2013 ANNUAL REPORT

Assumption Life

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DOING BUSINESS WITH US **IS EASY.**

We honor this philosophy on a daily basis by adopting an individual and corporate code of conduct **CENTERED ON THE CLIENT**, **INTEGRITY**, **ACCOUNTABILITY**, **COMMITMENT** and **INNOVATION.**

"We want to make sure we provide the best possible service to everyone, from policyholders to distributors. And all of our teams are committed to this goal."

- **André Vincent**
President and CEO

BOARD OF DIRECTORS

Gilles Leblanc
Chairman of the Board
(until February 2013)
1*, 2*, 3, 4*, 5, 6* (9/25)

Yvon Fontaine
Chairman of the Board
(since March 2013)
1, 2**, 3***, 4*, 6, 8 (22/24)

Denis Losier
President and CEO (until March 31, 2013)
Assumption Life
2***, 3***, 4*, 5, 6*, 8* (10/26)

André Vincent
President and CEO (since April 1, 2013)
Assumption Life
1*, 2***, 3***, 4*, 6, 8*, 9 (27/30)

Denis Larocque, CA
Vice Chairman of the Board
Chief Financial Officer
Major Drilling Group International Inc.
1, 2, 3, 5, 6, 7, 8, (27/28)

Yves Arseneau, CA
Partner
Allen, Paquet & Arseneau
1, 2, 3, 6, 7 (21/22)

Andrée Savoie
President and Managing Director
Acadian Construction (1991) Ltd.
2, 3, 6 ,7 (18/18)

Nathalie Godbout
Partner
Lawson & Creamer
4, 9 (8/11)

Allister Surette
President and Vice-Chancellor
Université Sainte-Anne
1, 4, 5, 9 (16/16)

Jacques Valotaire, FCA, ICD.D
Corporate Director
2, 3, 4, 5, 7, 8 (22/22)

Monique Tremblay, FCIA
Corporate Director
2*, 4* (9/14)

Georges Marcoux
Corporate Director
(until February 2013)
4* (3/10)

Board Committees

1. Governance
2. Audit
3. Review
4. Human Resources
5. Orientation
6. Investments
7. Assumption Place
8. Louisbourg Investments
9. Assumption Foundation

The numbers following the directors' names indicate Board committee memberships as of December 31, 2013. The numbers in parentheses indicate the number of meetings (Board and committees) attended and the total eligible to attend.

* The director was not a Board or committee member at the beginning of the year or ceased to be during the year.

** The Chairman of the Board is an ad hoc member of these committees.

*** Substitute member or observer.

MESSAGE FROM
THE CHAIRMAN OF THE BOARD

I was very pleased to accept the chairmanship of the Board of Assumption Life last February, and it is with great pride that I am writing this first message to policyholders.

In an economic climate that has shown only slight growth over the past 12 months, we are very proud of our enviable results for fiscal 2013, which are further confirmation of Assumption Life's financial strength.

Record sales in group insurance and retirement and investment attest to the effectiveness of the positioning, growth and technology investment strategies we have developed over the past few years.

The Board commends the management team for its efforts, particularly in strengthening relationships with our brokers and general agents and equipping them with sophisticated technology designed to make their work easier. The Board also commends the spirit of innovation and the client focus demonstrated by our employees in delivering services that facilitate interactions and ensure our clients' satisfaction.

Wind of Change

The Company has seen several changes in the past year, the most significant being the appointment of André Vincent as President and CEO of Assumption Life in February 2013. Mr. Vincent and his team worked tirelessly, together with the Board, to implement corporate strategies that set us apart from our competitors and to simplify sales processes, in particular through the implementation of an electronic platform that allows quick online submission of applications for all our individual products. This goes to show that Assumption Life stays tuned to clients' needs, and that "Doing business with us is easy".

I would be remiss not to mention the exemplary commitment and focus demonstrated by the management team over the past year. The team ably navigated the changes and stayed the course for the future with an eye to the long-term success of Assumption Life.

I would also like to mention the addition to the Board of Directors of Monique Tremblay, a respected actuary who has made her career in the financial services industry. Ms. Tremblay, who was appointed last February, is an asset to the Board and I am pleased to be able to count on her input.

Sound Governance and Risk Management

Throughout the past year, we kept abreast of best practices in governance. The Board is committed to maintaining an exemplary governance program, regardless of the Company's size. We expect only the best from our management team and each of our directors.

One of our goals in the past year was to put into practice the *Corporate Governance Guideline* issued by the Office of the Superintendent of Financial Institutions (OSFI). This involved clarifying the mandates of committees, defining the role of the audit committee in risk management, ensuring the independence of oversight functions such as Chief Risk Officer and internal audit, adopting a formal conflict of interest policy, and reviewing in depth each of our roles and responsibilities.

The Board also made a concerted effort to improve the director nomination process so as to optimize the skills and aptitudes board members collectively bring to the table.

Many of our discussions in 2013 had to do with the risk management program, internal controls and reporting.

We also modernized our work practices by adopting a paperless policy and using an electronic governance platform that allows us to maintain greater privacy while facilitating communication between directors.

I must also mention that pension plans drove many of our discussions over the past year, and the Board will continue to closely monitor this issue in 2014.

Lastly, in the interests of ensuring effective reporting and strategy implementation, we received training on the following subjects over the past year:

- Main individual life insurance products
- Potential strategic alliances with reinsurers
- OSFI Corporate Governance Guideline
- Electronic sales platform (LIA)

Conclusion

Clearly, 2013 was a very busy year. I would like to thank the Board members for their diligence as well as for the drive and determination they displayed in fulfilling their responsibilities.

I would also like to take this opportunity to thank all our clients, brokers, and general agents for your trust. Let me assure you that your satisfaction is what drives our strategies.

Yvon Fontaine
Chairman of the Board

MESSAGE FROM THE PRESIDENT AND CEO

Fiscal 2013 marked Assumption Life's 110th anniversary, and despite a still sluggish economy, our company ably navigated the challenging times to post record numbers.

We are pleased to report profit attributable to policyholders of **$6.6 million**, a 40% increase over last year. Our solvency ratio now sits at 251%, well above the 150% required by the Office of the Superintendent of Financial Institutions Canada.

These results are due to three key elements: committed employees, a dedicated sales team, and the prudent, proactive internal financial management the company adopted several years ago.

The people who make up our organization, at head office or within our distribution network across the country, have proven that size is no hindrance to Assumption Life's expansion. For example, our group insurance sales jumped 80%, totalling $11.9 million in premiums! Our sales in life insurance and retirement and investment services were also very strong.

The reason we are able to grow in a flagging economic climate is because we have a clear and straightforward vision of where we want to go. In order to keep up – and even speed up – the pace of our growth, we must look to our internal operations, to see how best we can handle the various demands of our existing markets and of the markets we want to penetrate. It's a balancing act between what we do well and how we respond to unforeseen circumstances resulting from an unpredictable economy and our changing industry. **Assumption Life has always managed to strike the right balance between risk management and its obligations to policyholders.**

We operate in an industry dominated by many major players. In order for Assumption Life to stand out, we have to be constantly innovating. That's why we are **banking on technology** to facilitate dealings between us, as the supplier of products, and our distributors and clients. In 2013, we launched a new electronic platform that allows our distributors to store on their laptops or tablets all the documents they need to sell our individual insurance products. This makes the sales experience more pleasant for the client and more efficient for us and our distributors.

This is only one of the **innovations occurring at Assumption Life**. The ability to reinvent ourself and to stay attuned to our clients' needs, regardless of prevailing trends and media hype, is the cornerstone of our planning.

Even if the economy still wasn't back on track in 2013, the year ended better than it began, and analysts are predicting improved conditions in 2014. We intend to take advantage of this upturn to expand our distribution network and solidify our position in markets in which **our size and creativity work in our favour.**

In closing, I would like to thank all of our clients, our distributors and our employees for putting their trust in Assumption Life.

André Vincent
President and Chief Executive Officer

COMMUNITY INVOLVEMENT:
ASSUMPTION LIFE AND ITS EMPLOYEES SHOW THEIR STRONG COMMITMENT

Assumption Life is known for fostering the culture of generosity put forward by Assumption Life's founders.

In Health

- For over a decade, Assumption Life has been organizing activities to benefit the Atlantic Cancer Research Institute (ACRI), including its ever-popular Bobby Orr Benefit Golf Tournament. Over $1.3 million has been donated to the ACRI — a considerable boost for this biomedical research centre that has made significant advances, among others in the early detection of cancer.

Photo Studio: Daniel St-Louis

From left to right: Larry Nelson (President and CEO of Lounsbury Group); Dr.Rodney Ouellette (President and Scientific Director of ACRI); the tournament's honorary chair for the past ten years, Bobby Orr and André Vincent (President and CEO of Assumption Life).

- Assumption Life employees also have a long tradition of sharing with the community. For example, they have been supporting the Tree of Hope campaign since its beginnings in 1989. The year 2013 was no exception; they donated a cheque for $14,500 during the Tree of Hope radiothon.

- Our employees' admirable involvement and incredible generosity benefit more than just the Tree of Hope. The United Way campaign is one of the worthy causes that can count on Assumption Life employees year in and year out. This year, $7,700 was raised for this campaign.

- Assumption Life also supports the Canadian Blood Services Partners for Life program. Once again this year, some 30 employees hopped aboard the Life Bus shuttle to visit a Canadian Blood Services clinic and give blood.

- Assumption Life supports deserving initiatives through its sponsorship and donation program, touching an impressive number of Canadians of all ages and from all backgrounds. In 2013, the Company supported many causes, such as P.R.O. Kids, the Huntington Society of Canada, the Tour of Hope, Cystic Fibrosis Quebec, the *Société des Jeux de l'Acadie* and the Canadian Track & Field Championship, to name just a few.

In Education

Ensuring that as many young Canadians as possible have access to post-secondary education is one of Assumption Life's major priorities, and has been since the Company was founded. This is the spirit in which new scholarships were created in 2013, in particular:

- The Denis Losier Scholarship – Mr. Losier spent 19 years as Assumption Life's CEO. This $10,000 scholarship will be awarded for the first time in 2014.
- The Louisbourg Investments Scholarship – In addition to receiving this $1,500 scholarship, the student is invited as a student shadow for a day at Louisbourg Investments.

These two scholarships are in addition to the seventeen scholarships awarded annually by the Assumption Foundation. Almost $50,000 in scholarships contributes to the education and success of young Canadians each year.

Toward Artists

For the past 12 years, Assumption Life has been offering artists its gallery to showcase their work. Six artists are exhibited every year.

Luc Dugas, one of the six artists having showcased their work at the Assumption gallery in 2013.

Toward Employees

Employees are behind Assumption Life's success. Management is deeply committed to offering a work environment that allows employees to feel valued and to excel. Proving that it is on the right path, the Company has been recognized as one of Canada's top employers.

In 2013, the Company ranked 14th among Atlantic Canada's top employers (according to the *Best Places to Work in Atlantic Canada* survey). It has also been one of the Top 101 companies in Atlantic Canada every year since Progress magazine started publishing its list in 2007. While the Company's position on the list varies, it has remained part of this group of companies with their head office in the region that contribute to eastern Canada's economic vitality.

These honours testify to the quality of Assumption Life's work environment and the employees' commitment to the Company's success.

ASSUMPTION LIFE'S
FINANCIAL HEALTH IN 2013

$6.6 MILLION

Profit attributable to policyholders

$96 MILLION

Policyholders' equity

$1.3 BILLION

Assets under management

251%

Solvency Ratio

The minimum requirement set by the Office of the Superintendent of Financial Institutions Canada is 150%.

A – for a 14th consecutive year

Rating from A.M. Best, an agency specializing in independent evaluations of the financial health and creditworthiness of insurance and reinsurance companies worldwide.

ASSUMPTION MUTUAL LIFE INSURANCE COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

Assumption Life

INDEPENDENT AUDITORS'
REPORT TO THE POLICYHOLDERS

We have audited the attached consolidated financial statements of **Assumption Mutual Life Insurance Company**, which include the consolidated statement of financial position as at December 31, 2013, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **Assumption Mutual Life Insurance Company** as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young LLP

Chartered Accountants
Dieppe, New Brunswick
February 27, 2014

VALUATION
ACTUARY'S REPORT

To the policyholders of Assumption Mutual Life Insurance Company,

I have valued the policy liabilities of **Assumption Mutual Life Insurance Company** for its consolidated statement of financial position as at December 31, 2013, and their change in the consolidated statement of income for the year then ended in accordance with accepted actuarial practices, including the 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 results of the valuation.

Moncton, New Brunswick
February 14, 2014

Luc Farmer
Fellow, Canadian Institute of Actuaries

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
(in thousands)

		As at December 31 **2013**	As at December 31 **2012**	As at January 1, **2012**
Assets	**Notes**	**$**	**$**	**$**
Invested assets	4			
Cash and cash equivalents		28,500	10,427	37,464
Debt securities		388,000	421,276	427,175
Equity securities		56,115	43,907	21,961
Mortgages		119,840	136,083	123,882
Other invested assets		2,765	2,939	2,130
Policy loans		8,597	8,137	7,653
Investment properties		32,647	32,129	31,664
		636,464	654,898	651,929
Other assets	7	18,900	20,836	13,375
Reinsurance assets	11	129,082	136,192	100,693
Deferred tax assets	17	1,105	2,504	532
Property and equipment	8	4,766	3,991	5,277
Intangible assets	9	7,099	7,049	8,055
Goodwill		467	346	346
Segregated funds net assets	10	546,447	472,859	453,147
		1,344,330	1,298,675	1,233,354
Liabilities				
Insurance contract liabilities	11	636,946	662,577	628,807
Investment contract liabilities	12	23,114	22,857	21,581
Other liabilities	14	19,214	22,694	16,374
Employee benefit liability	15	9,961	18,237	12,097
Deferred tax liabilities	17	3,872	3,206	3,097
Borrowings	16	7,945	7,706	8,480
Segregated funds net liabilities	10	546,447	472,859	453,147
		1,247,499	1,210,136	1,143,583
Equity				
Policyholder's equity				
Surplus		96,901	83,598	83,977
Accumulated other comprehensive income		(757)	4,439	5,123
		96,144	88,037	89,100
Non-controlling interests		687	502	671
		96,831	88,539	89,771
		1,344,330	1,298,675	1,233,354

SIGNED ON BEHALF OF THE BOARD

Chairman

President and Chief Executive Officer

CONSOLIDATED STATEMENT
OF INCOME
(in thousands) Year ended December 31

	Notes	2013	2012
Revenue		**$**	**$**
Gross premiums		152,543	140,086
Premiums ceded to reinsurers		(25,739)	(24,622)
Net premiums	21	126,804	115,464
Fees and commission income	23	15,793	13,696
Investment income	24	17,193	17,126
Realized gains and losses from available-for-sale financial assets	25	1,168	1,584
Fair value gains and losses	26	(24,523)	11,003
Other operating revenue		460	1,528
Other revenue		10,091	44,937
Total revenue		136,895	160,401
Expenses			
Gross benefits and claims paid	22	111,264	109,611
Claims ceded to reinsurers	22	(18,797)	(19,690)
Gross change in contract liabilities		(27,543)	35,609
Change in contract liabilities ceded to reinsurers		6,314	(35,587)
Net benefits and claims		71,238	89,943
Borrowing costs		228	230
Fees and commission expenses	27	22,249	31,018
Administrative expenses	28	28,224	27,600
Other operating expenses	28	4,338	3,760
Other expenses		55,039	62,608
Total expenses		126,277	152,551
Profit before dividends and income taxes		10,618	7,850
Policyholder dividends		1,182	1,361
Profit before income taxes		9,436	6,489
Income taxes	17	2,470	1,502
Profit for the year		6,966	4,987
Profit attributable to:			
Non-controlling interests		377	293
Policyholders		6,589	4,694
		6,966	4,987

CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
(in thousands) Year ended December 31

	2013	2012
	$	$
Profit for the year	6,966	4,987
Other comprehensive income:		
Items that will be reclassified subsequently to net income		
Available-for-sale financial assets:		
Change in unrealized gains (losses), net of income taxes of ($1,656) ($174 in 2012)	(4,332)	429
Reclassification of realized losses (gains) included in other revenue, net of income taxes of ($322) ($478 in 2012)	(846)	(1,106)
Partial total of items that will be reclassified subbsequently to net income	(5,178)	(677)
Items that will not be reclassified subsequently to net income		
Remeasurement of defined benefit pension plans, net of income taxes of $2,296 ($1,561) in 2012	6,714	(4,309)
Total of other comprehensive income	1,536	(4,986)
Total comprehensive income for the year	8,502	1
Total comprehensive income attributable to:		
Non-controlling interests	395	299
Policyholders	8,107	(298)
	8,502	1

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
(in thousands) Year ended December 31

2013

	Surplus	Accumulated other comprehensive income	Total policyholders' equity	Non-controlling interests	Total Equity
	$	**$**	**$**	**$**	**$**
Balance, beginning of year	83,598	4,439	88,037	502	88,539
Profit for the year	6,589	-	6,589	377	6,966
Items that will be reclassified subsequently to net income	-	(5,196)	(5,196)	18	(5,178)
Remeasurement of defined benefit pension plans	6,714	-	6,714	-	6,714
Total comprehensive income	13,303	(5,196)	8,107	395	8,502
Dividends	-	-	-	(210)	(210)
Balance, end of year	96,901	(757)	96,144	687	96,831

2012

	Surplus	Accumulated other comprehensive income	Policyholders' equity	Non-controlling interests	Total Equity
	$	**$**	**$**	**$**	**$**
Balance, beginning of year	83,977	5,123	89,100	671	89,771
Profit for the year	4,694	-	4,694	293	4,987
Items that will be reclassified subsequently to net income	-	(683)	(683)	6	(677)
Remeasurement of defined benefit pension plans	(4,309)	-	(4,309)	-	(4,309)
Total comprehensive income	385	(683)	(298)	299	1
Dividends	-	-	-	(300)	(300)
Redemption of non-controlling interests	(764)	(1)	(765)	(168)	(933)
Balance, end of year	83,598	4,439	88,037	502	88,539

The accumulated other comprehensive income is comprised solely of unrealized gains (losses) on available-for-sale financial assets.

CONSOLIDATED STATEMENT
OF CASH FLOWS
(in thousands)

	Year ended December 31	
	2013	**2012**
Operating activities	**$**	**$**
Net income for the year	6,966	4,987
Items not affecting cash:		
Deferred income taxes	(352)	(302)
Change in reinsurance assets	7,110	(35,499)
Change in insurance and investment contract liabilities	(25,374)	35,046
Amortization of property and equipment and intangible assets	2,544	2,681
Fair value gains and losses	24,523	(11,003)
Realized gains and losses on disposal of available-for-sale financial assets	(1,168)	(1,584)
Employee benefit plan expense	2,092	1,947
Others	70	(325)
	16,411	(4,052)
Change in non-cash working capital items related to operations	(3,554)	(4,212)
Cash flows from operating activities	12,857	(8,264)
Investing		
Marketable securities, mortgages and investment properties:		
Sales, maturities and reimbursements	96,762	119,233
Purchases and loans	(88,280)	(134,697)
Acquisition of property and equipment and intangible assets	(3,401)	(1,806)
Disposition of property and equipment and intangible assets	-	1,417
Acquisition of additional interest in a subsidiary	-	(933)
Others	(85)	(1,213)
Cash flows from investing activities	4,996	(17,999)
Financing		
Change in borrowings	220	(774)
Cash flows from financing activities	220	(774)
Increase (decrease) in cash and cash equivalents during the year	18,073	(27,037)
Cash and cash equivalents – Beginning of year	10,427	37,464
Cash and cash equivalents – End of year	28,500	10,427

SEE NOTE 18 FOR ADDITIONAL INFORMATION

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

1. CORPORATE INFORMATION

Assumption Mutual Life Insurance Company, known as **Assumption Life** (the Company), was incorporated under a private law of the Province of New Brunswick's Legislative Assembly. The Company and its subsidiaries (together forming "the Group") underwrite life and non-life insurance risks, such as those associated with death, disability and health. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs. All these products are only offered in Canada. Finally, through one of its subsidiaries, it holds investment properties in New Brunswick, Canada.

The Group's head office is located at 770 Main St., in the Assumption Place building in downtown Moncton, N.B., Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Declaration of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements, including all notes, were approved by the Board of Directors on February 27, 2014.

Basis of Preparation

The Group presents its consolidated statement of financial position primarily in order of liquidity. Assets are considered current when the Group expects to realize them in its normal operation cycle within twelve months after the reporting date. Liabilities are considered current when the Group expects to settle them in its normal operation cycle within twelve months after the reporting date. All other assets and liabilities are considered non-current. The Group's statement of financial position is not presented according to current and non-current order.

The consolidated financial statements have been prepared on an historic cost basis except for investment properties and those financial assets and financial liabilities that have been measured at fair value.

The consolidated financial statements values are presented in Canadian ($) rounded to the nearest thousand ($000), unless otherwise indicated.

Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries:

- **Assumption Place Limited (100%)**
- **Atlantic Holdings (1987) Limited (100%),** the parent company **of Louisbourg Investments Inc. (70%)**

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Group has control over the subsidiaries since it has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits derived from its activities, has exposure or rights to variable returns from its involvement with the subsidiaries, and the ability to use its power over the subsidiaries to affect the amount of its returns.

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends, are eliminated in full.

Financial Instruments

Recognition
All financial assets, when initially recognized, at the transaction date, must be recorded at fair value and classified as either at fair value through profit or loss, available-for-sale, held-to-maturity or as loans and receivables, based on the features of the instrument and purposes for which the assets have been acquired. Financial liabilities must also be initially recognized at fair value, and must be classified as either at fair value through profit or loss or as other liabilities.

Financial instruments classified at fair value through profit or loss are measured at fair value and any change in fair value is recorded in net income in the period in which it arises.

Financial instruments classified as available-for-sale (AFS) are measured at fair value and any unrealized gains or losses are recognized in other comprehensive income except for impairment losses, either significant or prolonged, at which time the loss is immediately recognized in net income.

Financial assets held-to-maturity (HTM), loans and receivables and financial liabilities classified as other financial liabilities are carried at amortized cost using the effective interest method. Interest or dividends arising from these financial instruments are recognized in net income for the period.

The transaction costs of preferred equity securities are recognized in income at the settlement date.

Invested Assets

Cash and Cash Equivalents
Cash and Cash equivalents are classified as held at fair value through profit or loss and include deposits in bank and short-term notes with a maturity of three months or less from the date of acquisition.

Debt Securities
The Group has designated as held at fair value through profit or loss its debt securities backing actuarial liabilities. Actuarial liabilities are established in accordance with the Canadian Asset Liability Method (CALM), in which the book value of the assets backing the liabilities is used in a base computation. Consequently, any variation in fair value of these assets is taken into consideration in computing actuarial liabilities.

The Group has designated as available-for-sale its debt securities not backing actuarial liabilities. Variation in fair value is consequently presented as other comprehensive income, unless there is objective evidence of impairment, in which case, variation in fair value is reclassified to income.

At each reporting date, debt securities classified as available for sale are tested for impairment and when there is objective evidence of impairment, and the decline in value is considered significant or prolonged, the loss accounted in the accumulated other comprehensive income is reclassified to income. The Group considers as objective evidence of the impairment of debt securities the issuer's financial difficulty, a bankruptcy or default of payment of interest or principal. A significant or prolonged decline in fair value of a financial instrument below its cost is also objective evidence of impairment. Once an impairment loss is recorded in income, it is reversed when the debt securities' fair value increases during a subsequent period and the increase can be objectively related to an event occurring after

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

the impairment loss was recognized. Following impairment loss recognition, any subsequent decrease in fair value is recognized in income.

Equity Securities
The Group has designated as held at fair value through profit or loss its equity securities backing actuarial liabilities. Actuarial liabilities are established in accordance with the Canadian Asset Liability Method (CALM), in which the book value of the assets backing the liabilities is used in a base computation. Consequently, any variation in fair value of these assets is taken into consideration in computing actuarial liabilities.

The Group has designated as available-for-sale its equity securities not backing actuarial liabilities. Variation in fair value is consequently presented as other comprehensive income, unless there is objective evidence of impairment, in which case, variation in fair value is reclassified to income.

On each reporting date, equity securities classified as available for sale are tested for impairment. The Group considers as objective evidence of the impairment of equity securities a significant or prolonged decrease in the fair value of the equity securities below its cost or changes in the economic or legal environment that have a negative effect on the issuer and which indicate that the carrying value may not be recovered.

When the decline in value is considered significant or prolonged, the loss accounted in the accumulated other comprehensive income is reclassified to income. Any decline in value is recognized to income and any increase in value is recognized to other comprehensive income. Impairment losses recognized in profit or loss shall not be reversed through profit or loss.

Mortgages
Mortgages are classified as loans and receivables and are carried at amortized cost using the effective interest rate method, net of a provision for credit losses. Interest calculated according to this method is accounted in the income statement.

On each reporting date, on an individual basis, the Group considers as objective evidence of the impairment of mortgages the issuer's financial difficulty, a bankruptcy or a default of payment of interest or principal. When there is evidence of impairment on mortgage loans, a provision for losses is recorded in order to adjust the carrying value according to the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. This provision is immediately recorded in income. Realized gains and losses on the sale of mortgages are recorded in income.

Other Invested Assets
Other invested assets consist of notes receivable. They are classified as loans and receivables and are accounted at the amortized cost using the effective interest rate method.

Policy Loans
Policy loans, classified as loans and receivables, are carried at amortized cost using the effective interest rate method and are fully secured by the cash surrender value of the policies on which the respective loans are made.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment

properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognized either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Other Assets

Accounts receivable, premiums receivable, investment income accrued and other financial assets included in other assets are classified as loans and receivables.

Reinsurance Assets

In the normal course of business, the Group uses reinsurance to limit its risk on policyholders. Reinsurance assets represent the amounts due to the Group by reinsurance companies for insurance contracts and investment contracts liabilities ceded. The calculation of these amounts is similar to the provision for future policy benefits on underlying insurance contracts or investment contracts, in accordance with the contract provisions of reinsurance agreements. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders.

At each reporting date, reinsurance assets are tested for impairment. An impairment loss is recorded in income when there is objective evidence that the Group will not recover all amounts receivable within the contract and the amount can be reliably estimated.

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Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalized when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The depreciation method, basis and period are described in the table below.

	Depreciation method	Basis of depreciation	Depreciation period
Equipment			
Office	Straight-line	Useful life	3 to 40 years
Parking	Straight-line	Useful life	5 to 40 years
Leasehold improvements	Straight-line	Agreement	Lease duration

At the end of each year, the Group revises the residual value and useful life of the assets. Any change represents a modification of an accounting estimate and must be accounted prospectively.

Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognized in the income statement as an expense.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

Intangible Assets

Intangible assets are recorded at cost, less accumulated depreciation and accumulated impairment losses. The amortization method, basis and period are described in the table below. The amortization period and the amortization method are reviewed at least at each financial year end.

	Amortization method	Basis of amortization	Amortization period
Purchased software	Straight-line	Useful life	3 to 10 years
Developed software	Straight-line	Useful life	3 to 10 years
Technology projects under development	None	None	None
Client list	None	Indefinite life	None

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

The useful lives of intangible assets are assessed to be either finite or indefinite.

When events or changes in circumstances indicate an impairment of value, the Group revaluates the carrying value of long lived assets with finite useful lives. An impairment loss exists when the carrying amount of the asset exceeds the higher of fair value less costs to sell and its value in use. All impairment losses are recognized in net income.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Goodwill

Goodwill represents the positive difference between the cost and the fair value of identifiable assets, liabilities and contingent liabilities on business acquisitions. It is presumed to have an indefinite life and is not subject to amortization.

Goodwill is tested for impairment annually, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than its carrying amount, an impairment loss of the goodwill is recognized in net income.

Segregated Funds Net Assets

Funds from group and individual annuities issued by the Group may be invested in segregated portfolios at the option of the policyholders. Although the underlying assets are registered in the name of the Group and the segregated fund policyholders have no direct access to the specific assets, the policyholders bear the risks and rewards of the fund's investment performance. The Group derives fee income from the management of its segregated funds. These revenues are accounted in fees and commissions revenues.

The segregated funds are recorded at market value. Realized and unrealized gains and losses are immediately included in the change in net assets of the segregated funds.

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Insurance Contract Liabilities

Provision for future policy benefits for insurance contracts represent the amounts which, after consideration of future premiums and investment income, provide for all commitments under policy contracts. These liabilities are set equal to the statement of financial position value of the assets that would be required to support them. These provisions are established using the Canadian Asset Liability Method (CALM), which is generally accepted actuarial practice established by the Canadian Institute of Actuaries (CIA).

CALM involves projecting asset and liability cash flows for each business segment under a set of prescribed interest rate scenarios, plus additional scenarios chosen by the Appointed Actuary, if applicable. Net cash flows are invested in new assets, if positive, or assets are sold or borrowed against to meet cash needs in accordance with the assumptions of each scenario. The reinvestment strategies are founded on investment policies and the reinvestment returns are drawn from each underlying scenario. The policy liabilities are at least as great as the liabilities determined under the worst of the scenarios tested. Moreover, the projected asset cash flows include assumptions for investment expenses and credit risk.

To determine the cash flows to use in CALM, the Group uses assumptions based on the Appointed Actuary's best estimate of future experience for each assumption. These assumptions include mortality, disability, investment returns (stock markets, interest rates and defaults of payment), operating expense levels, lapse rates, inflation, policyholder dividends and taxes. The assumptions cover the term of the liabilities being valued, taking into consideration events that might occur in a distant future. All assumptions are examined periodically and are subject to changes to ensure they appropriately reflect emerging experience and changes in risk profile.

These best estimate assumptions are adjusted by the Appointed Actuary to include margins for adverse deviation. These margins take into account the uncertainty in establishing these best estimates and a potential deterioration in expected experience.

The following is a description of the methods used to calculate the assumptions and the margins for adverse deviation:

a) Mortality

For individual life, the Group uses a recently published industry mortality table, adjusted to take into account the actual experience of the Group. Future mortality improvements are not taken into account in the valuation.

For annuities and pensions, a recent industry mortality table is used taking into account expected future improvements in annuitant mortality.

b) Disability

The Group uses disability tables representative of the industry experience, modified to reflect the Group's own experience.

c) Investment Returns

The computation of actuarial liabilities takes into account projected net investment income on assets backing liabilities and on new cash flows to be invested or disinvested in the future. The uncertainty of the interest rates at which future cash flows can be reinvested has been taken into account by testing plausible future interest rate scenarios to determine the sensitivity of the results. Investment expenses and asset default risks are also considered in the valuation.

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d) Expenses
The administrative expenses per policy are based on the Group's internal cost analysis, which is updated annually. These unit costs are projected into the future factoring inflation.

e) Lapses
Each year, an internal study of the Group's policy lapse rates is conducted. The valuation assumptions are chosen by considering both this internal study and the published industry experience.

f) Policyholder Dividends
Actuarial liabilities include the present value of expected future policy dividends reflecting current dividend scales.

g) Margins for Adverse Deviation
The basic assumptions made in establishing actuarial liabilities represent best estimates for a range of possible outcomes. To recognize the uncertainty in establishing best estimates, to allow for possible deterioration in experience and to provide greater comfort that the actuarial liabilities are adequate to pay future benefits, actuaries are required to include a margin for each assumption. A range of allowable margins is defined by the Canadian Institute of Actuaries and the actuary must choose the margins, within this range, with consideration for each company's specific situation.

In general, the margins are higher for fully guaranteed products while they are lower for adjustable products or participating policies where the dividends can be modified to reflect the Group's experience.

The reinsurance asset represents the benefit derived from reinsurance arrangements in force at the balance sheet date. The reinsurance asset is measured consistently with the amounts associated with the insured insurance contracts and in accordance with the terms of each reinsurance contract.

Under CALM, any liability adequacy deficiency is immediately reported in the income statement.

Investment Contract Liabilities
Investment contract liabilities are the amounts that the Group owes to clients since these contracts do not have insurance risk. These amounts are carried at fair value in the consolidated statement of financial position. Variation of fair value is recognized in the variation of investment contract liabilities in the consolidated statement of income.

Other Liabilities
All elements of other liabilities except for income taxes payable are classified as other financial liabilities.

Employee Benefit Plans
The Company and its subsidiaries offer to their employees defined benefit pension plans based on earnings and other benefits subsequent to employment. The cost of providing benefits under the defined benefit plans is determined separately using the projected unit credit valuation method and management's best estimate of expected plan investment performance, salary escalation and retirement age of employees.

Actuarial gains and losses are immediately recognized in other comprehensive income.

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Taxes
The Group provides for income taxes using the liability method of tax allocation. The income tax provision is comprised of current and deferred income taxes. Current income taxes are based on taxable income. Deferred income taxes reflect the net tax effect of temporary differences between assets and liabilities reported for financial statement purposes and those reported for income tax purposes. A deferred income tax asset is recognized to the extent that future realization of the tax benefit is more likely than not. In addition to income taxes, the charge to the income statement includes the tax on capital imposed on financial institutions and the large corporations tax recorded in other operating expenses.

Borrowings
The Group has chosen to classify its borrowings as financial liabilities at amortized cost. The borrowings are initially recognized at fair value, net of related transaction costs. They are subsequently measured at amortized cost using the effective interest rate method.

The interest calculated according to the effective interest rate method is recognized in the statement of income and presented as borrowing costs.

Segregated Funds Net Liabilities
The liabilities of insurance contracts whose financial risk is supported by policyholders are accounted for as a separate line item in the statement of financial position and are recorded at fair value. The assets backing these liabilities are also recorded as a specific item under assets in the statement of financial position.

Foreign Currency Translation
Monetary assets and liabilities in foreign currencies are converted at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities, as well as revenue and expenses, are converted at the historical rate.

Translation gains and losses are included in other operating revenue.

Provision
The Group recognizes a provision when there is an obligation towards a third party resulting from a past event, it is probable that an outflow of economic resources will be necessary to settle the obligation and the amount can be estimated reliably.

The amount of provision equals the best estimate of the counterpart needed to extinguish the current obligation, given the risks and uncertainties related to the obligation. The Group does not measure the provision at the current value since these provisions do not have a specified period. No amount of provision is recognized for future operating losses.

Contingent liabilities are disclosed if the future obligation is probable, but the amount cannot be reasonably estimated.

Premiums
Gross insurance and annuity premiums are recognized as revenue when due under contracts in force. Net premiums represent gross premiums, net of the share ceded to reinsurers for insuring a part of the risk. When premiums are recognized, provision for future policy benefits are calculated, with the result that benefits and expenses are matched with such revenue.

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Fees and Commission Income
Fees and commission income primarily represent fees earned from the management of the Group's segregated fund and pooled fund assets, administrative services only (ASO) income and reinsurance commission income. Fees and commission income are recorded on an accrual basis when services are rendered.

Investment Income
Interest on cash and debt securities is recorded on an accrual basis. Dividend income is recognized when the right to receive it is established. For loans and receivables reported at amortized cost, interest income is calculated using the effective interest rate method and is reported in the income statement. Rental income from investment properties is reported in the statement of income linearly according to the term of the lease.

Realized gains and losses
Realized gains and losses recorded in the income statement on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

Recognition of Expenses
Annuities and benefits at maturity are recognized when payment is due. Redemptions are recorded on payment. Death benefits and other benefits are recorded when reported.

Reinsurance recoveries are recorded in the same periods as related benefits.

Changes in Accounting Policies
The following paragraphs present the impact on the financial statements of the standards or amendments that the Group adopted on January 1, 2013. The amendments to IAS-19 "Employee Benefits" were adopted retrospectively according to IAS- 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

IAS 1 - Presentation of Financial Statements
In June 2011, the IASB issued an amendment to IAS 1 to change the way in which other comprehensive income items are grouped together. Items that are subsequently be reclassified to income are presented separately from items that cannot be reclassified, such as actuarial gains and losses on the defined benefit obligation. The Group adopted this change retroactively during its fiscal year beginning on January 1, 2012. This change relates only to presentation and will therefore not impact financial results of the Group.

IFRS 13 - Fair Value Measurement
This standard has the effect of increasing disclosure surrounding fair value, mainly for non financial instruments for which a fair value is disclosed. In addition to indicating the fair value hierachy of financial instruments, the hierarchy willl need to be disclosed for non-financial instruments for which a fair value is disclosed. No impact on the valuation of assets and liabilities of the Group is noted.

IFRS 11 - Joint arrangements, IAS 27 - Separate Financial statement, IAS 28 - Investments in Associates and Joint Ventures and IFRS 10 - Consolidated Financial Statements
Adoption of these standards had no impact on the Group's financial statements.

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IFRS 12 - Disclosure of Interests in Other entities
Adoption of this standard only had a minimal impact on the Group's financial statements

IAS 19 - Employee Benefits
Adoption of this amendment eliminated the corridor method and actuarial gains and losses are immediately recognized in the other comprehensive income. This amendment also introduces the notion of financial cost, which replaces the notion of real interest and expected return.

Further to this amendment to accounting policies, the following amendments were recorded in the financial statements.

As at January 1, 2012	
Increase in employee future benefit liabilities	(9,310)
Reduction in deferred tax liabilities	2,415
Decrease in the opening balance of surplus	6,895
	-
As at December 31, 2012	
Increase in employee future benefit liabilities	(14,996)
Reduction in deferred tax liabilities	3,928
Decrease in the opening balance of surplus	6,895
Increase in net income	(136)
Decrease in the comprehensive income for items that will not be reclassified subsequently to net income	4,309
	-

Future Accounting Policy Changes

IFRS 9, Financial Instruments

The IASB published IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement, on the classification and valuation of financial assets and liabilities. The standard applies to financial statements for periods beginning on or after January 1, 2015, with earlier adoption permitted. The Group is currently evaluating the impact of the new standard on its financial statements.

IASB Projects

On July 30, 2010, the IASB published the Exposure Draft on phase II of IFRS 4, Insurance Contracts, covering the valuation and recognition of insurance contracts. The comments period ended on November 30, 2010. Phase II of the standard should not take effect prior to 2017-2018. The IASB's proposed accounting method for insurance contracts separates the valuation of insurance liabilities from the assets they are matched to. As a result, these proposals could lead to a significant increase in insurance contract liabilities and required capital on adoption.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues, net payments to policyholders and beneficiaries, and expenses during the year. Actual results could differ from management's best estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Classification of Insurance and Investment Contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits that will be paid whether the insured event occurs or not.

Investment contracts are those contracts that transfer significant financial risk to the Group. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, a foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided that in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

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Classification of Properties
Properties held for the long term to earn rental income and which the Group does not primarily occupy, are considered investment properties. This is determined by comparing the rental space occupied for the Group's own purposes with the total rental space.

Estimates and Assumptions
In the process of applying the accounting policies, management has made the following estimates and assumptions that have the most significant effect on the amounts recognized in the financial statements:

Fair Value of Financial Instruments
The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. Fair value is based on active quoted market rates (bid for assets/ask for liabilities) prices. If there is no active market, fair value is based on prevailing market prices for instruments with similar characteristics and risk profiles or internal or external valuation models using observable market based inputs.These methods take into account current data observable on the market for financial instruments that have a similar risk profile and comparable terms. The significant data used in these models include, but is not limited to, rate curves, credit risk, issuer risk, volatility and liquidity valuation and other references published by the market. Management uses its best estimates when such data are not available.

Fair Value of Investment Properties
The Group relies on fair value measurements prepared by a qualified independent appraiser to establish fair value of investment properties. He uses valuation techniques based on recognized standards and techniques of evaluation.

The main assumptions made in determining the fair value of investment properties are described in note 6.

Fair Value of Investment Contract Liabilities
Because of its short-term nature, the fair value of investment contract liabilities is equal to its book value

Employee Future Benefits
The defined benefit obligation and expense is calculated using several demographic and financial actuarial assumptions. The main assumptions include the discount rate and the rate of increase in future compensation. These assumptions are described in note 15.

Life and Health Insurance Contract Liabilities
The establishment of actuarial liabilities depends on various actuarial assumptions including mortality, disability, investment return (stock markets, interest rates and defaults of payment), operating expense levels, lapse rates, inflation, policyholder dividends and taxes. Further information on these assumptions are provided in note 2 and 13.

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4. INVESTED ASSETS

Carrying Value and Fair Value

	2013					
	Designated at fair value through profit or loss	Available-for-sale	Loans & receivables	Other	Total	Fair value
	$	$	$	$	$	$
Cash and cash equivalents	28,500	-	-	-	28,500	28,500
Debt securities						
Government	295,818	81,610	-	-	377,428	377,428
Municipal	2,052	-	-	-	2,052	2,052
Corporations & other	6,618	1,902	-	-	8,520	8,520
	304,488	83,512	-	-	388,000	388,000
Equity securities						
Common stocks	-	144	-	-	144	144
Preferred stocks	30,926	-	-	-	30,926	30,926
Investment fund units	20,493	4,552	-	-	25,045	25,045
	51,419	4,696	-	-	56,115	56,115
Mortgages						
Insured residential	-	-	13,140	-	13,140	13,220
Other residential	-	-	21,905	-	21,905	22,410
Commercial	-	-	84,795	-	84,795	85,806
	-	-	119,840	-	119,840	121,436
Other invested assets	-	-	2,765	-	2,765	2,770
Policy loans	-	-	8,597	-	8,597	8,597
Investment properties	-	-	-	32,647	32,647	32,647
	384,407	88,208	131,202	32,647	636,464	638,065

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Carrying Value and Fair Value

	2012					
	Designated at fair value through profit or loss	Available-for-sale	Loans & receivables	Other	Total	Fair value
	$	$	$	$	$	$
Cash and cash equivalents	10,427	-	-	-	10,427	10,427
Debt securities						
Government	345,595	60,152	-	-	405,747	405,747
Municipal	2,138	-	-	-	2,138	2,138
Corporations & other	7,710	5,681	-	-	13,391	13,391
	355,443	65,833	-	-	421,276	421,276
Equity securities						
Common stocks	-	126	-	-	126	126
Preferred stocks	21,672	-	-	-	21,672	21,672
Investment fund units	18,330	3,779	-	-	22,109	22,109
	40,002	3,905	-	-	43,907	43,907
Mortgages						
Insured residential	-	-	13,437	-	13,437	13,561
Other residential	-	-	33,692	-	33,692	34,490
Commercial	-	-	88,954	-	88,954	90,501
	-	-	136,083	-	136,083	138,552
Other invested assets	-	-	2,939	-	2,939	2,946
Policy loans	-	-	8,137	-	8,137	8,137
Investment properties	-	-	-	32,129	32,129	32,129
	405,872	69,738	147,159	32,129	654,898	657,374

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Investment Properties

The following table details the transactions on investment properties.

	2013	2012
	$	$
Balance, beginning of year	32,129	31,664
Acquisitions resulting from subsequent expenditure	-	586
Disposition	(22)	-
Change in fair value	540	(121)
Balance, end of year	32,647	32,129
Rental income and service charge income	7,098	7,153
Operating expenses that generate rental income	(4,188)	(4,141)
Operating expenses that do not generate rental income	(1,063)	(919)

5. RISK MANAGEMENT RELATING TO FINANCIAL INSTRUMENTS

The principal risks relating to financial instruments that the Group must manage are credit risk, liquidity risk and market risk (interest rate and stock market). The measures adopted by the Group to control each of these risks are outlined below.

Credit Risk

Credit risk is the risk that the Group will incur a financial loss if some of its debtors fail to fulfill their obligation to make payments when due. The Group, in the normal course of its activities, is exposed to that risk through credit granted to its clients, reinsurers and brokers, through credit in the form of mortgages and exposure through its various investment portfolios. The risk of credit concentration may also occur when there is a concentration of investments in entities with similar activities in the same geographic region or in the same sector of activity or when a significant investment is made with a sole entity.

Credit-risk management is conducted through the Group's investment policy and is applied to various means of investment and credit. Investments in debt securities must be selected after an analysis that considers geographic diversification, the type of issuer, average credit rating and maturity of securities. Limits are established for each of these factors.

The Group also has a specific credit policy for mortgages according to which a study must be conducted in order to determine a credit rating for the loan. To manage the risk of concentration, industry limits are established, some sectors are avoided and the loan amounts granted to one person or to one group are limited. Furthermore, loans must be guaranteed by residential or commercial buildings or by land held for subdividing purposes. The type of guarantee is based on the assessment of the degree of counterparty credit risk.

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The conclusion of guarantee agreements is also a credit risk mitigation measure. The required amount and type of guarantee are based on the assessment of the counterparty credit risk. Guidelines have been established for the types of acceptable guarantees and related assessment parameters. Management examines the value of guarantees and requires additional guarantees, if needed.

Equity securities, except investments in pooled funds matched with the Universal policy, are subject to a maximum limit of the Group's surplus. Geographic diversification and by type of issuer are also imposed to reduce risks.

Maximum Credit Risk

The table below summarizes the Group's maximum financial instrument credit risk. The maximum credit risk corresponds to the book value of assets, net of any provision for losses.

	2013	2012
	$	$
Cash and cash equivalents	28,500	10,427
Debt securities	388,000	421,276
Mortgages	119,840	136,083
Other invested assets	2,765	2,939
Policy loans	8,597	8,137
Reinsurance assets	129,082	136,192
Other receivables	15,643	17,620
	692,427	732,674

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Quality of the Debt Securities Portfolio

	2013	2012
	$	$
AAA	2,425	607
AA	165,303	166,987
A	220,272	253,682
BBB	-	-
	388,000	421,276

Quality of the Preferred Equity Securites Portfolio

	2013	2012
	$	$
PF-1	4,344	10,862
PF-2	26,582	10,810
	30,926	21,672

Loans in Arrears and Provisions for Losses

The carrying value of mortgages in arrears before provisions for losses is as follows:

	2013			
	31-60 days in arrears	61-90 days in arrears	More than 90 days in arrears	Total
	$	$	$	$
Non impaired mortgages				
Insured residential	3	-	-	3
Other residential	207	-	-	207
Commercial	-	286	335	621
	210	286	335	831
Impaired mortgages commercial	-	-	532	532

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	2012			
	31-60 days in arrears	61-90 days in arrears	More than 90 days in arrears	Total
	$	$	$	$
Non impaired mortgages				
Insured residential	8	-	-	8
Other residential	164	-	23	187
Commercial	-	-	234	234
	172	-	257	429
Impaired mortgages commercial	-	-	295	295

Provisions for losses

	2013	2012
	$	$
Mortgage loans:		
Beginning of year	59	-
Provisions for losses increase	323	59
End of year	382	59

Liquidity Risk
Liquidity risk is the risk that the Group cannot respond to all of its cash flow commitments as they reach maturity.

This risk is managed through matching of asset and liability cash flows and active management of funds. However, a certain level of liquidity is required to provide for contingencies such as asset repurchases or defaults.

Additional liquidities are available through credit lines, if needed.

The Group has commitments to customers for undisbursed approved mortgages. The following is the payment schedule for those loans:

	1-6 months	7-12 months	Over 1 year
	$	$	$
Undisbursed approved mortgages	3,313	1,000	-

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The following tables show the carrying amount of financial instruments by maturity, as well as total fair value.

	2013						
	No maturity	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Fair value
	$	$	$	$	$	$	$
Cash and cash equivalents	11,418	17,082	-	-	-	28,500	28,500
Debt securities							
Government	-	2,032	23,086	24,116	328,194	377,428	377,428
Municipal	-	302	1,164	586	-	2,052	2,052
Corporations & other	-	2,950	1,088	-	4,482	8,520	8,520
	-	5,284	25,338	24,702	332,676	388,000	388,000
Equity securities							
Common stocks	144	-	-	-	-	144	144
Preferred stocks	30,926	-	-	-	-	30,926	30,926
Investment fund units	25,045	-	-	-	-	25,045	25,045
	56,115	-	-	-	-	56,115	56,115
Mortgages							
Insured residential	-	3,947	6,115	-	3,078	13,140	13,220
Other residential	-	7,913	7,526	30	6,436	21,905	22,410
Commercial	-	27,742	32,036	18,210	6,807	84,795	85,806
	-	39,602	45,677	18,240	16,321	119,840	121,436
Other invested assets	-	963	1,423	-	379	2,765	2,770
Policy loans	8,597	-	-	-	-	8,597	8,597
Other receivables	15,643	-	-	-	-	15,643	15,643

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	2012						
	No maturity	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total	Fair value
	$	$	$	$	$	$	$
Cash and cash equivalents	8,424	2,003	-	-	-	10,427	10,427
Debt securities							
Government	-	4,776	17,108	24,826	359,037	405,747	405,747
Municipal	-	-	1,532	606	-	2,138	2,138
Corporations & other	-	2,593	5,863	-	4,935	13,391	13,391
	-	7,369	24,503	25,432	363,972	421,276	421,276
Equity securities							
Common stocks	126	-	-	-	-	126	126
Preferred stocks	21,672	-	-	-	-	21,672	21,672
Investment fund units	22,109	-	-	-	-	22,109	22,109
	43,907	-	-	-	-	43,907	43,907
Mortgages							
Insured residential	-	1,571	7,053	1,615	3,198	13,437	13,561
Other residential	-	16,976	9,835	58	6,823	33,692	34,490
Commercial	-	27,376	34,219	14,161	13,198	88,954	90,501
	-	45,923	51,107	15,834	23,219	136,083	138,552
Other invested assets	-	635	1,228	421	655	2,939	2,946
Policy loans	8,137	-	-	-	-	8,137	8,137
Other receivables	17,620	-	-	-	-	17,620	17,620

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TO CONSOLIDATED FINANCIAL STATEMENTS
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Market Risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate due to variations in market factors. It consists of the following: interest rate risk and stock market risk

Interest Rate Risk

Interest rate risk is present when there is not a perfect match between asset and liability cash flows and when interest rates fluctuate, which leads to a variation in the disparity between assets and liabilities. Due to the nature of an insurance company's activities, which is investing clients' premiums with the ultimate goal of paying benefits, the payment of which may be uncertain and far off, namely with regard to death benefits and annuity payments, interest rate risk must be managed properly.

The Group has matched its assets with its liabilities in order to minimize profit margin volatility caused by fluctuations between realized profits and profits credited to existing contracts. To manage matching requirements, financial assets and liabilities are distributed over business lines in order to match one business line's assets with its liabilities. This matching is regularly analyzed and modified. The exchange of information among the Actuarial Department, Finance Department and investment managers along with the regular publication of credited rates are part of the process.

To further manage risk, matching is based on the characteristics of the products sold. For products that must provide fixed and highly predictable benefits, liabilities and assets with similar characteristics are matched, such as investments in fixed-income instruments. This results in some protection against fluctuating interest rates because any variation in the fair value of assets is compensated by a similar variation in the fair value of liabilities. Considering the investments available on the market, it is more difficult to perform this matching for liabilities with maturities of more than 30 years.

Furthermore, the Group's policy is to achieve fairly complete matching. Thus differences in the durations of assets and liabilities must not exceed certain established parameters. That policy is intended to manage interest rate risk for liabilities with maturities later than those of the matched assets.

Projected asset and liability cash flows are used in the Canadian Asset Liability Method (CALM) to establish technical provisions. Asset cash flows are reduced to take into account possible losses due to insufficient return on assets. Reinvestment risk is assessed based on multiple interest rate scenarios (to take into account possible increases or decreases in rates).

Stock Market Risk

Stock market risk is the uncertainty associated with the valuation of assets arising from market fluctuations. The Group is exposed to that risk in various ways: through management fees calculated on the value of the assets being managed, by the expense resulting from the capital guarantee provided for some products and by the return on assets matched to equity and to actuarial liabilities. In order to mitigate this risk, the Group's investment policy provides for cautious investments in accordance with clearly defined limits.

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TO CONSOLIDATED FINANCIAL STATEMENTS
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6. FAIR VALUE MEASUREMENT

Fair Value Hierarchy
A hierarchy of valuation techniques is used for assets and liabilities measured at fair value in the consolidated statement of financial position or for which fair value is disclosed in notes. The hierarchies include the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable to the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents information about the fair value of assets and liabilities based on the levels of input used:

	2013			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value	$	$	$	$
Cash and cash equivalents	28,500	-	-	28,500
Financial assets designated at fair value through profit or loss				
Debt securities	-	304,488	-	304,488
Equity securities	51,419	-	-	51,419
Financial assets available-for-sale				
Debt securities	-	83,512	-	83,512
Equity securities	4,696	-	-	4,696
Investment properties	-	-	32,647	32,647
Assets disclosed at fair value				
Mortgages	-	121,436	-	121,436
Other invested assets	-	2,770	-	2,770
Policy loans	-	8,597	-	8,597
	84,615	520,803	32,647	638,065
Liabilities measured at fair value				
Investment contract liabilities	-	23,114	-	23,114
Liabilities disclosed at fair value				
Borrowings	-	7,636	-	7,636
	-	30,750	-	30,750

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	2012			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value	**$**	**$**	**$**	**$**
Cash and cash equivalent	10,427	-	-	10,427
Financial assets designated at fair value through profit or loss				
Debt securities	-	355,443	-	355,443
Equity securities	40,002	-	-	40,002
Financial assets available-for-sale				
Debt securities	-	65,833	-	65,833
Equity securities	3,905	-	-	3,905
Investment properties	-	-	32,129	32,129
Assets disclosed at fair value				
Mortgages	-	138,552	-	138,552
Other invested assets	-	2,946	-	2,946
Policy loans	-	8,137	-	8,137
	54,334	570,911	32,129	657,374
Liabilities measured at fair value				
Investment contract liabilities	-	22,857	-	22,857
Liabilities disclosed at fair value				
Borrowings	-	7,376	-	7,376
	-	30,233	-	30,233

There has been no transfer between level 1 and level 2 during the period.

Refer to Note 4 for details of changes in fair value of investment properties.

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TO CONSOLIDATED FINANCIAL STATEMENTS
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Investment properties are recorded at fair value as determined by a qualified independant appraiser.

The fair value of investment properties is determined by various recognized methods and standards of assessment in the real estate sector. These methods are based on expected capitalization rates and models which update the expected future cash flows at prevailing interest rates on the market based on the characteristics, location and market of each property. The expected future cash flows include contractual and projected cash flows and projected operating expenses and reflect the interest, rental and occupancy rates established based on market studies, rental income expected from leases in effect, estimates of future cash inflows, including revenues projected from leases in force and estimates of future cash inflows made according to the current market circumstances. Future lease rates are estimated based on the location, type and quality of the building and current market data and projections as of the date of the appraisal. Fair values are usually compared to market information, including recent transactions for similar assets to verify their reasonableness.

The fair value of investment properties is established by the qualified independent appraiser in relation to highest and best uses. He uses three approaches: cost approach, income approach and direct comparison approach. The main assumptions used are as follows:

	2013	2012
	%	%
Overall discount rate	9 to 10	9,5 to 10
Growth rate		
Rent	0 to 2	0 to 2
Operating expenses	2	2
Vacancy rate	5 to 10	5

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TO CONSOLIDATED FINANCIAL STATEMENTS
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7. OTHER ASSETS

	2013	2012
	$	$
Financial assets		
Insurance receivables:		
Policyholders	3,773	3,646
Reinsurers	5,240	7,618
Agents, brokers and intermediates	1,051	1,763
Accrued income	1,422	1,545
Accounts receivable	4,157	3,048
	15,643	17,620
Non financial assets		
Commissions and prepaid expenses	1,810	1,245
Income tax receivable	1,410	1,947
Other	37	24
	3,257	3,216
	18,900	20,836

8. PROPERTY AND EQUIPMENT

	Equipment
	$
Cost	
At December 31, 2012	7,717
Additions	1,592
Other movements	(695)
At December 31, 2013	8,614
Accumulated depreciation	
At December 31, 2012	3,726
Depreciation	817
Other movements	(695)
At December 31, 2013	3,848
Carrying amount	
At December 31, 2012	3,991
At December 31, 2013	4,766

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS

	Purchased software	Developed software	Technology projects under development	Client list	Total
	$	$	$	$	$
Cost					
At December 31, 2012	1,605	11,602	198	-	13,405
Cost capitalized	150	-	774	898	1,822
Completed projects	58	771	(875)	-	(46)
Other movements	(131)	-	-	-	(131)
At December 31, 2013	1,682	12,373	97	898	15,050
Accumulated depreciation					
At December 31, 2012	771	5,585	-	-	6,356
Amortization	513	1,214	-	-	1,727
Other movements	(132)	-	-	-	(132)
At December 31, 2013	1,152	6,799	-	-	7,951
Carrying amount					
At December 31, 2012	834	6,017	198	-	7,049
At December 31, 2013	530	5,574	97	898	7,099

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TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

10. SEGREGATED FUNDS ASSETS

	2013	2012
Net assets	$	$
Investments:		
Equity securities	8,542	7,589
Pooled funds	532,997	462,239
Cash and term deposits	6,205	1,756
Accrued investment income	22	20
Other	2,097	1,633
	549,863	473,237
Liabilities	3,416	378
NET ASSETS	546,447	472,859

	2013	2012
Change in net assets	$	$
NET ASSETS – BEGINNING OF YEAR	472,859	453,147
Net contributions:		
Contributions	79,192	53,405
Withdrawals	(71,474)	(59,344)
	7,718	(5,939)
Investment income:		
Change in value of investments	46,604	14,672
Interest and dividends	27,482	18,198
	74,086	32,870
Management and administrative fees	(8,216)	(7,219)
NET ASSETS – END OF YEAR	546,447	472,859

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

11. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

Nature and Composition

The composition of the Group's insurance contract liabilities is as follows:

	2013		
	Insurance contract liabilities	Reinsurance assets	Net
	$	$	$
Individual insurance	378,630	(98,398)	280,232
Group insurance	46,667	(29,956)	16,711
Annuities and pensions	207,862	(716)	207,146
Other insurance contract liabilities	3,787	(12)	3,775
	636,946	(129,082)	507,864

	2012		
	Insurance contract liabilities	Reinsurance assets	Net
	$	$	$
Individual insurance	406,458	(104,881)	301,577
Group insurance	43,347	(27,583)	15,764
Annuities and pensions	208,449	(1,744)	206,705
Other insurance contract liabilities	4,323	(1,984)	2,339
	662,577	(136,192)	526,385

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

Change in Insurance Contract Liabilities and Reinsurance Assets

The change for the year is explained as follows:

	2013		
	Insurance contracts	Reinsurance assets	Net
	$	$	$
Balance, beginning of period before other insurance contract liabilities	658,254	(134,208)	524,046
Change in balances on in-force policies	(52,958)	7,029	(45,929)
Balances arising from new policies	32,602	(6,064)	26,538
Method and assumption changes	(4,739)	4,173	(566)
Increase (decrease) in insurance contract liabilities and reinsurance assets	(25,095)	5,138	(19,957)
Balance before the following:	633,159	(129,070)	504,089
Other insurance contract liabilities	3,787	(12)	3,775
Total insurance contracts and reinsurance assets	636,946	(129,082)	507,864

	2012		
	Insurance contracts	Reinsurance assets	Net
	$	$	$
Balance, beginning of period before other insurance contract liabilities	624,135	(98,925)	525,210
Change in balances on in-force policies	(11,117)	(7,796)	(18,913)
Balances arising from new policies	44,325	(24,134)	20,191
Method and assumption changes	911	(3,353)	(2,442)
Increase (decrease) in insurance contract liabilities and reinsurance assets	34,119	(35,283)	(1,164)
Balance before the following:	658,254	(134,208)	524,046
Other insurance contract liabilities	4,323	(1,984)	2,339
Total insurance contracts and reinsurance assets	662,577	(136,192)	526,385

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
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Principal changes to actuarial methods and assumptions is detailled as follows:

	2013	2012
	$	$
Mortality	(1,190)	(1,120)
Interest	169	6,277
Lapses	1,895	1,043
Segregated funds	(570)	(129)
Expense	(909)	(3,923)
Other (dividend, data)	39	(4,590)
Total	(566)	(2,442)

12. INVESTMENT CONTRACT LIABILITIES

	2013	2012
	$	$
Balance, beginning of period	22,857	21,581
Deposits	3,470	4,806
Interest	387	363
Withdrawals	(3,600)	(3,893)
Increase in investment contract liabilities	257	1,276
Total investment contract liabilities	23,114	22,857

13. INSURANCE RISK

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The concentration of risk is managed by using reinsurance to limit the Group's risk in regards to each of its insured and in order to stabilize its results. Maximum amounts of benefits varying by activity sector are established for life and health insurance. The Group also possesses reinsurance treaties that cover financial losses related to multiple settlement requests that could occur following catastrophic events that would include multiple insureds.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. Each year, the Group ascertains that its reinsurers exceed the minimum capitalization required by the regulatory authorities.

Insurance Contracts

Life insurance contracts offered by the Group include: individual whole life insurance, individual and group term insurance and individual and group annuities.

Life insurance are contracts for which the insurer receives premiums in exchange for benefits that will be paid at the death of the policyholder or lapse of the policy.

Annuity contracts are expressed in the form of an annuity payable at a specified age in exchange for premiums. If death occurs before retirement, contracts generally return the value of the fund accumulated for deferred annuities. Most contracts give the policyholder the option at retirement to take a cash sum amount or a guaranteed conversion rate allowing the policyholders the option of taking a payable annuity.

Single premiums annuities are products that pay a specified payment to a policyholder. Payments are generally either fixed or increased each year at a specified rate or in line with the rate of inflation. Most contracts guarantee an income for a minimum period, or are transferable to a spouse at a specified percentage, at the time of death.

Deferred annuities are contracts that bear a guaranteed interest rate usually for a period equal or less than 5 years. These contracts waive market value adjustment until death of the policyholder.

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Cash outflows related to insurance contract liabilities net of reinsurance are illustrated as follows:

	Under 1 year	1 to 5 years	5 to 10 years	Over 10 years	Total
	$	$	$	$	$
Individual insurance	(8,667)	(2,225)	32,266	258,858	280,232
Group insurance	8,459	5,938	3,418	2,671	20,486
Annuities and pensions	61,808	97,746	21,191	26,401	207,146

The main risks that the Group is exposed to are as follows:

- Mortality risk - risk of loss due to policyholder death experience being different than expected
- Morbidity risk - risk of loss due to policyholder health experience being different than expected
- Longevity risk - risk of loss due to the annuitant living longer than expected
- Investment return risk - risk of loss due to actual returns being different than expected
- Expense risk - risk of loss due to expense experience being higher than expected
- Policyholder decision risk - risk of loss due to policyholder decision (lapses and surrenders) being different than expected

Sensitivities

The analysis that follows is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit after tax. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(in thousands) Year ended December 31, 2013

Assumption	Change	After-tax income impact 2013	2012
	$	$	$
Mortality - life insurance products	+ 2%	(1,833)	(1,740)
Mortality - annuity products	– 2%	(316)	(319)
Morbidity	5% adverse	(1,318)	(1,110)
Expenses (maintenance)	+ 5%	(1,465)	(1,596)
Policy termination rates	10% adverse	(3,862)	(4,998)
Interest			
Immediate parallel shift at all points on yield curve	+ 100 bps	1,518	(1,553)
	– 100 bps	(1,327)	(1,787)
Investment properties			
Immediate change in market value	+ 10%	2,391	2,369
	– 10%	(2,393)	(2,369)
Segregated funds and equity securities			
Immediate change in market value	+ 10%	412	761
	– 10%	(460)	(768)

14. OTHER LIABILITIES

	2013	2012
	$	$
Financial liabilities		
Insurance payable:		
Policyholders	7,079	10,372
Reinsurers	3,284	3,643
Agents, brokers and intermediates	1,019	1,347
Suppliers and other charges	6,692	5,987
Other	1,017	1,345
	19,091	22,694
Non financial liabilities		
Income tax	123	-
	19,214	22,694

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TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

15. EMPLOYEE BENEFIT PLANS

Information about the Group's defined benefit pension plans is as follows:

	December 31, **2013**	December 31, **2012**	January 1, **2012**
	$	**$**	**$**
Changes in accrued benefit obligation of defined benefits:			
Balance at beginning of year	51,630	44,909	36,610
Current service cost	1,448	1,260	1,002
Employees' contributions	780	653	716
Interest cost	2,024	2,024	1,979
Benefits paid	(3,940)	(1,869)	(670)
Settlement on pension plan termination	-	(1,514)	-
Actuarial (gains) losses resulting in experience adjustments	(1,283)	1,221	(1,323)
Actuarial losses resulting in changes of demographic assumptions	2,264	-	648
Actuarial losses resulting in changes of financial assumptions	(6,533)	4,946	5,947
Balance at end of year	46,390	51,630	44,909
Changes in plan assets:			
Fair value at beginning of year	33,951	33,267	32,068
Employer's contributions	1,362	1,677	1,633
Employees' contributions	780	653	716
Return on plan assets	4,748	1,737	(480)
Benefits paid	(3,940)	(1,869)	(670)
Settlement on pension plan termination	-	(1,514)	-
Fair value at end of year	36,901	33,951	33,267

The amounts recognized in the statement of financial position are as follows:

	December 31, **2013**	December 31, **2012**	January 1, **2012**
	$	**$**	**$**
Present value of the defined benefit obligation	46,390	51,630	44,909
Fair value of plan assets	(36,901)	(33,951)	(33,267)
Defined benefit obligation, net amount	9,489	17,679	11,642

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
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The Group's net pension plan expense is computed as follows:

	December 31, **2013**	December 31, **2012**	January 1, **2012**
	$	**$**	**$**
Current service cost, net of employees' contributions	1,448	1,260	1,002
Net interest on the net defined benefit liability (asset)	730	583	(54)
	2,178	1,843	948

Employee benefit liability on the consolidated statement of financial position is comprised of the following:

	December 31, **2013**	December 31, **2012**	January 1, **2012**
	$	**$**	**$**
Group insurance benefits liability	472	558	455
Pension plan liability	9,489	17,679	11,642
	9,961	18,237	12,097

Plan members contribute 7.5% (6.5% in 2012) to their retirement plan. The Group makes the necessary residual contributions to the plans. The Group finances the plans in such a way as to constitute defined benefits according to the Plans provisions. The value of these benefits were established by the latest actuarial valuation, dated December 31, 2010 for the Assumption Mutual Life Insurance Company Agent and Employee Pension Plan ("AML") and December 31, 2012 for the Assumption Place Employee Pension Plan ("Place"). The average remaining service periods of the active employees covered by the AML pension plan is 21 years (21 years in 2012) and 9 years (10 years in 2012) for the Place pension plan. The average remaining service periods of the active employees covered by the other retirement benefit plans are the same as the pension plans.

The Group's best estimate of expected payments for the pension plans for the year ending December 31, 2014 is $1,566.

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The pension fund monies are invested in the following assets:

	December 31, **2013**	December 31, **2012**	January 1, **2012**
	$	**$**	**$**
Assumption Life Balanced Fund - Pension	36,693	33,224	32,638
Cash	208	727	629
	36,901	33,951	33,267

Assumption Life Balanced Fund - Pension

The Assumption Life Balanced Fund - Pension (the "Balanced Fund") is a segregated fund established by Assumption Life. The overall objective of the Balanced Fund is a net rate of return, after management fees, that is more than the annual increase in the Consumer Price Index, discounted at the average yearly compound rate over a period of four years.

The Balanced Fund portfolio consists of a mix of cash, Canadian bonds and equities, foreign equities, international bonds, pooled funds, mutual funds invested in any or all of the above asset categories or future and option contracts on securities, indices or currencies. The Balanced Fund is eligible as a registered retirement savings plan under the Income Tax Act of Canada..

Actuarial Assumptions Utilized to Determine Benefit Obligation Under the Defined Benefit Plans

	2013	**2012**
	%	**%**
Discount rate	3.8 to 4.7	3.9
Rate of compensation increase	3.25 to 3.75	3.0

Sensitivity analysis

Valuation of the defined benefit obligation under the defined benefit plans is sensitive to the preceding actuarial assumptions. The following table summarizes the impact on the defined benefit obligation at year end if a change of 1% in the actuarial assumptions arises.

	2013	
	+ 1%	**- 1%**
Discount rate	(7,632)	10,227
Rate of compensation increase	1,983	(1,817)

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16. BORROWINGS

The Group has authorized credit margins totaling $500 and bearing interest at the bank's base rate. These bank loans are renewable annually, are not guaranteed and are not used as at December 31, 2013.

	2013	2012
	$	$
Mortgage Loans		
Mortgage loan at a rate of 2.7%, repayable in monthly installments of $34, including interest, maturing in April 2014 and pledging investment property	3,087	3,406
Mortgage loan at a rate of 2.7%, repayable in monthly installments of $33, including interest, maturing in April 2014 and pledging investment property	2,316	2,647
Mortgage loan at a rate of 2.7%, repayable in monthly installments of $15, including interest, maturing in April 2014 and pledging investment property	1,209	1,356
Bank Loans and Other		
Loans at prime rate minus 1% without fixed repayment conditions	297	297
Promissory note at a rate of 4%, repayable in full in 2016	500	-
Contingent consideration repayable in full in 2016	536	-
	7,945	7,706
Fair value	7,636	7,376

Payments on principal expected and required in the next five years to meet repayment provisions are as follows:

Years ending December 31,	2014	$ 818
	2015	$ 836
	2016	$ 1,895
	2017	$ 885
	2018	$ 912

These estimated payments are based on the assumption that the loans will be renewed.

The balance of mortgage loans to be renewed within one year is $5,794.

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17. TAXES

Income tax expense consists of the following:

	2013	2012
	$	$
Current income taxes	2,882	1,867
Adjustments from prior year	(60)	(63)
Deferred income taxes	(352)	(302)
	2,470	1,502

The effective income tax rate in the consolidated statement of income differs from the Group's statutory tax rate, mainly as a result of the following:

	2013		2012	
	$	%	$	%
Income tax at statutory rate	2,529	26.8	1,706	26.3
Increase (decrease) in the tax rate resulting from:				
Non taxable investment income	(366)	(3.9)	(199)	(3.2)
Differences in tax rates in other provincial jurisdictions	76	0.8	23	0.4
Change in tax rate	314	3.3	-	-
Adjustments from prior year	(60)	(0.6)	(63)	(1.0)
Other	(23)	(0.2)	35	0.6
	2,470	26.2	1,502	23.1

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

The Group's deferred tax liabilities (deferred tax assets) arise from the following items:

	2013	2012
	$	$
Investment properties, property and equipment and intangible assets	5,507	5,153
Insurance contract liabilities (assets)	(195)	(35)
Debt securities	360	420
Employee benefit plans	(2,713)	(4,777)
Other	(192)	(59)
	2,767	702
Deferred tax assets	(1,105)	(2,504)
Deferred tax liabilities	3,872	3,206
	2,767	702

18. ADDITIONAL INFORMATION ON THE STATEMENT OF CASH FLOWS

Cash flows related to operating activities include the following:

	2013	2012
	$	$
Interest received	10,418	11,835
Income taxes paid	3,058	4,119
Dividends paid	361	180
Dividends received	1,412	668
Cash flows related to financing activities include the following:		
Interest paid on financing	213	232

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

19. CONTINGENCIES

In its normal course of business, the Group is occasionally named as a defendant in legal proceedings. While it is not possible to anticipate the outcome of such proceedings, the Group does not expect that it will incur significant losses or need to commit significant amounts to such actions.

20. COMMITMENT

As a member of Assuris, the Group incurs, and will likely incur in the future, certain costs in connection with the operations of Assuris. Assuris is responsible for compensating policyholders in the event that a life insurer's operations must be liquidated.

Assuris annually assesses life insurers on the basis of a five-year average of annual premiums and the assessments are charged to income in the year they are incurred. The Group has agreed to provide Assuris with a credit facility which can be drawn upon, at Assuris' option, should the need arise.

21. NET PREMIUMS

	2013			2012
	Gross premiums	Premiums ceded	Net premiums	Net premiums
	$	$	$	$
Individual insurance	51,910	(13,391)	38,519	40,117
Group insurance	52,490	(12,342)	40,148	34,461
Annuities and pensions	48,143	(6)	48,137	40,886
	152,543	(25,739)	126,804	115,464

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

22. NET BENEFITS AND CLAIMS PAID

	2013			2012
	Gross benefits and claim paid	Claims ceded to reinsurers	Net benefits and claims paid	Net benefits and claims paid
	$	$	$	$
Individual insurance	22,502	(7,624)	14,878	15,040
Group insurance	40,896	(10,776)	30,120	24,303
Annuities and pensions	47,866	(397)	47,469	50,578
	111,264	(18,797)	92,467	89,921

23. FEES AND COMMISSION INCOME

	2013	2012
	$	$
Policyholder administration and investment management services	11,960	9,669
Surrender charges and other contract fees	719	1,009
Reinsurance commission income	3,114	3,018
	15,793	13,696

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

24. INVESTMENT INCOME

	2013	2012
	$	$
Interest on cash and cash equivalents	253	254
Interest on debt securities designated at fair value through profit or loss	2,049	2,698
Interest on debt securities available-for-sale	3,037	2,322
Dividends on equity securities designated at fair value through profit or loss	1,232	660
Dividends on equity securities available-for-sale	175	152
Interest on mortgage loans and other invested assets	7,125	7,625
Interest on policy loans	412	403
Rental income from investment properties	3,641	3,731
Service charge income from investment properties	3,457	3,422
Service charge expense from investment properties	(4,188)	(4,141)
	17,193	17,126

25. REALIZED GAINS AND LOSSES FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013	2012
	$	$
Realized gains		
Equity securities	12	1
Debt securities	2,204	1,588
Realized losses		
Equity securities	(2)	(5)
Debt securities	(1,046)	-
	1,168	1,584

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

26. FAIR VALUE GAINS AND LOSSES

	2013	2012
	$	$
Financial assets at fair value through profit or loss	(25,063)	11,124
Investment properties	540	(121)
	(24,523)	11,003

27. FEES AND COMMISSION EXPENSES

	2013	2012
	$	$
Fees expenses	908	868
Commission expenses	21,341	30,150
	22,249	31,018

28. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2013	2012
	$	$
Administrative expenses		
Salaries and employee benefits expense	17,537	16,500
Amortization on property and equipment	817	881
Loss on disposal	-	309
Amortization of intangible assets	1,727	1,491
Professional and consultant fees	3,227	3,394
Investment property related expenses	1,063	919
Others	3,853	4,106
	28,224	27,600
Other operating expenses		
Amounts written off on financial and other assets	23	2
Others	4,315	3,758
	4,338	3,760

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

29. CAPITAL MANAGEMENT

With regard to capital management, the Group ensures that equity is always sufficient to maintain the Group's security and stability. Furthermore, it ensures that the return on capital meets the expectations of policyholders entitled to share in the Group's profits. The Group also ensures compliance with the requirements established by the Office of the Superintendent of Financial Institutions of Canada (OSFI).

Moreover, each year the valuation actuary projects the expected results of the Group according to its business plan. This analysis, called the Dynamic Capital Adequacy Testing (DCAT), is presented to the Board of Directors and filed with the regulatory authorities. The purpose of this analysis is to make sure the Group has enough capital to successfully go through the next few years and face unexpected outcomes.

This exercise considers many unfavorable scenarios in order to test the financial strength of the Group. Given the diversity of the Group's lines of business, this analysis shows that no element of exposure taken separately has any significant impact on its solvency. Also, the combination of these elements to different degrees does not jeopardize the solvency of the Group.

Regulatory Requirements and Solvency Ratio

The regulatory authorities require life insurance companies in Canada to maintain a minimum capitalization ratio in order to carry on business activities. In reference to the guideline imposed by OSFI, the Group maintains a ratio above the minimum requirement of 150%. As of December 31, 2013, the Group's ratio is 251% (239% in 2012).

A ratio of 251% means that the Group has sufficient capitalization to face unexpected negative results of approximately $38.1 million ($34.7 million in 2012) while still being able to meet the minimum requirement.

The table below shows the Group's solvency ratio:

Regulatory capital

	2013	**2012**
Available capital according to requirements	$94 850	$92 954
Required capital	$37 797	$38 830
Solvency ratio	251%	239%

NOTES
TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands) Year ended December 31, 2013

30. RELATED PARTY TRANSACTIONS

Related parties include directors, executives and their affiliates.

Directors and Their Affiliates

In 2009, the Company granted to 647439 NB Inc., whose shareholders are directors of Louisbourg Investments Inc., a loan of 1.3 million dollars, as well as an additional $467 in 2012, without interest, refundable before October 30, 2024. The balance of this loan as of December 31, 2013, is $845 ($1,100 in 2012).

Compensation of key management personnel

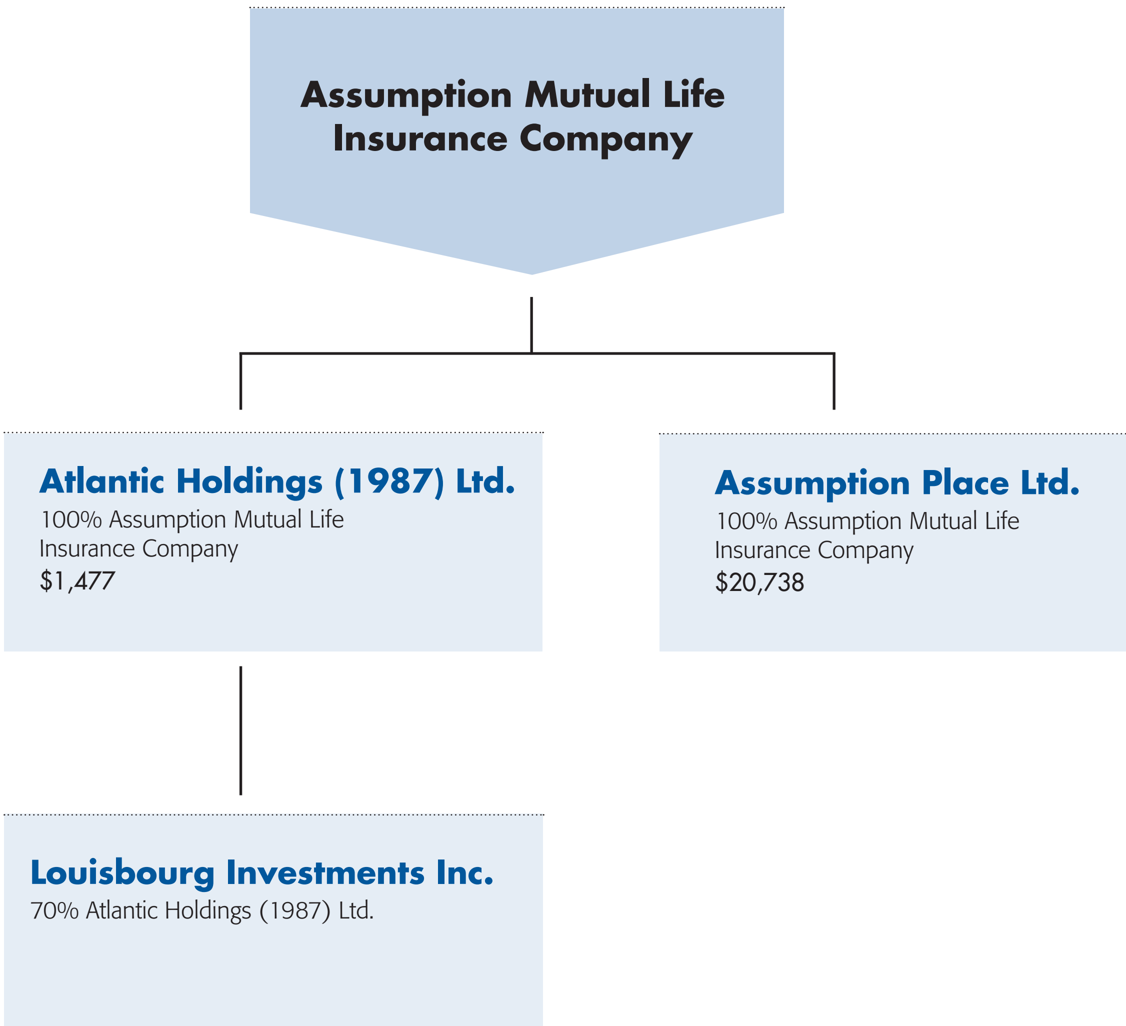
Key management personnel of the Group includes all directors, executive and non executive, and senior management. The summary of compensation of key management personnel for the year is as follows:

	2013	2012
	$	$
Salaries and other short-term employment benefits	3,781	3,680
Fees	202	218
Post employment pension benefits	289	228
	4,272	4,126

31. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the year ended December 31, 2013.

ORGANIZATIONAL CHART



% value = percentage of voting nights held
$ value = book value (in thousands of Canadian dollars)

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Assumption Life