED BALANCE SHEETS

(in Canadian $ millions)

	December 31 2013	December 31 2012 (notes 3 & 35)	January 1 2012 (notes 3 & 35)
Assets			
Cash and cash equivalents (note 5)	$ 2,231	$ 1,652	$ 1,855
Bonds (note 6)	69,684	64,116	60,525
Mortgage loans (note 6)	15,734	15,011	14,849
Stocks (note 6)	8,316	6,770	6,336
Investment properties (note 6)	4,286	3,568	3,246
Loans to policyholders	2,896	2,864	2,858
	103,147	93,981	89,669
Funds held by ceding insurers (note 7)	10,832	10,599	9,978
Goodwill (note 12)	5,674	5,267	5,267
Intangible assets (note 12)	1,759	1,518	1,511
Derivative financial instruments (note 31)	566	947	927
Owner occupied properties (note 13)	448	382	357
Fixed assets (note 13)	165	113	97
Reinsurance assets (note 16)	6,804	3,865	4,046
Premiums in course of collection, accounts and interest receivable	2,359	2,046	1,780
Other assets (note 14)	1,331	896	872
Current income taxes (note 29)	102	87	63
Deferred tax assets (note 29)	52	65	35
Investments on account of segregated fund policyholders (note 15)	132,611	81,623	74,626
Total assets	$ 265,850	$ 201,389	$ 189,228
Liabilities			
Insurance contract liabilities (note 16)	$ 107,171	$ 98,133	$ 94,166
Investment contract liabilities (note 16)	859	698	746
Debentures and other debt instruments (note 18)	693	302	303
Funds held under reinsurance contracts	795	817	630
Derivative financial instruments (note 31)	468	223	273
Accounts payable	941	737	765
Other liabilities (note 20)	2,309	2,280	2,063
Current income taxes (note 29)	781	483	370
Deferred tax liabilities (note 29)	653	598	677
Repurchase agreements	–	–	23
Capital trust debentures (note 21)	163	164	815
Investment and insurance contracts on account of segregated fund policyholders (note 15)	132,611	81,623	74,626
Total liabilities	247,444	186,058	175,457
Equity			
Participating account surplus (note 22)	2,342	2,440	2,176
Shareholders' equity			
Share capital (note 23)			
Preferred shares	–	–	1
Common shares	8,488	7,076	6,426
Accumulated surplus	7,047	6,057	5,461
Accumulated other comprehensive income (loss) (note 27)	153	(614)	(511)
Contributed surplus	376	372	218
Total equity	18,406	15,331	13,771
Total liabilities and equity	$ 265,850	$ 201,389	$ 189,228

Approved by the Board

Director Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian $ millions)

	December 31, 2013						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Total shareholders' equity	Participating account surplus	Total equity
Balance, beginning of year	**$ 7,076**	**$ 372**	**$ 6,057**	**$ (614)**	**$ 12,891**	**$ 2,440**	**$ 15,331**
Net earnings	–	–	2,244	–	2,244	(94)	2,150
Other comprehensive income (loss)	–	–	–	767	767	(4)	763
	7,076	372	8,301	153	15,902	2,342	18,244
Issue shares to parent company (note 23)	1,412	–	–	–	1,412	–	1,412
Dividends to common shareholder	–	–	(1,254)	–	(1,254)	–	(1,254)
Share-based payments	–	4	–	–	4	–	4
Balance, end of year	**$ 8,488**	**$ 376**	**$ 7,047**	**$ 153**	**$ 16,064**	**$ 2,342**	**$ 18,406**

	December 31 2012 (note 3)						
	Share capital	Contributed surplus	Accumulated surplus	Accumulated other comprehensive income (loss)	Total shareholders equity	Participating account surplus	Total equity
Balance, beginning of year	$ 6,427	$ 218	$ 5,461	$ (511)	$ 11,595	$ 2,176	$ 13,771
Net earnings	–	–	1,740	–	1,740	275	2,015
Other comprehensive loss	–	–	–	(103)	(103)	(17)	(120)
	6,427	218	7,201	(614)	13,232	2,434	15,666
Redemption of Series Q preferred shares	(1)	–	–	–	(1)	–	(1)
Issue shares to parent company (note 23)	650	–	–	–	650	–	650
Reallocation from participating account to shareholder account	–	–	(6)	–	(6)	6	–
Dividends to common shareholder	–	–	(1,138)	–	(1,138)	–	(1,138)
Contribution of capital from parent company	–	150	–	–	150	–	150
Share-based payments	–	4	–	–	4	–	4
Balance, end of year	$ 7,076	$ 372	$ 6,057	$ (614)	$ 12,891	$ 2,440	$ 15,331

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in Canadian $ millions)

For the years ended December 31	2013	2012 (notes 3 & 35)
Operations		
Earnings before income taxes	$ 2,513	$ 2,257
Income taxes paid, net of refunds received	(275)	(270)
Adjustments		
Change in insurance and investment contract liabilities	(1,141)	3,237
Change in funds held by ceding insurers	278	231
Change in funds held under reinsurance contracts	(99)	203
Change in deferred acquisition costs	56	(2)
Change in reinsurance assets	488	115
Changes in fair value through profit or loss	2,377	(2,218)
Other	(181)	(117)
	4,016	3,436
Financing Activities		
Issue of common shares to parent company	1,412	650
Contribution from parent company	–	150
Redemption of preferred shares	–	(1)
Issue of subordinated debentures in subsidiary	(76)	–
Repayment of debentures and other debt instruments	–	(1)
Redemption of capital trust securities	–	(650)
Dividends paid on common shares	(1,254)	(1,138)
	82	(990)
Investment Activities		
Bond sales and maturities	16,394	14,947
Mortgage loan repayments	1,610	1,899
Stock sales	1,829	1,985
Investment property sales	31	–
Change in loans to policyholders	(5)	(17)
Acquisition of Irish Life Group Limited, net of cash and cash equivalents acquired (note 4)	(1,234)	–
Investment in bonds	(18,087)	(17,105)
Investment in mortgage loans	(2,035)	(2,048)
Investment in stocks	(1,940)	(2,099)
Investment in investment properties	(244)	(210)
	(3,681)	(2,648)
Effect of changes in exchange rates on cash and cash equivalents	162	(1)
Increase in cash and cash equivalents	579	(203)
Cash and cash equivalents, beginning of year	1,652	1,855
Cash and cash equivalents, end of year	$ 2,231	$ 1,652
Supplementary cash flow information		
Interest income received	$ 3,533	$ 3,736
Interest paid	$ 47	$ 72
Dividend income received	$ 227	$ 199

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in Canadian $ millions)

1 Corporate Information

The Great-West Life Assurance Company (Great-West Life or the Company) is incorporated and domiciled in Canada The registered address of the Company is 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3 Great-West Life is wholly-owned by Great-West Lifeco Inc (Lifeco)

Great-West Life is a leading Canadian insurer, with interests in the life and health insurance, investment, savings and retirement income and reinsurance businesses, primarily in Canada and Europe through its major subsidiaries London Insurance Group Inc (LIG), Canada Life Financial Corporation (CLFC), GLC Asset Management Group Ltd , and GWL Realty Advisors Inc

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

2 Basis of Presentation and Summary of Accounting Policies

The consolidated financial statements of the Company at December 31, 2013 have been prepared in compliance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB) The financial statements are prepared using International Financial Reporting Standards (IFRS) which became Canadian generally accepted accounting principles for publicly accountable enterprises and were adoped by the Company for fiscal years beginning on January 1, 2011 The Company has implemented changes in accounting policies for the adoption of new and revised accounting standards as described in note 3

Basis of Consolidation

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

Use of Significant Judgments, Estimates and Assumptions

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

- The actuarial assumptions, such as mortality and morbidity of policyholders, used in the valuation of insurance and investment contract liabilities under the Canadian Asset Liability Method (note 16)
- In the determination of the fair value of financial instruments, the Company's management exercises judgment in the fair value inputs, particularly those items categorized within level 3 of the fair value hierarchy (note 9)
- The carrying value of goodwill and intangible assets relies upon the use of forecasts and future results upon initial recognition Management evaluates the synergies and future benefit for recognition of goodwill and intangible assets (note 12)
- Cash generating units for goodwill have been determined by management as the lowest level that the goodwill is monitored for internal reporting purposes (note 12)
- Legal and other provisions are recognized resulting from a past event which, in the judgment of management, has resulted in a probable outflow of economic resources which would be passed onto a third-party to settle the obligation Management evaluates the possible outcomes and risks in determining the best estimate of the provision at the balance sheet date (note 32)
- The Company operates within various tax jurisdictions where significant management judgments and estimates are required when interpreting the relevant tax laws, regulations and legislation in the determination of the Company's tax provisions and the carrying amounts of its tax assets and liabilities (note 29)
- The actuarial assumptions used in determining the expense for the Company's pension plans and other post-employment benefits Management reviews previous experience of its plan members in evaluating the assumptions used in determining the expense for the current year (note 26)
- Management consolidates all subsidiaries and entities in which it is determined that the Company controls Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists
- Management uses judgments and estimates in using independent qualified appraisal services adjusted for material changes in property cash flows, capital expenditures or general market conditions in determining the fair value of investment properties (note 6)
- Judgments are used by management in determining whether deferred acquisition costs and deferred income reserves can be recognized on the Consolidated Balance Sheets Deferred acquisition costs are recognized if management determines the costs are incremental and related to the issuance of the investment contract Deferred income reserves are amortized on a straight-line basis over the term of the policy (notes 14 and 20)

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

- The operating segments of the Company, which are the segments reviewed by the Company's Chief Executive Officer to assess performance and allocate resources within the Company (note 34)

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

The significant accounting policies are as follows

(a) Portfolio Investments

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

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

Investments in equity instruments where a fair value cannot be measured reliably are classified as available-for-sale and carried at cost Investments in stocks for which the Company exerts significant influence over but does not control are accounted for using the equity method of accounting Investments in stocks include the Company's investment in an affiliated company, IGM Financial Inc (IGM), a member of the Power Financial group of companies, and Allianz Ireland, an unlisted general insurance company operating in Ireland which the Company owns 30 43%, over which the Company exerts significant influence but does not control The investments are accounted for using the equity method of accounting

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Mortgages and Bonds – Loans and Receivables

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

Investment Properties

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

Impairment

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

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

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

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

(b) Transaction Costs

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

(c) Cash and Cash Equivalents

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

(d) Trading Account Assets

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

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

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

(f) Other Liabilities

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

(g) Derivative Financial Instruments

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

The Company includes disclosure of the maximum credit risk, future credit exposure, credit risk equivalent and risk weighted equivalent in note 31 as prescribed by the Office of the Superintendent of Financial Institutions Canada

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

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

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

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

Derivatives not designated as hedges for accounting purposes

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

Fair value hedges

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

The Company currently uses interest rate swaps designated as fair value hedges

Cash flow hedges

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

The Company currently has no derivatives designated as cash flow hedges

Net investment hedges

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

(h) Embedded Derivatives

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

(i) Foreign Currency Translation

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

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

(j) Loans to Policyholders

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

(k) Reinsurance Contracts

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

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

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

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

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

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

(m) Business Combinations, Goodwill and Intangible Assets

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

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

Indefinite life intangible assets include brands and trademarks, customer contracts and the shareholder's portion of acquired future participating account profits Amounts are classified as indefinite life intangible assets when based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company

The identification of indefinite life intangible assets is made by reference to relevant factors such as product life cycles, potential obsolescence, industry stability and competitive position

Impairment Testing

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

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

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

(n) Revenue Recognition

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

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

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

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

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

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

(o) Owner Occupied Properties and Fixed Assets

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

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

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

(p) Deferred Acquisition Costs

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

(q) Segregated Funds

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

(r) Insurance and Investment Contract Liabilities

Contract Classification

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

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

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

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

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

Measurement

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

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

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

(s) Deferred Income Reserves

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

(t) Participating Account

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid

The Canada Life Assurance Company (Canada Life) participating account is comprised of two main subdivisions The liabilities for participating policies issued or assumed by Canada Life prior to demutualization are held in closed block sub-accounts These liabilities for guaranteed and other non-guaranteed benefits are determined using best estimate assumptions If at any time the value of the assets allocated to these policies were, in the opinion of the Appointed Actuary, less than the assets required in the long term to support the liabilities of these policies and the future reasonable expectations of the policyholders, assets having a sufficient value to rectify the situation would be transferred first from the additional ancillary sub-accounts maintained in the participating account for this purpose and then, if the deficiency is expected to be permanent, from the shareholder account Any such transfers from the shareholder account would be recorded as a charge to shareholder net earnings

The second main subdivision comprises the open block sub-accounts containing all liabilities in respect of new participating policies issued on or after demutualization On demutualization, $50 of seed capital was transferred from shareholder surplus to the participating account The seed capital amount, together with a reasonable rate of return, may be transferred to the shareholder account if the seed capital is no longer required to support the new participating policies Transfers of seed capital to the shareholder account would be returns of capital and would be recorded as adjustments to shareholder surplus A reasonable rate of return on seed capital will be recognized as income in the shareholder account and as an expense in the participating account when paid $16 (US $15) of seed capital remains to be repaid

(u) Income Taxes

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

Current Income Tax

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

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

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

Deferred Income Tax

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

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

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

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

(v) Policyholder Benefits

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

(w) Repurchase Agreements

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

(x) Pension Plans and Other Post-Employment Benefits

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

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

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

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

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

(y) Share Capital and Surplus

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

Contributed surplus represents the vesting of share options less share options exercised and contributions from the parent company

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

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

(z) Share-Based Payments

Lifeco has a stock option plan that provides for the granting of options on common shares of Lifeco to certain officers and employees of Lifeco and its affiliates The Company follows the fair value based method of accounting for the valuation of compensation expense for shares and share options granted to employees under its stock option plans (note 25) Compensation expense is recognized as an increase to compensation expense in the Consolidated Statements of Earnings and an increase to contributed surplus over the vesting period of the granted options

(aa) Leases

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

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

(ab) Operating Segments

Operating segments have been identified based on internal reports that are regularly reviewed by the Company's Chief Executive Officer to allocate resources and assess performance of segments The Company's reportable business segments are the participating and shareholder operations of the Company Within these segments the major business units are Individual Insurance, Wealth Management, Group Insurance, Europe, Corporate, and Participating Reinsurance operations and operations in all countries other than Canada and the United States are reported as part of the Europe segment The Corporate segment represents activities and transactions that are not directly attributable to the measurement of the operating segments of the Company

3 Changes in Accounting Policies

(a) IAS 19R – *Employee Benefits*

Effective January 1, 2013, the Company adopted revised IAS 19, *Employee Benefits* (IAS 19R) In accordance with the required transitional provisions, the Company retrospectively applied the revised standard The 2012 comparative financial information in the financial statements and notes to the financial statements has been restated accordingly The Irish Life pension plan balances assumed on July 18, 2013 reflected the adoption of IAS 19R

The amendments made to IAS 19R include the elimination of the corridor approach for actuarial gains and losses which resulted in those gains and losses being recognized immediately through other comprehensive income As a result the net pension asset or liability reflects the funded status (deficit) of the pension plans (less any asset ceilings) on the Consolidated Balance Sheets In addition, all service costs including curtailments and settlements are recognized immediately in profit or loss

Additionally, the expected return on plan assets is no longer applied to the fair value of the assets to calculate the benefit cost Under the revised standard, the same discount rate must be applied to the benefit obligation and the plan assets to determine the net interest expense (income) This discount rate for the net interest expense (income) is determined by reference to market yields at the beginning of the year on high quality corporate bonds

Further, the standard includes changes to how the defined benefit obligation and the fair value of the plan assets and the components of the pension expense are presented and disclosed within the financial statements of an entity including the separation of the total amount of the pension plans and other post-employment benefits expense between amounts recognized in the Consolidated Statements of Earnings (service costs and net interest costs) and in the Consolidated Statements of Comprehensive Income (re-measurements) Disclosures relating to retirement benefit plans include discussions on the Company's pension plan risk, sensitivity analysis, an explanation of items recognized in the financial statements and descriptions of the amount, timing and uncertainty on the Company's future cash flows (note 26)

In accordance with the transitional provisions in IAS 19R, this change has been applied retrospectively which resulted in a decrease to opening equity at January 1, 2012 of $358 (decrease of $318 to shareholders' equity and $40 to participating account surplus) with an additional decrease to opening equity of $133 (decrease of $119 to shareholders' equity and $14 to participating account surplus) at January 1, 2013

The financial statement items restated due to IAS 19R include other assets, deferred tax assets and deferred tax liabilities, other liabilities, accumulated surplus, and accumulated other comprehensive income presented and disclosed in the financial statements

3 Changes in Accounting Policies (cont'd)

Restatement of Prior Periods

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

	Share capital, contributed surplus	Participating account surplus	Accumulated other comprehensive loss	Accumulated surplus	Total equity
Balance at January 1, 2012 previously reported	$ 6,645	$ 2,216	$ (150)	$ 5,418	$ 14,129
Adjustments for retrospective application of IAS 19R	–	(40)	(361)	43	(358)
Revised equity at January 1, 2012	**$ 6,645**	**$ 2,176**	**$ (511)**	**$ 5,461**	**$ 13,771**

	For the year ended December 31, 2012		
	Net earnings	Other comprehensive income (loss)	Comprehensive income
Comprehensive income previously reported	$ 2,021	$ 7	$ 2,028
Adjustments to comprehensive income			
Pension and other post-employment benefits expense	(8)	(171)	(179)
Income tax	2	44	46
	(6)	(127)	(133)
Revised comprehensive income	**$ 2,015**	**$ (120)**	**$ 1,895**

The application of IAS 19R resulted in a decrease to assets of $216 and an increase to liabilities of $142 at January 1, 2012 In addition, assets increased by $20 and liabilities increased by $153 at December 31, 2012 The change in net earnings did not have an impact on the cash flows

(b) IFRS 10 – *Consolidated Financial Statements*

In accordance with IFRS 10, *Consolidated Financial Statements* (IFRS 10) the Company has evaluated whether or not to consolidate an entity based on the definition of control The standard has defined control as dependent on the power of the investor to direct the activities of the investee, the ability of the investor to derive variable benefits from its holdings in the investee, and a direct link between the power to direct activities and receive benefits

Investment and Insurance Contracts on Account of Segregated Fund Policyholders

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

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

The application of IFRS 10 for segregated funds for the risk of policyholders may continue to evolve as European insurers are required to adopt IFRS 10 on January 1, 2014 The Company will continue to monitor these and other IFRS 10 developments

See note 15 for additional information of the presentation and disclosure of these structures

Capital Trust Securities

Canada Life Capital Trust and Great-West Life Capital Trust (the capital trusts) were consolidated by the Company under IAS 27, *Consolidated and Separate Financial Statements* The capital trusts will no longer be consolidated in the Company's Financial Statements as the Company's investment in the capital trusts does not have exposure to variable returns and therefore does not meet the revised definition of control in IFRS 10 The change in consolidation did not impact the net earnings and equity of the Company, however the deconsolidation resulted in an increase to bonds of $44 at January 1, 2012 and $45 at December 31, 2012, both with corresponding increases to the capital trust debenture liability on the Consolidated Balance Sheets

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

(c) IFRS 11 – *Joint Arrangements*

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

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

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

(e) IFRS 13 – *Fair Value Measurement*

The Company has adopted IFRS 13, *Fair Value Measurement* (IFRS 13), effective January 1, 2013 In accordance with the transitional provisions, IFRS 13 has been applied prospectively from that date The change had no impact on the measurement of the Company's assets and liabilities However, the Company has included new disclosures in the financial statements which are required under IFRS 13 (note 9)

(f) IAS 1 – *Presentation of Financial Statements*

The Company has adopted the guidance of the amended IAS 1, *Presentation of Financial Statements* Under the amended standard, other comprehensive income is classified by nature and grouped between items that will be reclassified subsequently to profit or loss (when specific conditions are met) and those that will not be reclassified This revised standard relates only to presentation and has not impacted the financial results of the Company

(g) IFRS 7 – *Financial Instruments*

The Company has adopted the guidance in the amendments to IFRS 7, *Financial Instruments* which introduces financial instrument disclosures related to rights of offset and related arrangements under master netting agreements This revised standard relates only to disclosure and has not impacted the financial results of the Company (note 10)

(h) Future Accounting Policies

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

Revised/New Standard	Summary of Future Changes
IAS 32 – *Financial Instruments Presentation*	Effective January 1 2014 the Company will adopt the guidance in the amendments to IAS 32, *Financial Instruments Presentation* The amended standard clarifies the requirements for offsetting financial assets and financial liabilities The Company has evaluated the impact of this standard and determined that it will not impact the presentation of its financial statements
IAS 36 – *Impairment of Assets*	Effective January 1, 2014, the Company will adopt the guidance in the amendments to IAS 36, *Impairment of Assets* The amendment clarifies the disclosure about the recoverable amount, in accordance with IFRS 13, *Fair Value Measurement*, of impaired assets if that amount is based on fair value less costs of disposal The Company is evaluating the impact this standard will have of its financial statement disclosures
IFRS 9 – *Financial Instruments*	The IASB issued IFRS 9, *Financial Instruments* in 2010 to replace IAS 39 *Financial Instruments* The IASB intends to make further changes in financial instruments accounting and has separated its project to amend IFRS 9 into three phases classification and measurement, impairment methodology and hedge accounting • The IASB released a proposal to amend the classification and measurement provisions of IFRS 9 with an additional limited amendment to the standard introducing a new category for classification of certain financial assets of fair value through other comprehensive income (FVOCI) The IASB intends to release a final IFRS on this phase in the first half of 2014 • The IASB released a revised exposure draft in March 2013 on the expected loss impairment method to be used for financial assets The IASB intends to release a final IFRS on this phase in the first half of 2014 • The IASB has finalized deliberations on the criteria for hedge accounting and measuring effectiveness and released the final hedge accounting phase in November 2013 The Company is evaluating the impact this standard will have on the presentation of its financial statements The full impact of IFRS 9 on the Company will be evaluated after the remaining stages of the IASB's project to replace IAS 39 In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9, which will not be set until the finalization of the impairment methodology and classification and measurement requirements phases The Company continues to actively monitor this standard in conjunction with the developments to IFRS 4
IFRIC 21 – *Levies*	The IASB issued IFRIC 21, *Levies* on the accounting for levies imposed by governments effective for annual periods beginning January 1 2014 The interpretation considered the guidance in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* for the recognition of a levy liability due to an obligating event described in the legislation that brings about payment of the levy The Company is evaluating the impact this standard will have on the presentation of its financial statements

4 Irish Life Group Limited Acquisition

On July 18, 2013, Lifeco, through Great-West Life's wholly-owned subsidiary Canada Life Limited, completed the acquisition of all of the shares of Irish Life Group Limited (Irish Life)

The life and pension operations of the Company's Irish subsidiary, Canada Life (Ireland), are being combined with the operations of Irish Life, retaining the Irish Life brand name Irish Life has a strong brand with a broad product offering, and wide, multi-channel distribution network, similar to the Company's operations in Canada

This in-market acquisition will transform the Company's business in Ireland into a market leader in the life insurance, pension and investment management sectors Irish Life employs a similar and consistent strategy to Lifeco in that it aims to maximize shareholder returns in a low risk and capital efficient manner

Funding for the transaction includes the net proceeds of the February 19, 2013 issuance of approximately $1,250 Lifeco subscription receipts offering which was completed on March 12, 2013 That offering was comprised of a $650 public bought deal offering as well as concurrent private placements of subscription receipts to Power Financial Corporation of $550 and to IGM Financial Inc of $50 The subscription receipts were classified as financial liabilities until July 18, 2013 With the closing of the transaction on that date the subscription receipts were exchanged on a one-for-one basis for 48,660,000 common shares of Lifeco The balance of the funding for the transaction came from a Lifeco euro-denominated debt issuance (described below) and internal cash resources

On April 18, 2013 Lifeco issued €500 of 10-year bonds denominated in euros with an annual coupon of 2 50% The bonds are rated A+ by Standard & Poor's Ratings Services The bonds are listed on the Irish Stock Exchange The Company has also entered into foreign exchange forward contracts to fix the euro to the British pound rate on approximately €300 of the net investment in Irish Life which has been designated as a hedge

The amounts assigned to the assets acquired, goodwill and liabilities assumed as at December 31, 2013 are below

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

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

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

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

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

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

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

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

Supplemental pro-forma revenue and net earnings for the combined entity, as though the acquisition date for this business combination had been as of the beginning of the annual reporting period, has not been included as it is impracticable as Irish Life had a different financial reporting basis than the Company

The Company has recognized within other liabilities $48 of contingent liabilities The potential outcome of these matters is not yet determinable

5 Cash and Cash Equivalents

	December 31 2013	December 31 2012	January 1 2012
Cash	$ 1,662	$ 894	$ 713
Short-term deposits	569	758	1,142
Total	$ 2,231	$ 1,652	$ 1,855

At December 31, 2013 cash of $111 was restricted for use by the Company ($33 at December 31, 2012 and $40 at January 1, 2012) in respect of cash held in trust for reinsurance agreements or with regulatory authorities, client monies held by a brokerage and cash held in escrow

6 Portfolio Investments

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

	December 31, 2013		December 31, 2012		January 1 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Bonds						
Designated fair value through profit or loss[1]	$ 53,582	$ 53,582	$ 49,553	$ 49,553	$ 47,312	$ 47,312
Classified fair value through profit or loss[1]	1,697	1,697	1,750	1,750	1,702	1,702
Available-for-sale	6,680	6,680	5,594	5,594	5,071	5,071
Loans and receivables	7,725	8,256	7,219	8,258	6,440	7,103
	69,684	70,215	64,116	65,155	60,525	61,188
Mortgage loans						
Residential	5,609	5,751	5,176	5,525	5,252	5,654
Non-residential	10,125	10,377	9,835	10,458	9,597	10,275
	15,734	16,128	15,011	15,983	14,849	15,929
Stocks						
Designated fair value through profit or loss[1]	7,232	7,232	5,918	5,918	5,454	5,454
Available-for-sale	507	507	507	507	544	544
Other	577	743	345	383	338	406
	8,316	8,482	6,770	6,808	6,336	6,404
Investment properties	4,286	4,286	3,568	3,568	3,246	3,246
Total	$ 98,020	$ 99,111	$ 89,465	$ 91,514	$ 84,956	$ 86,767

(1) Investments can be classified as fair value through profit or loss in either of two ways designated as fair value through profit or loss at the option of management or classified as fair value through profit or loss if they are actively traded for the purpose of earning investment income

6 Portfolio Investments (cont'd)

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

	December 31, 2013			
	Term to maturity			
	1 year or less	Over 1 – 5 years	Over 5 years	Total
Bonds	$ 7,430	$ 12,744	$ 49,420	$ 69,594
Mortgage loans	1,421	5,925	8,366	15,712
Total	$ 8,851	$ 18,669	$ 57,786	$ 85,306

	December 31 2012			
	Term to maturity			
	1 year or less	Over 1 – 5 years	Over 5 years	Total
Bonds	$ 6,088	$ 11,777	$ 46,159	$ 64,024
Mortgage loans	1,181	5,385	8,420	14,986
Total	$ 7,269	$ 17,162	$ 54,579	$ 79,010

	January 1 2012			
	Term to maturity			
	1 year or less	Over 1 – 5 years	Over 5 years	Total
Bonds	$ 5,296	$ 11,494	$ 43,659	$ 60,449
Mortgage loans	1,484	4,959	8,372	14,815
Total	$ 6,780	$ 16,453	$ 52,031	$ 75,264

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

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

(i) Stocks include the Company's investment in an affiliated company, IGM, a member of the Power Financial group of companies, over which it exerts significant influence but does not control The Company's proportionate share of IGM's earnings is recorded in net investment income in the Consolidated Statements of Earnings The Company owns 9,202,817 shares of IGM at December 31, 2013 (9,203,061 at December 31, 2012) representing a 3 65% ownership interest (3 62% at December 31, 2012) The Company uses the equity method to account for its investment in IGM as it exercises significant influence Significant influence arises from several factors, including, but not limited to the following common control of IGM by Power Financial, shared representation on the Boards of Directors of the Company and IGM, interchange of managerial personnel, and certain shared strategic alliances, significant intercompany transactions and services agreements that influence the financial and operating policies of both companies

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

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

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

(ii) Stocks include the Company's 30 43% investment, held through Irish Life, in Allianz Ireland, an unlisted general insurance company operating in Ireland

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

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

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

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

(d) Included in portfolio investments are the following:

(i) Carrying amount of impaired investments

		December 31 2013		December 31 2012		January 1 2012
Impaired amounts by classification						
Fair value through profit or loss	$	75	$	71	$	59
Available-for-sale		12		17		19
Loans and receivables		35		43		47
Total	$	122	$	131	$	125

The above carrying values for loans and receivables are net of allowances of $22 at December 31, 2013, and $19 at December 31, 2012 and January 1, 2012

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

	2013						2012					
		Bonds		Mortgage loans		Total		Bonds		Mortgage loans		Total
Balance, beginning of year	$	–	$	19	$	19	$	2	$	17	$	19
Net provision (recovery) for credit losses – in year		–		2		2		–		5		5
Write-offs, net of recoveries		–		–		–		(1)		(3)		(4)
Other (including foreign exchange rate changes)		–		1		1		(1)		–		(1)
Balance, end of year	$	–	$	22	$	22	$	–	$	19	$	19

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

6 Portfolio Investments (cont'd)

(e) Net investment income comprises the following:

	2013					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income						
Investment income earned	$ 2,936	$ 728	$ 228	$ 276	$ 269	$ 4,437
Net realized gains						
Available-for-sale	49	–	–	–	–	49
Other classifications	20	25	–	–	–	45
Net allowances for credit losses on loans and receivables	–	(2)	–	–	–	(2)
Other income and expenses	–	–	–	(67)	(61)	(128)
	3,005	751	228	209	208	4,401
Changes in fair value on fair value through profit or loss assets						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	(52)	–	–	–	–	(52)
Designated fair value through profit or loss	(3,248)	–	830	152	(59)	(2,325)
	(3,300)	–	830	152	(59)	(2,377)
Total	$ (295)	$ 751	$ 1,058	$ 361	$ 149	$ 2,024

	2012[1]					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Regular net investment income						
Investment income earned	$ 2,902	$ 754	$ 222	$ 255	$ 335	$ 4,468
Net realized gains						
Available-for-sale	106	–	1	–	–	107
Other classifications	9	22	–	–	–	31
Net allowances for credit losses on loans and receivables	–	(5)	–	–	–	(5)
Other income and expenses	–	–	–	(63)	(59)	(122)
	3,017	771	223	192	276	4,479
Changes in fair value on fair value through profit or loss assets						
Net realized/unrealized gains (losses)						
Classified fair value through profit or loss	23	–	–	–	–	23
Designated fair value through profit or loss	1,768	–	377	104	(54)	2,195
	1,791	–	377	104	(54)	2,218
Total	$ 4,808	$ 771	$ 600	$ 296	$ 222	$ 6,697

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

Investment income earned comprises income from investments that are classified as available-for-sale, loans and receivables and classified or designated as fair value through profit or loss Investment income from bonds and mortgages includes interest income and premium and discount amortization Income from stocks includes dividends and equity income from the investment in IGM and Allianz Ireland Investment properties income includes rental income earned on investment properties, ground rent income earned on leased and sub-leased land, fee recoveries, lease cancellation income, and interest and other investment income earned on investment properties

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

	2013	2012
Balance, beginning of year	$ 3,568	$ 3,246
Additions	182	166
Acquisition of Irish Life	248	–
Change in fair value through profit or loss	152	104
Disposal	(80)	–
Foreign exchange rate changes	216	52
Balance, end of year	$ 4,286	$ 3,568

(g) Transferred Financial Assets

The Company engages in securities lending to generate additional income The Company's securities custodians are used as lending agents Collateral, which exceeds the market value of the loaned securities, is deposited by the borrower with the Company's lending agent and maintained by the lending agent until the underlying security has been returned The market value of the loaned securities is monitored on a daily basis by the lending agent who obtains or refunds additional collateral as the fair value of the loaned securities fluctuates In addition, the securities lending agent indemnifies the Company against borrower risk, meaning that the lending agent agrees contractually to replace securities not returned due to a borrower default As at December 31, 2013, the Company had loaned securities (which are included in invested assets) with a market value of $5,176 ($5,793 at December 31, 2012)

7 Funds Held by Ceding Insurers

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

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

(a) Carrying values and estimated fair values:

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

7 Funds Held by Ceding Insurers (cont'd)

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

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

(c) Asset quality

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

8 Financial Instruments Risk Management

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

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

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

(a) Credit Risk

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

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

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company
- Investment guidelines specify minimum and maximum limits for each asset class Credit ratings are determined by recognized external credit rating agencies and/or internal credit review

- Investment guidelines also specify collateral requirements
- Portfolios are monitored continuously, and reviewed regularly with the Risk Committee and the Investment Committee of the Board of Directors
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators
- The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated Commissions paid to agents and brokers are netted against amounts receivable, if any
- Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors Management continuously monitors and performs an assessment of creditworthiness of reinsurers

(i) Maximum Exposure to Credit Risk

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

	December 31 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 2,231**	$ 1,652	$ 1,855
Bonds			
Fair value through profit or loss	**55,279**	51,303	49,014
Available-for-sale	**6,680**	5,594	5,071
Loans and receivables	**7,725**	7,219	6,440
Mortgage loans	**15,734**	15,011	14,849
Loans to policyholders	**2,896**	2,864	2,858
Funds held by ceding insurers(1)	**10,832**	10,599	9,978
Reinsurance assets	**6,804**	3,865	4,046
Interest due and accrued	**954**	843	854
Accounts receivable	**844**	723	508
Premium in course of collection	**561**	480	418
Trading account assets	**70**	–	–
Other financial assets(2)	**205**	166	134
Derivative assets	**566**	947	927
Total	**$ 111,381**	$ 101,266	$ 96,952

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

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

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

8 Risk Management (cont'd)

(ii) Concentration of Credit Risk

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

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

	December 31, 2013			
	Canada	Europe/ Reinsurance	United States	Total
Bonds issued or guaranteed by				
Canadian federal government	$ 4,276	$ 51	$ 3	$ 4,330
Provincial, state, and municipal governments	5,739	52	122	5,913
U S Treasury and other U S agencies	297	867	378	1,542
Other foreign governments	130	11,216	22	11,368
Government related	2,641	1,553	-	4,194
Supranationals	399	704	5	1,108
Asset-backed securities	2,677	853	436	3,966
Residential mortgage-backed securities	26	189	42	257
Banks	2,012	2,846	25	4,883
Other financial institutions	791	2,154	128	3,073
Basic materials	278	268	111	657
Communications	490	603	25	1,118
Consumer products	1,807	1,873	196	3,876
Industrial products/services	919	538	157	1,614
Natural resources	1,056	506	54	1,616
Real estate	1,021	2,249	13	3,283
Transportation	1,726	703	80	2,509
Utilities	4,715	3,427	565	8,707
Miscellaneous	1,314	378	80	1,772
Total long-term bonds	32,314	31,030	2,442	65,786
Short-term bonds	2,812	1,083	3	3,898
Total	$ 35,126	$ 32,113	$ 2,445	$ 69,684

	December 31 2012			
	Canada	Europe/ Reinsurance	United States	Total
Bonds issued or guaranteed by				
Canadian federal government	$ 4,873	$ 43	$ 3	$ 4,919
Provincial, state, and municipal governments	6,454	61	80	6,595
U S Treasury and other U S agencies	305	941	417	1,663
Other foreign governments	151	8,044	29	8,224
Government related	2,585	1,205	–	3,790
Supranationals	453	289	11	753
Asset-backed securities	2,587	823	451	3,861
Residential mortgage-backed securities	16	165	57	238
Banks	2,140	2,317	33	4,490
Other financial institutions	846	1,964	137	2,947
Basic materials	252	226	92	570
Communications	499	552	21	1,072
Consumer products	1,903	1,855	204	3,962
Industrial products/services	873	323	176	1,372
Natural resources	1,100	563	65	1,728
Real estate	850	1,739	–	2,589
Transportation	1,747	598	69	2,414
Utilities	4,257	3,335	531	8,123
Miscellaneous	1,316	301	49	1,666
Total long-term bonds	33,207	25,344	2,425	60,976
Short-term bonds	2,091	950	99	3,140
Total	$ 35,298	$ 26,294	$ 2,524	$ 64,116

	January 1, 2012			
	Canada	Europe/ Reinsurance	United States	Total
Bonds issued or guaranteed by				
Canadian federal government	$ 4,328	$ 41	$ 2	$ 4,371
Provincial, state, and municipal governments	6,430	53	71	6,554
U S Treasury and other U S agencies	271	968	516	1,755
Other foreign governments	185	8,216	25	8,426
Government related	2,110	955	–	3,065
Supranationals	443	211	12	666
Asset-backed securities	2,696	794	478	3,968
Residential mortgage-backed securities	26	146	79	251
Banks	2,168	1,858	34	4,060
Other financial institutions	899	1,615	121	2,635
Basic materials	233	210	98	541
Communications	508	501	33	1,042
Consumer products	1,848	1,759	203	3,810
Industrial products/services	695	212	170	1,077
Natural resources	1,127	550	71	1,748
Real estate	608	1,610	–	2,218
Transportation	1,721	624	90	2,435
Utilities	3,792	3,148	470	7,410
Miscellaneous	1,207	266	43	1,516
Total long-term bonds	31,295	23,737	2,516	57,548
Short-term bonds	2,386	558	33	2,977
Total	$ 33,681	$ 24,295	$ 2,549	$ 60,525

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

	December 31, 2013			
	Single family residential	Multi family residential	Commercial	Total
Canada	$ 1,758	$ 3,435	$ 6,942	$ 12,135
United States	–	91	136	227
Europe/Reinsurance	–	325	3,047	3,372
Total	**$ 1,758**	**$ 3,851**	**$ 10,125**	**$ 15,734**

	December 31, 2012			
	Single family residential	Multi family residential	Commercial	Total
Canada	$ 1,676	$ 3,250	$ 6,982	$ 11,908
United States	–	63	133	196
Europe/Reinsurance	–	187	2,720	2,907
Total	$ 1,676	$ 3,500	$ 9,835	$ 15,011

	January 1 2012			
	Single family residential	Multi family residential	Commercial	Total
Canada	$ 1,591	$ 3,407	$ 7,022	$ 12,020
United States	–	67	160	227
Europe/Reinsurance	79	108	2,415	2,602
Total	$ 1,670	$ 3,582	$ 9,597	$ 14,849

8 Risk Management (cont'd)

(iii) Asset Quality

Bond Portfolio by Credit Rating	December 31 2013	December 31 2012	January 1 2012
AAA	$ 24,516	$ 23,398	$ 23,250
AA	13,034	10,892	10,086
A	20,368	19,833	18,611
BBB	11,233	9,328	8,043
BB and lower	533	665	535
Total	**$ 69,684**	**$ 64,116**	**$ 60,525**

Derivative Portfolio by Credit Rating	December 31 2013	December 31 2012	January 1 2012
Over-the-counter contracts (counterparty ratings)			
AA	$ 82	$ 100	$ 336
A	484	847	591
Total	**$ 566**	**$ 947**	**$ 927**

(iv) Loans Past Due, But Not Impaired

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

	December 31 2013	December 31 2012	January 1 2012
Less than 30 days	$ 6	$ 9	$ 3
30 – 90 days	–	–	1
Greater than 90 days	2	4	1
Total	**$ 8**	**$ 13**	**$ 5**

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

	December 31 2013	December 31 2012	January 1 2012
Participating	$ 976	$ 867	$ 822
Non-participating	1,499	1,381	1,388
Total	**$ 2,475**	**$ 2,248**	**$ 2,210**

(b) Liquidity Risk

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

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between policyholder requirements and the yield of assets Approximately 71% (approximately 71% in 2012) of insurance and investment contract liabilities are non-cashable prior to maturity or subject to fair value adjustments
- Management monitors the use of lines of credit on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company Additional liquidity is available through established lines of credit or the capital markets The Company maintains a $150 committed line of credit with a Canadian bank

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

	Payments due by period						
	Total	1 year	2 years	3 years	4 years	5 years	Over 5 years
Debentures and other debt instruments	$ 670	$ 76	$ –	$ –	$ 294	$ –	$ 300
Capital trust securities[1]	150	–	–	–	–	–	150
Purchase obligations	57	34	6	9	8	–	–
Pension contributions	124	124	–	–	–	–	–
Total	$ 1,001	$ 234	$ 6	$ 9	$ 302	$ –	$ 450

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

(c) Financial Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors which include three types currency risk, interest rate (including related inflation) risk and equity risk

Caution Related to Risk Sensitivities

These financial statements include estimates of sensitivities and risk exposure measures for certain risks, such as the sensitivity due to specific changes in interest rate levels projected and market prices as at the valuation date Actual results can differ significantly from these estimates for a variety of reasons including

- Assessment of the circumstances that led to the scenario may lead to changes in (re)investment approaches and interest rate scenarios considered,
- Changes in actuarial, investment return and future investment activity assumptions,
- Actual experience differing from the assumptions,
- Changes in business mix, effective income tax rates and other market factors,
- Interactions among these factors and assumptions when more than one changes, and
- The general limitations of the Company's internal models

For these reasons, the sensitivities should only be viewed as directional estimates of the underlying sensitivities for the respective factors based on the assumptions outlined above Given the nature of these calculations, the Company cannot provide assurance that the actual impact on net earnings attributed to shareholders will be as indicated

(i) Currency Risk

Currency risk relates to the Company operating and holding financial instruments in different currencies For the assets backing insurance and investment contract liabilities that are not matched by currency, changes in foreign exchange rates can expose the Company to the risk of foreign exchange losses not offset by liability decreases The Company has net investments in foreign operations In addition, the Company's debt obligations are mainly denominated in Canadian dollars In accordance with International Financial Reporting Standards, foreign currency translation gains and losses from net investments in foreign operations, net of related hedging activities and tax effects, are recorded in accumulated other comprehensive income Strengthening or weakening of the Canadian dollar spot rate compared to the U S dollar, British pound and euro spot rates impacts the Company's total share capital and surplus Correspondingly, the Company's book value per share and capital ratios monitored by rating agencies are also impacted The following policies and procedures are in place to mitigate the Company's exposure to currency risk

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations
- Investments are normally made in the same currency as the liabilities supported by those investments Segmented Investment Guidelines include maximum tolerances for unhedged currency mismatch exposures
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change to net earnings A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating insurance and investment contract liabilities and their supporting assets by approximately the same amount resulting in an immaterial change in net earnings

8 Risk Management (cont'd)

(ii) Interest Rate Risk

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

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

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

Projected cash flows from fixed income assets used in actuarial calculations are reduced to provide for potential asset default losses The net effective yield rate reduction averaged 0 18% (0 17% in 2012) The calculation for future credit losses on assets is based on the credit quality of the underlying asset portfolio

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

Effective January 1, 2013 the Company refined its methodology for estimating interest rate provisions The total provision was realigned into provisions designed to cover shorter term modeling risks and those to cover inherent long-term modeling and cash flow mismatch risks, with no net impact on total provisions upon realignment This realignment, however did have an impact on the pattern of expected emergence of these provisions into net earnings This realignment increased 2013 annual net earnings by $87 after-tax compared to 2012 on the prior methodology

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

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

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

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

- The effect of an immediate 1% increase in the low and high end of the range of interest rates recognized in the provisions would be to decrease these insurance and investment contract liabilities by approximately $33 causing an increase in net earnings of approximately $12
- The effect of an immediate 1% decrease in the low and high end of the range of interest rates recognized in the provisions would be to increase these insurance and investment contract liabilities by approximately $286 causing a decrease in net earnings of approximately $195

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits The risks associated with segregated fund guarantees have been mitigated through a hedging program for lifetime Guaranteed Minimum Withdrawal Benefit guarantees using equity futures, currency forwards, and interest rate derivatives For policies with segregated fund guarantees, the Company generally determines insurance contract liabilities at a conditional tail expectation of 75 (CTE 75) level

Some insurance and investment contract liabilities are supported by investment properties, common stocks and private equities, for example segregated fund products and products with long-tail cash flows Generally these liabilities will fluctuate in line with equity market values There will be additional impacts on these liabilities as equity market values fluctuate A 10% increase in equity markets would be expected to additionally decrease non-participating insurance and investment contract liabilities by approximately $42 causing an increase in net earnings of approximately $33 A 10% decrease in equity markets would be expected to additionally increase non-participating insurance and investment contract liabilities by approximately $192 causing a decrease in net earnings of approximately $149

The best estimate return assumptions for equities are primarily based on long-term historical averages Changes in the current market could result in changes to these assumptions and will impact both asset and liability cash flows A 1% increase in the best estimate assumption would be expected to decrease non-participating insurance contract liabilities by approximately $458 causing an increase in net earnings of approximately $353 A 1% decrease in the best estimate assumption would be expected to increase non-participating insurance contract liabilities by approximately $514 causing a decrease in net earnings of approximately $392

9 Fair Value Measurement

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

Level 1 Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access Assets and liabilities utilizing Level 1 inputs include actively exchange traded equity securities, exchange traded futures, and mutual and segregated funds which have available prices in an active market with no redemption restrictions

Level 2 Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals The fair values for some Level 2 securities were obtained from a pricing service The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, government and agency securities, restricted stock, some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans Investment contracts that are measured at fair value through profit or loss are mostly included in the Level 2 category

Level 3 Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers Assets and liabilities utilizing Level 3 inputs generally include certain bonds, certain asset-backed securities, some private equities, investments in mutual and segregated funds where there are redemption restrictions, certain over-the-counter derivatives, and investment properties

9 Fair Value Measurement (cont'd)

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

	2013			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Cash	$ 2,231	$ –	$ –	$ 2,231
Financial assets at fair value through profit or loss				
Bonds	–	55,202	77	55,279
Stocks	7,202	6	24	7,232
Total financial assets at fair value through profit or loss	7,202	55,208	101	62,511
Available-for-sale financial assets				
Bonds	–	6,668	12	6,680
Stocks	6	–	1	7
Total available-for-sale financial assets	6	6,668	13	6,687
Investment properties	–	–	4,286	4,286
Derivatives[1]	–	566	–	566
Reinsurance assets	–	181	–	181
Other assets – trading assets	70	–	–	70
Total assets measured at fair value	$ 9,509	$ 62,623	$ 4,400	$ 76,532
Liabilities measured at fair value				
Derivatives[2]	$ 6	$ 462	$ –	$ 468
Investment contract liabilities	–	829	30	859
Total liabilities measured at fair value	$ 6	$ 1,291	$ 30	$ 1,327

(1) Excludes collateral received of $19
(2) Excludes collateral pledged of $54

There were no transfers between Level 1 and Level 2 in the period

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

	2013						
	Fair value through profit or loss bonds	Available-for sale bonds	Fair value through profit or loss stocks[3]	Available-for sale stocks	Investment properties	Total Level 3 assets	Investment contract liabilities
Balance, beginning of year	$ 22	$ 16	$ 12	$ 1	$ 3,568	$ 3,619	$ 33
Total gains (losses)							
Included in net earnings	(1)	3	–	–	152	154	–
Included in other comprehensive income[1]	–	1	–	–	216	217	–
Acquisition of Irish Life	120	–	1	–	248	369	–
Purchases	–	–	20	–	182	202	–
Sales	(104)	(5)	(10)	–	(80)	(199)	–
Repayments	(4)	(3)	–	–	–	(7)	–
Other	–	–	–	–	–	–	(3)
Transfers into Level 3[2]	50	–	1	–	–	51	–
Transfers out of Level 3[2]	(6)	–	–	–	–	(6)	–
Balance, end of year	$ 77	$ 12	$ 24	$ 1	$ 4,286	$ 4,400	$ 30
Total gains (losses) for the year included in net investment income	$ (1)	$ 3	$ –	$ –	$ 152	$ 154	$ –
Change in unrealized gains (losses) for the year included in net earnings for assets held at December 31, 2013	$ 7	$ –	$ –	$ –	$ 152	$ 159	$ –

(1) Amount of other comprehensive income for investment properties represents the unrealized gain on foreign exchange
(2) Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors or the lifting of redemption restrictions on investments in mutual and segregated funds
(3) Includes investments in mutual and segregated funds where there are redemption restrictions The fair value is based on observable quoted prices

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

Type of asset	Valuation approach	Significant unobservable input	Input value	Inter-relationship between key unobservable inputs and fair value measurement
Asset-backed securities (included with bonds)	Discounted cash flow	Prepayment speed assumption (estimated % of collateral that prepays annually) Constant default rate assumption (estimated % of defaults in the collateral pool annually) Adjusted Asset-backed Securities Index (ABX index) spread assumption (adjusted for internally calculated liquidity premium)	8 5% (weighted average) 5 0% (weighted average) 445 bps (weighted average)	The Company does not believe that changing one or more of the inputs to reasonably alternate assumptions would change their fair values significantly
Investment properties	Investment property valuations are generally determined using property valuation models based on expected capitalization rates and models that discount expected future net cash flows The determination of the fair value of investment property requires the use of estimates such as future cash flows (such as future leasing assumptions, rental rates, capital and operating expenditures) and discount, reversionary and overall capitalization rates applicable to the asset based on current market rates	Discount rate Reversionary rate Vacancy rate	Range of 4 0% – 11 0% Range of 5 4% – 8 3% Weighted average of 3 1%	A decrease in the discount rate would result in an increase in fair value An increase in the discount rate would result in a decrease in fair value A decrease in the reversionary rate would result in an increase in fair value An increase in the reversionary rate would result in a decrease in fair value A decrease in the expected vacancy rate would generally result in an increase in fair value An increase in the expected vacancy rate would generally result in a decrease in fair value

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

	2013				
	Level 1	Level 2	Level 3	Other assets/ liabilities not held at fair value	Total
Assets disclosed at fair value					
Loans and receivables financial assets					
Bonds	$ –	$ 8,135	$ 121	$ –	$ 8,256
Mortgage loans	–	16,128	–	–	16,128
Total loans and receivables financial assets	–	24,263	121	–	24,384
Available-for-sale financial assets					
Stocks[1]	–	–	–	500	500
Other stocks[2]	517	–	–	226	743
Total assets disclosed at fair value	$ 517	$ 24,263	$ 121	$ 726	$ 25,627
Liabilities disclosed at fair value					
Debentures and other debt instruments	–	439	75	200	714
Capital trust securities	–	205	–	–	205
Total liabilities disclosed at fair value	$ –	$ 644	$ 75	$ 200	$ 919

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

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

10 Enforceable Master Netting Arrangements or Similar Agreements

The following disclosure shows the potential effect on the Company's Consolidated Balance Sheets on financial instruments that have been shown in a gross position where right of set-off exists under certain circumstances that do not qualify for netting on the Consolidated Balance Sheets

The Company enters into International Swaps and Derivative Association's master agreements for transacting over-the-counter derivatives The Company receives and pledges collateral according to the related International Swaps and Derivative Association's Credit Support Annexes The International Swaps and Derivative Association's master agreements do not meet the criteria for offsetting on the Consolidated Balance Sheets because they create a right of set-off that is enforceable only in the event of default, insolvency, or bankruptcy

For exchange-traded derivatives subject to derivative clearing agreements with the exchanges and clearinghouses, there is no provision for set-off at default Initial margin is excluded from the table below as it would become part of a pooled settlement process

The Company's reverse repurchase agreements are also subject to right of set-off in the event of default These transactions and agreements include master netting arrangements which provide for the netting of payment obligations between the Company and its counterparties in the event of default

	December 31, 2013			
	Gross amount of financial instruments presented in the Balance Sheet	Related amounts not set off in the Balance Sheet		
		Offsetting counterparty position[1]	Financial collateral (received) pledged[2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	$ 566	$ (209)	$ (19)	$ 338
Reverse repurchase agreements[3]	87	–	(87)	–
Total financial instruments (assets)	$ 653	$ (209)	$ (106)	$ 338
Financial instruments (liabilities)				
Derivative instruments	$ 468	$ (209)	$ (46)	$ 213
Total financial instruments (liabilities)	$ 468	$ (209)	$ (46)	$ 213

	December 31, 2012			
	Gross amount of financial instruments presented in the Balance Sheet	Related amounts not set off in the Balance Sheet		
		Offsetting counterparty position[1]	Financial collateral (received) pledged[2]	Net exposure
Financial instruments (assets)				
Derivative financial instruments	$ 947	$ (164)	$ (25)	$ 758
Reverse repurchase agreements[3]	97	–	(97)	–
Total financial instruments (assets)	$ 1,044	$ (164)	$ (122)	$ 758
Financial instruments (liabilities)				
Derivative instruments	$ 223	$ (164)	$ (42)	$ 17
Total financial instruments (liabilities)	$ 223	$ (164)	$ (42)	$ 17

(1) Includes counterparty amounts recognized on the Consolidated Balance Sheets where the Company has a potential offsetting position (as described above) but does not meet the criteria for offsetting on the balance sheet excluding collateral

(2) Financial collateral presented above excludes overcollateralization and, for exchange traded derivatives, initial margin Financial collateral received on reverse repurchase agreements is held by a third party Total financial collateral including initial margin and overcollateralization, received on derivative assets was $19 ($25 at December 31 2012) received on reverse repurchase agreements was $89 ($99 at December 31 2012), and pledged on derivative liabilities was $66 ($61 at December 31, 2012)

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

11 Invested Assets on Deposit for Reinsurance Agreements

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

12 Goodwill and Intangible Assets

(a) Goodwill

The carrying value of goodwill, all in the shareholder segment, is tested at the cash generating unit grouping level The changes in the carrying value of goodwill are as follows

	2013	2012
Balance, beginning of year	$ 5,267	$ 5,267
Acquisition of Irish Life (note 4)	378	–
Changes in foreign exchange rates	29	–
Balance, end of year	$ 5,674	$ 5,267

The Company has no accumulated impairment losses on goodwill at December 31, 2013 and 2012

(b) Intangible Assets

Intangible assets of $1,759 ($1,518 in 2012) includes indefinite life and finite life intangible assets The carrying value and changes in the carrying value of these intangible assets are as follows

(i) Indefinite life intangible assets

	2013			
	Brands and trademarks	Customer contract related	Shareholders' portion of acquired future participating account profit	Total
Balance, beginning of year	$ 374	$ 354	$ 354	$ 1,082
Acquisition of Irish Life	131	–	–	131
Changes in foreign exchange rates	21	–	–	21
Balance, end of year	$ 526	$ 354	$ 354	$ 1,234
Accumulated impairment				
Balance, beginning of year	$ –	$ –	$ –	$ –
Impairment included in restructuring charges	(34)	–	–	(34)
Changes in foreign exchange rates	(1)	–	–	(1)
Balance, end of year	$ (35)	$ –	$ –	$ (35)
Net carrying amount	$ 491	$ 354	$ 354	$ 1,199

	2012			
	Brands and trademarks	Customer contract related	Shareholders portion of acquired future participating account profit	Total
Balance, beginning of year	$ 372	$ 354	$ 354	$ 1,080
Changes in foreign exchange rates	2	–	–	2
Balance and net carrying amount, end of year	$ 374	$ 354	$ 354	$ 1,082

12 Goodwill and Intangible Assets (cont'd)

(ii) Finite life intangible assets

	2013			
	Customer contract related	**Distribution channels**	**Software**	**Total**
Amortization period range	9–20 years	30 years	5–10 years	
Weighted average remaining amortization period	10 years	20 years	-	
Amortization method	Straight-line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 329	$ 103	$ 350	$ 782
Acquisitions	116	-	60	176
Changes in foreign exchange rates	11	7	1	19
Balance, end of year	$ 456	$ 110	$ 411	$ 977
Accumulated amortization and impairment				
Balance, beginning of year	$ (147)	$ (34)	$ (165)	$ (346)
Impairment	-	-	(3)	(3)
Changes in foreign exchange rates	(1)	(1)	-	(2)
Amortization	(24)	(3)	(39)	(66)
Balance, end of year	$ (172)	$ (38)	$ (207)	$ (417)
Net carrying amount	$ 284	$ 72	$ 204	$ 560

	2012			
	Customer contract related	Distribution channels	Software	Total
Amortization period range	10–20 years	30 years	5–10 years	
Weighted average remaining amortization period	10 years	21 years	-	
Amortization method	Straight line	Straight-line	Straight-line	
Cost				
Balance, beginning of year	$ 329	$ 100	$ 293	$ 722
Acquisitions	-	-	45	45
Changes in foreign exchange rates	-	3	-	3
Disposals	-	-	(2)	(2)
Other	-	-	14	14
Balance, end of year	$ 329	$ 103	$ 350	$ 782
Accumulated amortization and impairment				
Balance, beginning of year	$ (128)	$ (29)	$ (134)	$ (291)
Amortization	(19)	(5)	(31)	(55)
Balance, end of year	$ (147)	$ (34)	$ (165)	$ (346)
Net carrying amount	$ 182	$ 69	$ 185	$ 436

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

(c) Recoverable Amount

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

Any potential impairment of goodwill or intangible assets is identified by comparing the recoverable amount to its carrying value The recoverable amount is determined as the higher of fair value less costs to sell or value-in-use Fair value is determined using a combination of commonly accepted valuation methodologies, namely comparable trading and transaction multiples and a discounted cash flow analysis Comparable trading and transaction multiple methodologies calculate value by applying multiples observed in the market against historical and projected results approved by management Value-in-use is calculated by discounting management's cash flow projections approved by the Board of Directors covering the initial forecast period of three to five years Value beyond the initial period is derived by applying a terminal value multiple to the final year of the initial projection period For a significant portion of the goodwill and intangible assets, the terminal value multiple is a function of the discount rate (which ranges from 10% to 12 5%) and the terminal growth rate (which ranges from 1 5% to 3 0%) The discount rate is reflective of the country and product specific cash flow risks and the terminal growth rate is estimated as the long-term average growth rate of sales, including inflation of the markets in which the Company operates

13 Owner Occupied Properties and Fixed Assets

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

	2013		2012	
	Owner occupied properties	Fixed assets	Owner occupied properties	Fixed assets
Carrying value, beginning of year	$ 403	$ 454	$ 373	$ 418
Less accumulated depreciation/impairments	(21)	(341)	(16)	(321)
Net carrying value, beginning of year	382	113	357	97
Acquisition of Irish Life	49	30	–	–
Other additions	17	58	30	48
Impairments	–	(3)	–	–
Disposals	–	(11)	–	(12)
Depreciation	(6)	(28)	(5)	(27)
Depreciation disposals/retirement	–	–	–	7
Foreign exchange	6	6	–	–
Net carrying value, end of year	$ 448	$ 165	$ 382	$ 113

The gross carrying value of owner occupied properties and fixed assets is $475 and $537 at December 31, 2013 ($403 and $454 at December 31, 2012) respectively, with accumulated depreciation and impairment of $27 and $372 ($21 and $341 at December 31, 2012)

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

14 Other Assets

	December 31 2013	December 31 2012[2]	January 1 2012[2]
Prepaid expenses	$ 63	$ 74	$ 74
Defined benefit pension asset	408	202	198
Trading account assets[1]	70	–	–
Deferred acquisition costs	687	541	529
Miscellaneous other assets	103	79	71
Total	$ 1,331	$ 896	$ 872

(1) Includes stocks of $70 at December 31, 2013

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

Total other assets of $236 ($153 at December 31, 2012 and $145 at January 1, 2012) are expected to be realized within 12 months from the reporting date This amount excludes deferred acquisition costs on investment contracts, the changes in which are noted below

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

15 Segregated Funds and Other Structured Entities

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

In Canada, the segregated fund assets are legally separated from the general assets of the Company under the terms of the policyholder agreement and cannot be used to settle obligations of the Company In Europe, the assets of the funds are functionally and constructively segregated from those of the Company As a result of the legal and constructive arrangements of these funds, the assets and liabilities of these funds are presented as a line item within the Consolidated Balance Sheets titled investments on account of segregated fund policyholders and with an equal and offsetting liability titled investment and insurance contracts on account of segregated fund policyholders

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

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

Segregated Funds Guarantee Exposure

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

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

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

The Company also offers a guaranteed minimum withdrawal benefits product in Canada and Europe The guaranteed minimum withdrawal benefits products offered by the Company offer levels of death and maturity guarantees At December 31, 2013, the amount of guaranteed minimum withdrawal benefits product in-force in Canada, Ireland and Germany was $2,437 ($1,985 at December 31, 2012, $1,164 at January 1, 2012)

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

	December 31, 2013				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 26,779	$ –	$ 32	$ 101	$ 101
Europe	8,683	260	16	74	334
Total	**$ 35,462**	**$ 260**	**$ 48**	**$ 175**	**$ 435**

	December 31, 2012				
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 24,192	$ –	$ 29	$ 181	$ 181
Europe	3,665	552	40	71	624
Total	$ 27,857	$ 552	$ 69	$ 252	$ 805

		January 1 2012			
		Investment deficiency by benefit type			
	Market value	Income	Maturity	Death	Total*
Canada	$ 22,837	$ –	$ 39	$ 301	$ 301
Europe	3,232	641	124	174	817
Total	$ 26,069	$ 641	$ 163	$ 475	$ 1,118

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

The investment deficiency measures the point-in-time exposure to a trigger event (i e income election, maturity, or death) assuming it occurred on December 31, 2013 The actual cost to the Company will depend on the trigger event having occurred and the market values at that time The actual claims before tax associated with these guarantees was approximately $23 for the year ended December 31, 2013, with the majority arising in the Europe/Reinsurance business unit

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

(a) Investments on account of segregated fund policyholders

	December 31 2013	December 31 2012	January 1 2012
Cash and cash equivalents	**$ 11,324**	$ 4,767	$ 5,302
Bonds	**22,720**	12,534	10,356
Mortgage loans	**2,427**	2,303	2,303
Stocks and units in unit trusts	**62,882**	35,154	32,651
Mutual funds	**25,162**	21,541	19,569
Investment properties	**8,284**	6,149	5,457
	132,799	82,448	75,638
Accrued income	**334**	193	241
Other liabilities	**(1,294)**	(1,502)	(1,656)
Non-controlling mutual fund interest	**772**	484	403
Total	**$ 132,611**	$ 81,623	$ 74,626

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

	2013	2012
Balance, beginning of year	**$ 81,623**	$ 74,626
Additions (deductions)		
Policyholder deposits	**12,730**	10,975
Net investment income	**634**	610
Net realized capital gains on investments	**2,959**	974
Net unrealized capital gains on investments	**6,789**	3,228
Unrealized gains due to changes in foreign exchange rates	**5,476**	462
Policyholder withdrawals	**(14,136)**	(9,324)
Acquisition of Irish Life (note 4)	**36,348**	–
Net transfer from (to) General Fund	**65**	(9)
Non-controlling mutual fund interest	**123**	81
Total	**50,988**	6,997
Balance, end of year	**$ 132,611**	$ 81,623

(c) Investment income on account of segregated fund policyholders

	2013	2012
Net investment income	**$ 634**	$ 610
Net realized capital gains on investments	**2,959**	974
Net unrealized capital gains on investments	**6,789**	3,228
Unrealized gains due to changes in foreign exchange rates	**5,476**	462
Total	**15,858**	5,274
Change in investment and insurance contracts liability on account of segregated fund policyholders	**15,858**	5,274
Net	**$ –**	$ –

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

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

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Investments on account of segregated fund policyholders[1]	$ 90,431	$ 34,281	$ 9,298	$ 134,010

(1) Excludes other liabilities, net of other assets of $1,399

During 2013 certain foreign stock holdings valued at $1,780 have been transferred from Level 2 to Level 1, based on the Company's ability to utilize observable, quoted prices in active markets

Level 2 assets include those assets where fair value is not available from normal market pricing sources and where the Company does not have visibility through to the underlying assets

The following presents additional information about the Company's investments on account of segregated fund policyholders for which the Company has utilized Level 3 inputs to determine fair value

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

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

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

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

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

During 2013, fee and other income earned by the Company resulting from the Company's interests in these entities was $1,880

Included within other assets (note 14) is $70 of investments in stocks of sponsored unit-trusts in Europe

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

16 Insurance and Investment Contract Liabilities

(a) Insurance and investment contract liabilities

	December 31, 2013		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 107,171	$ 6,623	$ 100,548
Investment contract liabilities	859	181	678
Total	$ 108,030	$ 6,804	$ 101,226

	December 31 2012		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 98,133	$ 3,664	$ 94,469
Investment contract liabilities	698	201	497
Total	$ 98,831	$ 3,865	$ 94,966

	January 1 2012		
	Gross liability	Reinsurance assets	Net
Insurance contract liabilities	$ 94,166	$ 3,823	$ 90,343
Investment contract liabilities	746	223	523
Total	$ 94,912	$ 4,046	$ 90,866

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

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

	December 31, 2013		
	Gross liability	Reinsurance assets	Net
Participating			
Individual insurance	$ 29,107	$ (132)	$ 29,239
Europe/reinsurance	1,247	–	1,247
Corporate	2,098	(3)	2,101
Non-Participating			
Individual insurance	6,304	433	5,871
Wealth management	12,585	–	12,585
Group	7,008	87	6,921
Europe/reinsurance	47,484	4,908	42,576
Corporate	2,197	1,511	686
Total	$ 108,030	$ 6,804	$ 101,226

	December 31 2012		
	Gross liability	Reinsurance assets	Net
Participating			
Individual insurance	$ 27,851	$ (88)	$ 27,939
Europe/reinsurance	1,241	–	1,241
Corporate	2,087	–	2,087
Non-Participating			
Individual insurance	7,065	652	6,413
Wealth management	13,318	–	13,318
Group	6,900	94	6,806
Europe/reinsurance	38,084	1,618	36,466
Corporate	2,285	1,589	696
Total	$ 98,831	$ 3,865	$ 94,966

16 Insurance and Investment Contract Liabilities (cont'd)

	January 1, 2012		
	Gross liability	Reinsurance assets	Net
Participating			
Individual insurance	$ 26,470	$ (49)	$ 26,519
Europe/reinsurance	1,230	–	1,230
Corporate	1,580	2	1,578
Non-Participating			
Individual insurance	6,609	823	5,786
Wealth management	13,752	–	13,752
Group	6,738	95	6,643
Europe/reinsurance	35,519	1,432	34,087
Corporate	3,014	1,743	1,271
Total	$ 94,912	$ 4,046	$ 90,866

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

	December 31, 2013					
	Bonds	**Mortgage loans**	**Stocks**	**Investment properties**	**Other**	**Total**
Carrying value						
Participating liabilities						
Canada	**$ 11,908**	**$ 7,701**	**$ 4,922**	**$ 1,157**	**$ 3,419**	**$ 29,107**
Europe	**852**	**39**	**143**	**35**	**178**	**1,247**
United States	**1,859**	**66**	**–**	**–**	**173**	**2,098**
Non-participating liabilities						
Individual insurance	**4,461**	**302**	**1,538**	**3**	**–**	**6,304**
Wealth management	**7,745**	**2,114**	**219**	**–**	**2,507**	**12,585**
Group	**3,950**	**1,352**	**39**	**–**	**1,667**	**7,008**
Europe/reinsurance	**27,199**	**3,289**	**225**	**2,460**	**14,311**	**47,484**
Corporate	**426**	**153**	**–**	**–**	**1,618**	**2,197**
Other	**8,970**	**435**	**96**	**87**	**129,826**	**139,414**
Total equity	**2,314**	**283**	**1,134**	**544**	**14,131**	**18,406**
Total carrying value	**$ 69,684**	**$ 15,734**	**$ 8,316**	**$ 4,286**	**$ 167,830**	**$ 265,850**
Fair value	**$ 70,215**	**$ 16,128**	**$ 8,482**	**$ 4,286**	**$ 167,830**	**$ 266,941**

	December 31, 2012					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 12,818	$ 6,903	$ 4,221	$ 932	$ 2,977	$ 27,851
Europe	874	40	115	66	146	1,241
United States	1,682	118	–	–	287	2,087
Non-participating liabilities						
Individual insurance	5,438	318	1,306	3	–	7,065
Wealth management	7,885	2,637	215	–	2,581	13,318
Group	4,196	1,473	44	–	1,187	6,900
Europe/reinsurance	22,335	2,827	127	2,173	10,622	38,084
Corporate	552	69	–	–	1,664	2,285
Other	6,294	320	–	4	80,609	87,227
Total equity	2,042	306	742	390	11,851	15,331
Total carrying value	$ 64,116	$ 15,011	$ 6,770	$ 3,568	$ 111,924	$ 201,389
Fair value	$ 65,155	$ 15,983	$ 6,808	$ 3,568	$ 111,924	$ 203,438

	January 1 2012					
	Bonds	Mortgage loans	Stocks	Investment properties	Other	Total
Carrying value						
Participating liabilities						
Canada	$ 11,862	$ 6,686	$ 3,864	$ 507	$ 3,551	$ 26,470
Europe	855	56	128	70	121	1,230
United States	1,316	79	–	–	185	1,580
Non-participating liabilities						
Individual insurance	4,485	271	1,062	20	771	6,609
Wealth management	8,029	2,932	217	–	2,574	13,752
Group	4,159	1,536	49	–	994	6,738
Europe/reinsurance	20,348	2,506	119	2,092	10,454	35,519
Corporate	944	140	–	–	1,930	3,014
Other	6,520	328	–	7	73,690	80,545
Total equity	2,007	315	897	550	10,002	13,771
Total carrying value	$ 60,525	$ 14,849	$ 6,336	$ 3,246	$ 104,272	$ 189,228
Fair value	$ 61,188	$ 15,929	$ 6,404	$ 3,246	$ 104,272	$ 191,039

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

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

(c) Change in insurance contract liabilities

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

	2013		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 31,148	$ (88)	$ 31,236
Impact of new business	16	-	16
Normal change in force	1,178	(9)	1,187
Management action and changes in assumptions	(108)	(38)	(70)
Business movement from/to affiliates	(51)	-	(51)
Impact of foreign exchange rate changes	241	-	241
Balance, end of year	$ 32,424	$ (135)	$ 32,559

	Non-participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 66,985	$ 3,752	$ 63,233	$ 94,469
Irish Life acquisition	6,160	2,963	3,197	3,197
Impact of new business	3,545	192	3,353	3,369
Normal change in force	(4,894)	(60)	(4,834)	(3,647)
Management action and changes in assumptions	(411)	(328)	(83)	(153)
Business movement from/to external parties	(455)	(234)	(221)	(221)
Business movement from/to affiliates	–	–	–	(51)
Impact of foreign exchange rate changes	3,817	473	3,344	3,585
Balance, end of year	$ 74,747	$ 6,758	$ 67,989	$ 100,548

16 Insurance and Investment Contract Liabilities (cont'd)

	2012		
	Participating		
	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 29,244	$ (47)	$ 29,291
Impact of new business	72	–	72
Normal change in force	1,592	(7)	1,599
Management action and changes in assumptions	(236)	(34)	(202)
Business movement from/to affiliates	529	–	529
Impact of foreign exchange rate changes	(53)	–	(53)
Balance, end of year	$ 31,148	$ (88)	$ 31,236

	Non participating			
	Gross liability	Reinsurance assets	Net	Total Net
Balance, beginning of year	$ 64,922	$ 3,870	$ 61,052	$ 90,343
Impact of new business	2,622	326	2,296	2,368
Normal change in force	(361)	(45)	(316)	1,283
Management action and changes in assumptions	(340)	(337)	(3)	(205)
Business movement from/to external parties	(48)	(7)	(41)	(41)
Business movement from/to affiliates	(533)	–	(533)	(4)
Impact of foreign exchange rate changes	723	(55)	778	725
Balance, end of year	$ 66,985	$ 3,752	$ 63,233	$ 94,469

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

In 2013, the major contributors to the increase in net insurance contract liabilities were the impact of foreign exchange rate changes ($3,585 increase), the impact of new business ($3,369 increase) and the Irish Life acquisition ($3,197 increase) This was partially offset by the normal change in inforce business ($3,647 decrease) which was partly due to the change in fair value

Net non-participating insurance contract liabilities decreased by $83 in 2013 due to management actions and changes in assumptions The decrease was primarily due to updated base mortality assumptions mainly in Canada ($87 decrease), updated morbidity assumptions ($43 decrease), provisions for interest and mismatch risk ($30 decrease), and modeling refinements ($26 decrease) partially offset by increased provisions for policyholder behavior ($74 increase), updated expenses and taxes ($21 increase), updated longevity assumptions ($4 increase), updates to other provisions ($3 increase) and updated mortality improvement assumptions in Europe ($1 increase)

Net participating insurance contract liabilities decreased by $70 in 2013 due to management actions and assumption changes The decrease was primarily due to higher investment returns ($631 decrease), modeling refinements ($109 decrease) and updated expenses and taxes ($68 decrease) partially offset by increases in the provision for future policyholder dividends ($710 increase), increased provisions for policyholder behavior ($20 increase), improved mortality assumptions ($7 increase) and updated morbidity assumptions ($1 increase)

In 2012, the major contributors to the increase in net insurance contract liabilities were the impact of new business ($2,368 increase) and the normal change in the in force business ($1,283 increase) primarily due to the change in fair value Business movement to/from affiliates includes the Crown Life Insurance Company amalgamation with its parent Canada Life

Net non-participating insurance contract liabilities decreased by $3 in 2012 due to management actions and changes in assumptions The decrease was primarily due to updated base longevity assumptions mainly in Europe ($379 decrease), updated life mortality assumptions ($110 decrease), modeling refinements ($43 decrease), updated expense and taxes ($40 decrease) and updated morbidity assumptions ($6 decrease), almost totally offset by updated longevity improvement assumptions for European business ($348 increase), increased provisions for policyholder behavior ($131 increase), and provisions for asset and mismatch risk ($88 increase)

Net participating insurance contract liabilities decreased by $202 in 2012 due to management actions and assumption changes The decrease was primarily due to decreases in the provision for future policyholder dividends ($2,078 decrease), improved Individual Life base mortality ($107 decrease), updated expenses and taxes ($92 decrease), improved mortality improvement ($17 decrease) and modeling refinements ($10 decrease) partially offset by lower investment returns ($2,080 increase), increased provisions for policyholder behavior ($19 increase) and updated morbidity assumptions ($3 increase)

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

	2013			2012		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Balance, beginning of year	$ 698	$ 201	$ 497	$ 746	$ 223	$ 523
Irish Life acquisition	194	–	194	-	–	–
Normal change in force business	(97)	(42)	(55)	(87)	(23)	(64)
Investment experience	32	8	24	45	8	37
Impact of foreign exchange rate changes	32	14	18	(6)	(7)	1
Balance, end of year	$ 859	$ 181	$ 678	$ 698	$ 201	$ 497

The carrying value of investment contract liabilities approximates their fair value

(e) (i) Premium Income

	2013	2012[1]
Direct premiums	$ 15,708	$ 14,124
Assumed reinsurance premiums	4,933	5,200
Total	$ 20,641	$ 19,324

(ii) Policyholder Benefits

	2013	2012[1]
Direct	$ 11,378	$ 10,642
Assumed reinsurance	5,249	5,477
Total	$ 16,627	$ 16,119

(1) During the year the Company reclassified certain comparative figures for presentation adjustments This resulted in an increase in assumed reinsurance premiums of $768 a decrease to reinsurance fee income of $20 offset primarily by an increase in assumed reinsurance policyholder benefits. There was no impact on equity net earnings or cash flows of the Company (note 35)

(f) Actuarial Assumptions

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

The methods for arriving at these valuation assumptions are outlined below

Mortality

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

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

Morbidity

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

16 Insurance and Investment Contract Liabilities (cont'd)

Property and casualty reinsurance

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

Investment returns

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

Expenses

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

Policy termination

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

Utilization of elective policy options

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

Policyholder dividends and adjustable policy features

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

(g) Risk Management

(i) Insurance risk

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

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

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

	Increase (decrease) in net earnings after tax 2013	2012
Mortality – 2% increase	$ (184)	$ (175)
Annuitant mortality – 2% decrease	$ (266)	$ (268)
Morbidity – 5% adverse change	$ (208)	$ (188)
Investment returns		
Parallel shift in yield curve[1]		
1% increase	$ –	n/a
1% decrease	$ –	n/a
Change in range of interest rates[1]		
1% increase	$ 12	n/a
1% decrease	$ (195)	n/a
Change in equity markets		
10% increase	$ 33	$ 17
10% decrease	$ (149)	$ (95)
Change in best estimate returns for equities		
1% increase	$ 353	$ 342
1% decrease	$ (392)	$ (376)
Expenses – 5% increase	$ (72)	$ (52)
Policy termination and renewal – 10% adverse change	$ (408)	$ (444)

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

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

	December 31, 2013			December 31 2012			January 1 2012		
	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net	Gross liability	Reinsurance assets	Net
Canada	$ 55,004	$ 388	$ 54,616	$ 55,134	$ 658	$ 54,476	$ 53,569	$ 869	$ 52,700
Europe	48,731	4,908	43,823	39,324	1,618	37,706	36,749	1,432	35,317
United States	4,295	1,508	2,787	4,373	1,589	2,784	4,594	1,745	2,849
Total	**$ 108,030**	**$ 6,804**	**$ 101,226**	**$ 98,831**	**$ 3,865**	**$ 94,966**	**$ 94,912**	**$ 4,046**	**$ 90,866**

(ii) Reinsurance risk

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

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

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

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

17 Financing Charges

Financing charges consist of the following

	2013	2012
Interest on long-term debentures and other debt instruments	$ 25	$ 20
Interest on capital trust debentures	11	41
Other	12	12
Total	$ 48	$ 73

18 Debentures and Other Debt Instruments

	December 31, 2013		December 31 2012		January 1, 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Long term						
Operating						
Notes payable with interest rate of 8 0% due May 6, 2014, unsecured	$ 1	$ 1	$ 2	$ 2	$ 3	$ 3
Capital						
Great-West Life						
6 74% debentures due November 24, 2036, unsecured	200	200	200	200	200	200
Canada Life						
6 40% subordinated debentures due December 11, 2028, unsecured	100	117	100	117	100	115
5 25% 200 euro subordinated debentures, includes associated fixed to floating swap	317	321	–	–	–	–
Mortgage payable with interest rate of 4% changing to 5% on February 1, 2014, matures April 30, 2014	75	75	–	–	–	–
	692	713	300	317	300	315
Total debentures and other debt instruments	$ 693	$ 714	$ 302	$ 319	$ 303	$ 318

19 Restructuring and Acquisition Expenses

With the acquisition of Irish Life on July 18, 2013, the Company has developed a plan to restructure due to combining the life and pension operations of Canada Life (Ireland) and Irish Life In addition, the Company incurred other restructuring expenses due to other restructuring activities in Europe

Restructuring and acquisition expenses by major heading were as follows

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

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

20 Other Liabilities

	December 31 2013	December 31 2012(1)	January 1 2012(1)
Pension and other post-employment benefits	$ 782	$ 1,004	$ 807
Deferred income reserve	451	427	406
Bank overdraft	363	444	429
Other	713	405	421
Total	$ 2,309	$ 2,280	$ 2,063

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

Total other liabilities of $1,076 ($849 at December 31, 2012 and $850 at January 1, 2012) are expected to be realized within 12 months from the reporting date This amount excludes deferred income reserve, the changes in which are noted below

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

21 Capital Trust Securities

	December 31, 2013		December 31 2012		January 1, 2012	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Capital trust securities						
Great-West Life Capital Trust						
5 995% due December 31, 2052, unsecured	$ –	$ –	$ –	$ –	$ 350	$ 363
Canada Life Capital Trust						
6 679% due June 30, 2052, unsecured	–	–	–	–	300	307
7 529% due June 30, 2052, unsecured	150	205	150	216	150	197
	150	205	150	216	800	867
Acquisition related fair value adjustment	13	–	14	–	15	–
Total	$ 163	$ ' 205	$ 164	$ 216	$ 815	$ 867

Canada Life Capital Trust (CLCT), a trust established by Canada Life, redeemed all of its outstanding $300 principal amount Canada Life Capital Securities – Series A on June 29, 2012 at par

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

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

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

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

22 Participating Account

The Company controlled a 100% equity interest in London Life and Canada Life at December 31, 2013 and 2012 The participating operations and the participating balance sheets are presented as combined or consolidated in the operations in the Company's financial statements

The shareholder portion of participating earnings represents, as restricted by law, a portion of net earnings before policyholder dividends of the participating account, $47 in 2013 ($46 in 2012) The actual payment of the shareholder portion of participating earnings is legally determined as a percentage of policyholder dividends paid $66 of shareholder surplus ($59 in 2012) that has been recognized but not paid is dependent on future payment of dividends to participating policyholders The following provides additional information related to the operations and financial position of each entity

(a) Net earnings, participating account·

	2013	2012
Net earnings attributable to participating account before policyholder dividends		
Great-West Life	$ 136	$ 182
London Life	583	951
Canada Life	320	264
	1,039	1,397
Policyholder dividends		
Great-West Life	(134)	(131)
London Life	(738)	(745)
Canada Life	(261)	(246)
	(1,133)	(1,122)
Net earnings (loss) – participating account	$ (94)	$ 275

The net earnings (loss) attributable to the participating account before policyholder dividends includes the impact of the Subsequent Event – Participating account legal matter recorded in the December 31, 2013 financial statements (note 32) The December 31, 2012 amounts include the impact of the Ontario Supreme Court of Justice decision on January 24, 2013 (note 32) The impact to the participating accounts before policyholder dividends was a decrease of $30 and $196 in Great-West Life and London Life respectively in 2013, and an increase of $20 and $120 respectively in 2012

(b) Participating account surplus in subsidiaries.

	December 31 2013	December 31 2012	January 1 2012
Participating account accumulated surplus			
Great-West Life	$ 545	$ 543	$ 492
London Life	1,656	1,811	1,599
Canada Life	126	67	49
Total	2,327	2,421	2,140
Participating account accumulated other comprehensive income			
Great-West Life	4	9	13
London Life	5	11	20
Canada Life	6	(1)	3
Accumulated other comprehensive income – participating account	15	19	36
Total	$ 2,342	$ 2,440	$ 2,176

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

(c) Participating account – other comprehensive income (loss):

	2013	2012
Other comprehensive income (loss) attributable to participating account		
Great-West Life	$ (5)	$ (4)
London Life	(6)	(9)
Canada Life	7	(4)
Total	$ (4)	$ (17)

23 Share Capital

Authorized

Unlimited Preferred Shares

Unlimited Common Shares

Issued and outstanding	December 31 2013 Number	December 31 2013 Carrying value	December 31 2012 Number	December 31 2012 Carrying value	January 1 2012 Number	January 1 2012 Carrying value
Preferred shares						
Series Q, 5 00% Non-Cumulative	–	$ –	–	$ –	40,000	$ 1
Common shares						
Balance, beginning of year	2,209,812	$ 7,076	2,117,015	$ 6,426	2,117,015	$ 6,426
Issued to parent company	159,657	1,412	92,797	650	–	–
Balance, end of year	2,369,469	$ 8,488	2,209,812	$ 7,076	2,117,015	$ 6,426
Total		$ 8,488		$ 7,076		$ 6,427

Preferred Shares

The Series Q, 5 00% Non-Cumulative Preferred Shares are redeemable at the option of the Company for $25 per share on the later of December 31, 2007 and the date on which there are no Great-West Life Capital Trust Securities outstanding in GWLCT, subject to regulatory approval

On December 31, 2012, the Great-West Life Capital Trust securities were redeemed, at which time the Company also redeemed all of its outstanding Series Q, 5 00% Non-Cumulative Preferred Shares at a redemption price of $25 per share

Common Shares

On June 25, 2013, the Company issed 85,458 common shares to Lifeco with a value of $734 On July 17, 2013, in connection with the Irish Life acquisition , the Company issued 74,199 common shares to Lifeco with a stated value of $678

On June 29, 2012, the Company issued 38,895 common shares to Lifeco for a value of $300 On December 31, 2012, the Company issued 53,902 common shares to Lifeco for a value of $350

Contributed Surplus

On December 28, 2012, Lifeco contributed $150 of capital to Great-West Life

24 Capital Management

(a) Policies and Objectives

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

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

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

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

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

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

(b) Regulatory Capital

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

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

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

Other foreign operations and foreign subsidiaries of the Company are required to comply with local capital or solvency requirements in their respective jurisdictions At December 31, 2013 and 2012 the Company maintained capital levels above the minimum local regulatory requirements in each of its other foreign operations

25 Share-Based Payments

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

During 2013, 1,240,700 options were granted (1,398,500 options were granted during 2012) The weighted average fair value of options granted during 2013 was $4 16 per option ($3 04 per option in 2012) The fair value of each option was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for those options granted in 2013 dividend yield 4 53%, expected volatility 23 96%, risk-free interest rate 1 58%, and expected life of 8 years

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

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

	2013		2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding, beginning of year	**10,258,140**	**$ 28 26**	9,555,039	$ 28 55
Granted	**1,240,700**	**27 15**	1,398,500	23 16
Exercised	**(1,604,760)**	**21 81**	(478,299)	19 33
Forfeited/expired	**(443,640)**	**30 52**	(217,100)	28 03
Outstanding, end of year	**9,450,440**	**$ 29 10**	10,258,140	$ 28 26
Options exercisable at end of year	**6,273,367**	**$ 30 12**	6,963,330	$ 28 48

The weighted average share price at the date of exercise of stock options for the year ended December 31, 2013 was $28 68 ($22 97 in 2012)

Compensation expense due to transactions accounted for as equity-settled share-based payments of $5 after-tax in 2013 ($4 after-tax in 2012) arising from transactions in which the services received did not qualify for recognition as an asset, has been recognized in the Consolidated Statements of Earnings

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

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

	Outstanding			Exercisable		
Exercise price ranges	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price	Expiry
$24 37 – $26 00	230,000	0 50	25 23	230,000	25 23	2014
$29 84	1,425,000	1 95	29 84	1,425,000	29 84	2015
$27 16 – $31 27	482,000	2 49	30 35	482,000	30 35	2016
$23 16 – $37 22	1,014,900	3 20	36 65	730,904	36 47	2017
$31 27	2,315,000	4 34	31 27	2,103,803	31 27	2018
$25 65 – $27 13	459,080	6 33	26 79	288,000	26 80	2020
$27 16	913,620	7 16	27 16	443,880	27 16	2021
$23 16	1,375,540	8 16	23 16	415,380	23 16	2022
$27 13 – $28 36	1,235,300	9 16	27 15	154,400	27 13	2023

25 Share Based Payments (cont'd)

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

26 Pension Benefits and Other Post-Employment Benefits

Characteristics, Funding and Risk

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

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

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

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

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

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

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

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

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

	2012				
	Notional Amount				Total estimated fair value
	1 year or less	Over 1–5 years	Over 5 years	Total	
Derivatives not designated as accounting hedges					
Interest rate contracts					
Swaps	$ 1,031	$ 625	$ 822	$ 2,478	$ 310
Options purchased	31	73	71	175	46
	1,062	698	893	2,653	356
Foreign exchange contracts					
Forward contracts	300	–	–	300	–
Cross-currency swaps	205	1,947	4,406	6,558	377
	505	1,947	4,406	6,858	377
Other derivative contracts					
Equity contracts	900	4	–	904	(5)
Futures – long	7	–	–	7	–
Futures – short	222	–	–	222	(4)
	1,129	4	–	1,133	(9)
Total	$ 2,696	$ 2,649	$ 5,299	$ 10,644	$ 724

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

(c) ***Interest Rate Contracts***

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

Foreign Exchange Contracts

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

Other Derivative Contracts

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

32 Legal Provisions, Contingent Liabilities, and Subsequent Event

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

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

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

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

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

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

The Company and London Life appealed the January 24, 2013 decision and the appeal was heard September 4, 2013 The Court of Appeal for Ontario reserved its decision

Subsequent Event – Participating Account Legal Matter

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

33 Commitments

(a) Letters of Credit

Letters of credit are written commitments provided by a bank The total amount of letters of credit facilities are U S $1 7 billion (U S $1 7 billion in 2012) of which U S $1 4 billion (U S $1 5 billion in 2012) are currently issued

The Reinsurance operation from time to time uses letters of credit provided mainly as collateral under certain reinsurance contracts for on balance sheet policy liabilities

(b) Investment Commitments

Commitments of investment transactions made in the normal course of operations in accordance with policies and guidelines that are to be disbursed upon fulfillment of certain contract conditions were $257 as at December 31, 2013 ($390 as at December 31, 2012) At December 31, 2013, $257 mature within 1 year ($344 at December 31, 2012) and nil mature in 1 – 2 years ($46 at December 31, 2012) and no commitments mature over 2 years (no committments over 2 years at December 31, 2012)

(c) Lease Obligations

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

	2014	2015	2016	2017	2018	2019 and thereafter	Total
Future lease payments	$ 68	60	49	38	27	47	$ 289

34 Segmented Information

The major reportable segments of the Company are the participating and shareholder operations The Company operates through Great-West Life and its wholly owned subsidiaries LIG and CLFC Within these segments the major business units are Individual Insurance, Wealth Management, Group Insurance, Europe/Reinsurance, and Corporate These business units reflect the Company's management structure and internal financial reporting Each of these segments operates in the financial services industry and the revenues from these business units are derived principally from life, health and disability insurance, annuity products, and life, property and casualty, accident and health and annuity reinsurance Business activities and operations that are not associated with the specific business units are attributed to Corporate

(a) Consolidated Net Earnings

	2013							
	Shareholder						Participating	
	Individual insurance	Wealth management	Group insurance	Europe/ reinsurance[1]	Corporate	Total	Total	Total Company
Income								
Premium income	$ 1,244	$ 1,069	$ 4,936	$ 6,731	$ 385	$ 14,365	$ 2,999	$ 17,364
Net investment income								
Regular net investment income	229	625	267	1,740	73	2,934	1,467	4,401
Changes in fair value through profit or loss	(796)	(374)	(145)	(1,105)	(4)	(2,424)	47	(2,377)
Total net investment income	(567)	251	122	635	69	510	1,514	2,024
Fee and other income	–	1,075	146	862	54	2,137	–	2,137
Total income	677	2,395	5,204	8,228	508	17,012	4,513	21,525
Benefits and expenses								
Paid or credited to policyholders	(85)	1,119	3,780	6,300	385	11,499	3,575	15,074
Other	369	736	868	917	(186)	2,704	1,016	3,720
Financing charges	–	–	–	16	32	48	–	48
Amortization of finite life intangible assets	3	14	15	16	15	63	3	66
Restructuring and acquisition expenses	–	–	–	104	–	104	–	104
Earnings before income taxes	390	526	541	875	262	2,594	(81)	2,513
Income taxes	73	128	105	118	(74)	350	13	363
Net earnings	317	398	436	757	336	2,244	(94)	2,150
Net earnings – participating policyholder	–	–	–	–	–	–	(94)	(94)
Net earnings – common shareholder	$ 317	$ 398	$ 436	$ 757	$ 336	$ 2,244	$ –	$ 2,244

(1) The Company completed the acquisition of Irish Life on July 18 2013 The Europe/Reinsurance business unit includes the results of Irish Life from July 19 2013 to December 31 2013

INDEPENDENT AUDITOR'S REPORT

To the Policyholders and Shareholder,
The Great-West Life Assurance Company

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Deloitte LLP

Chartered Accountants

Winnipeg, Manitoba
February 13, 2014

APPOINTED ACTUARY'S REPORT

To the Policyholders, Shareholder and Directors of
The Great-West Life Assurance Company

I have valued the policy liabilities of The Great-West Life Assurance Company for its consolidated balance sheet at December 31, 2013 and their change in its summary of consolidated operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated financial statements fairly present the result of the valuation

Tyrone G. Faulds
Fellow, Canadian Institute of Actuaries

Winnipeg, Manitoba
February 13 2014

PARTICIPATING POLICYHOLDER DIVIDEND POLICY

This policyholder dividend policy has been established by the Board of Directors and applies to all participating insurance policies issued or assumed by Great-West The Board of Directors may amend this policy from time to time at its discretion The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes

Earnings are generated in the participating account when the experience in the participating account for factors such as investment income, asset defaults, mortality, lapses, expenses and taxes is collectively more favourable than the assumptions for these factors used when establishing the guaranteed values associated with participating insurance policies Great-West may distribute a portion of the earnings as declared at the discretion of the Board of Directors in accordance with this policy

Participating insurance policies are eligible for periodic policyholder dividends The amount to be distributed from the participating account as policyholder dividends is determined at least annually following a review of the actual and expected experience of the participating account, taking into account significant changes in factors such as investment income, asset defaults, mortality, lapses, expenses and taxes The amount distributed in any year will vary up or down depending on the actual and expected experience The amount distributed is also influenced by considerations such as the need to retain earnings as surplus and reducing short-term volatility in dividends

The amount distributed as policyholder dividends is divided among classes of policies by setting the policyholder dividend scale These dividend classes are groupings of participating policies with certain product and policy attributes in common

Great-West follows the contribution principle when setting the policyholder dividend scale This means the amount distributed as policyholder dividends is divided among dividend classes over the long term in proportion to their contribution to earnings A contribution to earnings will be made from a particular dividend class to the extent the experience for that particular class is different from the assumptions used when establishing the guaranteed values for that class When applying the contribution principle, attention is paid to achieving reasonable equity between dividend classes and between generations of policies, taking into account practical considerations and limits, legal and regulatory requirements, professional guidelines and industry practices For certain blocks of policies, the policyholder dividend scale may be determined using methods designed to approximate the contribution to earnings of those blocks

The policyholder dividends are credited according to the terms of each policy A change made by a policyholder to a policy after it is issued may, in some cases, result in a change to the policy's dividend class and thus a change to the amount of policyholder dividends credited thereafter

Termination dividends are not payable under any participating policies issued by Great-West

Prior to the declaration of policyholder dividends by the Board, the Appointed Actuary reports to the Board of Directors with his opinion on the fairness to participating policyholders of the proposed policyholder dividends and on their compliance with this policy, applicable legislative and regulatory requirements and applicable professional practice standards Policy illustrations will reflect changes to the policyholder dividend scale as soon as practical

PARTICIPATING ACCOUNT FINANCIAL DISCLOSURE

(in Canadian $ millions)

Participating Account	Accounting Item	2013	2012
Canada	Opening surplus and accumulated other comprehensive income (OCI)	$ 552	$ 505
	Net earnings (including OCI) before distributions	135	182
	Amounts transferred to shareholders under s 461 of the ICA	3	3
	Other transfers or accruals under s 462 of the ICA	1	1
	Net earnings (including OCI) before payment of policyholder dividends	131	178
	Policyholder dividends distributed during the year	134	131
	Closing surplus and accumulated other comprehensive income (OCI)	549	552
	Total assets at year end	4,111	3,888
	Section 461 transfer as a % of total distributions	2 5%	2 5%

PARTICIPATING ACCOUNT MANAGEMENT POLICY

This participating account management policy has been established by the Board of Directors and may be amended by the Board from time to time at its discretion The factors most likely to be considered in deciding whether to amend this policy include changes in applicable legal or regulatory requirements, professional guidelines, industry practices or significant business changes

As required by the Insurance Companies Act, the Company maintains accounts for its participating insurance policies separately from those maintained in respect of other policies This facilitates the measurement of the earnings attributable to the participating account

The participating account is maintained in respect of participating life insurance policies and a small block of participating annuities that have been issued or assumed by the Company The participating account remains open to new participating policies issued or assumed by the Company

Assets of the Company held within its general funds are allocated to the participating account and non-participating account segments for the purpose of determining investment income for each account Assets are allocated to each segment according to the investment guidelines established for the segments These guidelines outline criteria for asset mix, liquidity, currency risk and interest rate risk These guidelines are intended to recognize considerations such as the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of each segment Assets allocated to a segment may from time to time be reallocated to another segment within the same account or another account provided the assets exchanged comply with the investment policy of the respective segments Any such exchanges are effected at fair value

On an annual basis the Board of Directors reviews and approves investment policies and guidelines which govern investment activities The investment policies outline a number of principles for investing in assets, including risk tolerance and the approach to managing investment risk Investment risk is managed through underwriting standards, exposure limits and specific guidelines governing asset classes and investment operations The investment policies establish limits for the concentration of assets in single geographic areas, industries, companies and types of businesses as part of the risk management process

A large portion of the participating account assets are invested in fixed-income assets to support long-term stable growth and the core guarantees within participating policies The Company employs cash-flow-matching techniques so that asset cash flows are sufficient to meet obligations and to help control exposure to interest rate fluctuations In addition, a portion of the portfolio is reinvested each year so returns reflect the trend in interest rates The Company may use derivative products as risk management instruments to hedge asset and liability positions, or as substitutes for cash instruments within specified guideline limits

Investment income is allocated to the participating account in accordance with the Company's investment income allocation policy Generally, investment income results are allocated directly to a segment based on the assets allocated to the segment Each year the Appointed Actuary reviews the method used for allocating investment income to the participating account and reports to the Board of Directors on its fairness and equitableness

Expenses and taxes incurred by the Company are allocated to the participating account in accordance with the Company's expense allocation and tax allocation policies

Expenses are allocated by the area incurring the expense to the appropriate company and line of business As a general principle, expenses are allocated to a line of business in accordance with its business activities In addition, from time to time Great-West Life and/or its subsidiaries make significant expenditures/investments outside of regular business activities which may include but are not limited to transactions such as acquisitions, restructurings, and capital expenditures (e g major IT systems), the intent and effect of which is to reduce future expenses The governing principle for fair and equitable treatment of such expenditures/investments is that expenses will be allocated to the lines of business recognizing both the benefit derived by the line of business from that expenditure/investment and the contribution made by the line of business to that expenditure/investment

In general, expenses that are exclusively related to participating business are allocated directly to the participating account Expenses related to both participating and non-participating business are allocated based on business statistics when the expenses vary based on those statistics, based on managers' estimates supported by time studies or other assessments, or in proportion to the total expenses allocated using all of the methods previously mentioned

For unusual items, management will determine and report to the Appointed Actuary the resulting allocation of expenses to each line of business, including the basis and justification for it

Taxes are allocated to the participating account using the characteristics of the participating and non-participating accounts that are determinative of the relevant tax costs

Each year the Appointed Actuary reviews the method used for allocating expenses and taxes to the participating account and reports to the Board of Directors on its fairness and equitableness

The participating account surplus is managed in accordance with the Company's capital management policy and participating account surplus policy and with regard to regulatory requirements The surplus position is reviewed annually to assess its continuing appropriateness, having regard for the specific circumstances of the participating account Surplus may be used for a number of purposes including to help ensure the Company can meet its obligations to participating policyholders, help ensure financial strength and stability, finance new business growth and acquisitions which may benefit the participating account, provide for transitions during periods of major change, and smooth the reflection of experience fluctuations in dividends, subject to items such as practical considerations and limits, legal and regulatory requirements, and industry practices

As permitted by the Insurance Companies Act, the Company may distribute to the shareholders a percentage of the amount distributed to policyholders in respect of a financial year Prior to any such distribution, the Appointed Actuary will confirm to the Board of Directors that the proposed distribution is permitted under the terms of the Insurance Companies Act The proportion distributed to the shareholders will not exceed the prescribed amount as determined under section 461 of the Insurance Companies Act Any distribution made to the shareholders will be published in the Company's annual report

SOURCES OF EARNINGS

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

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

Expected Profit on In-Force Business

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

Impact of New Business

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

Experience Gains and Losses

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

Management Actions and Changes in Assumptions

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

Other

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

Earnings on Surplus

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

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

Sources of Earnings
(in Canadian $ millions)

	Shareholder net earnings					
For year to date at December 31, 2013	**Group Insurance**	**Individual Insurance**	**Wealth Management**	**Europe/ Reinsurance**	**Corporate**	**Total**
Expected profit on in-force business	$ 492	$ 220	$ 411	$ 681	$ 23	$ 1,827
Impact of new business	–	(16)	30	12	–	26
Experience gains and losses	27	91	80	229	(55)	372
Management actions and changes in assumptions	22	95	5	(44)	4	82
Other	–	–	–	(104)	–	(104)
Earnings on surplus	–	–	–	101	64	165
Net earnings before tax	541	390	526	875	36	2,368
Taxes	(105)	(73)	(128)	(118)	74	(350)
Net earnings before non-controlling interests	436	317	398	757	110	2,018
Non-controlling interests	–	–	–	–	–	–
Net earnings – shareholder	436	317	398	757	110	2,018
Preferred share dividends	–	–	–	–	–	–
Net earnings – common shareholder before adjustments	436	317	398	757	110	2,018
Adjustments after-tax	–	–	–	–	226	226
Net earnings – common shareholder	$ 436	$ 317	$ 398	$ 757	$ 336	$ 2,244

Sources of Earnings
(in Canadian $ millions)

For year to date at December 31 2012	Group Insurance	Individual Insurance	Wealth Management	Europe/ Reinsurance	Corporate	Total
	Shareholder net earnings					
Expected profit on in-force business	$ 476	$ 179	$ 333	$ 459	$ 11	$ 1,458
Impact of new business	–	(89)	32	33	–	(24)
Experience gains and losses	54	66	40	232	46	438
Management actions and changes in assumptions	49	83	15	(128)	(7)	12
Other	–	–	–	–	–	–
Earnings on surplus	–	–	–	154	110	264
Net earnings before tax	579	239	420	750	160	2,148
Taxes	(124)	(31)	(105)	(89)	81	(268)
Net earnings before non-controlling interests	455	208	315	661	241	1,880
Non-controlling interests	–	–	–	–	–	–
Net earnings – shareholder	455	208	315	661	241	1,880
Preferred share dividends	–	–	–	–	–	–
Net earnings – common shareholder before adjustments	455	208	315	661	241	1,880
Adjustments after-tax	–	–	–	–	(140)	(140)
Net earnings – common shareholder	$ 455	$ 208	$ 315	$ 661	$ 101	$ 1,740

Analysis of Results

Expected profit on in-force business is the major driver of earnings and accounted for 77% of pre-tax earnings in 2013 The expected profit on in-force business of $1,827 in 2013 was $369 higher than 2012 The improvement year-over-year is primarily due to the acquisition of Irish Life, an increase in the expected release of interest rate margins, a higher fund level starting point for fee based businesses and stronger expected Group Life and Health margins

The new business gain of $26 in 2013 was $50 higher than 2012, primarily due to improvements in Canada as a result of repricing activities for Individual Insurance and Wealth Management to reflect the lower interest environment coupled with the recent upward movement in long term interest rates The decrease in Europe was largely due to new business strain for Irish Life partially offset by higher annuity sales in the U K

Experience gains of $372 in 2013 including a $20 contribution from Irish Life and strong gains across all operating segments, were $66 lower than 2012 The gains in 2013 were primarily due to investment experience (including yield enhancements) and life mortality experience in Canada and Europe These gains were partially offset by policyholder behavior, morbidity results in Group Canada and life mortality results in the U S Experience gains in 2012 were primarily due to investment, mortality and longevity experience in Canada and Europe, partially offset by policyholder behavior experience in Canada

Management actions and changes in assumptions contributed $82 to pre-tax earnings in 2013 compared to $12 in 2012 The most significant contributors to assumption changes and management actions were $86 due to updated life mortality, $43 due to improved morbidity, $30 due to improved interest mismatch, $26 due to modeling refinement updates, partially offset by $74 due to strengthened policyholder behavior assumptions and $21 due to strengthened expenses and taxes

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

Pre-tax earnings on surplus decreased by $99 in 2013 compared to 2012 with the largest impacts coming from lower realized OCI gains on asset sales and mark-to-market gains on real estate, partially offset by the redemption of Great-West Life Trust Securities

SUBSIDIARIES OF THE GREAT-WEST LIFE ASSURANCE COMPANY[1]

Name	Principal office address	Carrying value[2] (in Canadian $ millions)	Voting share ownership
Canada Life Financial Corporation	Toronto, Ontario	12,400	100%
The Canada Life Assurance Company	Toronto, Ontario	7,970	100%
Canada Life Capital Corporation Inc	Toronto, Ontario	6,336	100%
The Canada Life Group (U K Limited)	Potters Bar, Hertfordshire, England	3,376	100%
Canada Life Limited	Potters Bar, Hertfordshire, England	4,087	100%
Irish Life Group Limited	Dublin, Ireland	2,011	100%
London Insurance Group Inc	London, Ontario	4,199	100%
London Life Insurance Company	London, Ontario	1,958	100%
Quadrus Investment Services Ltd	London, Ontario	56	100%
London Reinsurance Group Inc	London, Ontario	639	100%
GWL Realty Advisors Inc	Winnipeg, Manitoba	1	100%
GLC Asset Management Group Ltd	Winnipeg, Manitoba	25	100%

(1) The table above depicts the material and certain other subsidiaries of the Company at December 31, 2013
(2) The carrying value represents the Company s equity in its subsidiaries

FIVE YEAR SUMMARY

(in Canadian $ millions except per share amounts)	2013	2012[1][2]	2011	2010	2009[3]
At December 31					
Total assets under administration	$ 341,227	$ 218,265	$ 203,820	$ 197,290	$ 182,715
For the Year Ended December 31					
Premiums and deposits					
Life insurance, guaranteed annuities and insured health products	$ 17,364	$ 16,235	$ 14,173	$ 14,550	$ 15,085
Self funded premium equivalents (Administrative services only contracts)	2,567	2,666	2,645	2,575	2,499
Segregated funds deposits					
Individual products	8,041	6,338	7,146	6,643	5,765
Group products	4,689	4,637	3,615	3,744	4,231
Proprietary mutual funds deposits	4,840	712	724	616	565
Total premiums and deposits	$ 37,501	$ 30,588	$ 28,303	$ 28,128	$ 28,145
Condensed Statements of Earnings					
Income					
Premium income	$ 17,364	$ 16,235	$ 14,173	$ 14,550	$ 15,085
Net investment income					
Regular net investment income	4,401	4,479	4,352	4,511	4,807
Changes in fair value through profit or loss	(2,377)	2,218	3,795	3,197	2,637
Total net investment income	2,024	6,697	8,147	7,708	7,444
Fee and other income	2,137	1,782	1,673	1,575	1,599
Total income	21,525	24,714	23,993	23,833	24,128
Benefits and expenses					
Paid or credited to policyholders	15,074	18,993	18,962	18,862	19,226
Other	3,768	3,409	2,568	3,389	2,800
Amortization of finite life intangible assets	66	55	54	47	38
Restructuring and acquisition expenses	104	–	–	–	–
Earnings before income taxes	2,513	2,257	2,409	1,535	2,064
Income taxes	363	242	343	185	289
Net earnings before non-controlling interests	2,150	2,015	2,066	1,350	1,775
Non-controlling interests	–	–	–	7	7
Net earnings	2,150	2,015	2,066	1,343	1,768
Net earnings (loss) – participating account	(94)	275	117	(10)	24
Net earnings – shareholders	2,244	1,740	1,949	1,353	1,744
Preferred share dividends	–	–	–	7	9
Net earnings – common shareholder	$ 2,244	$ 1,740	$ 1,949	$ 1,346	$ 1,735
Book value per common share	$ 6,780 00	$ 5,833 00	$ 5,627 00	$ 5,184 00	$ 5,320 00
Dividends to common shareholder – per share	$ 539 79	$ 532 67	$ 540 46	$ 415 44	$ 613 78

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

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

(3) 2009 is presented on a previous CGAAP basis

DIRECTORS AND OFFICERS

As of December 31, 2013

BOARD OF DIRECTORS

R. Jeffrey Orr [3 4 5 6 7]
Chairman of the Board of the Company
President and Chief Executive Officer,
Power Financial Corporation

George S Bain [1]
Corporate Director

Marcel R. Coutu [3 4 5 6 7]
Corporate Director

André Desmarais, O.C., O.Q. [3 4 5 6 7]
Deputy Chairman, President and
Co-Chief Executive Officer,
Power Corporation of Canada
Co-Chairman,
Power Financial Corporation

Paul Desmarais, Jr., O C , O.Q. [3 4 5 6 7]
Chairman and Co-Chief Executive Officer,
Power Corporation of Canada
Co-Chairman,
Power Financial Corporation

Michael L Hepher [1 5 7]
Corporate Director

Chaviva M. Hošek, O C., Ph.D., LL.D. [1 2]
President Emeritus,
The Canadian Institute for Advanced Research

J David A. Jackson [3 4 7]
Senior Counsel,
Blake, Cassels & Graydon LLP

D. Allen Loney, FIA, FCIA [3 4 7]
Corporate Director

Paul A. Mahon [3 4]
President and Chief Executive Officer
of the Company,
Great-West Lifeco Inc ,
London Life Insurance Company,
Canada Life Financial Corporation,
The Canada Life Assurance Company

Raymond L McFeetors [3 4 7]
Vice-Chairman,
Power Financial Corporation

David A. Nield [2 3 4 5 6]
Corporate Director

Michel Plessis-Bélair, FCPA, FCA [1]
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

Henri-Paul Rousseau, Ph.D. [3 4 7]
Vice-Chairman,
Power Corporation of Canada and
Power Financial Corporation

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

Jerome J. Selitto [3 4]
Corporate Director

James M. Singh, CMA [1]
Corporate Director

Emőke J.E. Szathmáry, C M., O.M., Ph.D. [2 3]
President Emeritus,
University of Manitoba

Gregory D. Tretiak, FCA [1 3 4 7]
Executive Vice-President and
Chief Financial Officer,
Power Corporation of Canada and
Power Financial Corporation

Brian E Walsh [5 6 7]
Chairman and Chief Investment Officer,
Saguenay Strathmore Capital, LLC

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

EXECUTIVE OFFICERS

Paul A. Mahon
President and Chief Executive Officer

Arshil Jamal
President and Chief Operating Officer,
Europe

J. Dave Johnston
President and Chief Operating Officer,
Canada

Brian R. Allison
Executive Vice-President and
Chief Investment Officer

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

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

Helen R Kasdorf
Senior Vice-President,
Corporate Resources

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

Garry MacNicholas
Executive Vice-President,
Actuarial and Risk

Nancy D Russell
Senior Vice-President and
Chief Compliance Officer

Ronald D. Saull
Executive Vice-President and
Chief Information Officer

Laurie A Speers
Vice-President and
Corporate Secretary

Douglas J. Tkach
Senior Vice-President and
Chief Internal Auditor

POLICYHOLDER AND SHAREHOLDER INFORMATION

Head Office

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

Financial Information

For financial information about Great-West Life, please contact the Senior Vice-President and Chief Financial Officer, Canada at 204-946-8396

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

THE
Great-West Life
ASSURANCE COMPANY

A MEMBER OF THE POWER FINANCIAL CORPORATION GROUP OF COMPANIES™

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