



Delivering on our Commitments **Today and Tomorrow**



Annual Meetings Remarks

May 4, 2017

Paul Mahon
President and Chief Executive Officer





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President and CEO
Great-West Lifeco

Contents

Overview	1
Financial performance highlights	2
Changing customer expectations	3
• Value of advice	
• Advisor recognition: Terry Windrem	
• Regulatory reform	
Our diverse operations	4
• United States	
• Europe	
• Canada	
Well-being of our communities	7
Thank you	7

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Overview

Members of the Board, policyholders, shareholders, invited guests and colleagues.

Good morning and welcome to our Annual Meetings.

Delivering on our commitments is at the core of Great-West Lifeco's purpose - helping our customers achieve financial security and well-being. Underpinning our commitment is an uncompromising focus on the customer, disciplined management of our resources and ongoing strategic investment in our people, capabilities and communities. These strengths are fundamental to ensuring we continue to deliver on our commitments – today and into the future.

Today, Great-West Lifeco encompasses strong regional operating companies and deeply-rooted and well-respected brands – in Canada; in Europe; and in the United States.

Each of our segments has scale, diversified businesses that draw on strong teams and deep market knowledge.

Earlier in the meeting, you were introduced to the leaders of our regional segments – Stefan Kristjanson, Arshil Jamal and Robert Reynolds. And while our roots are firmly planted in Winnipeg, we draw strength from our international operations and the pool of outstanding talent we can leverage across the organization.

This includes three senior leaders who transitioned from Irish Life to our Canadian and Corporate teams:

- Gerry Hassett, who leads our new Individual Customer business unit in Canada;
- Dervla Tomlin, our Chief Actuary at Lifeco; and
- David McCarthy, our Deputy CFO responsible for capital markets and corporate development.

They are representative of the diverse talent pool we have been able to access through our many acquisitions.

Our brands have storied histories. In Canada, as we celebrate our country's 150th anniversary, our oldest brand, Canada Life will mark its 170th year. By delivering on our commitments over the long term, all of our brands, including Canada Life, have endured.

Today, across Great-West Lifeco, our employees support over 30 million customer relationships and more than 240,000 advisor relationships worldwide.

From an economic perspective, 2016 was a challenging year. We faced all-time low interest rates, volatile equity markets and slow economic growth. On the geo-political front, populism was re-shaping governments, their policies and the way we interact globally.

Financial performance highlights

Despite these challenges, Lifeco achieved solid results in 2016.

Let's look at Great-West Lifeco's financial performance in 2016 and Q1 2017.

In 2016, net earnings were \$2.6 billion. This reflected a 4.4% decrease year-over-year in large part driven by the Brexit impact on currency.

- In February this year, for the third year in a row, we announced an increase of 6% on the quarterly dividend payable to common shareholders.
- 2016 also marked strong top line growth for our companies with sales of \$130 billion.
- We also expanded our scale and reach, with total assets under administration growing by 3% year over year, and now we are at nearly \$1.3 trillion.
- Great-West Lifeco's return on equity was an industry-leading 13.8%, with Great-West Life's capital position also remaining strong.

Our strong and stable capital position allows us to respond to challenges and positions us for growth – both organically and through potential acquisition opportunities.

Since our last annual meeting, all five rating agencies have maintained our credit ratings with a stable outlook. The ratings you see here are amongst the highest of insurers worldwide.

Earlier this morning we released our Q1 2017 results.

Here is a summary:

- Adjusted net earnings were \$619 million, excluding a \$28 million restructuring charge.
- The Board declared a quarterly dividend of 36.70 cents per common share.
- Sales were \$32.4 billion, and
- Our return on equity was 13.9% at the end of Q1, adjusted to exclude the \$28 million restructuring charge mentioned earlier.

Throughout 2016 our customer base continued to grow with robust sales across our operations in Canada, Europe and the U.S.

Among the highlights, we experienced strong organic growth in sales in many of our markets. This includes Canadian life insurance, U.K. payout annuities, German unit-linked bonds and Irish Life investments.

We successfully grew through acquisition as we advanced our U.S. Empower Retirement integration and launched our Irish Life Health business.

We also continued to advance important new capabilities in many areas including product innovation, risk oversight and digital solutions for our customers.

Changing customer expectations

As we look forward, we see ourselves at the intersection of significant change. Systemic factors including shifting demographics, digital advances and regulatory change are reshaping our industry and our customers' expectations.

Consider the impact of technology where smartphones and tablets are becoming a common tool for accessing products and services around the world.

A good example is the over 56 million Group health and dental claims we pay each year. In 2016, 88% of these claims were processed and paid electronically.

An increasing number of our customers are using their mobile tools to find a provider on our network, to submit their claim in real time using their device, and to receive electronic notification of payment – often all within 24 hours.

Our challenge is to respond to these changing customer expectations by delivering a broader range of customer access solutions, and doing so at a lower cost.

We will achieve this by finding the right balance between cost management, disciplined investment in technology and by equipping our people with the skills they need to thrive in this more dynamic environment.

In the past, our product and service offerings were most often delivered on paper or through human interaction. Today, customers are redefining how they want to interact with us, and their expectations are being reshaped by their digital experiences with non-financial services.

They want flexibility in the way they access information, receive advice and make purchases. While some want a fully digital experience, many continue to seek traditional human interaction. And, most want a combination of the two, including access to an advisor.

Research shows that customers who work with an advisor are far better off than those who don't, especially over the long term.

A study by CIRANO shows that people who worked with a financial advisor over 15 years accumulated nearly four times more financial assets.

The key difference was the core of what an advisor does – helping people understand their current financial situation and goals, putting a plan in place to achieve those goals, and staying committed to that plan including remaining invested through volatile times.

At this point, I'd like to recognize one of those advisors, Terry Windrem.

Terry Windrem is President of Terry G. Windrem Insurance & Peak Benefits in Peterborough, Ont.

Terry helps customers in the Peterborough and Greater Toronto Area achieve their financial security goals. With over 40 years' experience, he is a recipient many times over of the National Quality Award from Advocis, the financial advisors association of Canada. This is a testament to the consistency and quality of the advice and service he provides to his clients.

Terry is also dedicated to his community, supporting local causes like the Peterborough Hospital Foundation, Junior Achievement and adult literacy. He also shares our enthusiasm for the future – his company Peak

Remarks by Paul Mahon
May 4, 2017

Benefits is a founding supporter of the Trent University Incubator Program to support new and emerging technologies.

Terry, please stand and be recognized.

The world of financial advice is also changing, driven by technology, regulation and public perception.

Regulators share a common objective with us and our advisors, and that is to always put the customers' interests first.

Internationally and in Canada, regulators are becoming more proactive in ensuring customer interests are at the forefront of advances in regulation.

In the U.K., changes in advice channel regulations made as part of the Retail Distribution Review were focused on improving the quality of advice. Unfortunately, these changes had a significant negative unintended consequence where the number of advisors operating in the U.K. was greatly reduced, creating an advice gap for consumers.

In Canada, there are several reform initiatives being considered by regulators, many of which we support. It is critical that we work with regulators to help develop a framework that ensures consumers are protected and that access to quality advice is maintained. We must also continue to challenge ourselves to raise the bar on professionalism, innovation, service and market access.

In response to this challenge, our company recently established an Advice Channel Regulatory Strategy with the goal of ensuring we sustain a strong advice channel for the benefit of Canadians.

Our focus is threefold:

- To positively influence and shape regulatory policy,
- To work with industry and other stakeholders to achieve a collective commitment to positive customer focused change, and
- To ensure that the customer is at the centre of our companies' product, service and advice solutions.

Beginning in June, I will take on the role of Chair of the Canadian Life & Health Insurance Association. This is an important opportunity to work with industry counterparts and our own internal team to positively influence industry priorities.

Turning now to our business segments, I'll share some insights in how we are investing in, and achieving growth.

Our diverse operations

Looking to the **United States**, Robert Reynolds is President and Chief Executive Officer of Great-West Lifeco U.S.

Our U.S. businesses -- Great-West Financial, Empower Retirement and Putnam Investments -- support the financial security of millions of Americans with insurance, retirement and asset management products and services.

Great-West Financial has operated in the U.S. for over 100 years. The company provides life insurance, annuities and executive benefits, distributing its products and services through multiple channels. In 2016, the company expanded its distribution force, strengthened its annuity product suite and drove stronger sales across the executive benefits business.

With over 8.2 million plan participants, Empower Retirement is the second largest record keeper of defined contribution pension plans in the U.S. by participants.

Empower's focus is on helping Americans achieve their retirement goals. Through innovative tools and technology, Empower is helping families track their spending and gain insight into their retirement goals including the impact of healthcare costs in retirement.

We are excited about a new partnership with U.S. health services leader Optum, where Empower will offer a new, innovative Health Savings Account for retirement plan participants.

With these tools, Empower is well positioned to motivate plan participants to take action today so they can achieve their best possible retirement.

Putnam continues to deliver strong investment results for clients. The firm was recognized for its five-year investment performance across asset classes, ranking 5th out of 54 companies in the U.S. as part of the 2016 Barron's/Lipper Best Fund Families report. In addition, it was ranked No. 1 for digital communications with financial advisors by DST kasina, a leading industry consultant.

Active U.S. mutual fund managers like Putnam have been challenged over the last two years with an industry shift in flows to passive investments that track stock market indices. In response to these challenges, Putnam took steps in 2016 to reduce expense levels with a targeted reduction of US\$65 million.

While these changes were necessary given the current environment, we believe that active management will continue to be at the core of meeting U.S. investors' future investment needs.

And, our objective of building a scale, profitable asset manager in the U.S. remains unchanged.

Turning to **Europe**, Arshil Jamal, President and Chief Operating Officer, leads our Europe & Reinsurance operations, which include our diverse businesses in the U.K., Ireland and Germany.

The Brexit vote last year created instability in the European market which we felt through the impact of British pound sterling exchange rates.

While Brexit could cause further economic instability in the UK, we are largely insulated in the rest of Europe. Unlike many other financial institutions whose U.K.-based businesses are integrated with their European operations, our U.K. business is a domestic one.

In the U.K., we re-established our market leading position in payout annuities with strong sales in 2016. In addition we launched investment products that complement payout annuities and offer U.K. consumers a broad range of retirement solutions.

We continued to maintain a leadership position in the group risk business supported by Simply Class, a fully digital tool that brokers can use to process new applications for small business customers.

In Ireland, Irish Life maintained its market-leading presence across the diverse markets and channels where it participates. In 2016 we completed the transactions to acquire Aviva Health Insurance and GloHealth Financial Services.

These two businesses were brought together to create Irish Life Health, a leading health and dental benefits provider with over 400,000 health insurance customers in Ireland.

In Germany, our business is small in scale, but it's our fastest growing in Europe, supported by a competitive product offering and excellence in digital support of the broker channel where we participate. Our first branch office opened in Cologne in the year 2000 and today we serve more than 325,000 customers in Germany.

Our Reinsurance business continues to make an important contribution to our European segment's financial performance. I would like to recognize the strong leadership that John Occleshaw has provided as the head of our Reinsurance business over the last number of years. John has elected to take a career break and he will be succeeded in the role by Jeff Poulin. Jeff has played a key role in our Reinsurance business for 25 years, and is well positioned to provide strong leadership moving forward.

Our **Canadian operations** are led by Stefan Kristjanson, President and Chief Operating Officer, Canada.

Our companies -- Great-West Life, London Life and Canada Life -- are focused on improving the financial, physical and mental well-being of Canadians. Our products and services touch the lives of more than 13 million people -- approximately one in three Canadians. Our commitment to advice-based service is a key differentiator for our companies in Canada and will continue to be critical to our success.

We achieved solid growth in 2016 with strong sales across all lines of business, particularly in individual life where a surge in sales was prompted by changes in the Tax Act.

In November 2016, we began the journey to transform our Canadian organization and build a more customer-focused operating model that supports changing customer expectations.

It started with our new vision -- Customers are at the centre of what we do. This was followed by the announcement of our reorganization around two core business units -- Individual Customer and Group Customer. We also created a new Strategic Customer Marketing function, focused on making the right investments in digital services, innovation and data analytics.

This heightened investment has been ongoing for a number of years, and we've been getting good traction with our customers including the use of GroupNet for health and dental claims.

Another example is Wayfinder, a new app for retirement plan participants that we piloted last fall. Wayfinder gives participants a complete picture of their retirement savings by creating an aggregated view of their financial assets across all of the financial institutions that they deal with.

Not only are customers expecting greater digital and mobile access to financial services, they are becoming increasingly cost sensitive. So, as we continue to invest, we must be vigilant in managing our cost base.

This involves everything from process redesign and automation to looking for ways to organize more efficiently. It also involves adapting our workforce to acquire the skills needed to drive our business forward.

Of course, this comes with difficult decisions. Last week we announced the next major step in the Canadian transformation, including a reduction in our workforce and a restructuring charge. Employees who are impacted by this will be treated fairly and with respect, consistent with our values.

Similar to the actions we took at the time of major acquisitions, we are confident that the changes we are making today will drive long-term growth and profitability - positively impacting all our stakeholders.

As we transform our businesses, it's important to recognize the significance of communities in our success.

Well-being of our communities

We are giving back to our communities in many ways. For example, we are opening a daycare on our campus here in Winnipeg which is creating new spaces for one hundred children. Another example is the Great-West Life Centre for Mental Health in the Workplace, which is marking its 10th anniversary this year. Through the Centre we are making a difference in addressing workplace mental health issues for businesses across Canada.

We recently released our annual Public Accountability Statement which highlights these and many other examples of our efforts to help make a difference across Canada.

As 2017 marks Canada's 150th anniversary, we are supporting important community initiatives, such as **Experiences Canada's 150 and Me** program. We are also proudly supporting the Canada Summer Games which will be hosted in Winnipeg this summer.

As I already mentioned, 2017 is also a milestone for our oldest company, Canada Life, which marks its 170th anniversary. Founded 20 years before Confederation, Canada Life has endured as an institution in which millions have placed their trust.

Its success was nurtured by strong leadership over the decades. And its future will be guided by the leaders of tomorrow.

Yesterday, we announced with the University of Manitoba, the creation of a new Leadership Institute. The Institute's focus will be to develop leadership capabilities in the many graduates who will be the future leaders of our companies, our communities and our country.

I would like to play a short video clip from the announcement event where Paul Desmarais Jr. reflects on this initiative:

The announcement we made yesterday is an exciting development not only for Manitoba, but for all of Canada. We are proud to be part of it.

Across Great-West Lifeco, we are delivering on our commitments by focusing on our customers, investing for growth and supporting our communities. We are making the right decisions and investing to ensure we meet customer needs today and into the future. We are focused on staying competitive and delivering on our commitments for all stakeholders.

Thank you

In closing, I would like to thank our customers, policyholders and shareholders for placing their trust in our organization. I would also like to extend my sincere thanks to our employees and advisors for your contribution in 2016 and for your continued support as we work to create long-term value for all stakeholders in 2017 and beyond.