

Canada Life participating account – total account

Excludes former New York Life and Crown Life blocks



Account details as of Dec. 31, 2012

Account size: \$ 3,285.0 million

Account investment objectives: The primary objective is to provide stable long-term growth. A secondary objective is to provide returns that are partially responsive to changing economic conditions.

Investment guidelines

The company's investment division manages the participating account assets. The investment guidelines recognize the business objectives, liability characteristics, liquidity requirements, tax considerations and interest rate risk tolerance of the participating business. The company's asset/liability management group (ALM) monitors the overall asset mix and guides investment activity within the parameters of the investment guidelines. The board of directors must approve any change to the investment guidelines.

A large portion of the participating account assets is invested in fixed-income assets to support long-term stable growth and the core guarantees within participating policies. ALM employs cash-flow-matching techniques so that asset cash flows are sufficient to meet obligations. In addition, a portion of the portfolio is reinvested each year so returns reflect the trend in interest rates.

Our investment strategy is intended to help stabilize the variation in the investment returns used to determine dividends.

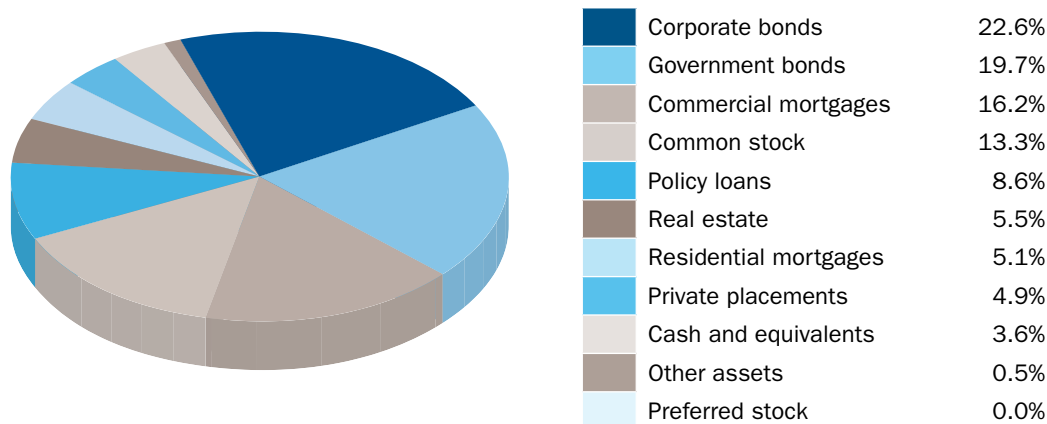
Asset mix as of Dec. 31, 2012

	\$ Millions	Percentage
Short term		
Cash and equivalents	\$ 118.1	3.6%
Total short-term	\$ 118.1	3.6%
Fixed income		
Public bonds		
Government bonds	\$ 645.9	19.7%
Corporate bonds	\$ 742.9	22.6%
Private placements	\$ 161.7	4.9%
Mortgages		
Residential	\$ 168.4	5.1%
Commercial	\$ 531.2	16.2%
Total fixed income	\$ 2,250.1	68.5%
Equities		
Real estate	\$ 179.8	5.5%
Common stock	\$ 438.2	13.3%
Preferred stock	\$ 0.5	0.0%
Total equities	\$ 618.5	18.8%
Total invested assets	\$ 2,986.7	90.9%
Policy loans	\$ 282.5	8.6%
Other assets*	\$ 15.8	0.5%
Total participating assets	\$ 3,285.0	100.0%

*Other assets are composed primarily of investment income due and accrued, outstanding premiums (receivables), future income tax assets, and reinsurance assets.

Account composition at Dec. 31, 2012

This account composition is for total participating account assets.



Notes:

- Asset values are based on international financial reporting standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective Jan. 1, 2011.
- At Dec. 31, 2012, the classification of real estate investment trusts changed to better reflect the underlying risk category of the asset. This resulted in certain assets previously categorized as common stock being re-classified as real estate.
- Throughout report totals may not add up due to rounding.

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Investment guidelines

The company has guidelines in place to manage the level of invested assets by asset class. These ranges do not include policy loans or other assets. Any change to the guidelines must be approved by the board of directors.

Dec. 31, 2012	\$ Millions	Percentage	Guideline
Short term			
Cash and equivalents	\$ 118.1	4.0%	0% to 5%
Fixed income			
Public bonds and private placements	\$ 1,550.5	51.9%	40% to 75%
Residential mortgages	\$ 168.4	5.6%	} 10% to 40%
Commercial mortgages	\$ 531.2	17.8%	
Total fixed income	\$ 2,250.1	75.3%	
Equities			
Real estate	\$ 179.8	6.0%	} 0% to 20%
Common stock	\$ 438.2	14.7%	
Preferred stock	\$ 0.5	0.0%	0% to 5%
Total equities	\$ 618.5	20.7%	
Total invested assets	\$ 2,986.7	100.0%	

Comments

- Total participating account assets grew by approximately 1.2% per cent (\$39.6 million) in the fourth quarter of 2012.
- Total fixed-income holdings decreased from 75.6 per cent to 75.3 per cent of total invested assets in the fourth quarter.
- Currently, about five per cent of the participating account fixed income assets mature each year and are invested at then-current market rates.
- Real estate holdings increased in value to \$179.8 million from \$163.3 million in the fourth quarter.
- Total equity holdings increased from 20.0 per cent to 20.7 per cent of total invested assets in the fourth quarter (\$31.6 million) over the third quarter of 2012. Market value of common stocks increased in the fourth quarter.

Common stock holdings include major Canadian banks and established resource stocks within the top 10 common stock holdings at Dec. 31, 2012. At the end of the fourth quarter, Toronto-Dominion Bank, Royal Bank of Canada, Bank of Nova Scotia and Canadian Imperial Bank of Commerce were the top four holdings at 20.7 per cent of total common stock holdings. Established resource stocks such as Suncor Energy Inc. and Enbridge Inc. represent the fifth and ninth largest common stock holdings.

- Policy loans increased to \$282.5 million (\$5 million increase over the third quarter of 2012). This represents approximately 8.6 per cent of the participating account assets.
 - These loans are secured by policy cash values and therefore considered low risk.
 - The presence of a policy loan on a policy does not affect the amount of the annual dividend allocated to that policy.
 - The current policy loan rate is 7.5 per cent, which helps provide interest rate stability for the participating account.

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