

# GREAT-WEST LIFECO INC.

THE  
**Great-West Life**  
ASSURANCE COMPANY



GREAT-WEST  
FINANCIAL



Q4 2012

QUARTERLY INFORMATION

For Analysts and Investors



### **Cautionary Note regarding Forward-looking Information**

This report contains some forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar expressions or negative versions thereof. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action by the Company, including statements made by the Company with respect to the expected benefits of acquisitions or divestitures, are also forward-looking statements. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally, including the insurance and mutual fund industries. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, taxes, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, changes in accounting policies and the effect of applying future accounting changes including the adoption of IFRS, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's ability to complete strategic transactions and integrate acquisitions. The reader is cautioned that the foregoing list of important factors is not exhaustive, and there may be other factors, including factors set out under "Risk Management and Control Practices" and "Summary of Critical Accounting Estimates", in the Company's 2011 Annual MD&A, and any listed in other filings with securities regulators, which are available for review at [www.sedar.com](http://www.sedar.com). The reader is also cautioned to consider these and other factors carefully and not to place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

### **Cautionary Note regarding Non-IFRS Financial Measures**

This report contains some non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, “operating earnings”, “constant currency basis”, “premiums and deposits”, “sales”, and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS.



---

## **Overview**

*D. Allen Loney*

*President & Chief Executive Officer*

*Great-West Lifeco, Great-West Life, London Life, Canada Life*

---

**Operating earnings of \$493 million, \$0.52 per common share**

- Operating earnings were \$1,955 million in 2012, up from \$1,898 million in 2011
- Earnings per common share of \$2.059 in 2012, a 3% increase from 2011
- Maintained industry leading ROE of 15.9% on operating earnings

**Another strong quarter of growth**

- Sales up solid 12% from fourth quarter 2011
  - Canadian Wealth Management sales were up 18% over last year and Individual Insurance sales were a record high \$138 million, an increase of 18% from Q4 2011
  - Great-West Financial Individual Markets up 23% from Q4 2011
    - Individual Retirement Accounts were up 91% compared to Q4 2011
  - U.K. Payout Annuity sales were up 187% in quarter, and up 55% year to date compared to 2011
  - Putnam sales were U.S.\$6.8 billion, up U.S.\$1.4 billion, reflecting strong institutional sales
- Premiums and Deposits (P&D) growth of 17%, demonstrating continued strong persistency
  - Canadian segment P&D up 17% from Q4 2011
    - Canadian Wealth Management P&D up 42% from the third quarter and 34% compared to Q4 2011
  - European segment P&D up 20% from Q4 2011

**Maintained strong financial and capital position**

- MCCR of 207% for Great-West Life; RBC Ratio estimated to be 440% at Great-West Life & Annuity
- Holding company cash at year end is approximately \$500 million, after \$350 million redemption of the GREATs and the repayment of an intercompany capital instrument in January
- Common shareholder dividend was unchanged at \$0.3075 per share

**AUA nearly \$546 billion, up \$44 billion in 2012**

- Year-to-date growth in Assets Under Administration of \$44 billion or 9% (11% on a constant currency basis)
- Invested assets exposure to Eurozone peripheral countries continues to decline through both sales and maturities

**Quarter Overview – \$36 million Negative Impact of Market Conditions**

(C\$MM)	Equity Markets	Interest Rates	Credit Markets	Currency
<b>Net Earnings Impact Q4/12</b>	 <b>\$3</b>	 <b>\$3</b>	 <b>(\$37)</b>	 <b>(\$5)</b>
	<ul style="list-style-type: none"> <li>▪ Not Material</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not Material</li> </ul>	<ul style="list-style-type: none"> <li>▪ Impairment charges of (\$5)</li> <li>▪ Charges for future credit losses in insurance contract liabilities (\$32)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not Material</li> </ul>

- Credit markets had a negative impact of \$37 million
- Equity markets, interest rates, and currency impacts were negligible for the quarter



## **Lifeco Summary of Results**

William W. Lovatt

Executive Vice President & Chief Financial Officer

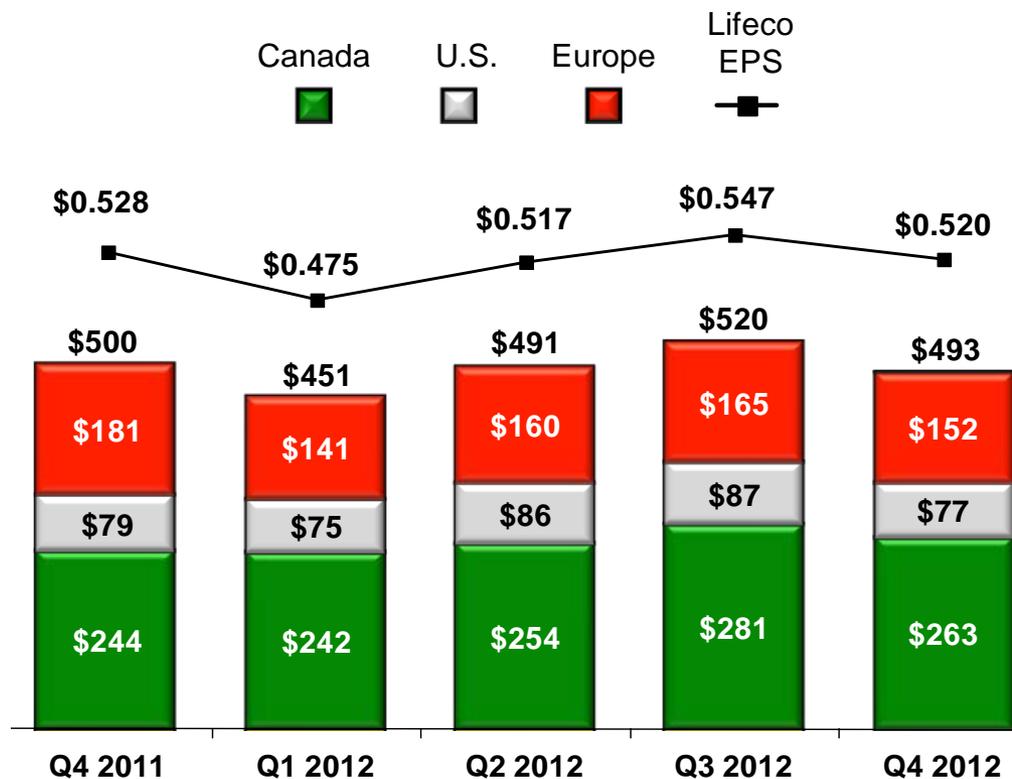
Great-West Lifeco

---

## Great-West Lifeco Operating Earnings

(C\$MM)

Except earnings per share



Note: Consolidated totals include corporate earnings

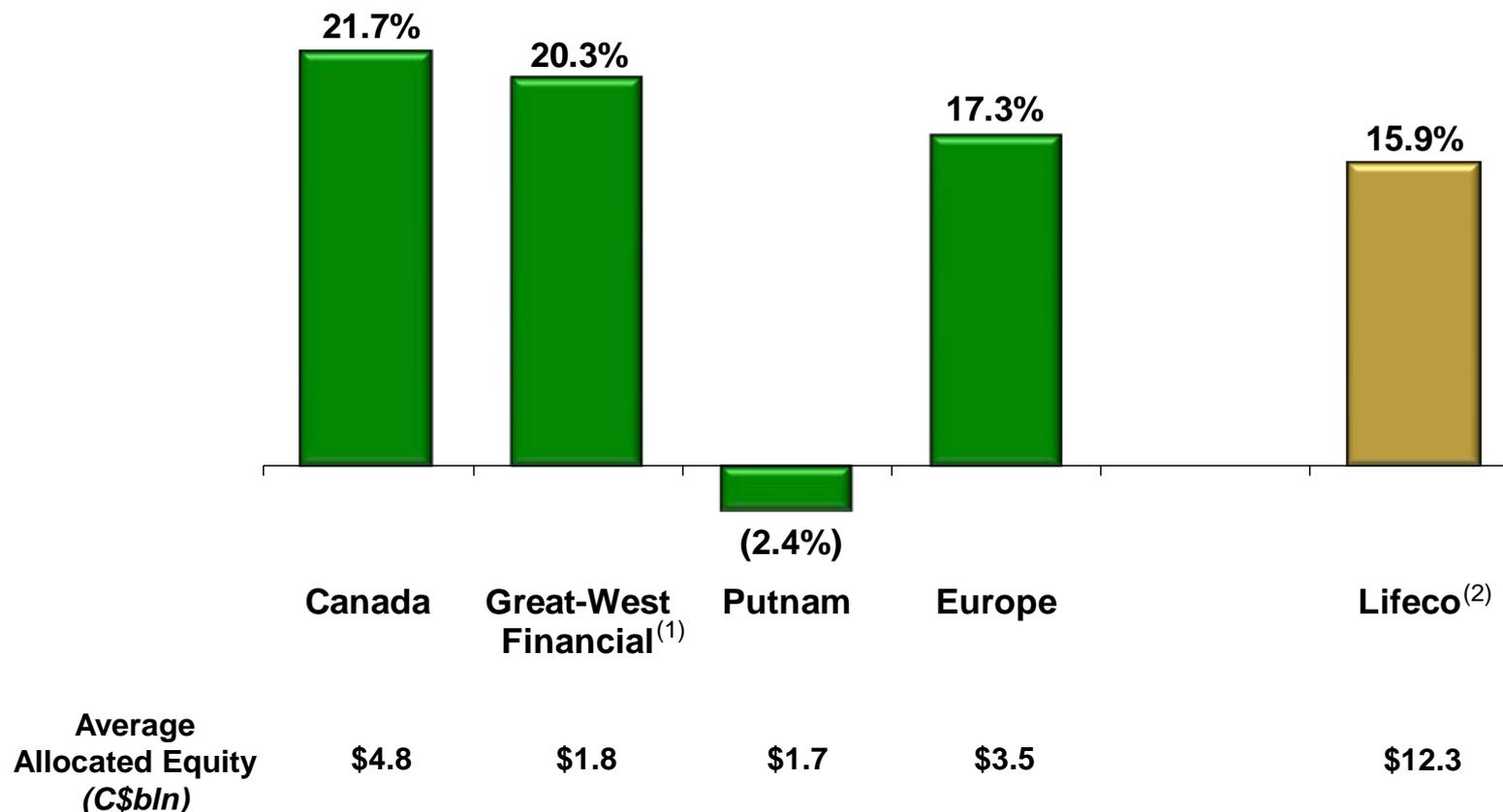
### Constant Currency <sup>(1)</sup>

Operating Earnings	\$500	\$456	\$493	\$526	\$498
Operating Earnings per Share	\$0.528	\$0.480	\$0.519	\$0.554	\$0.524

1) Translated to Canadian dollars at Q4/11 FX rates (\$US = 1.02, £ = 1.61, € = 1.38)

## Great-West Lifeco - Return on Equity - Operating Earnings

(Trailing 4 Quarters)



- Average allocated equity of \$12.3 billion, up from \$11.4 billion at Q4 2011

(1) Great-West Financial includes U.S. Corporate

(2) Lifeco Average Allocated Equity includes \$0.5 billion attributable Lifeco Corporate

**Great-West Lifeco**

**New Annualized Premiums (Sales)**

(C\$bln)

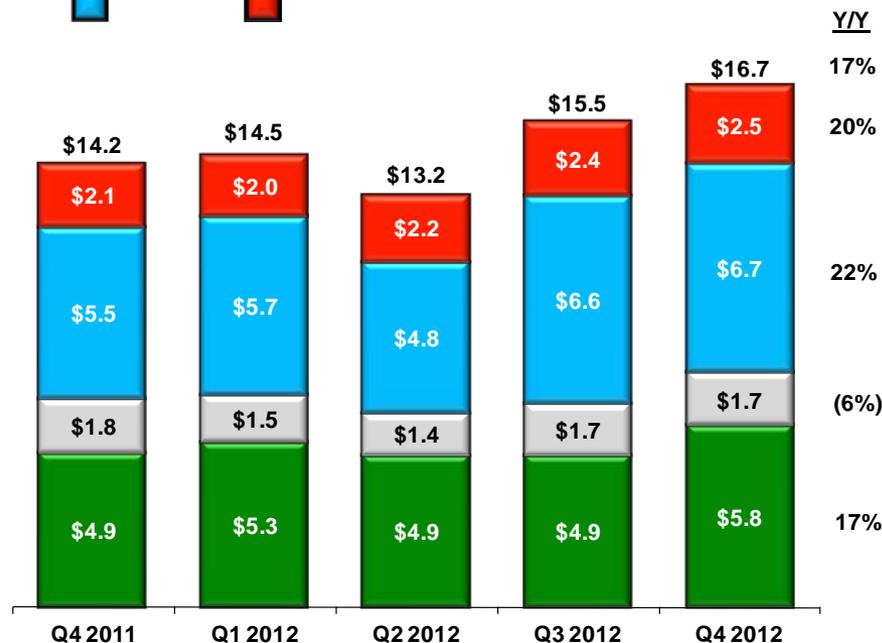
Canada Great-West Financial



**Premiums & Deposits**

(C\$bln)

Putnam Europe



**Constant Currency**

YY

\$12.1    \$11.6    \$9.7    \$12.2    \$13.8    14%

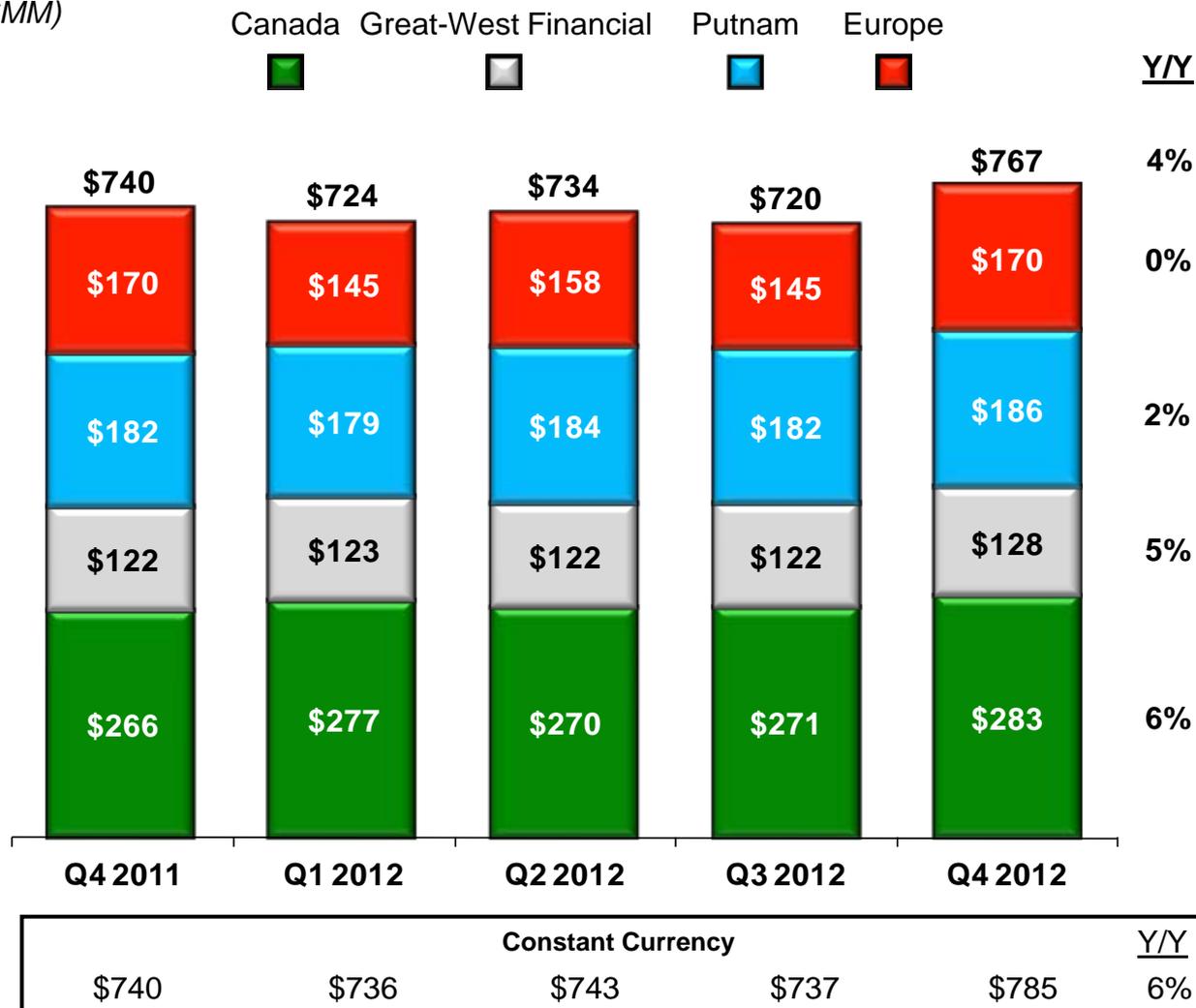
**Constant Currency**

YY

\$14.2    \$14.7    \$13.2    \$15.8    \$17.0    20%

## Great-West Lifeco – Fee Income

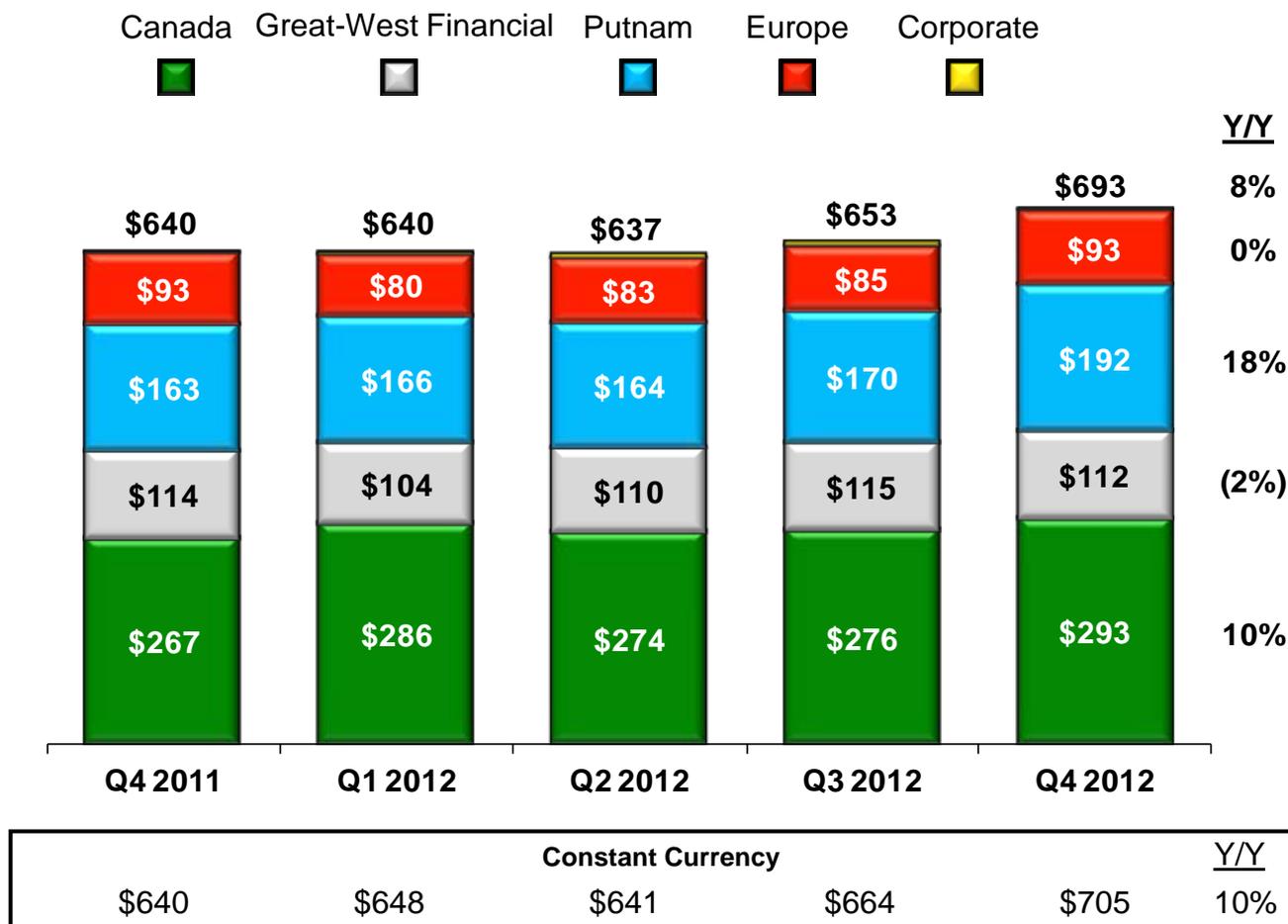
(C\$MM)



Note: Consolidated totals include corporate

## Great-West Lifeco – Operating Expenses

(C\$MM)

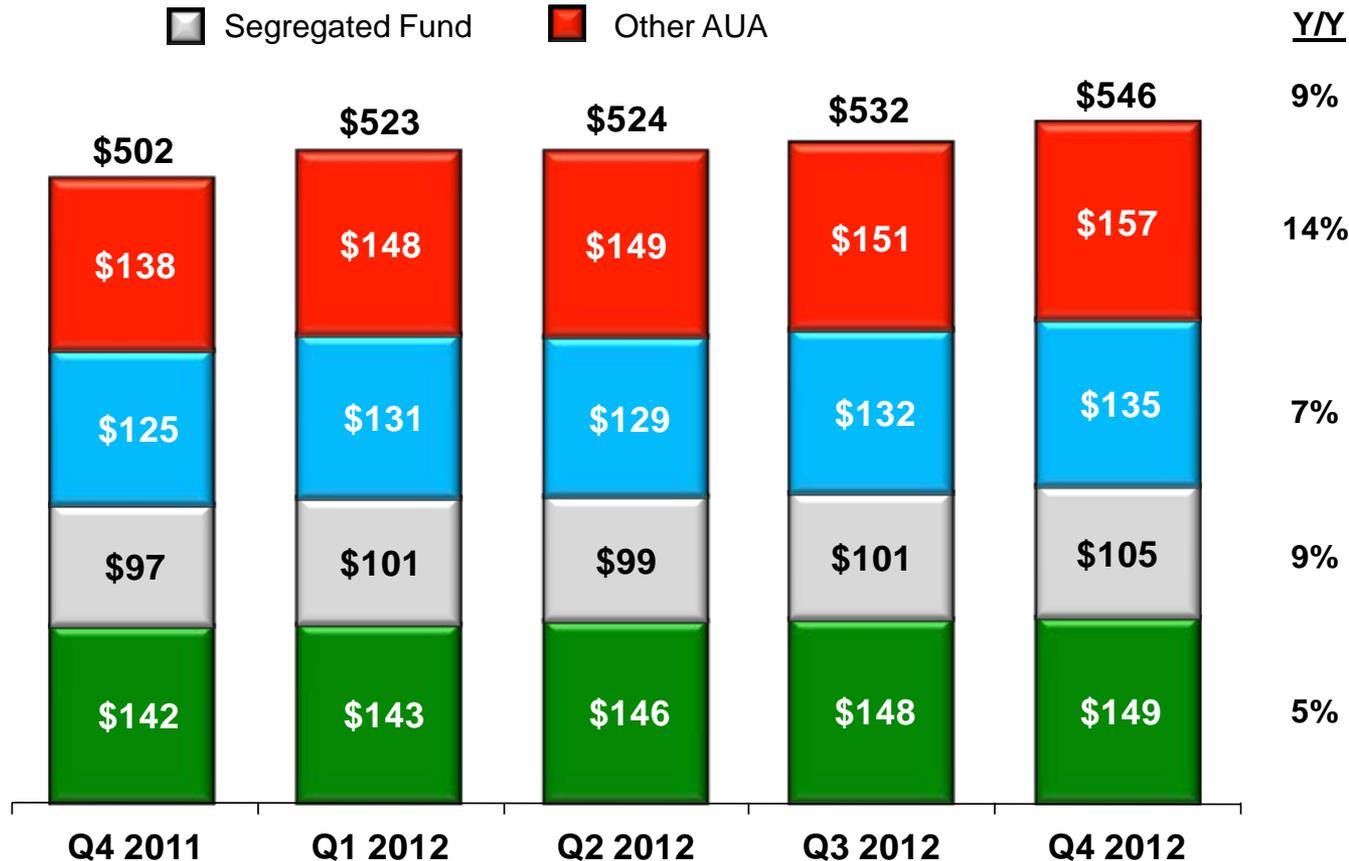


Operating expenses exclude the impact of certain litigation provisions in Q4 2011 and Q4 2012

## Great-West Lifeco – Total Assets under Administration

(C\$bln)

- General Fund
- Mutual Fund & Institutional
- Segregated Fund
- Other AUA



Constant Currency					Y/Y
\$502	\$529	\$523	\$546	\$555	11%



## **Invested Assets Update**

Mark Corbett

Executive Vice President & Chief Investment Officer

Great-West Lifeco

---

## In-Quarter Developments

### Credit Markets

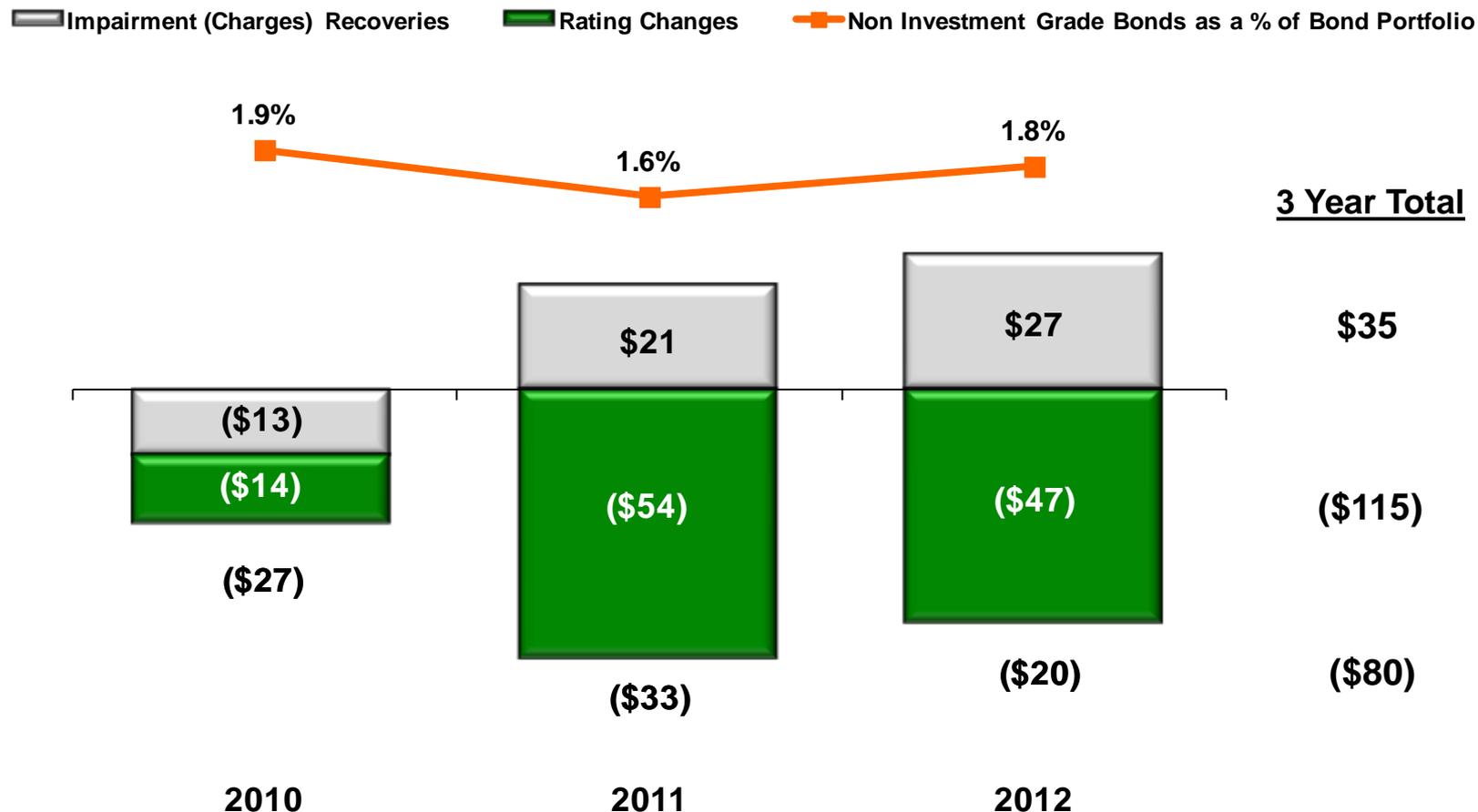
- New impairments and changes in market values on previously impaired securities negatively impacted shareholders' net earnings by \$5 million.
- Changes in credit ratings in the Company's bond portfolio resulted in a net increase in provisions for future credit losses in insurance contract liabilities, which negatively impacted shareholders' net earnings by \$32 million

### Total Credit Impact on Shareholder Net Earnings

(\$ millions)	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	YTD 2012
Credit (impairments) / recoveries	5	8	3	21	(5)	27
Credit (downgrades) / upgrades	(30)	5	(13)	(7)	(32)	(47)
<b>Total Impact</b>	<b>(25)</b>	<b>13</b>	<b>(10)</b>	<b>14</b>	<b>(37)</b>	<b>(20)</b>

## Impact of Impairments and Rating Downgrades on Shareholders' Net Earnings

- On a 3 year cumulative basis, impairments and rating downgrades have negatively impacted shareholders' net earnings by \$80 million, or approximately \$0.08 per share.



## Total Government & Government Related Bond Holdings

(C\$MM)

	Carrying Value	Amortized Cost	Unrealized Gain/(Loss)	Carrying Value as a % of Lifeco Invested Assets
Canada	14,885	13,408	1,477	
U.K.	10,630	9,572	1,058	
U.S.	7,155	6,723	432	
	<u>32,670</u>	<u>29,703</u>	<u>2,967</u>	25.2%
Ireland	68	66	2	
Spain	19	22	(3)	
Italy	17	20	(3)	
Portugal	9	10	(1)	
Greece	-	-	-	
	<u>113</u>	<u>118</u>	<u>(5)</u>	0.1%
Germany	832	802	30	
France	443	420	23	
Netherlands	524	489	35	
Austria	107	107	-	
Finland	45	45	-	
Belgium	9	8	1	
Luxembourg	7	7	-	
	<u>1,967</u>	<u>1,878</u>	<u>89</u>	1.5%
Supranational	960	866	94	
Norway	83	81	2	
Sweden	40	38	2	
Denmark	14	14	-	
All other (5 countries)	375	360	15	
	<u>1,472</u>	<u>1,359</u>	<u>113</u>	1.1%
<b>Total</b>	<b><u>36,222</u></b>	<b><u>33,058</u></b>	<b><u>3,164</u></b>	<b>27.9%</b>

- Bonds issued by the governments of Canada, U.K. and U.S represent 25.2% of total invested assets and were in an unrealized gain position of \$3 billion at December 31
- Total holdings of Bonds issued by governments of Eurozone countries represent only 1.6% of total invested assets.
  - Holdings of bonds issued by governments of European peripheral countries represent only 0.1% of total invested assets
  - Holdings of bonds issued by governments of other Eurozone countries represent 1.5% of total invested assets, and are in an unrealized gain position

## Total Banks & Other Financial Institutions Bond Holdings

(C\$MM)	Carrying Value			Amortized Cost	Carrying Value as a % of Lifeco Invested Assets
	Banks	Other Financials	Total		
U.S.	1,207	2,984	4,191	3,816	
U.K.	2,183	1,559	3,742	3,562	
Canada	1,396	281	1,677	1,573	
	<u>4,786</u>	<u>4,824</u>	<u>9,610</u>	<u>8,951</u>	7.4%
Spain	203	-	203 <sup>(1)</sup>	219	
Italy	77	62	139	153	
Ireland	68	-	68 <sup>(2)</sup>	96	
Greece	-	-	-	-	
Portugal	-	-	-	-	
	<u>348</u>	<u>62</u>	<u>410</u>	<u>468</u>	0.3%
Germany	67	56	123	116	
France	453	124	577	563	
Netherlands	356	72	428	410	
Belgium	13	-	13	16	
	<u>889</u>	<u>252</u>	<u>1,141</u>	<u>1,105</u>	0.9%
Australia	513	62	575	552	
Bermuda	-	10	10	9	
Denmark	44	-	44	45	
Norway	93	-	93	90	
Sweden	124	69	193	181	
Switzerland	109	70	179	161	
	<u>883</u>	<u>211</u>	<u>1,094</u>	<u>1,038</u>	0.8%
<b>Total</b>	<b><u>6,906</u></b>	<b><u>5,349</u></b>	<b><u>12,255</u></b>	<b><u>11,562</u></b>	<b>9.4%</b>

- Total holdings of Bonds issued by Eurozone-domiciled financial institutions represent only 1.2% of total invested assets
  - Holdings of Bonds issued by financial institutions in Italy, Ireland, & Spain represent only 0.3% of total invested assets
  - Holdings of Bonds issued by financial institutions in other Eurozone countries represent only 0.9% of total invested assets

1) The \$203 million of financial institution bonds in Spain include \$184 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions.

2) Includes \$64 million of an Irish regulated subsidiary of a German Bank

## Total Banks & Other Financial Institutions Bond Holdings By Rating

(C\$MM)	Rating (Carrying Value)						% of Lifeco Invested Assets
	AAA	AA	A	BBB	BB & Lower	Total	
U.S.	-	1,530	1,943	708	10	4,191	
U.K.	220	406	1,772	797	547	3,742	
Canada	59	287	1,015	316	-	1,677	
	279	2,223	4,730	1,821	557	9,610	7.4%
Spain	69	-	46	88	-	203 <sup>(1)</sup>	} 0.3%
Italy	-	-	60	79	-	139	
Ireland	-	-	-	64	4	68 <sup>(2)</sup>	
Greece	-	-	-	-	-	-	
Portugal	-	-	-	-	-	-	
	69	-	106	231	4	410	
Germany	1	62	59	1	-	123	} 0.9%
France	74	96	232	175	-	577	
Netherlands	-	198	178	-	52	428	
Belgium	-	-	-	-	13	13	
	75	356	469	176	65	1,141	
Australia	114	263	122	76	-	575	
Bermuda	-	-	10	-	-	10	
Denmark	-	-	-	44	-	44	
Norway	17	-	66	10	-	93	
Sweden	-	86	107	-	-	193	
Switzerland	-	-	104	75	-	179	
	131	349	409	205	-	1,094	0.8%
<b>Total</b>	<b>554</b>	<b>2,928</b>	<b>5,714</b>	<b>2,433</b>	<b>626</b>	<b>12,255</b>	<b>9.4%</b>
<b>% of Lifeco Invested Assets</b>	0.4%	2.2%	4.4%	1.9%	0.5%	<b>9.4%</b>	

- Over 50% of Eurozone financial institution holdings were Covered or Senior

### Europe Peripherals Holdings

Covered	169
Senior	29
Subordinated	73
Junior Subordinated	139
	<u>410</u>

### Other Eurozone Holdings

Covered	234
Senior	466
Subordinated	228
Junior Subordinated	213
	<u>1,141</u>

- The \$203 million of financial institution bonds in Spain include \$184 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions.
- Includes \$64 million of an Irish regulated subsidiary of a German Bank

## Bond Holdings of Government & Financial Institutions in Portugal, Ireland, Italy, Greece and Spain

(C\$mm)	Carrying Value					Total Carrying Value	Amortized Cost	Unrealized Gain/(Loss)
	Portugal	Ireland	Italy	Greece	Spain			
AAA	-	-	-	-	-	-	-	-
AA	-	-	-	-	-	-	-	-
A	-	-	17	-	-	17	20	(3)
BBB	-	68	-	-	19	87	88	(1)
BB& lower	9	-	-	-	-	9	10	(1)
<b>Q4 2012 Total Gov't and Gov't Related</b>	<b>9</b>	<b>68</b>	<b>17</b>	<b>-</b>	<b>19</b>	<b>113</b>	<b>118</b>	<b>(5)</b>
AAA	-	-	-	-	69	69	57	12
AA	-	-	-	-	-	-	-	-
A	-	-	60	-	46	106	106	(0)
BBB	-	64	79	-	88	231	294	(63)
BB& lower	-	4	-	-	-	4	11	(7)
<b>Q4 2012 Total Financial Institutions</b>	<b>-</b>	<b>68<sup>(2)</sup></b>	<b>139</b>	<b>-</b>	<b>203<sup>(1)</sup></b>	<b>410</b>	<b>468</b>	<b>(58)</b>
<b>Q4 2012 Total</b>	<b>9</b>	<b>136</b>	<b>156</b>	<b>-</b>	<b>222</b>	<b>523</b>	<b>586</b>	<b>(63)</b>
<i>Q3 2012 Total</i>	<i>8</i>	<i>158</i>	<i>155</i>	<i>-</i>	<i>209</i>	<i>530</i>	<i>617</i>	<i>(87)</i>

1) The \$203 million of financial institution bonds in Spain include \$184 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions.

2) Includes \$64 million of an Irish regulated subsidiary of a German Bank

- No direct exposure to Greece
- Provisions of \$33 million
  - \$7 million specific provision against impaired holdings of Irish Banks
  - \$26 million of asset default provision

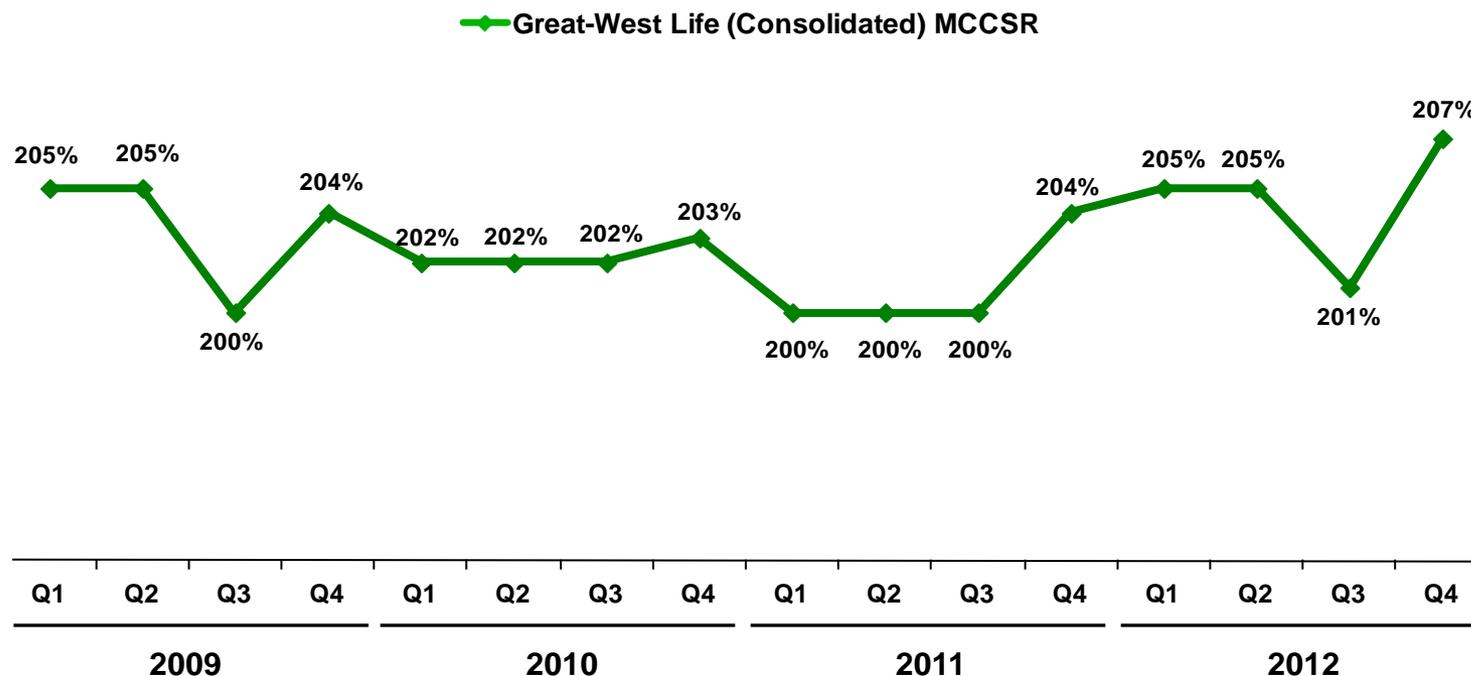


## **Capital & Other**

*Garry MacNicholas*  
*Senior Vice-President, Chief Actuary*  
*Great-West Life*

---

## Regulatory Capital Ratios Remain Strong



- Lifeco contributed \$150 million to Great-West Life in Q4 2012 which added 3% to the MCCR ratio
- Currency translation and favorable fair value impacts on required capital also contributed to the improvement in Q4/12 compared to Q3/12

Note: 2009 and 2010 are reported under CGAAP

## Great-West Lifeco – Source of Earnings

(C\$MM)	For the three months ended December 31, 2012					Q4 2011
	Canada	U.S.	Europe	Corp	Total	Total
Expected profit on in-force business	258	86	155	(4)	495	491
Impact of new business	(13)	-	(1)	-	(14)	-
Experience gains and losses	48	5	49	1	103	(23)
Management actions and changes in assumptions	53	3	(8)	-	48	94
Other	-	-	-	-	-	-
Earnings on surplus	2	29	14	(12)	33	68
<b>Operating Earnings before tax</b>	<b>348</b>	<b>123</b>	<b>209</b>	<b>(15)</b>	<b>665</b>	<b>630</b>
Taxes	(64)	(27)	(52)	22	(121)	(98)
<b>Operating Earnings before non-controlling interests &amp; preferred dividends</b>	<b>284</b>	<b>96</b>	<b>157</b>	<b>7</b>	<b>544</b>	<b>532</b>
Non-controlling Interests & Preferred Dividends	(21)	-	(5)	(6)	(32)	(24)
<b>Operating Earnings - Common Shareholders before adj. and Putnam</b>	<b>263</b>	<b>96</b>	<b>152</b>	<b>1</b>	<b>512</b>	<b>508</b>
Putnam after-tax	-	(19)	-	-	(19)	(8)
Adjustments after-tax	-	-	-	(140)	(140)	124
<b>Net Earnings - Common Shareholders</b>	<b>263</b>	<b>77</b>	<b>152</b>	<b>(139)</b>	<b>353</b>	<b>624</b>

- Adjustments after-tax includes the incremental litigation provision of \$140 million in Q4/12 in response to the recent Ontario Superior Court ruling

GREAT-WEST  
LIFECO INC.

## Canada

---



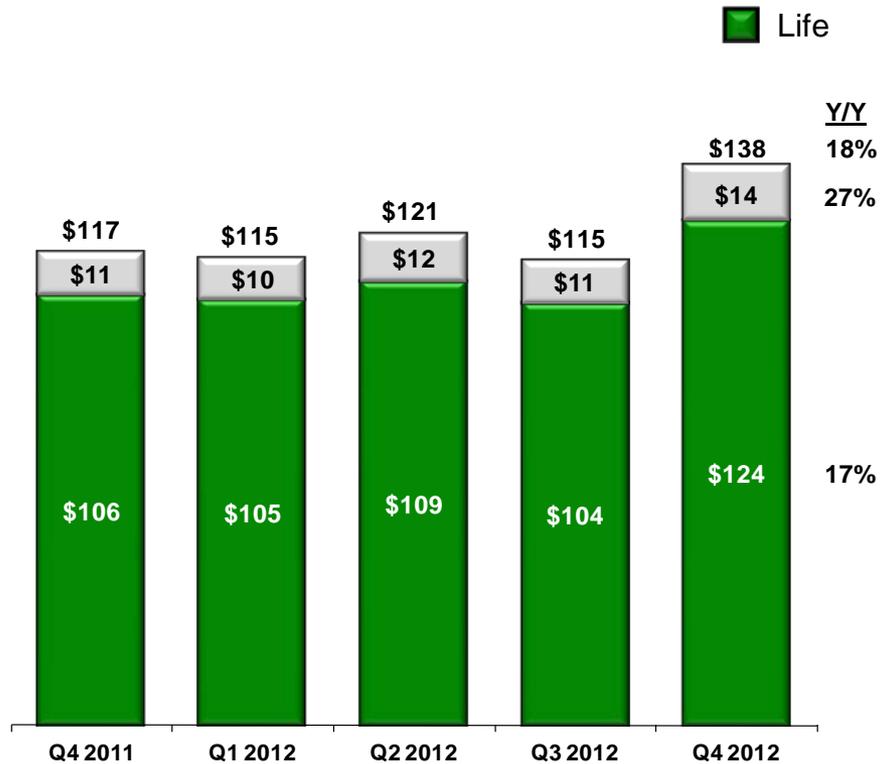
---

*Paul Mahon*  
*President & Chief Operating Officer*  
*Canada*

Canada – Individual Insurance

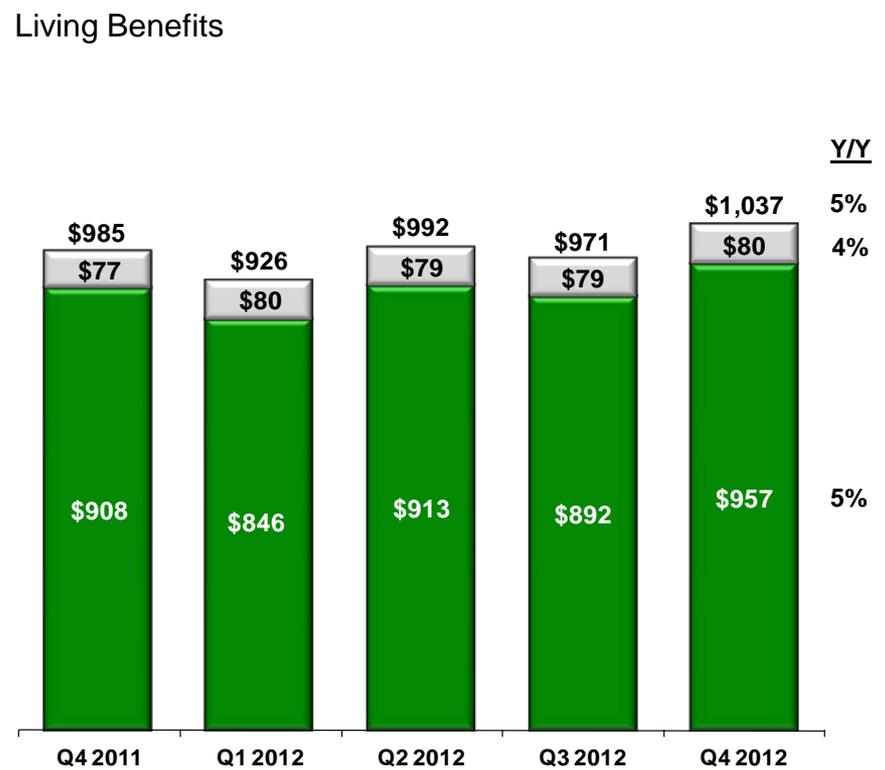
New Annualized Premiums (Sales)

(C\$MM)



Premiums & Deposits

(C\$MM)

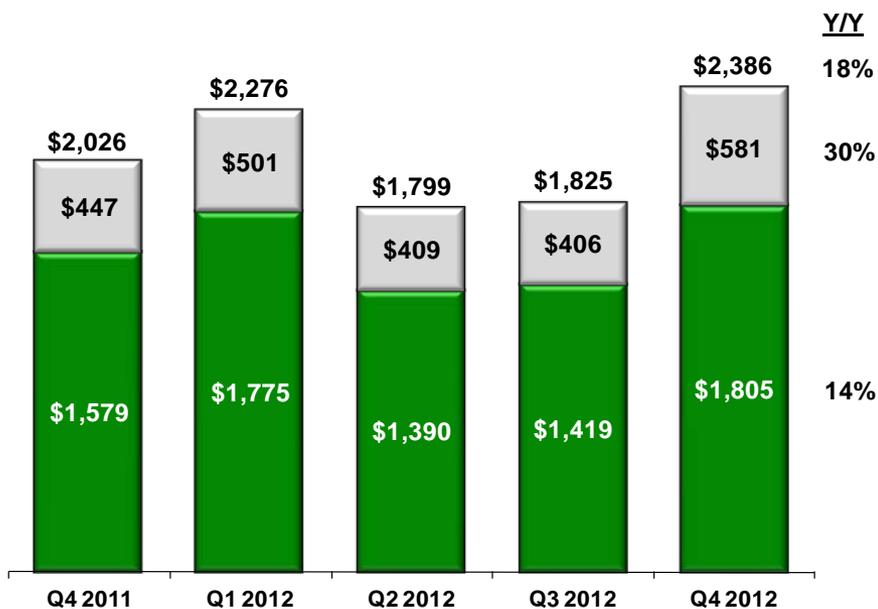


Canada – Wealth Management

New Annualized Premiums (Sales)

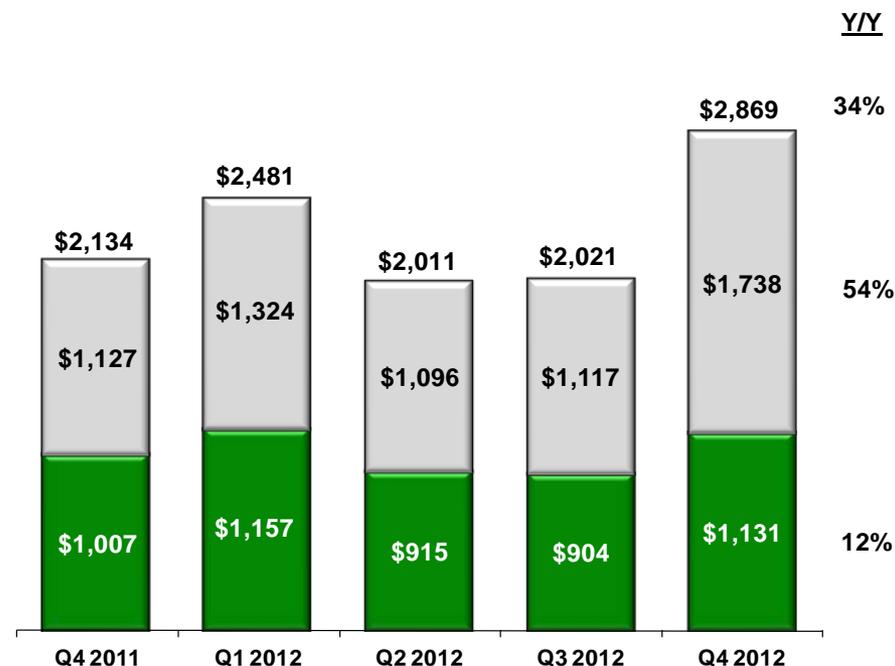
(C\$MM)

■ Individual Wealth Management ■ Group Retirement Services



Premiums & Deposits

(C\$MM)

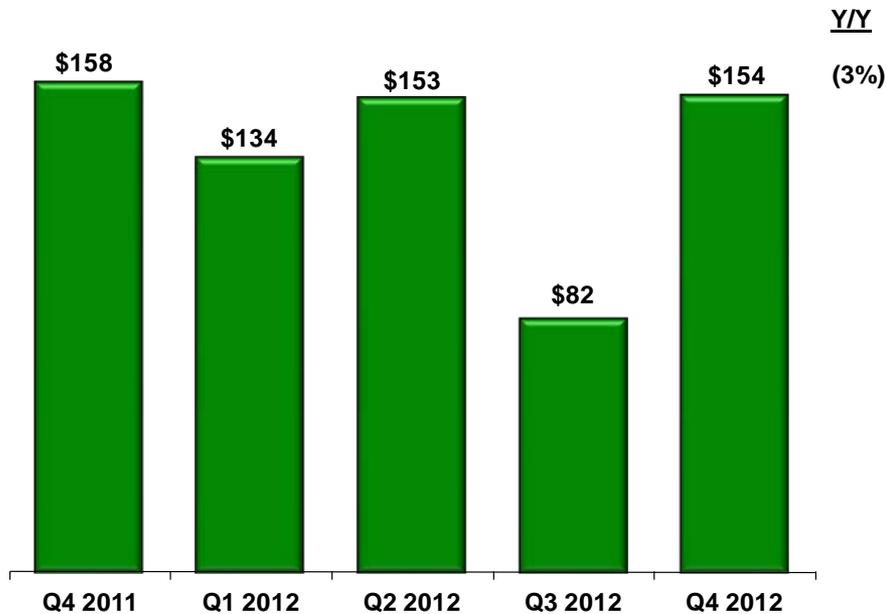


- Wealth Management had positive net cash flows of \$446 million for the quarter and \$1,158 million for the year

Canada – Group Insurance

New Annualized Premiums (Sales)

(C\$MM)



Premiums & Deposits

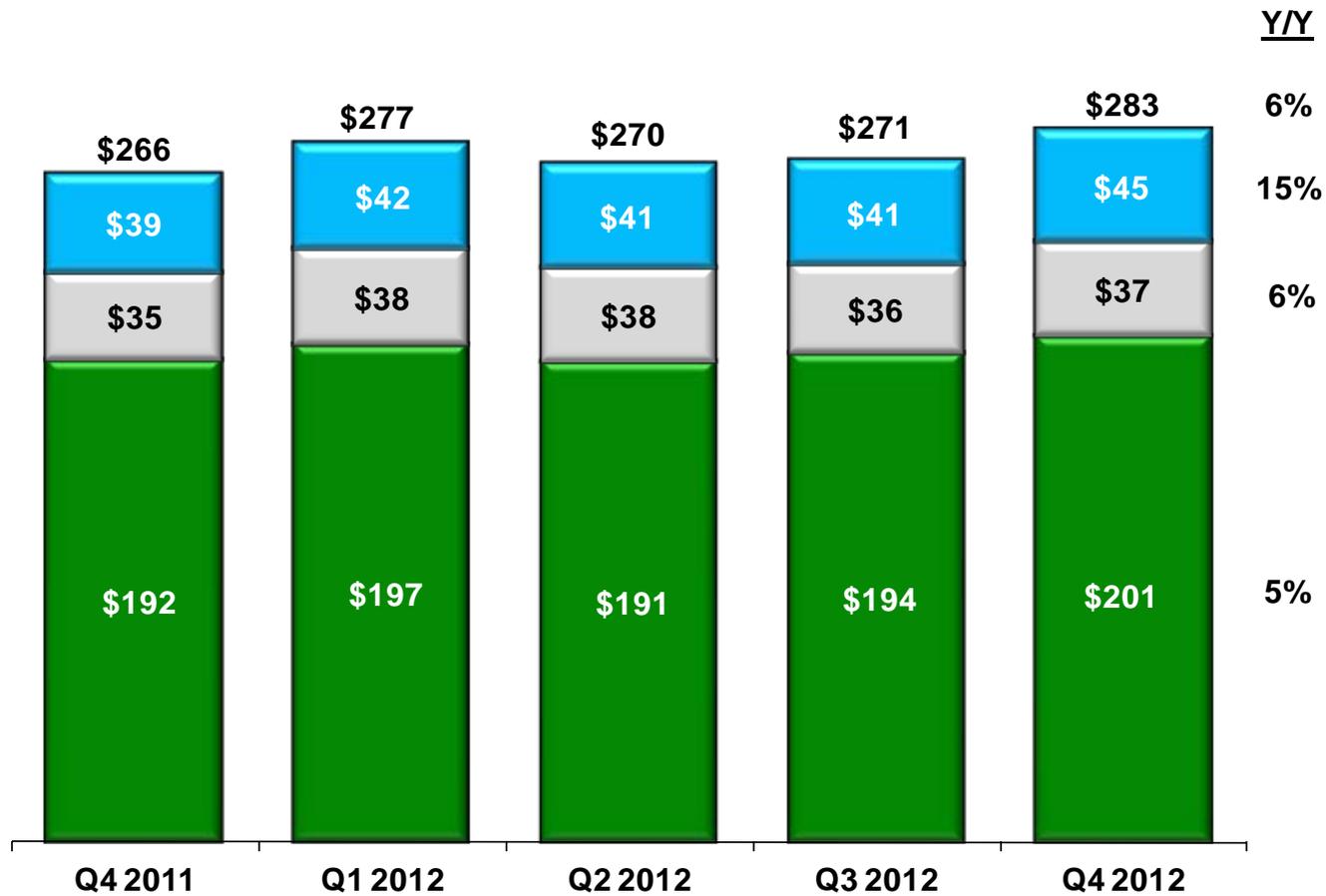
(C\$MM)



## Canada – Fee Income

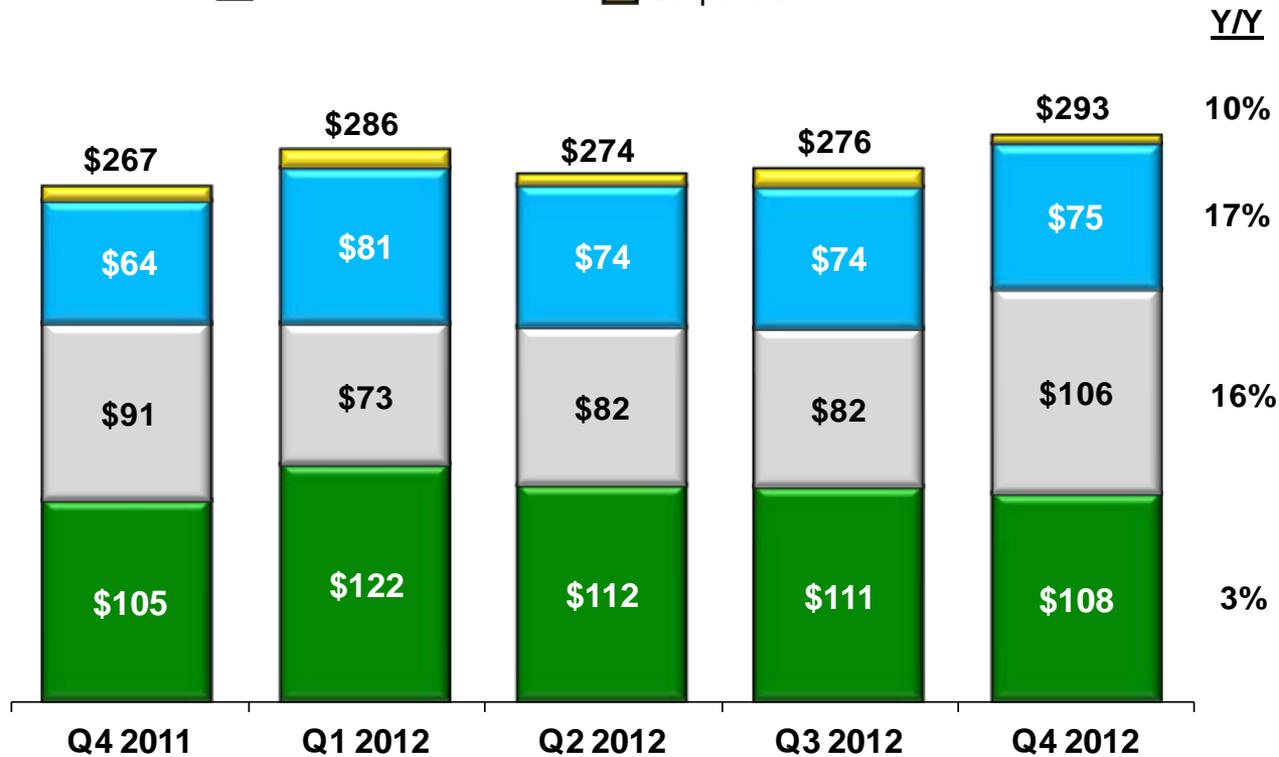
(C\$MM)

■ Segregated Funds 
 ■ ASO 
 ■ Other



## Canada – Operating Expenses

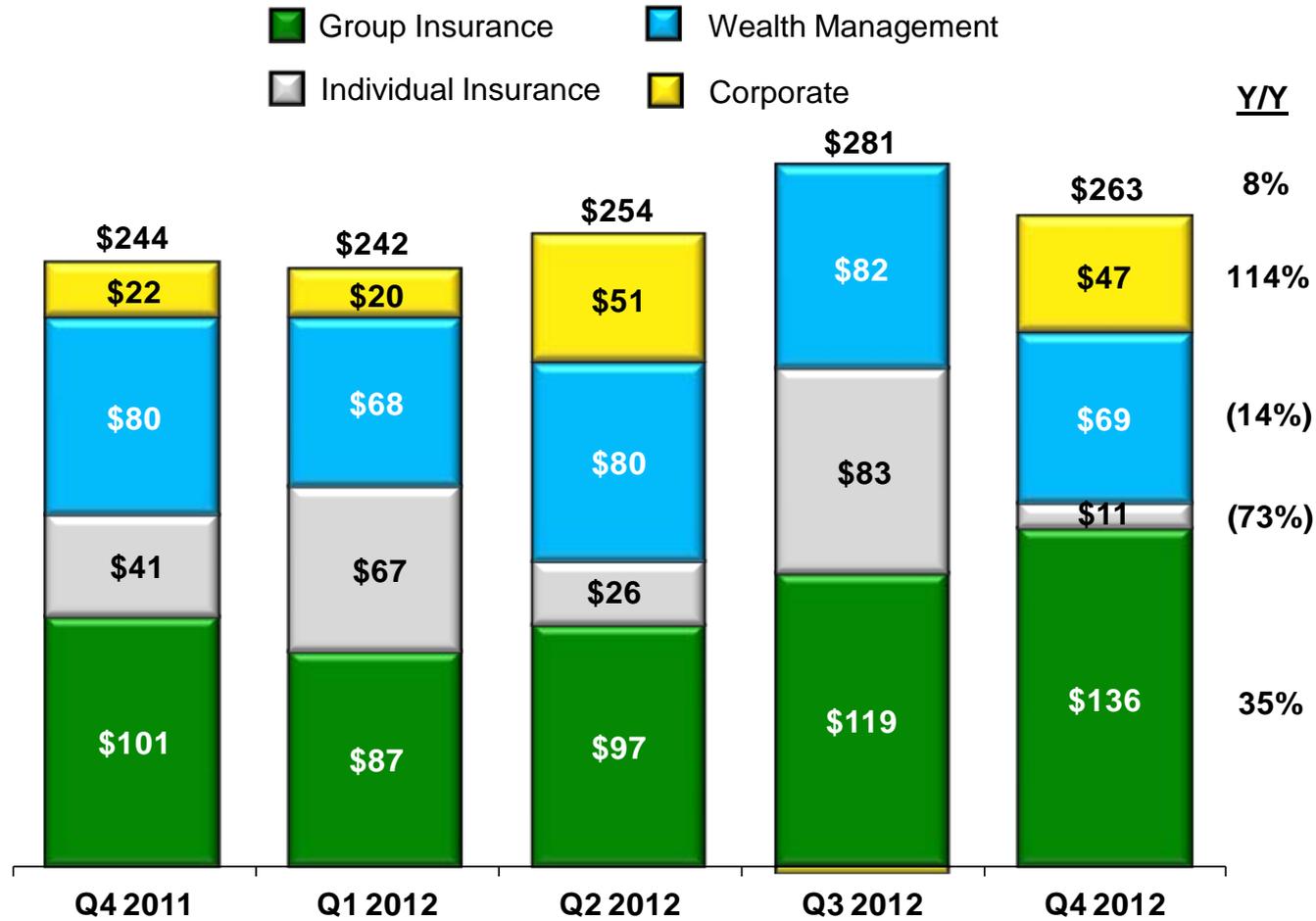
(C\$MM)



Operating expenses exclude the impact of certain litigation provisions in Q4 2011 and Q4 2012

## Canada – Operating Earnings

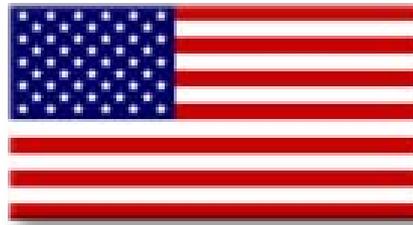
(C\$MM)



GREAT-WEST  
LIFECO INC.

## Great-West Financial

---



---

*Mitchell T.G. Graye*  
*President & Chief Executive Officer*  
*Great-West Financial*

## Great-West Financial – Sales and Premiums & Deposits

### Sales

(US\$MM)

401(k) P/NP Individual Markets



### Premiums & Deposits

(US\$MM)

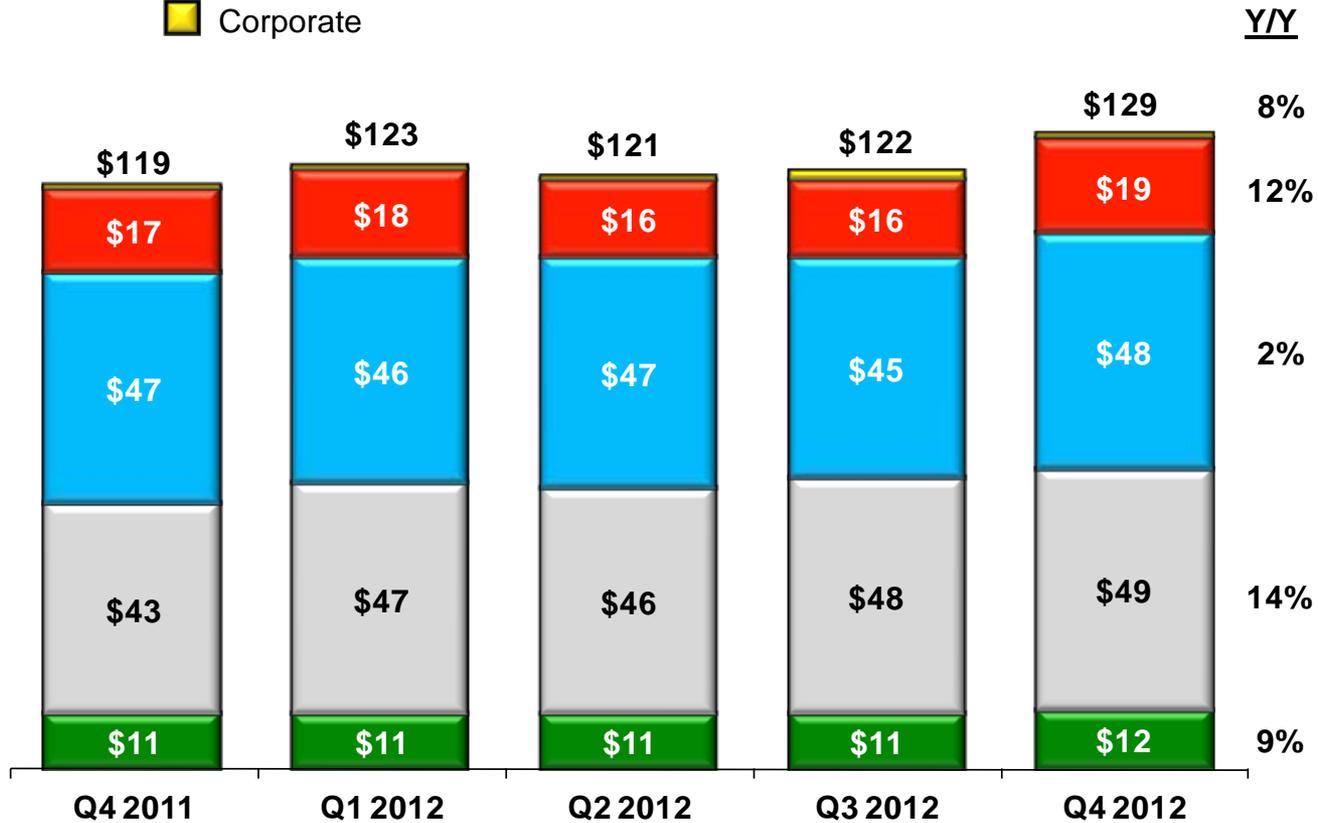
Retirement Services Individual Markets



## Great-West Financial - Fee Income

(US\$MM)

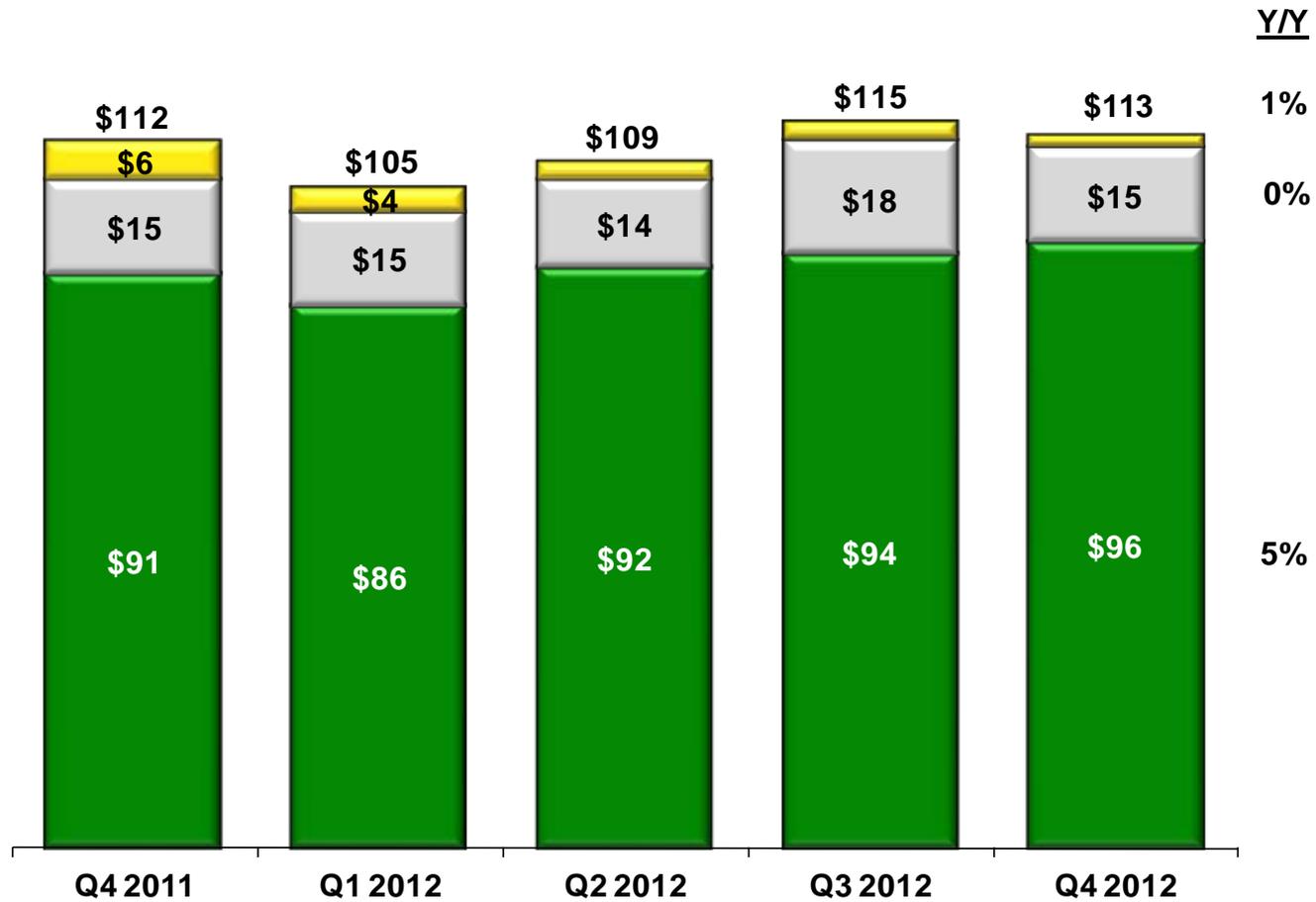
- Variable Asset Charges
- Variable Asset Fees
- Administrative Fees (all non-variable)
- Individual Market Fees
- Corporate



## Great-West Financial – Operating Expenses

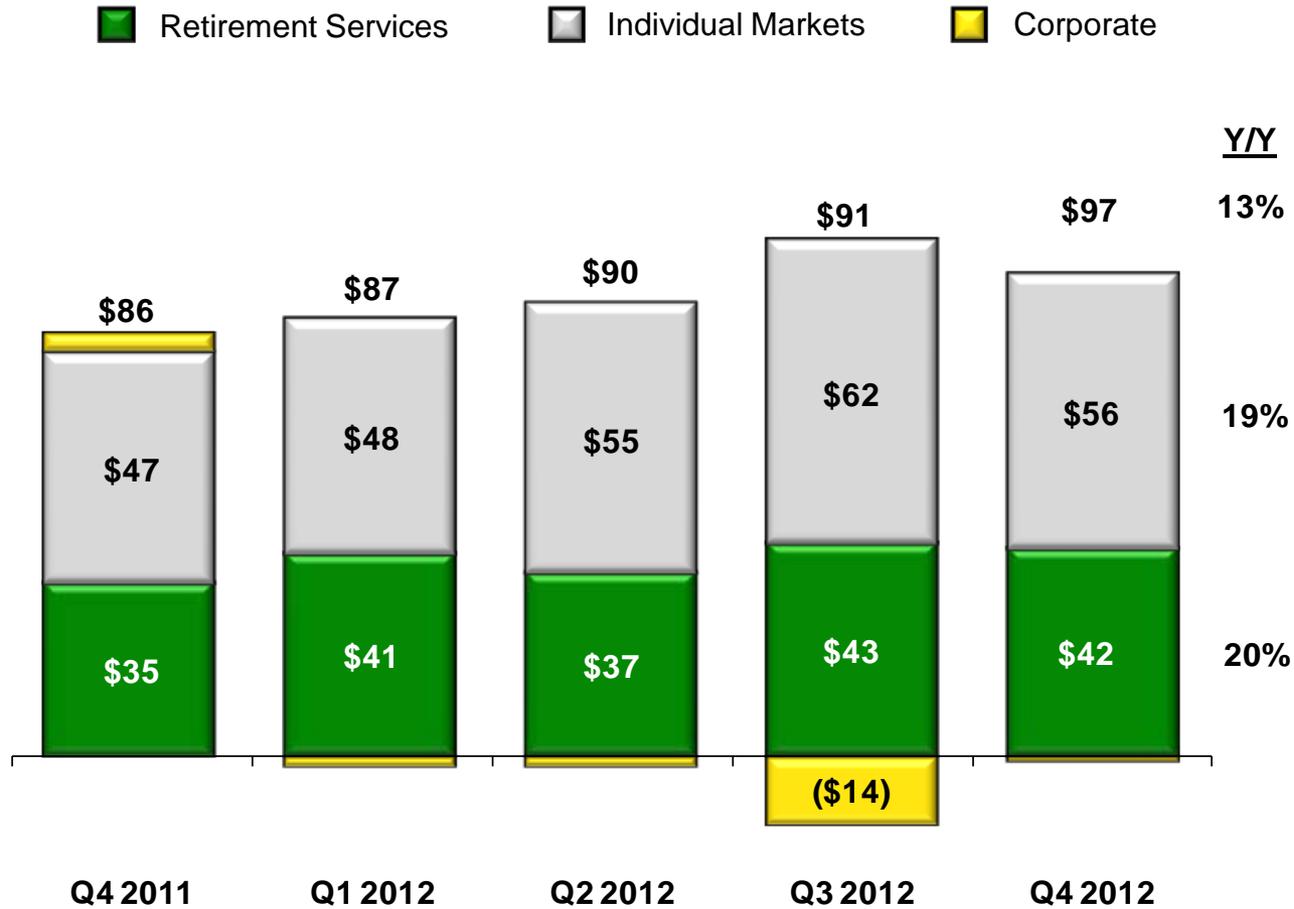
(US\$MM)

■ Retirement Services    
 ■ Individual Markets    
 ■ Corporate



## Great-West Financial - Operating Earnings

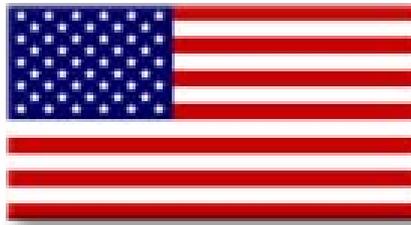
(US\$MM)



GREAT-WEST  
**LIFECO** INC.

## **Putnam Investments**

---



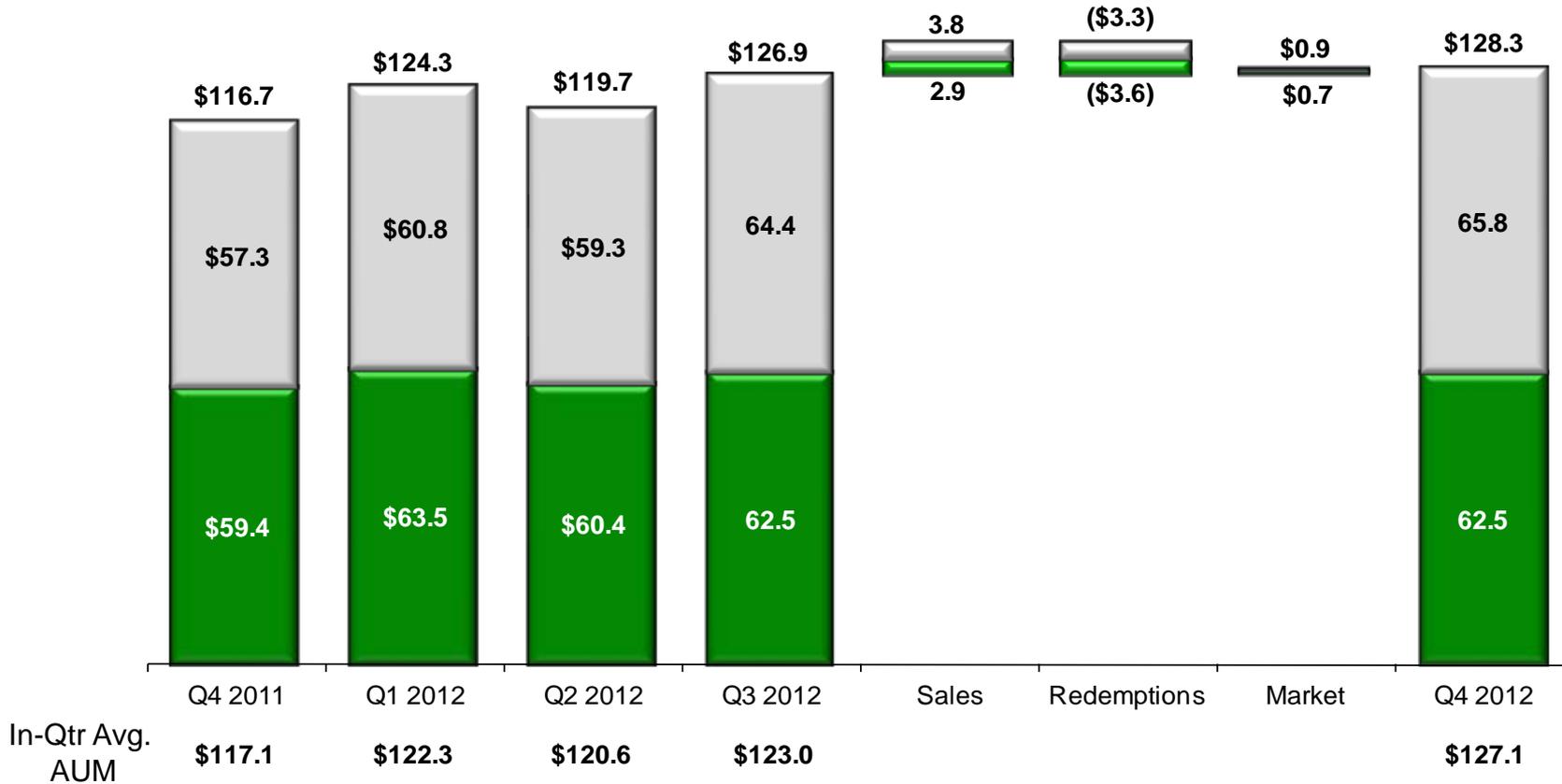
---

*Robert Reynolds*  
*President & Chief Executive Officer*  
*Putnam Investments*

## Putnam - AUM & Flows

(US\$bn)

■ Mutual Funds    ■ Institutional



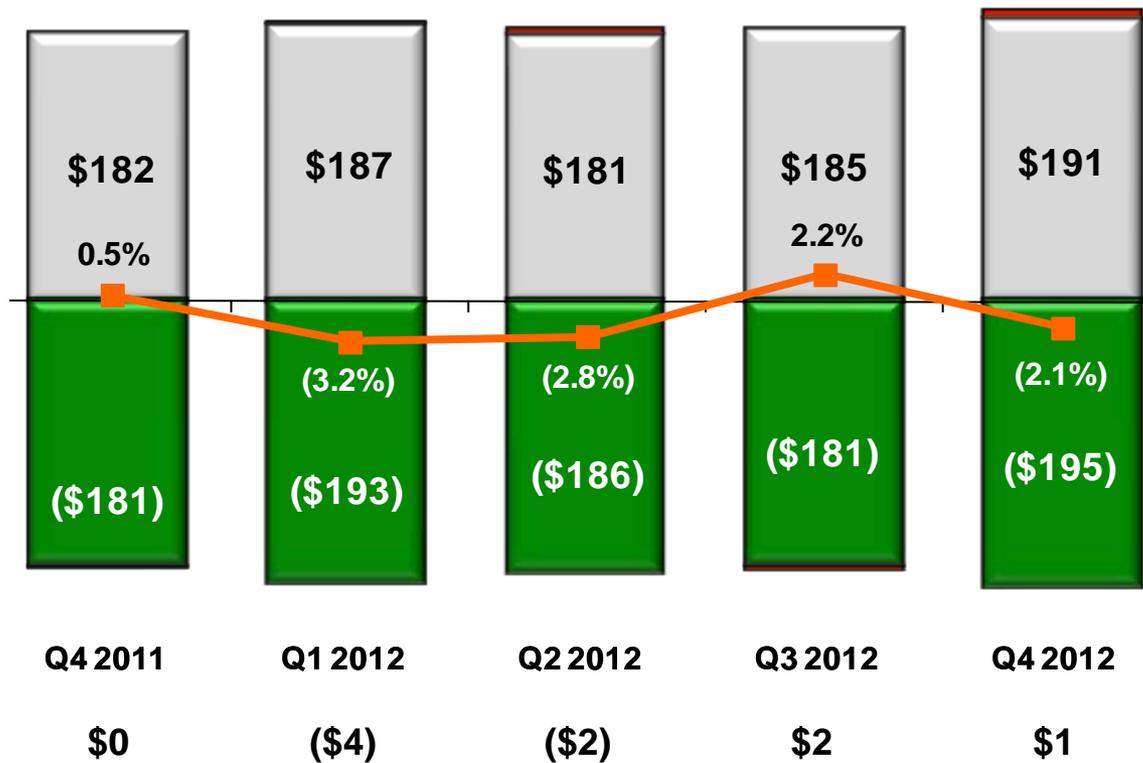
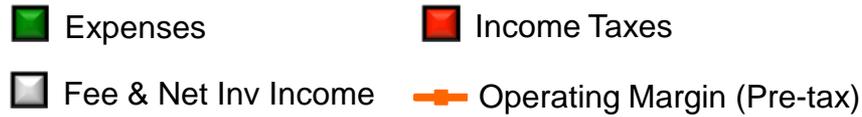
## Putnam - Fee Income

(US\$MM)



## Putnam - Core Earnings

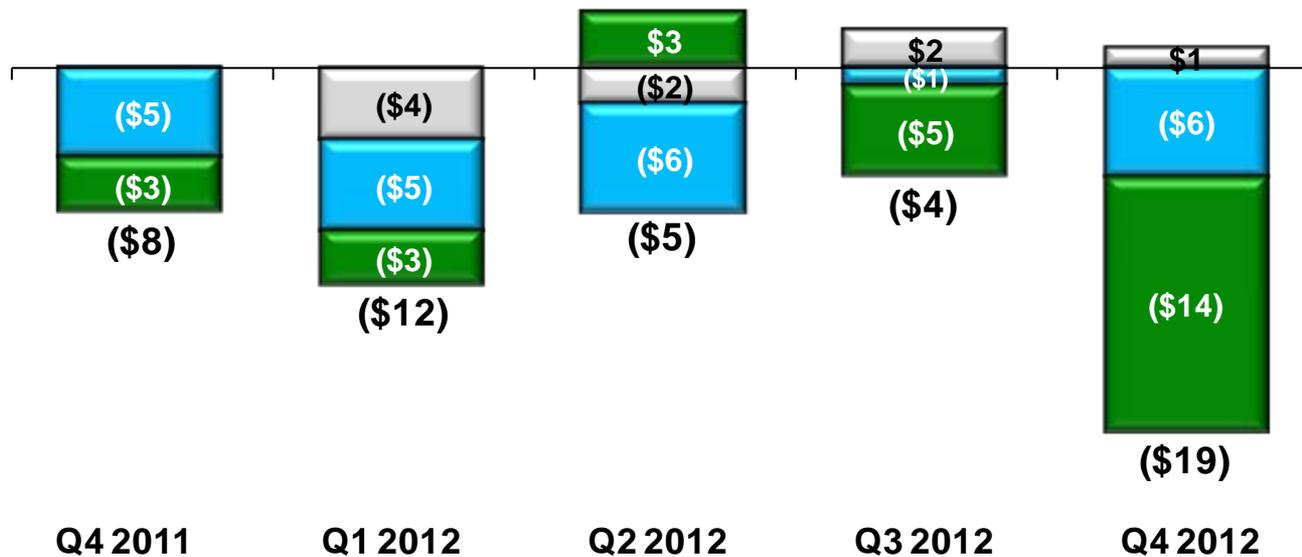
(US\$MM)



## Putnam - Contribution to Lifeco Earnings

(US\$MM)

Core Earnings (After-tax)
  Financing Expenses
  Other



GREAT-WEST  
LIFECO INC.

**Europe**

---



---

*Arshil Jamal*

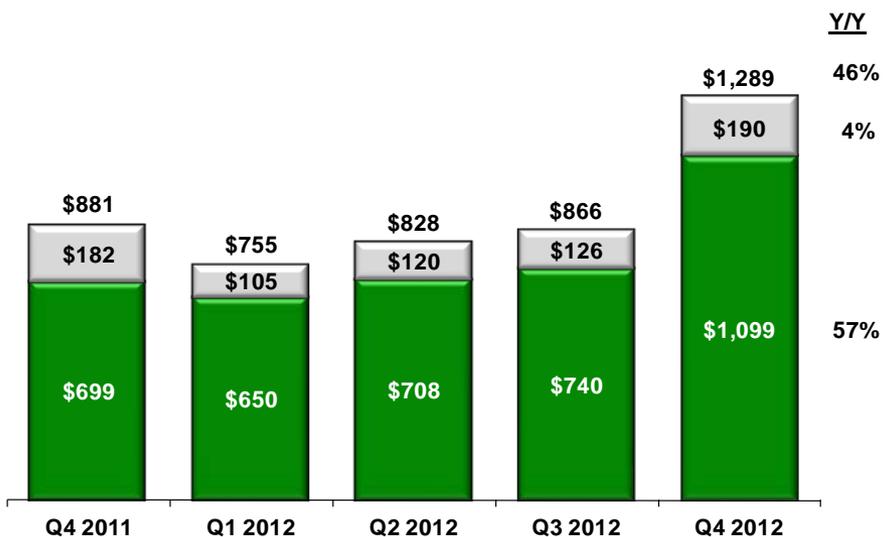
*President & Chief Operating Officer  
Canada Life Capital Corporation*

## Europe – Sales and Premiums & Deposits

### Sales

(C\$MM)

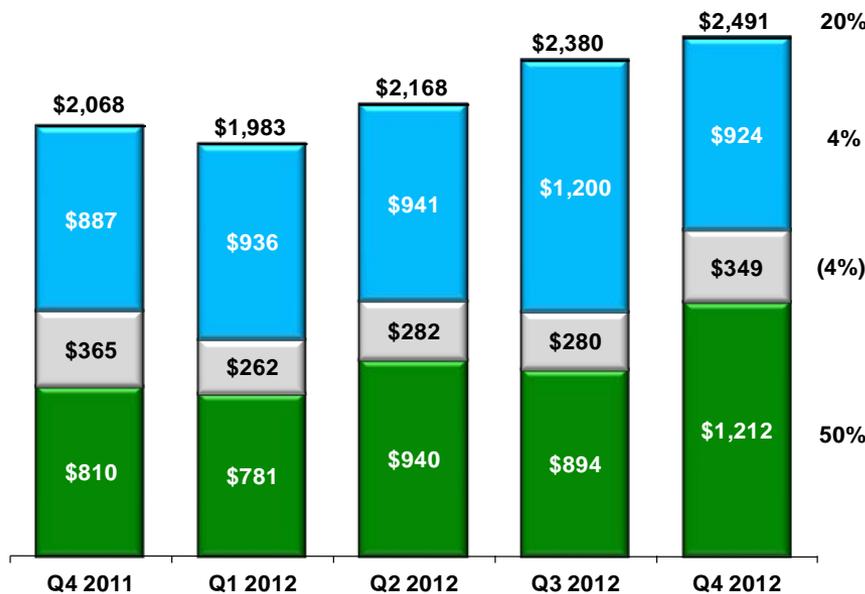
■ UK/Isle of Man   
 ■ Ireland/Germany   
 ■ Reinsurance



### Premiums & Deposits

(C\$MM)

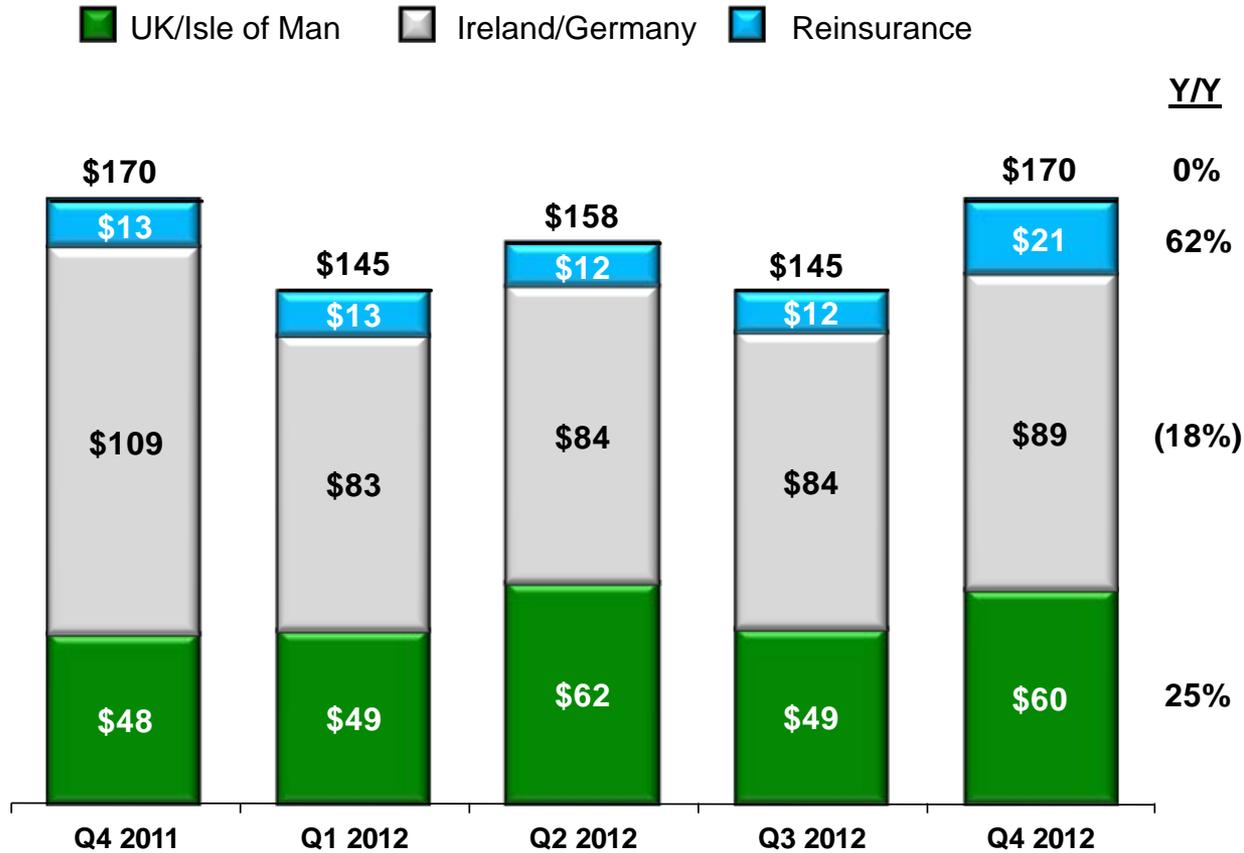
Y/Y



Note: Consolidated totals includes corporate

## Europe – Fee Income

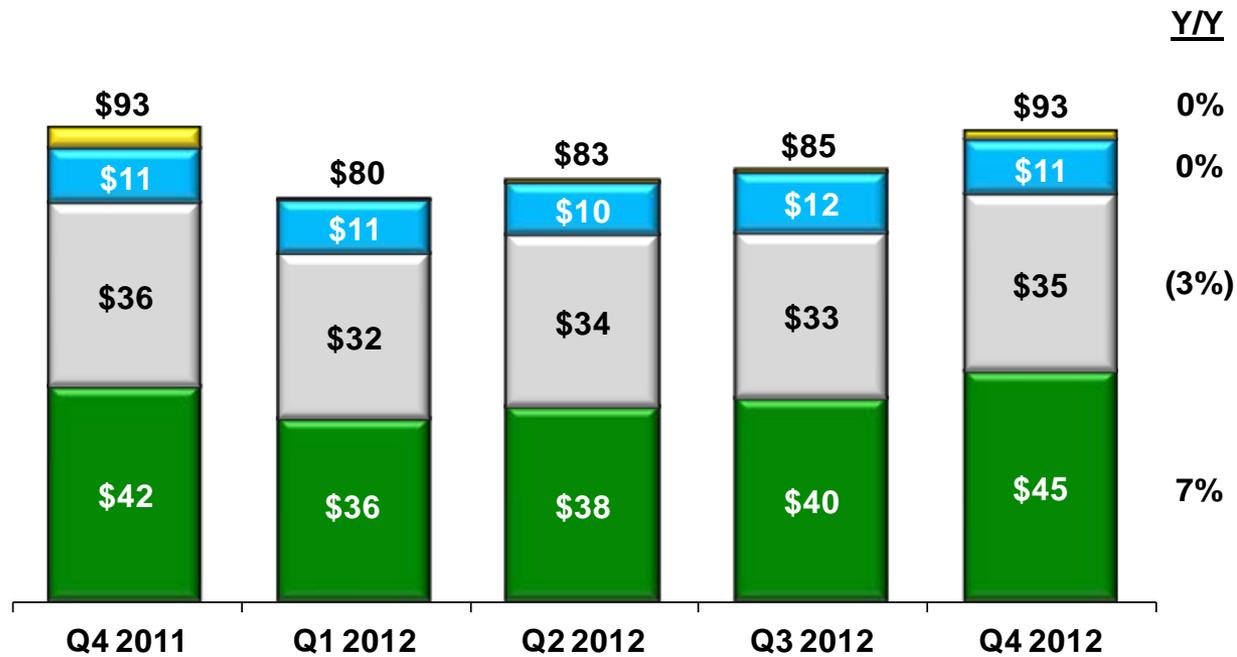
(C\$MM)



Note: Consolidated totals includes corporate

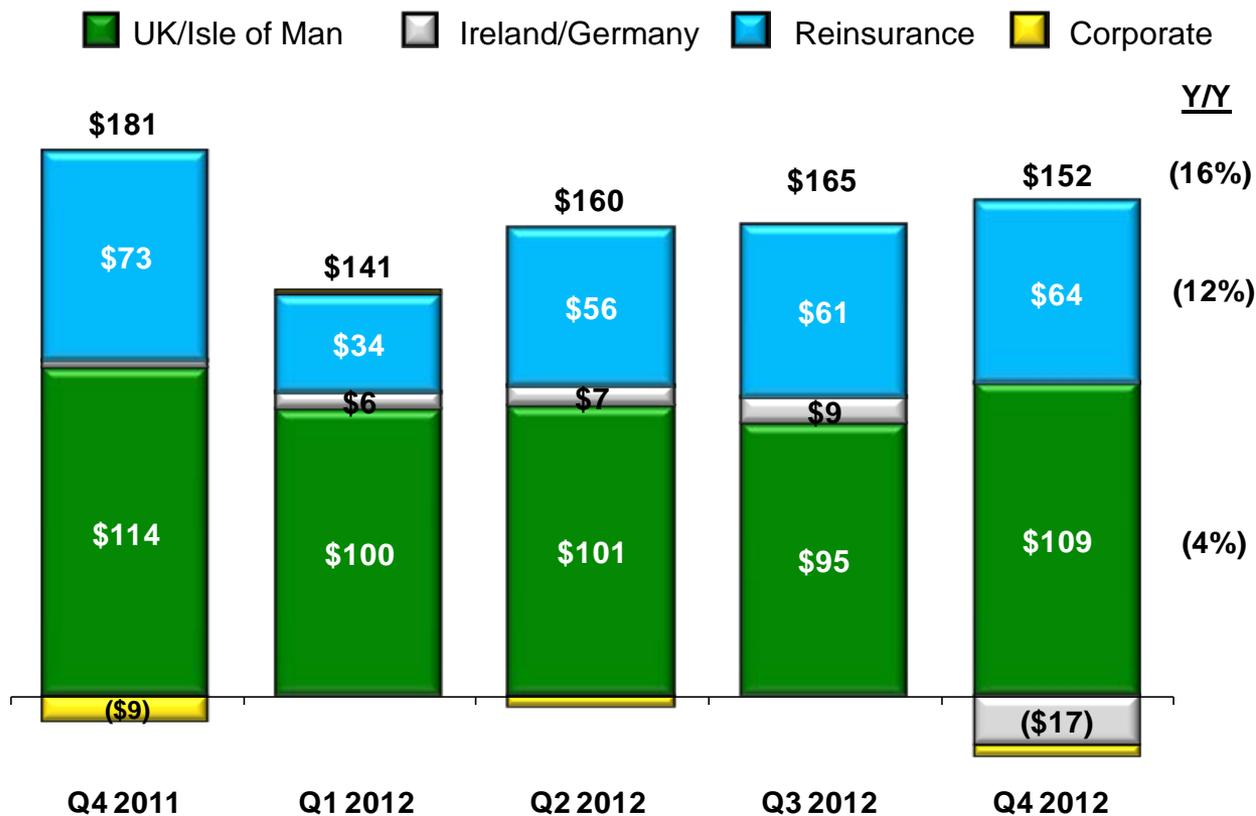
## Europe – Operating Expenses

(C\$MM)



## Europe - Consolidated Operating Earnings

(C\$MM)



Constant Currency					Y/Y
\$181	\$145	\$161	\$170	\$154	(15%)

## Macro Economic Environment

	Equity Markets					
	S&P TSX		S&P 500		FTSE	
	Close	Average	Close	Average	Close	Average
Q4 2012	12,434	12,268	1,426	1,418	5,898	5,847
Q3 2012	12,317	11,924	1,441	1,401	5,742	5,745
Q2 2012	11,597	11,749	1,362	1,350	5,571	5,549
Q1 2012	12,392	12,441	1,408	1,347	5,768	5,818
Q4 2011	11,955	11,938	1,258	1,225	5,572	5,432

## Macro Economic Environment

	Interest Rates					
	Canada		United States		United Kingdom	
	10 Year Gov't	A Rated Corporate Spread <sup>(1)</sup>	10 Year Gov't	A Rated Corporate Spread <sup>(1)</sup>	10 Year Gov't	A Rated Corporate Spread <sup>(1)</sup>
Q4 2012	1.80%	1.52%	1.76%	1.25%	1.83%	1.40%
Q3 2012	1.73%	1.56%	1.63%	1.24%	1.73%	1.91%
Q2 2012	1.74%	1.69%	1.65%	1.57%	1.73%	2.11%
Q1 2012	2.11%	1.60%	2.21%	1.69%	2.20%	2.02%
Q4 2011	1.94%	1.84%	1.88%	2.21%	1.98%	2.22%

(1) Credit spread over 10 year government benchmark yield for 10 year bonds of A rated corporate issuers

**Macro Economic Environment**

	<b>Currency</b>					
	<b>Income &amp; Expenses</b>			<b>Balance Sheet</b>		
	<b>US\$</b>	<b>£</b>	<b>€</b>	<b>US\$</b>	<b>£</b>	<b>€</b>
<b>Q4 2012</b>	0.99	1.59	1.29	0.99	1.62	1.31
<b>Q3 2012</b>	1.00	1.57	1.24	0.98	1.59	1.26
<b>Q2 2012</b>	1.01	1.60	1.30	1.02	1.60	1.29
<b>Q1 2012</b>	1.00	1.57	1.31	1.00	1.60	1.33
<b>Q4 2011</b>	1.02	1.61	1.38	1.02	1.58	1.32

GREAT-WEST  
LIFECO<sub>INC.</sub>

---

## Questions

---