

# GREAT-WEST LIFECO INC.

THE  
**Great-West Life**  
ASSURANCE  COMPANY



  
**Great-West**  
LIFE & ANNUITY INSURANCE COMPANY



Q2 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.



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## **Overview**

*D. Allen Loney*

*President & Chief Executive Officer*

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

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## Quarter Overview

### Net earnings of \$491 million in quarter

- Experience gains grew by \$109 million after-tax compared to Q2 2011, driven primarily by yield enhancement
- Management actions and changes in assumptions were \$129 million lower after-tax vs. Q2 2011
  - Interest rate related changes comprised \$92 million or 71% of the total
- Net earnings in Q2 2012 include a favourable settlement of income tax matters of \$47 million. The Q2 2011 results included a release of a legal provision of \$55 million from a settlement of a lawsuit in Putnam





### Maintained strong financial and capital position

- Maintained strong ROE of 15.8%
- MCCSR remained at 205% for Great-West Life
- Raised \$200 million of 5.15% fixed rate perpetual preferred shares which closed on July 6
- Pro forma the July 6 capital raise, holding company liquidity is \$825 million
- Common shareholder dividend was unchanged at \$0.3075 per share

### \$524 billion of assets under administration

- Year-to-date growth of \$22 billion or 4%
- Invested asset exposure to Eurozone peripheral countries continues to decline through both sales and maturities

**Quarter Overview – \$97 million Impact of Market Conditions**

(C\$MM)	Equity Markets	Interest Rates	Credit Markets	Currency
<b>Net Earnings Impact Q2/12</b>	 <b>(\$14)</b>	 <b>(\$77)</b>	 <b>(\$10)</b>	 <b>\$4</b>
	<ul style="list-style-type: none"><li>• Impact on fee income from lower average assets</li></ul>	<ul style="list-style-type: none"><li>• Strengthened reinvestment risk reserves</li></ul>	<ul style="list-style-type: none"><li>• Increase of asset default provisions</li></ul>	



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## **Lifeco Summary of Results**

William W. Lovatt

Executive Vice President & Chief Financial Officer

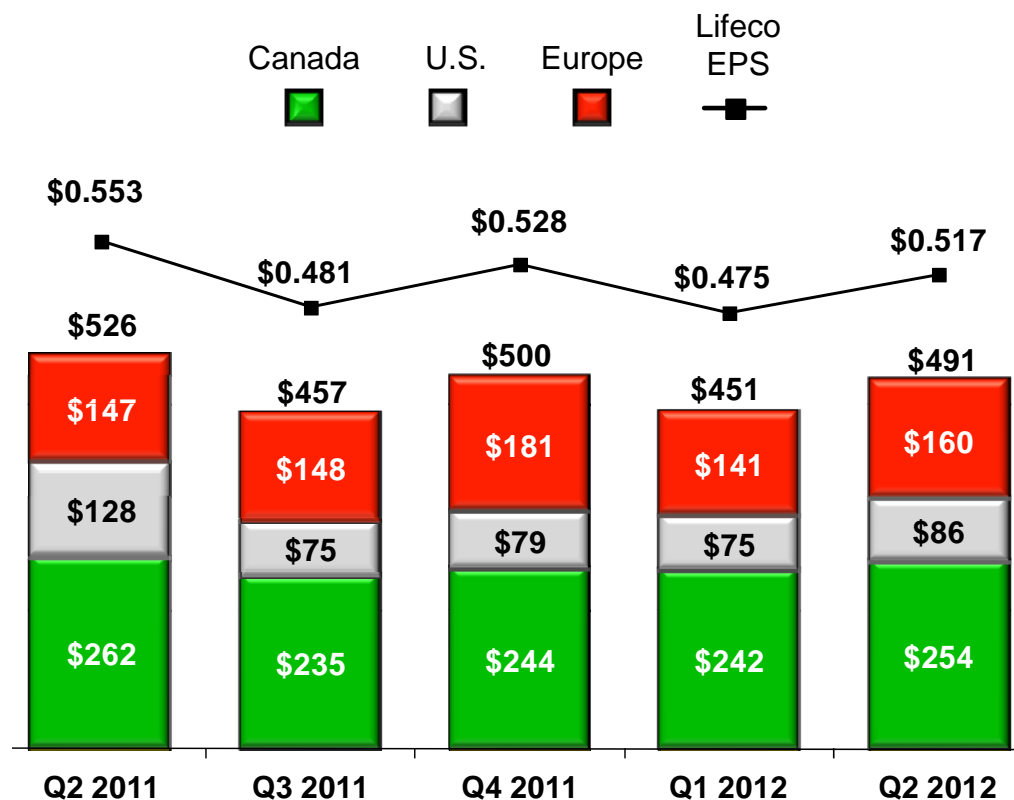
Great-West Lifeco

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## Great-West Lifeco Operating Earnings

(C\$MM)

Except earnings per share



Note: Consolidated totals include corporate earnings

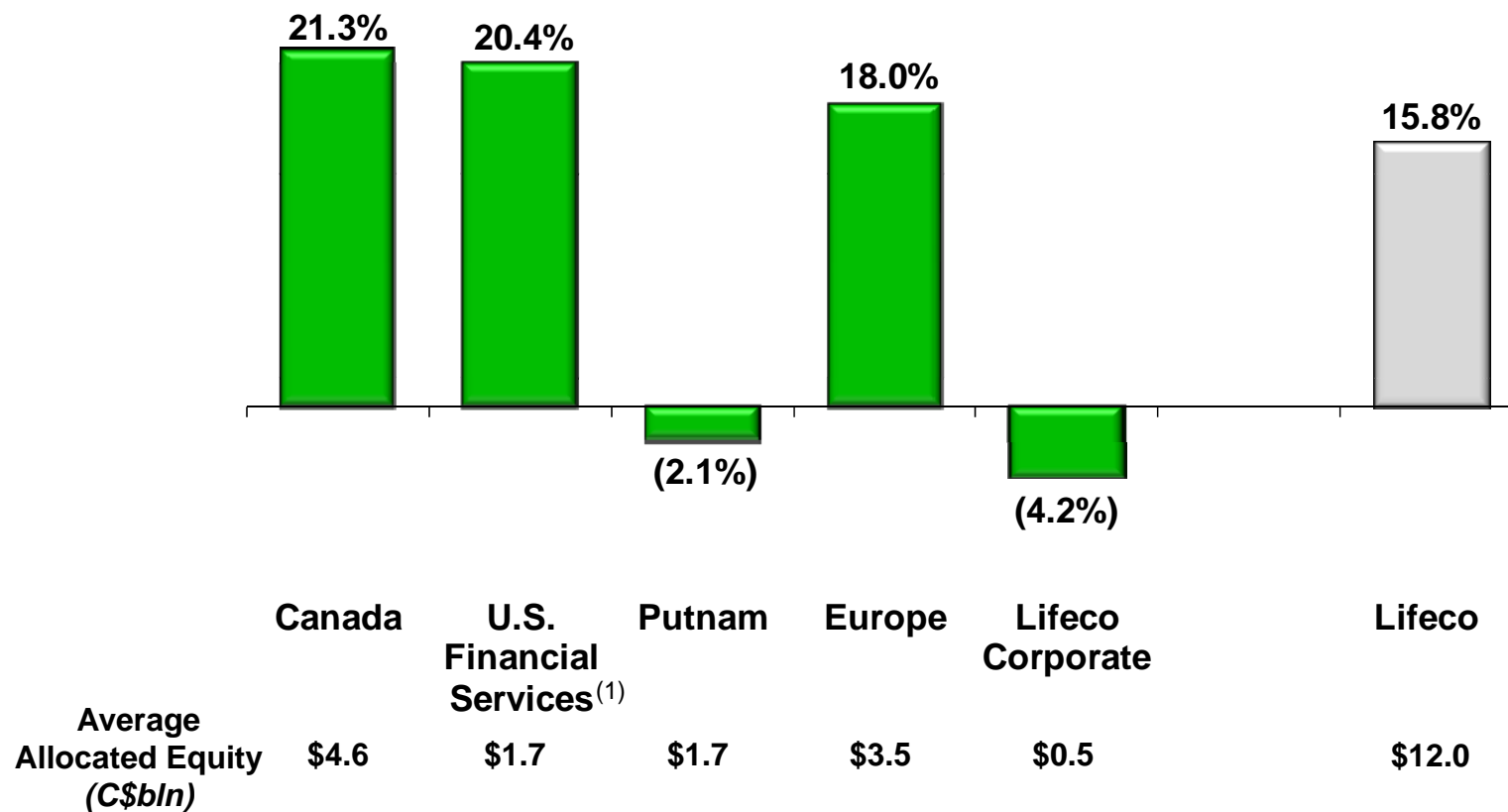
### Constant Currency <sup>(1)</sup>

Earnings	\$526	\$456	\$491	\$449	\$485
Earnings per Share	\$0.553	\$0.480	\$0.517	\$0.473	\$0.510

1) Translated to Canadian dollars at Q2/11 FX rates (\$US = 0.97, £ = 1.58, € = 1.39)

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

(Trailing 4 Quarters)



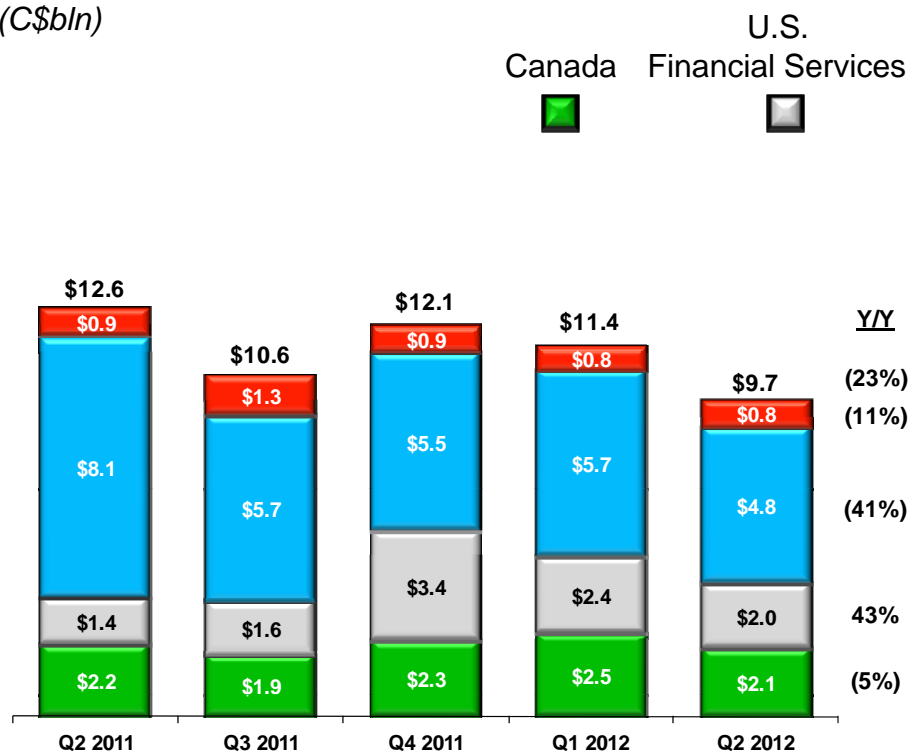
(1) U.S. Financial Services includes U.S. Corporate



# Great-West Lifeco

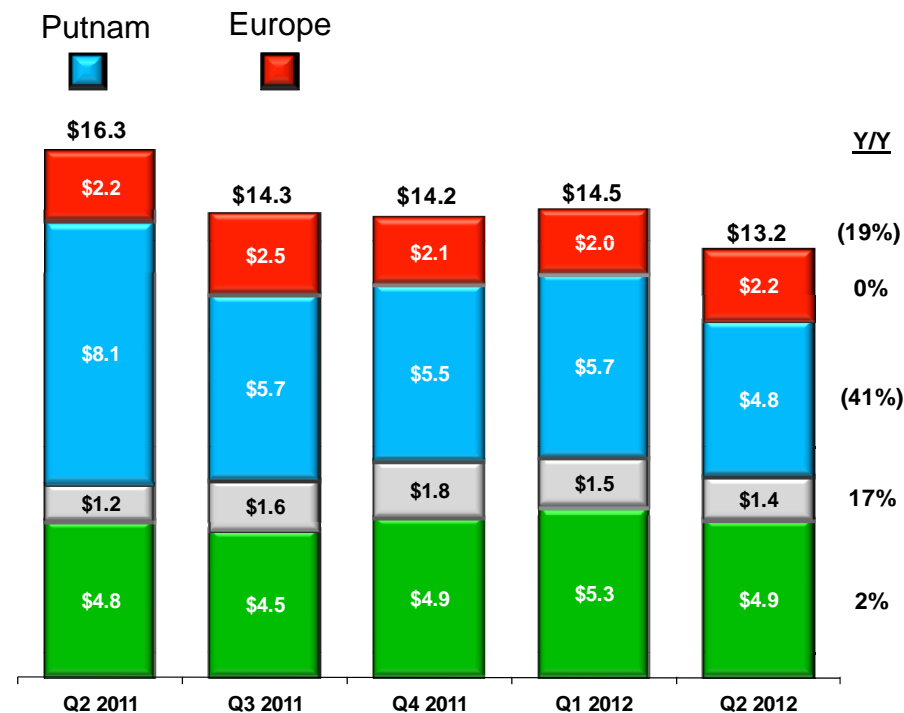
## New Annualized Premiums (Sales)

(C\$bln)



## Premiums & Deposits

(C\$bln)



Constant Currency

Y/Y

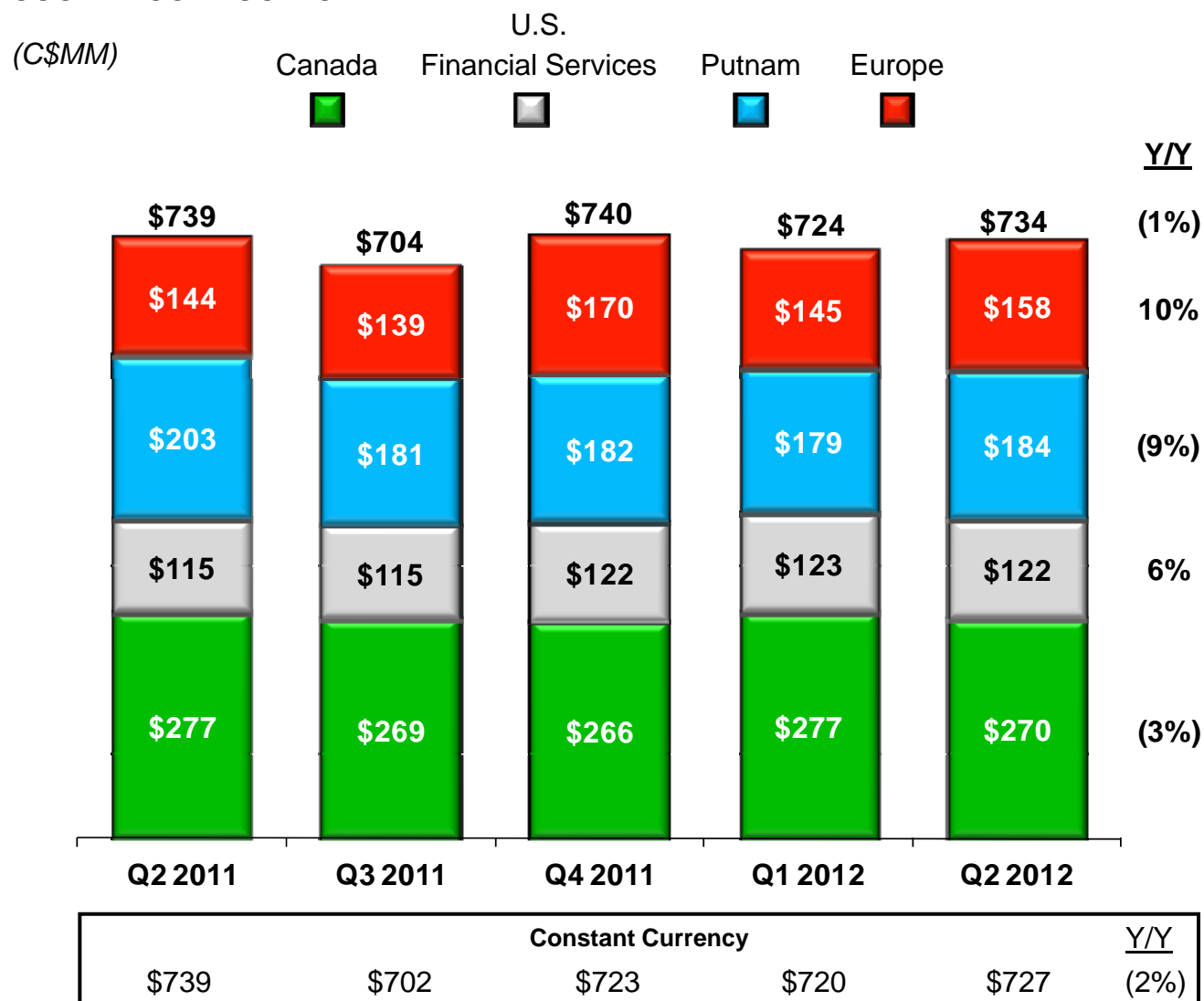
\$12.6    \$10.5    \$11.6    \$11.2    \$9.4    (25%)

Constant Currency

Y/Y

\$16.3    \$14.3    \$13.8    \$14.3    \$12.9    (21%)

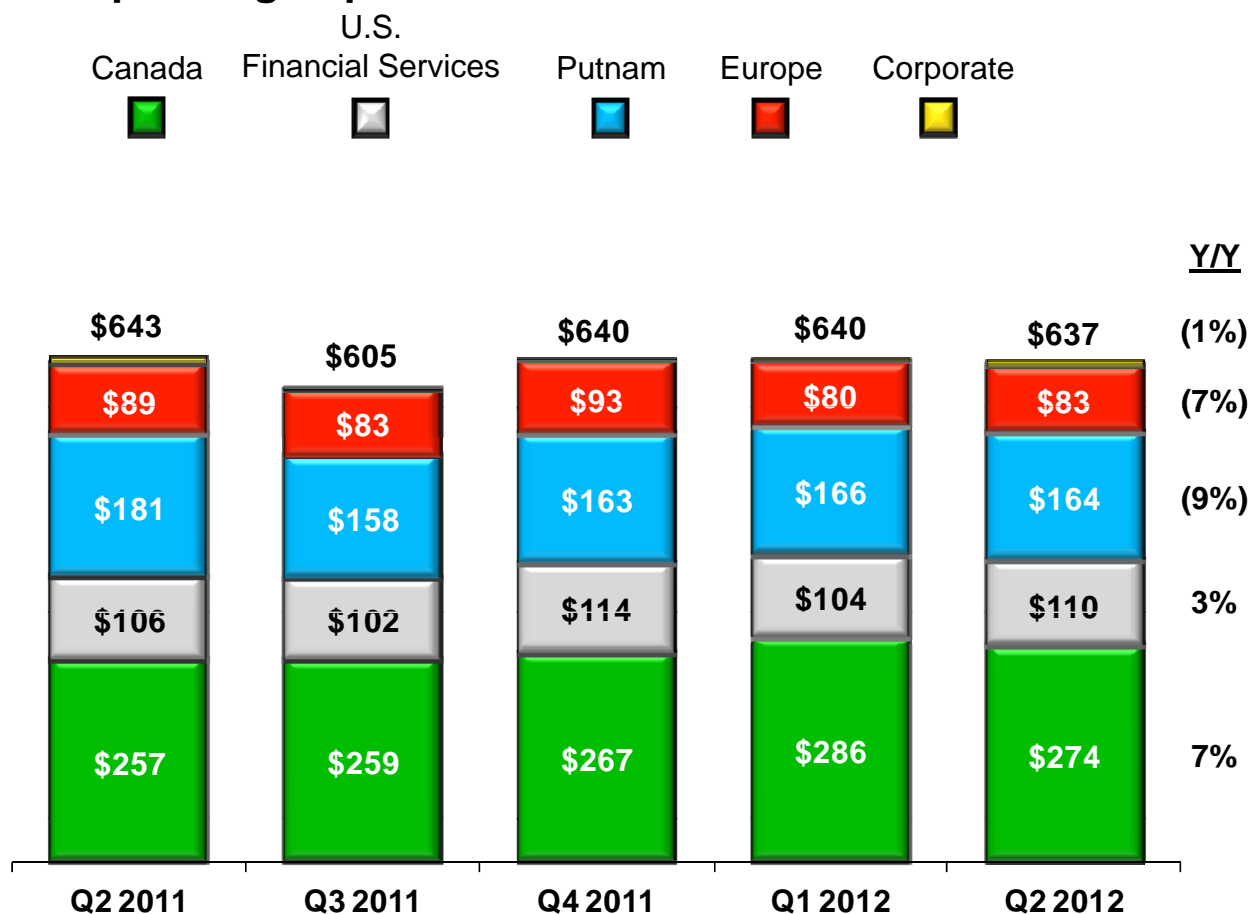
## Great-West Lifeco – Fee Income



Note: Consolidated totals include corporate

## Great-West Lifeco – Operating Expenses

(C\$MM)



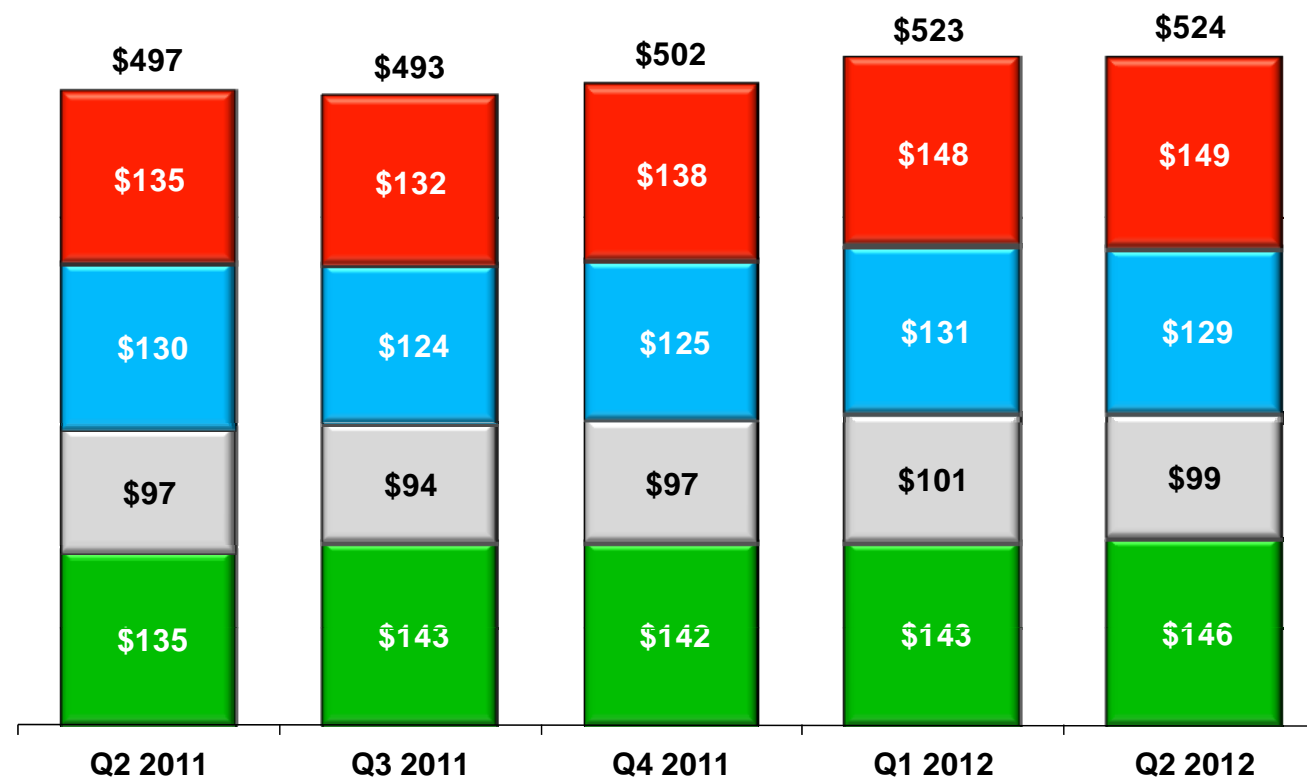
Constant Currency					Y/Y
\$643	\$602	\$620	\$633	\$627	(2%)

Note: Consolidated totals include corporate expenses

Q4 2011 excludes the net impact of two unrelated litigation provisions

## Great-West Lifeco – Total Assets under Administration

(C\$bln)



Constant Currency					Y/Y
\$497	\$467	\$483	\$509	\$503	1%



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## **Invested Assets Update**

Mark Corbett

Executive Vice President & Chief Investment Officer

Great-West Lifeco

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## In-Quarter Developments

### Credit Markets

- Net market value increases on previously impaired securities, positively impacted shareholders' net earnings by \$3 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 reduced shareholders' net earnings by \$13 million

### Total Credit Impact on Shareholder Net Earnings

(\$ millions)	<b>Q2 2012</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q3 2011</b>	<b>Q2 2011</b>
Credit (impairments) / recoveries	3	8	5	(5)	3
Credit (downgrades) / upgrades	(13)	5	(30)	(11)	(9)
<b>Total Impact</b>	<b>(10)</b>	<b>13</b>	<b>(25)</b>	<b>(16)</b>	<b>(6)</b>

## Total Government & Government Related Bond Holdings

(C\$MM)

	Carrying Value	Amortized Cost	Unrealized Gain/(Loss)	Carrying Value as a % of Lifeco Invested Assets
Canada	14,782	13,170	1,612	
U.K.	10,764	9,574	1,190	
U.S.	7,060	6,583	477	
	<u>32,606</u>	<u>29,327</u>	<u>3,279</u>	25.6%
Ireland	129	134	(5)	
Spain	31	42	(11)	
Italy	38	44	(6)	
Portugal	10	13	(3)	
Greece	-	-	-	
	<u>208</u>	<u>233</u>	<u>(25)</u>	0.2%
Germany	765	714	51	
France	542	528	14	
Netherlands	508	473	35	
Austria	159	154	5	
Finland	70	69	1	
Belgium	10	10	-	
	<u>2,054</u>	<u>1,948</u>	<u>106</u>	1.6%
Supranational	856	759	97	
Norway	106	104	2	
Sweden	55	53	2	
Denmark	41	41	-	
All other (4 countries)	281	266	15	
	<u>1,339</u>	<u>1,223</u>	<u>116</u>	1.0%
<b>Total</b>	<b><u>36,207</u></b>	<b><u>32,731</u></b>	<b><u>3,476</u></b>	<b>28.4%</b>

- Bonds issued by the governments of Canada, U.K. and U.S. represent 25.6% of total invested assets and were in an unrealized gain position of \$3.3 billion at June 30
- Total holdings of bonds issued by governments of Eurozone countries represent only 1.8% of total invested assets
  - Holdings of bonds issued by governments of European peripheral countries represent only 0.2% of total invested assets
  - Holdings of bonds issued by governments of other Eurozone countries represent 1.6% 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.	1,205	2,961	4,166	3,991	
U.K.	1,893	1,368	3,261	3,468	
Canada	1,427	283	1,710	1,632	
	4,525	4,612	9,137	9,091	7.2%
Spain	231	-	231 <sup>(1)</sup>	284	
Italy	65	45	110	150	
Ireland	67	-	67 <sup>(2)</sup>	97	
Greece	-	-	-	-	
Portugal	-	-	-	-	
	363	45	408	531	0.3%
Germany	41	47	88	86	
France	388	107	495	549	
Netherlands	346	60	406	420	
Belgium	9	-	9	16	
	784	214	998	1,071	0.8%
Australia	500	48	548	545	
Bermuda	-	10	10	9	
Denmark	35	-	35	44	
Norway	98	-	98	98	
Sweden	134	48	182	172	
Switzerland	127	49	176	175	
	894	155	1,049	1,043	0.8%
<b>Total</b>	<b>6,566</b>	<b>5,026</b>	<b>11,592</b>	<b>11,736</b>	<b>9.1%</b>

- Total holdings of Bonds issued by Eurozone-domiciled financial institutions represent only 1.1% 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 0.8% of total invested assets

1) The \$231 million of financial institution bonds in Spain include \$168 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions

2) Includes \$63 million of an Irish regulated subsidiary of a German Bank



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

(C\$MM)	Rating (Carrying Value)					Total	% of Lifeco Invested Assets
	AAA	AA	A	BBB	BB & Lower		
U.S.	1	1,474	1,965	706	20	4,166	
U.K.	203	659	1,257	662	480	3,261	
Canada	65	484	1,024	137	-	1,710	
	269	2,617	4,246	1,505	500	9,137	7.2%
Spain	59	-	46	126	-	231	0.3%
Italy	-	-	51	59	-	110	
Ireland	-	-	-	63	4	67	
Greece	-	-	-	-	-	-	
Portugal	-	-	-	-	-	-	
	59	-	97	248	4	408	
Germany	-	41	47	-	-	88	0.8%
France	71	110	168	146	-	495	
Netherlands	-	196	166	-	44	406	
Belgium	-	-	-	-	9	9	
	71	347	381	146	53	998	
Australia	22	318	153	55	-	548	
Bermuda	-	-	10	-	-	10	
Denmark	-	-	-	35	-	35	
Norway	15	-	74	9	-	98	
Sweden	-	82	100	-	-	182	
Switzerland	-	-	89	87	-	176	
	37	400	426	186	-	1,049	0.8%
<b>Total</b>	<b>436</b>	<b>3,364</b>	<b>5,150</b>	<b>2,085</b>	<b>557</b>	<b>11,592</b>	<b>9.1%</b>
<b>% of Lifeco Invested Assets</b>	0.4%	2.7%	4.0%	1.6%	0.4%	<b>9.1%</b>	

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

### Europe Peripherals Holdings

Covered	155
Senior	23
Subordinated	113
Junior Subordinated	117
	<u>408</u>

### Other Eurozone Holdings

Covered	203
Senior	413
Subordinated	209
Junior Subordinated	173
	<u>998</u>

- The \$231 million of financial institution bonds in Spain include \$168 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions
- Includes \$63 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	-	-	38	-	-	38	44	(6)
BBB	-	129	-	-	31	160	176	(16)
BB& lower	10	-	-	-	-	10	13	(3)
<b>Q2 2012 Total Gov't and Gov't Related</b>	<b>10</b>	<b>129</b>	<b>38</b>	<b>-</b>	<b>31</b>	<b>208</b>	<b>233</b>	<b>(25)</b>
AAA	-	-	-	-	59	59	56	3
AA	-	-	-	-	-	-	-	-
A	-	-	51	-	46	97	110	(13)
BBB	-	63	59	-	126	248	353	(105)
BB& lower	-	4	-	-	-	4	12	(8)
<b>Q2 2012 Total Financial Institutions</b>	<b>-</b>	<b>67<sup>(2)</sup></b>	<b>110</b>	<b>-</b>	<b>231<sup>(1)</sup></b>	<b>408</b>	<b>531</b>	<b>(123)</b>
<b>Q2 2012 Total</b>	<b>10</b>	<b>196</b>	<b>148</b>	<b>-</b>	<b>262</b>	<b>616</b>	<b>764</b>	<b>(148)</b>
<i>Q1 2012 Total</i>	<i>10</i>	<i>197</i>	<i>165</i>	<i>-</i>	<i>289</i>	<i>661</i>	<i>782</i>	<i>(121)</i>

1) The \$231 million of financial institution bonds in Spain include \$168 million of pound sterling denominated bonds issued by U.K. domiciled, FSA regulated subsidiaries of Spanish financial institutions

2) Includes \$63 million of an Irish regulated subsidiary of a German Bank

- No direct exposure to Greece
- Provisions of \$43 million
  - \$8 million specific provision against impaired holdings of Irish Banks
  - \$35 million of asset default provision



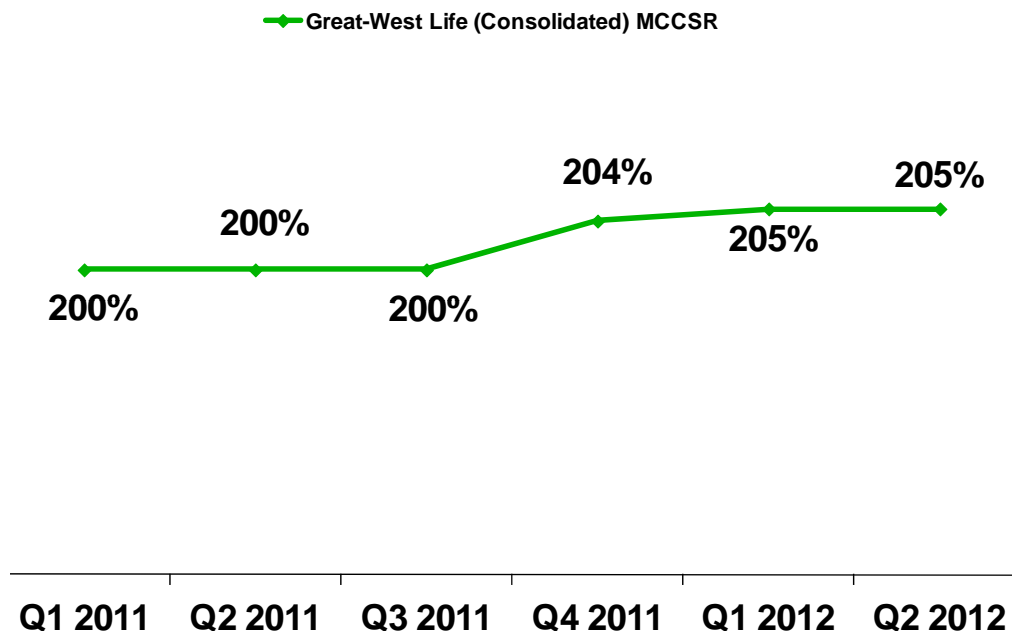
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## **Capital & Other**

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

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## Regulatory Capital Ratios Remain Strong



- Demonstrated low sensitivity to capital markets volatility
- Lifeco's U.S. insurance subsidiary, Great-West Life & Annuity's, RBC ratio was 440% at December 31, 2011
- Regulatory capital ratios do not include \$825 million of available cash at the holding company level, pro forma the \$200 million of perpetual preferred share raise completed on July 6, 2012

## Great-West Lifeco – Source of Earnings

- Strong experience gains were driven by yield enhancement activities in Canada and Europe contributing \$134 million pre-tax, in addition to favorable mortality and morbidity experience
- Changes in assumptions include \$99 million pre-tax strengthening of reinvestment risk provisions

(C\$MM)	For the three months ended June 30, 2012					Q2 2011
	Canada	U.S.	Europe	Corp	Total	Total
Expected profit on in-force business	245	84	113	(5)	437	463
Impact of new business	(2)	-	(4)	-	(6)	(3)
Experience gains and losses	80	1	89	(1)	169	29
Management actions and changes in assumptions	(30)	17	(69)	-	(82)	86
Other	-	-	-	-	-	-
Earnings on surplus	33	31	43	1	108	84
<b>Operating Earnings before tax</b>	<b>326</b>	<b>133</b>	<b>172</b>	<b>(5)</b>	<b>626</b>	<b>659</b>
Taxes	(53)	(42)	(7)	-	(102)	(156)
<b>Operating Earnings before non-controlling interests &amp; preferred dividends</b>	<b>273</b>	<b>91</b>	<b>165</b>	<b>(5)</b>	<b>524</b>	<b>503</b>
Non-controlling Interests & Preferred Dividends	(19)	-	(5)	(4)	(28)	(24)
<b>Operating Earnings - Common Shareholders before adj. and Putnam</b>	<b>254</b>	<b>91</b>	<b>160</b>	<b>(9)</b>	<b>496</b>	<b>479</b>
Putnam after-tax	-	(5)	-	-	(5)	47
<b>Net Earnings - Common Shareholders</b>	<b>254</b>	<b>86</b>	<b>160</b>	<b>(9)</b>	<b>491</b>	<b>526</b>



## Canada

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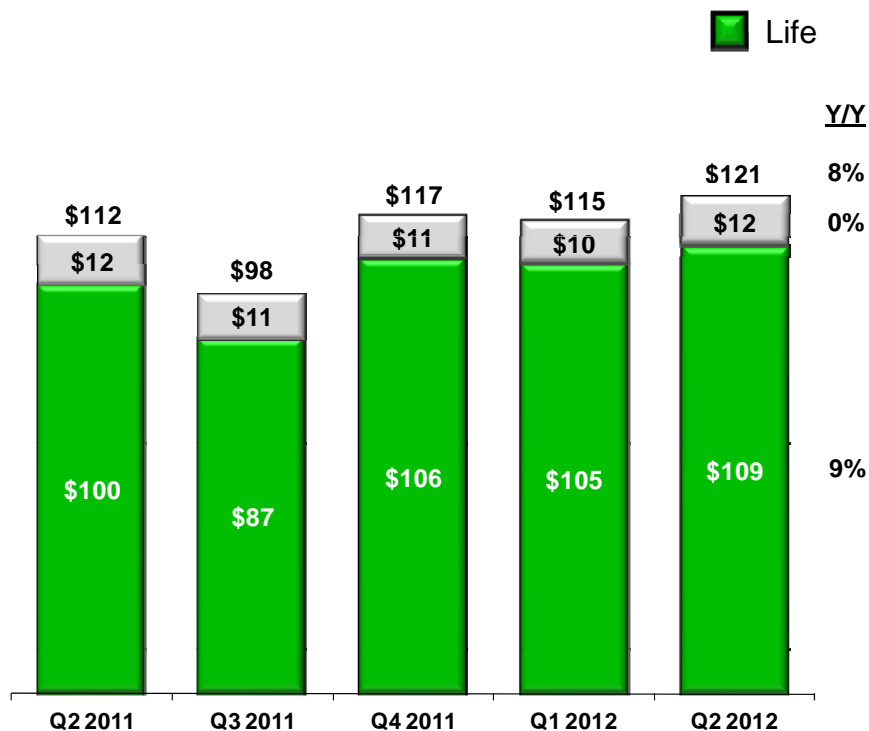
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*Paul Mahon*  
*President & Chief Operating Officer*  
*Canada*

## Canada – Individual Insurance

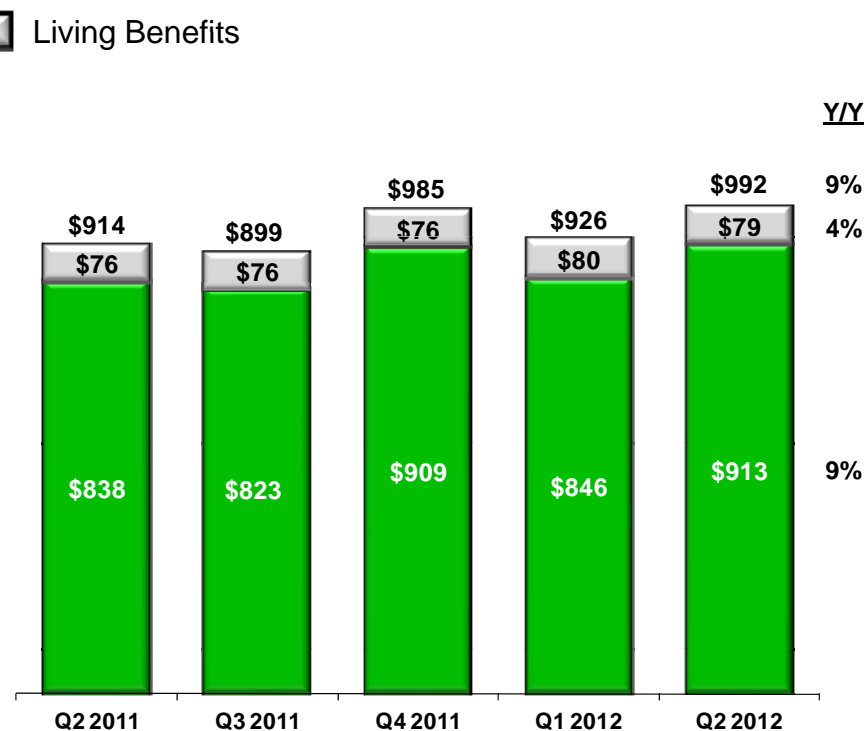
### New Annualized Premiums (Sales)

(C\$MM)



### Premiums & Deposits

(C\$MM)



## Canada – Wealth Management

### New Annualized Premiums (Sales)

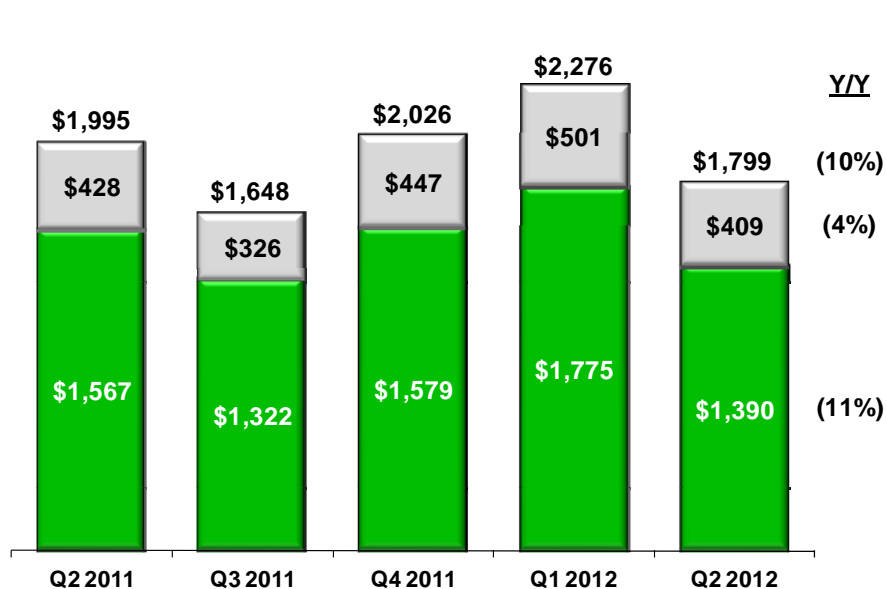
(C\$MM)



Individual Wealth Management

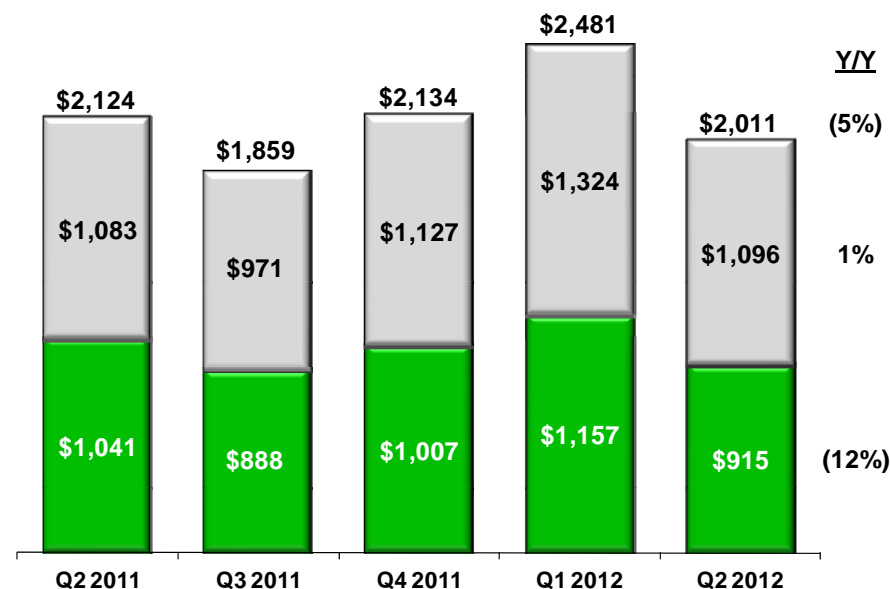


Group Retirement Services



### Premiums & Deposits

(C\$MM)

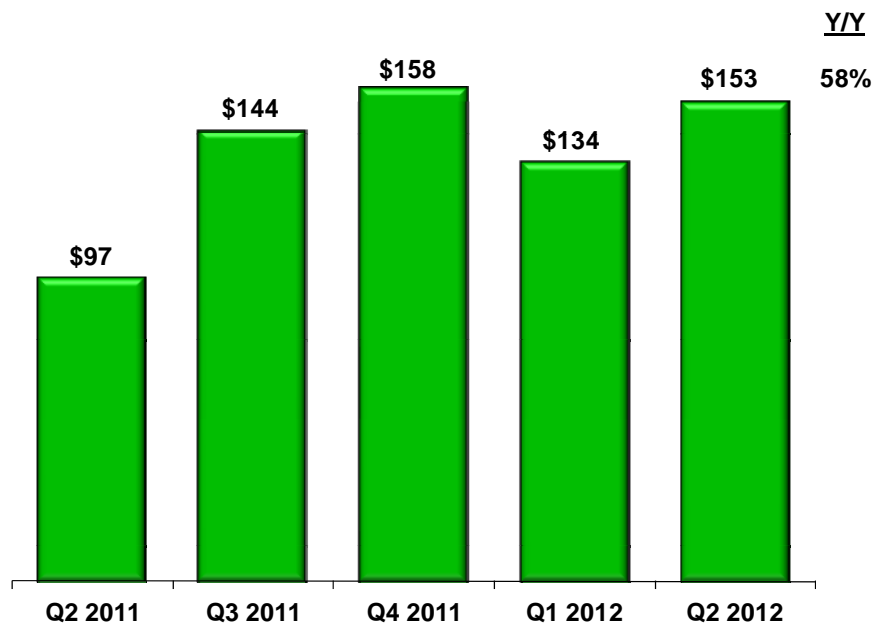




## Canada – Group Insurance

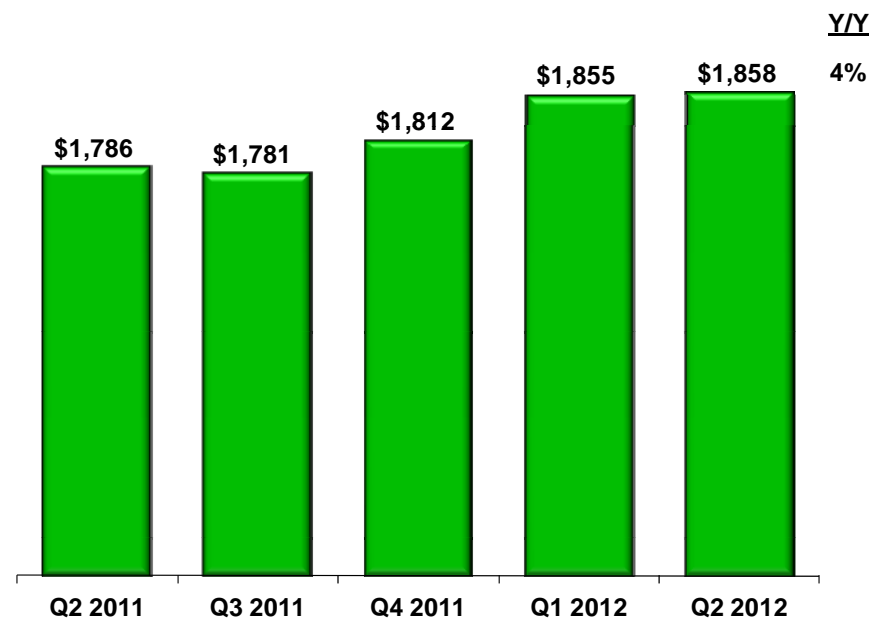
### New Annualized Premiums (Sales)

(C\$MM)



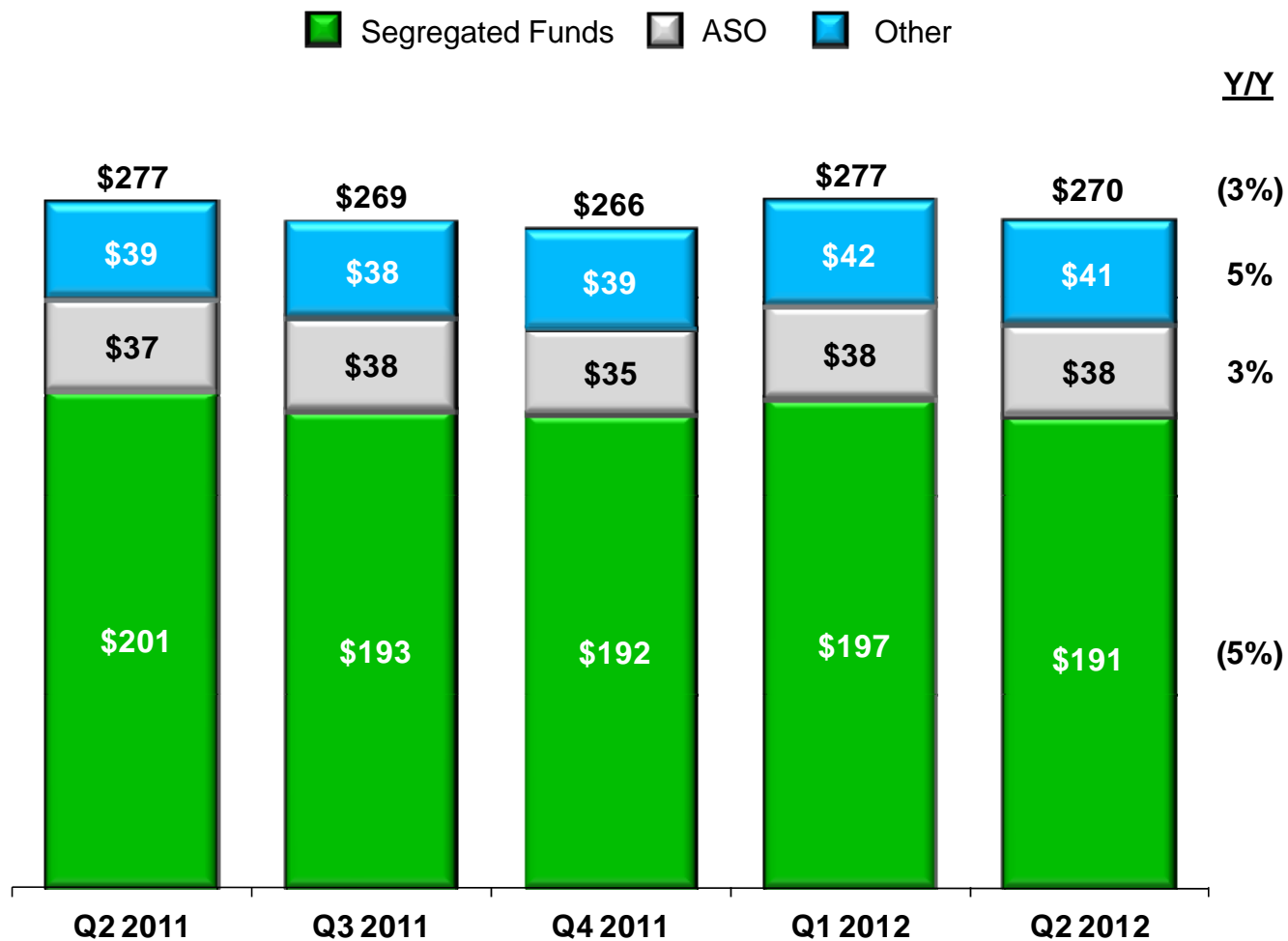
### Premiums & Deposits

(C\$MM)



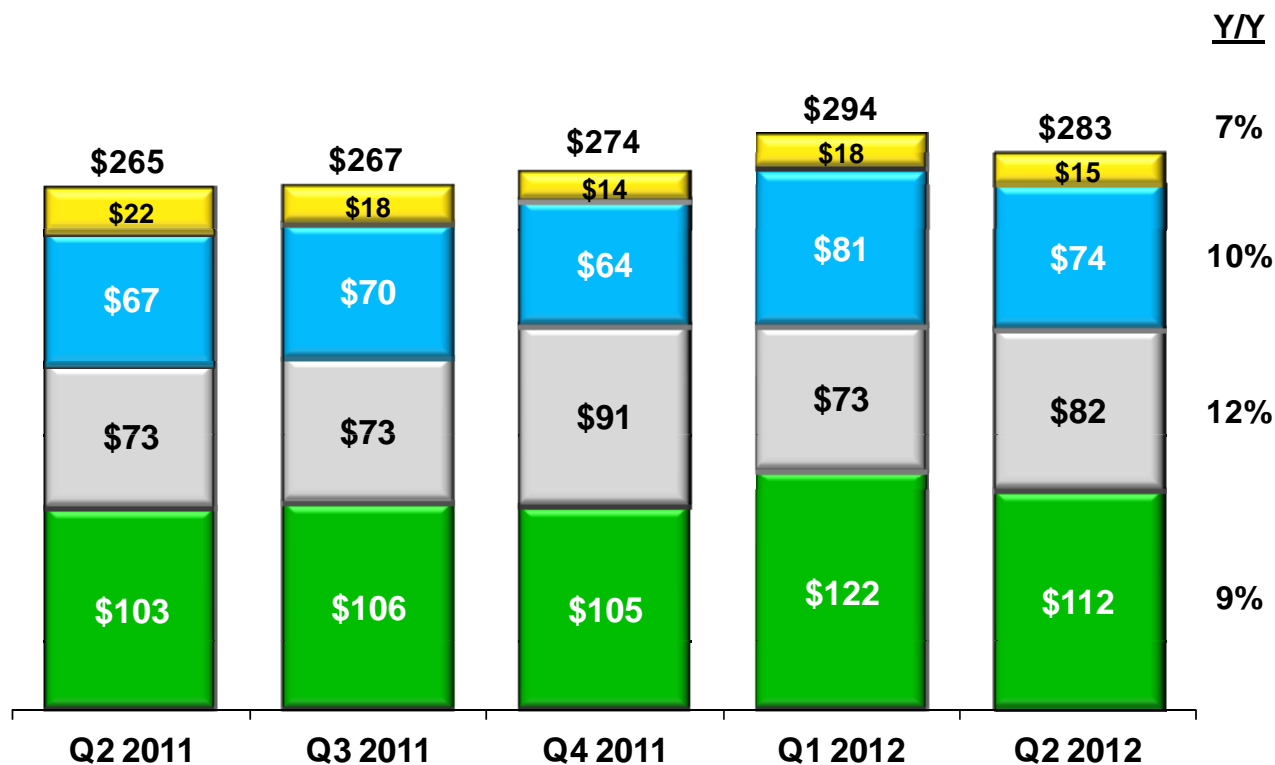
## Canada – Fee Income

(C\$MM)



## Canada – Expenses

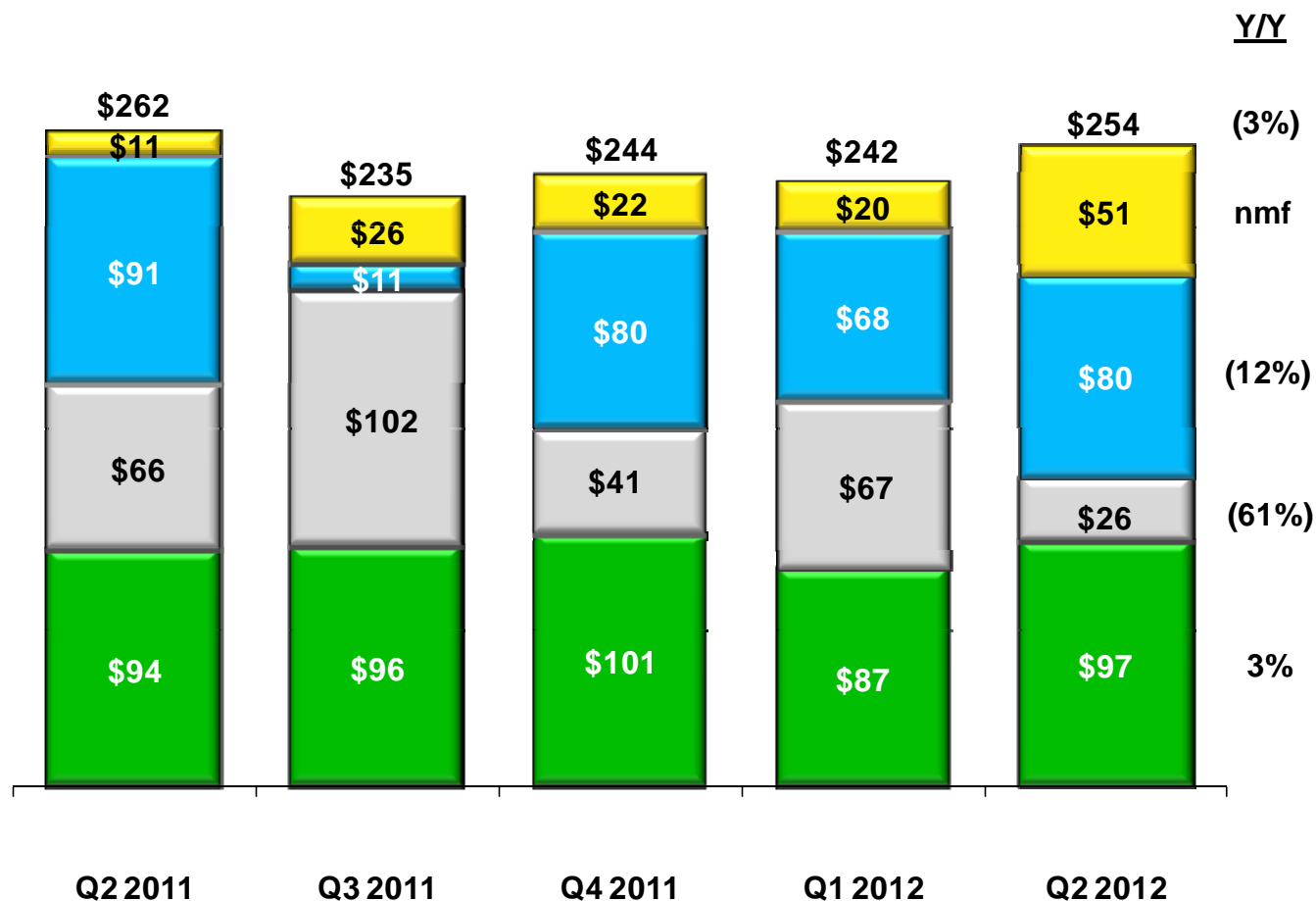
(C\$MM)



Q4 2011 excludes reduction of litigation provision in Participating policyholder account

## Canada – Operating Earnings

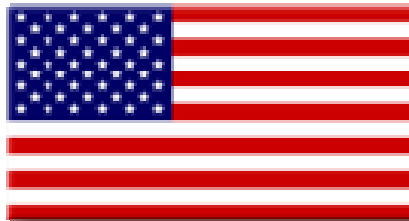
(C\$MM)





## **U.S. Financial Services**

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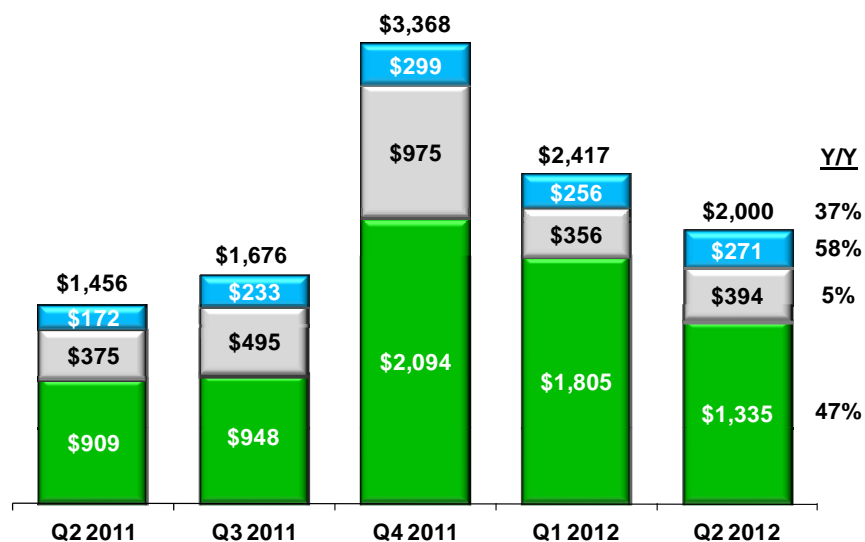
*Mitchell T.G. Graye*  
*President & Chief Executive Officer*  
*Great-West Life & Annuity Insurance Company*

## U.S. Financial Services – Sales and Premiums & Deposits

### Sales

(US\$MM)

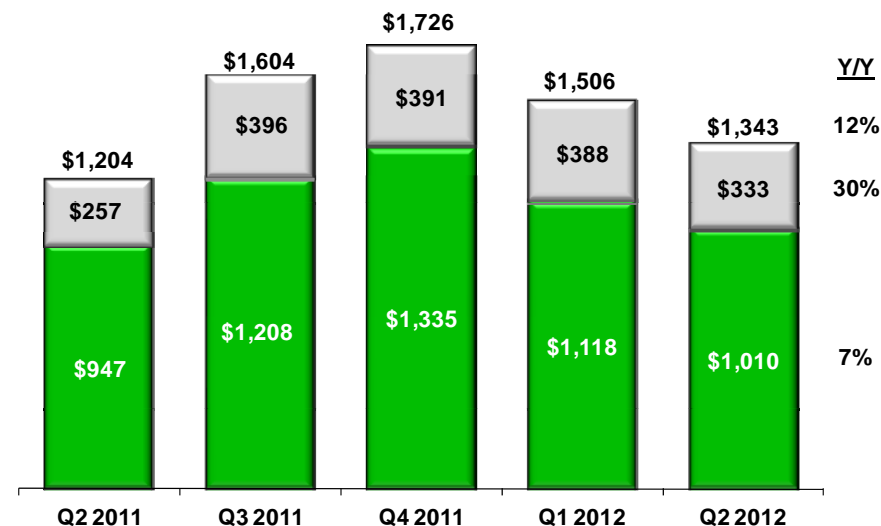
401(k) P/NP Individual Markets



### Premiums & Deposits

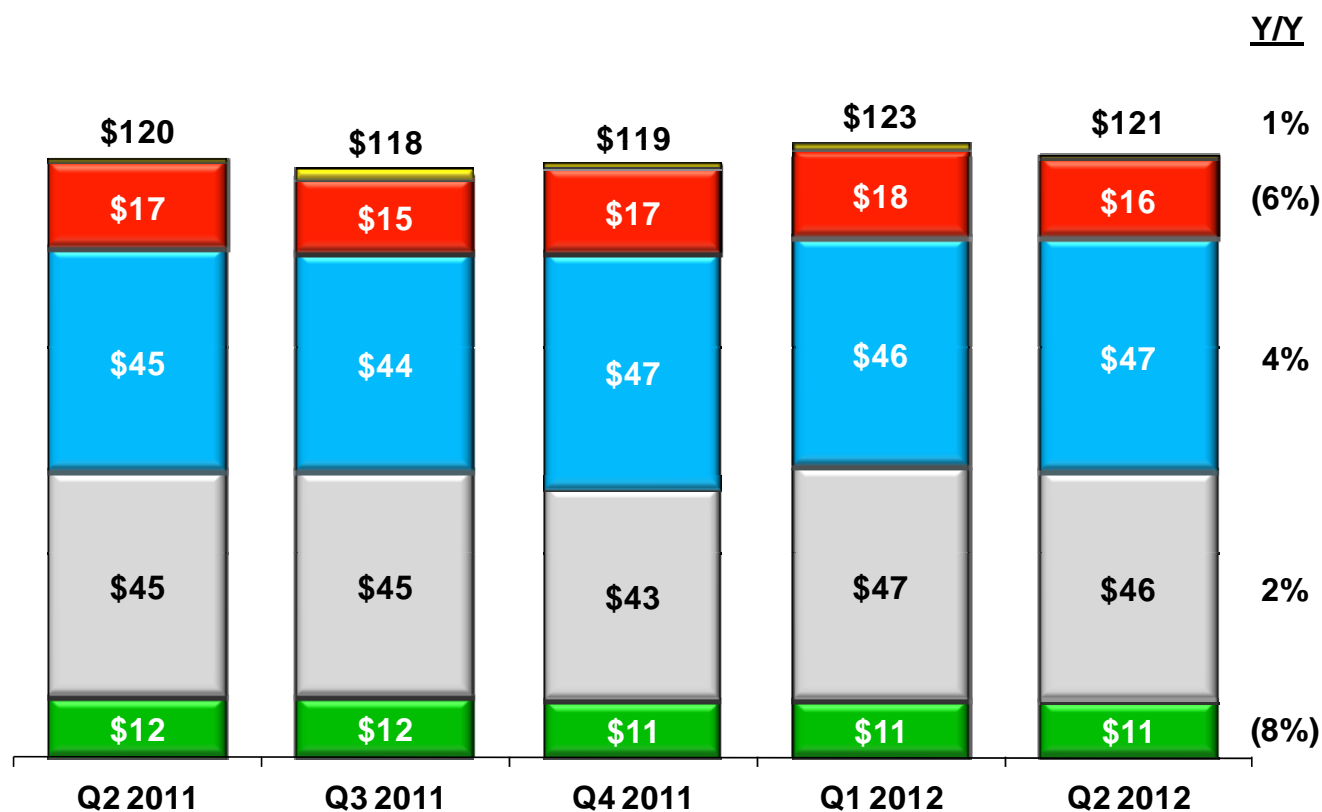
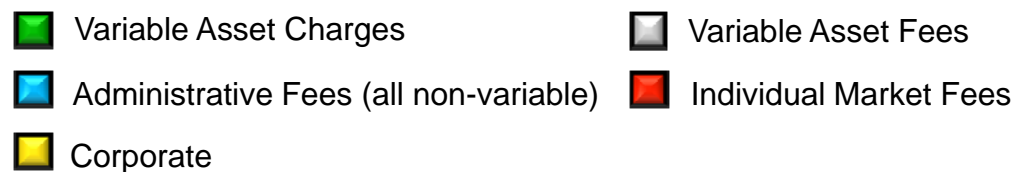
(US\$MM)

Retirement Services Individual Markets



## U.S. Financial Services - Fee Income

(US\$MM)



## U.S. Financial Services - Expenses

(US\$MM)



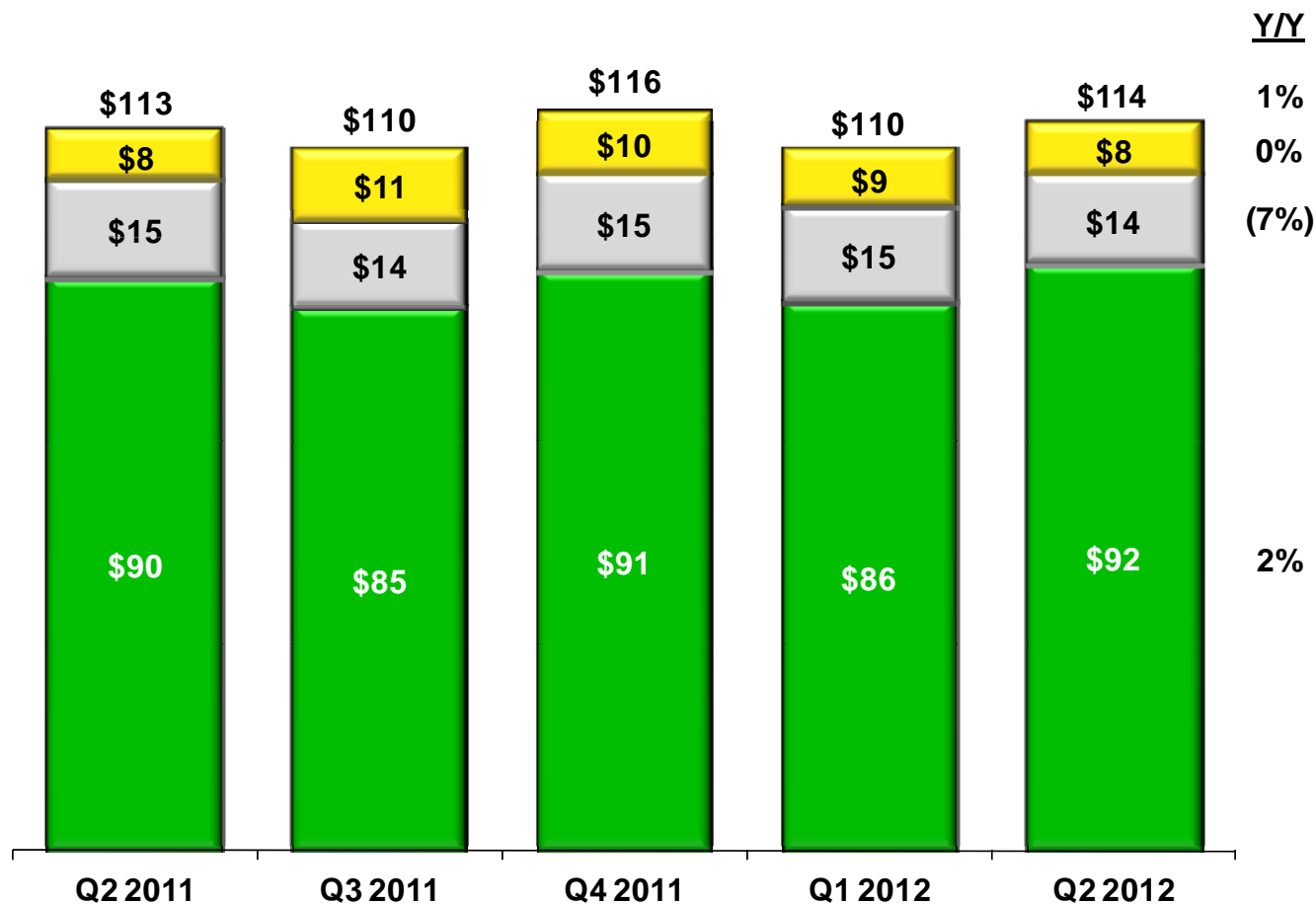
Retirement Services



Individual Markets



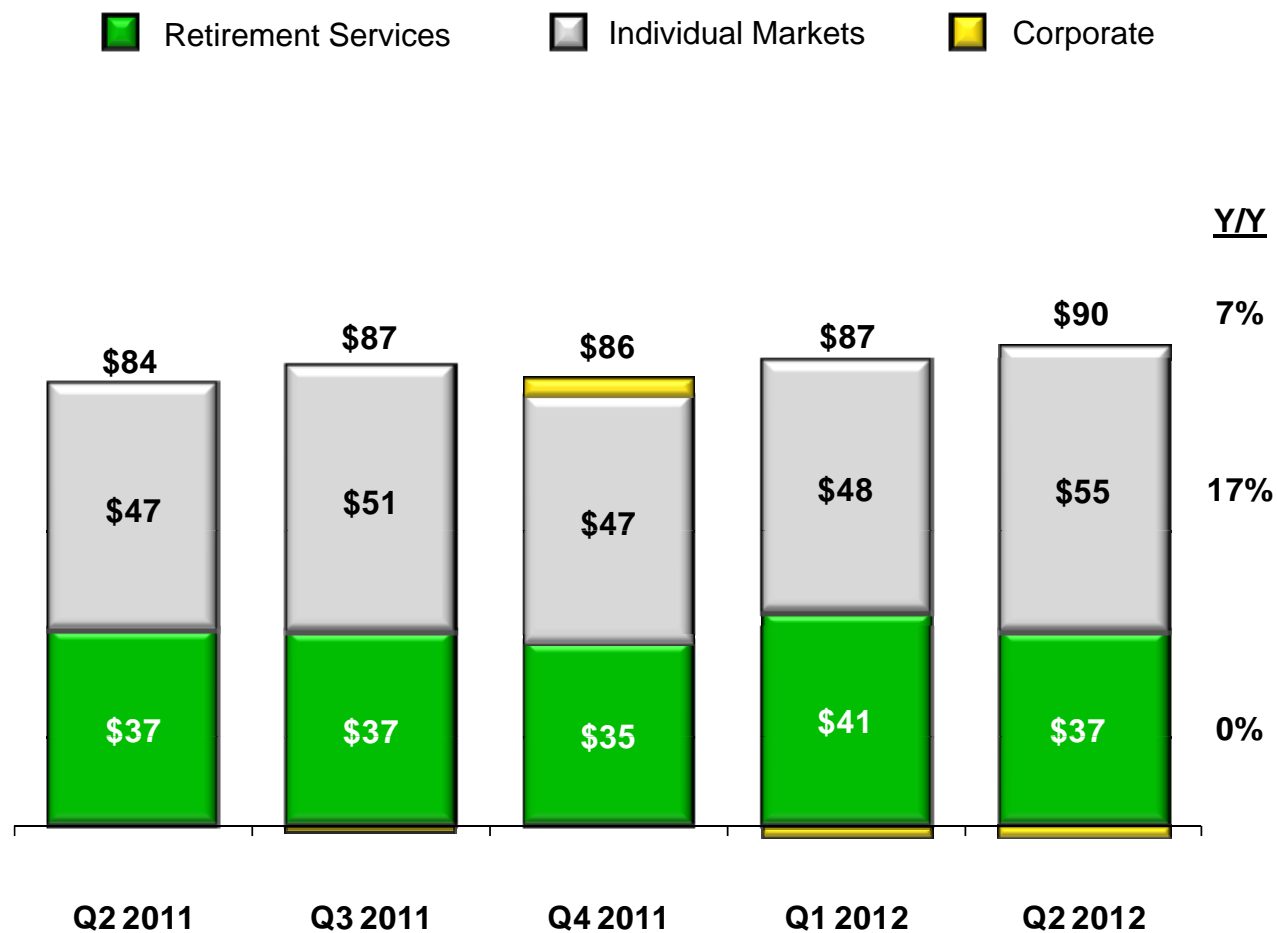
Corp & Investment





## U.S. Financial Services - Operating Earnings

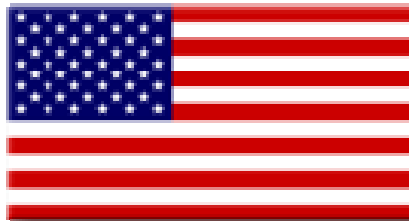
(US\$MM)





## **Putnam Investments**

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

## Putnam - AUM & Flows

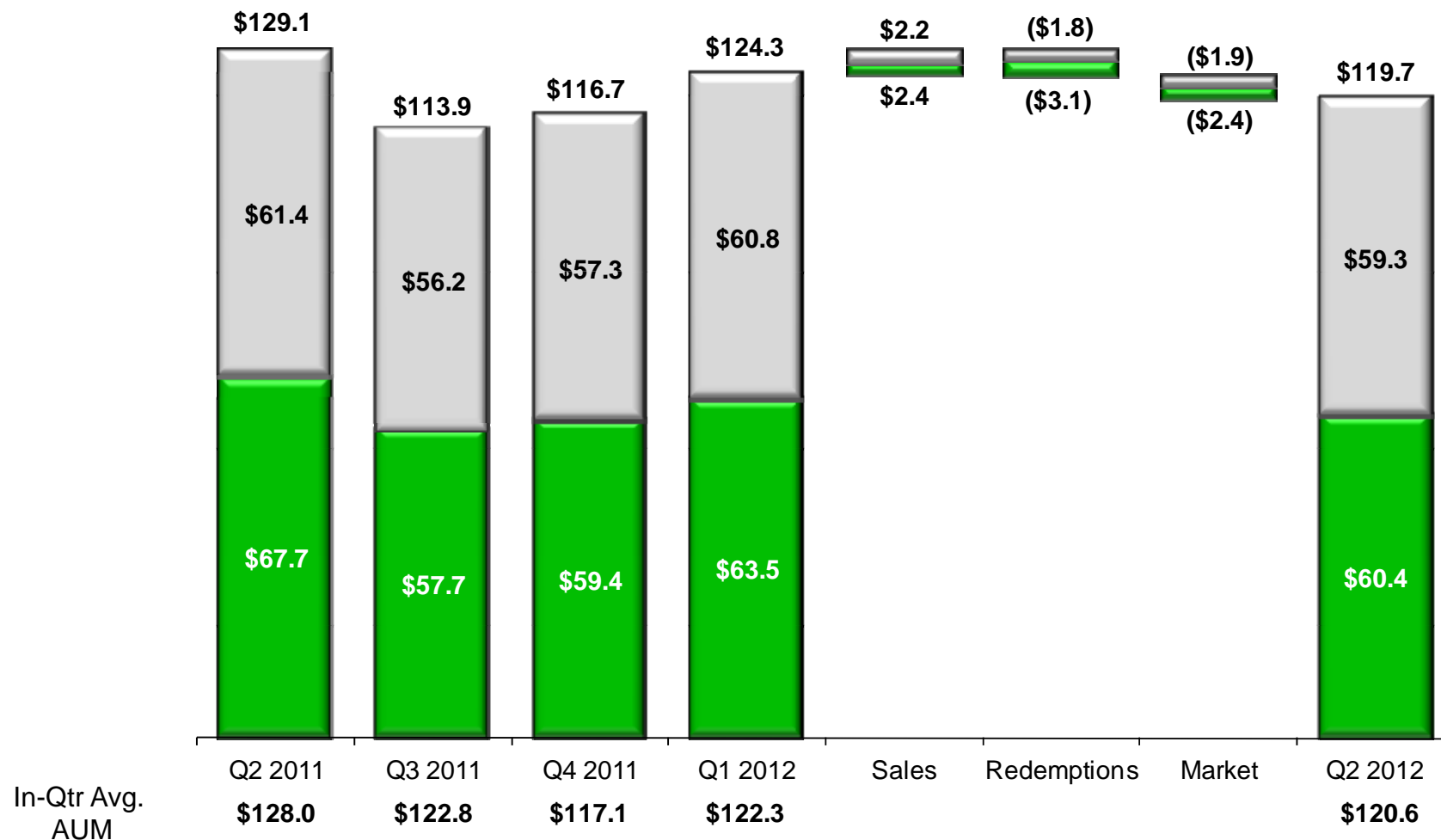
(US\$bln)



Mutual Funds

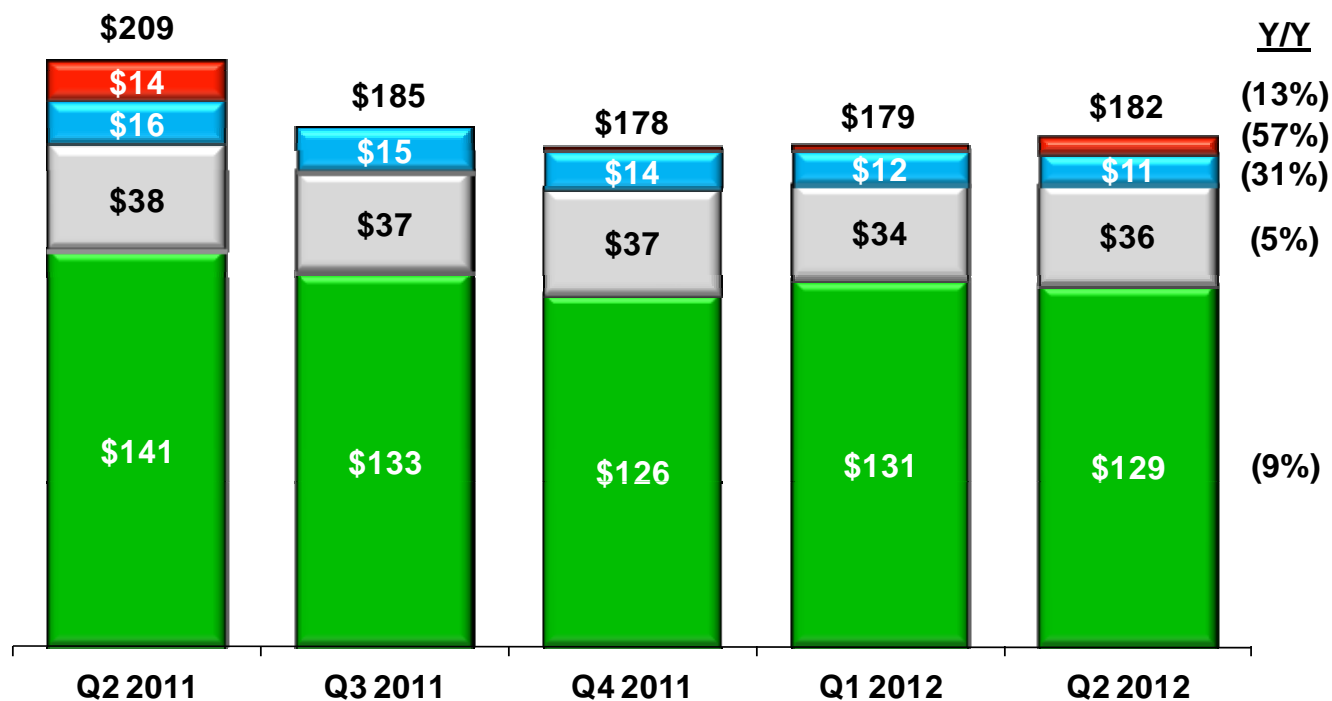
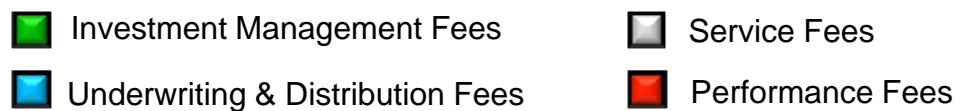


Institutional



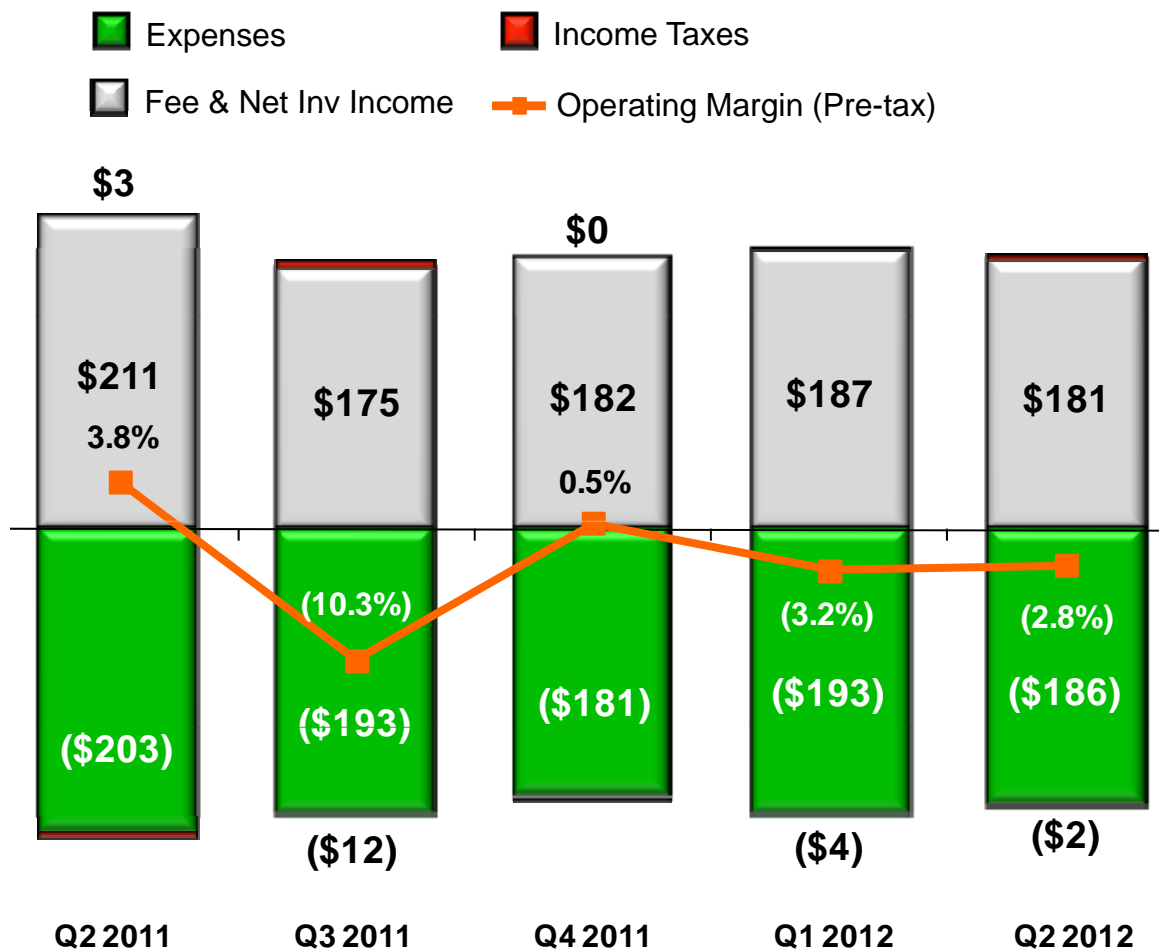
## Putnam - Fee Income

(US\$MM)



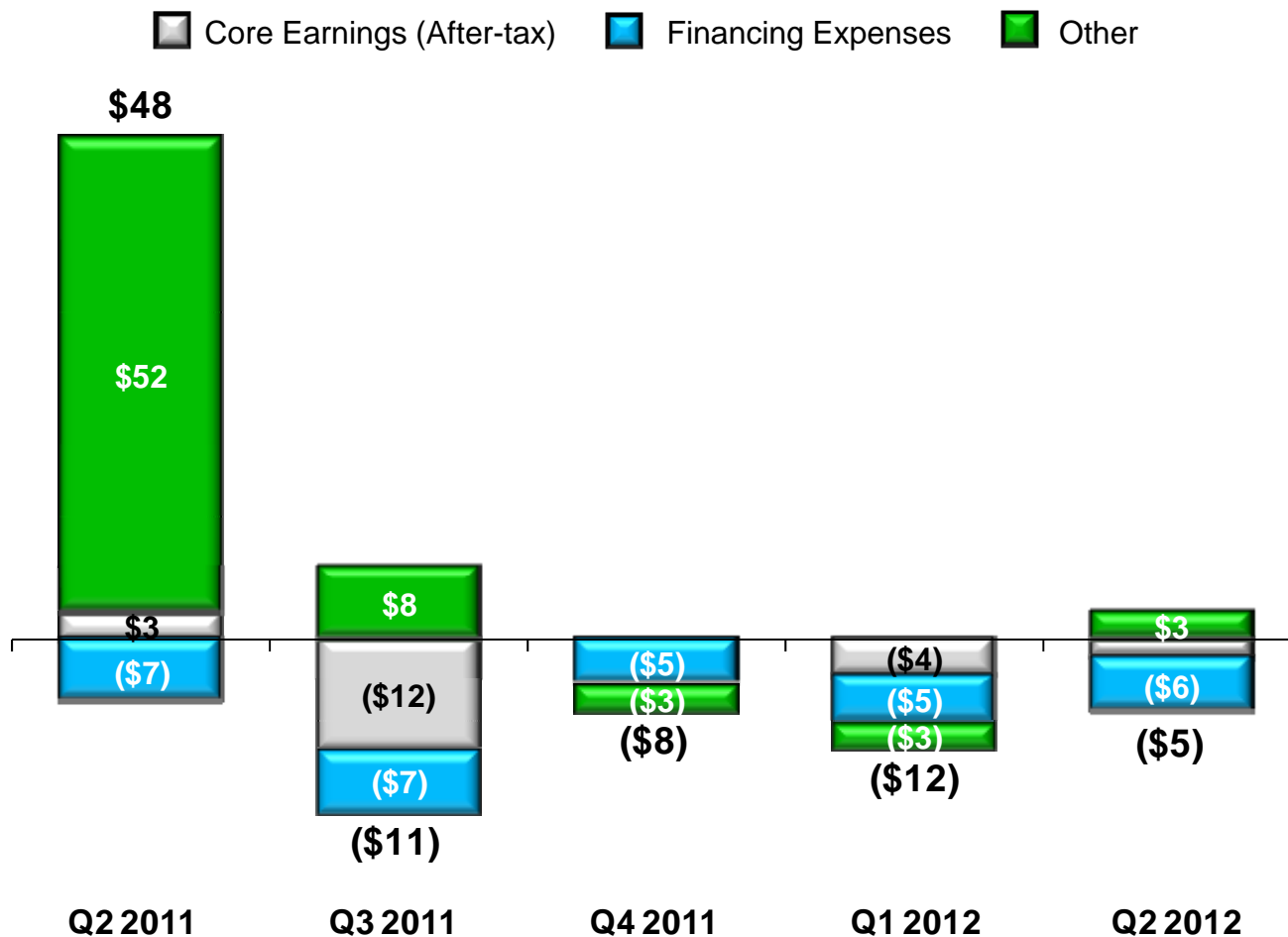
## Putnam - Core Earnings

(US\$MM)



## Putnam - Contribution to Lifeco Earnings

(US\$MM)



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

## Europe

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*Arshil Jamal*

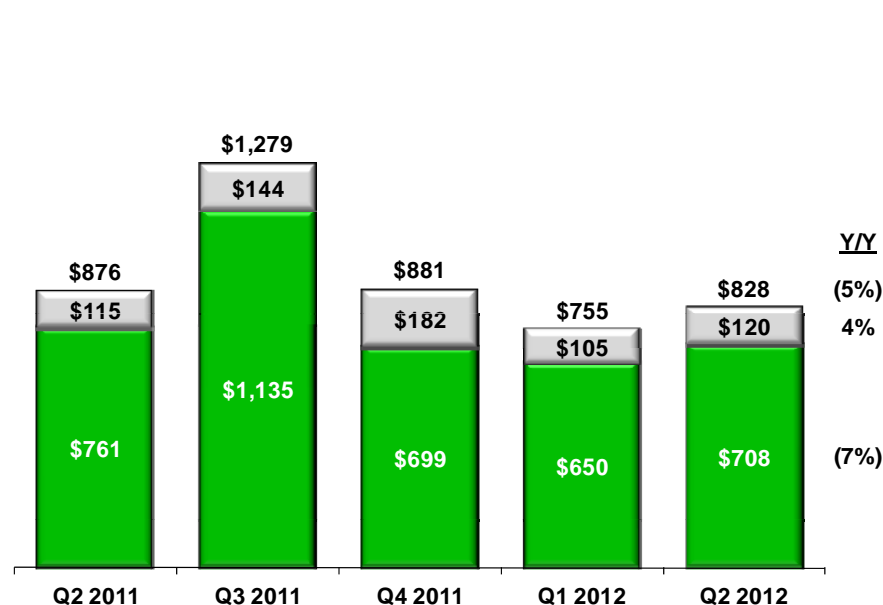
*President & Chief Operating Officer  
Canada Life Capital Corporation*

## Europe – Sales and Premiums & Deposits

### Sales

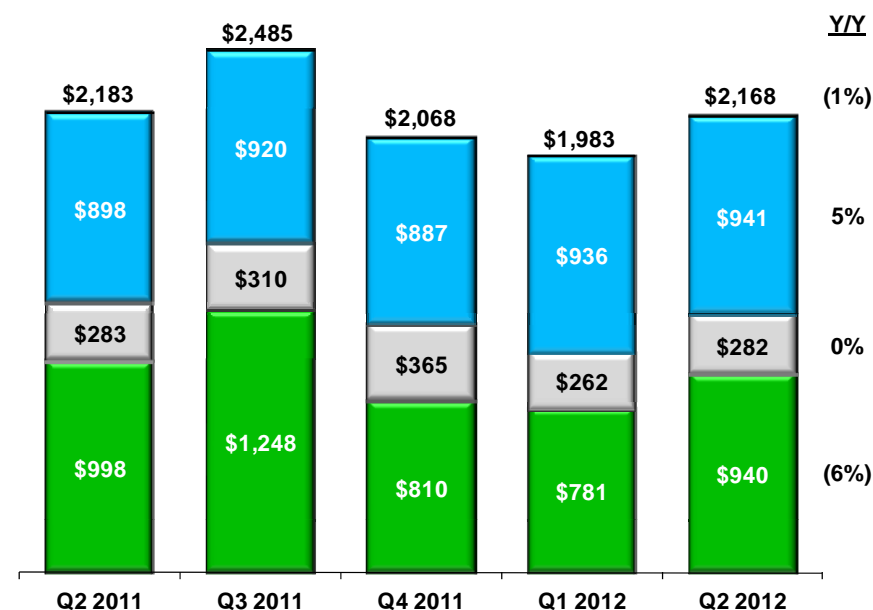
(C\$MM)

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



### Premiums & Deposits

(C\$MM)

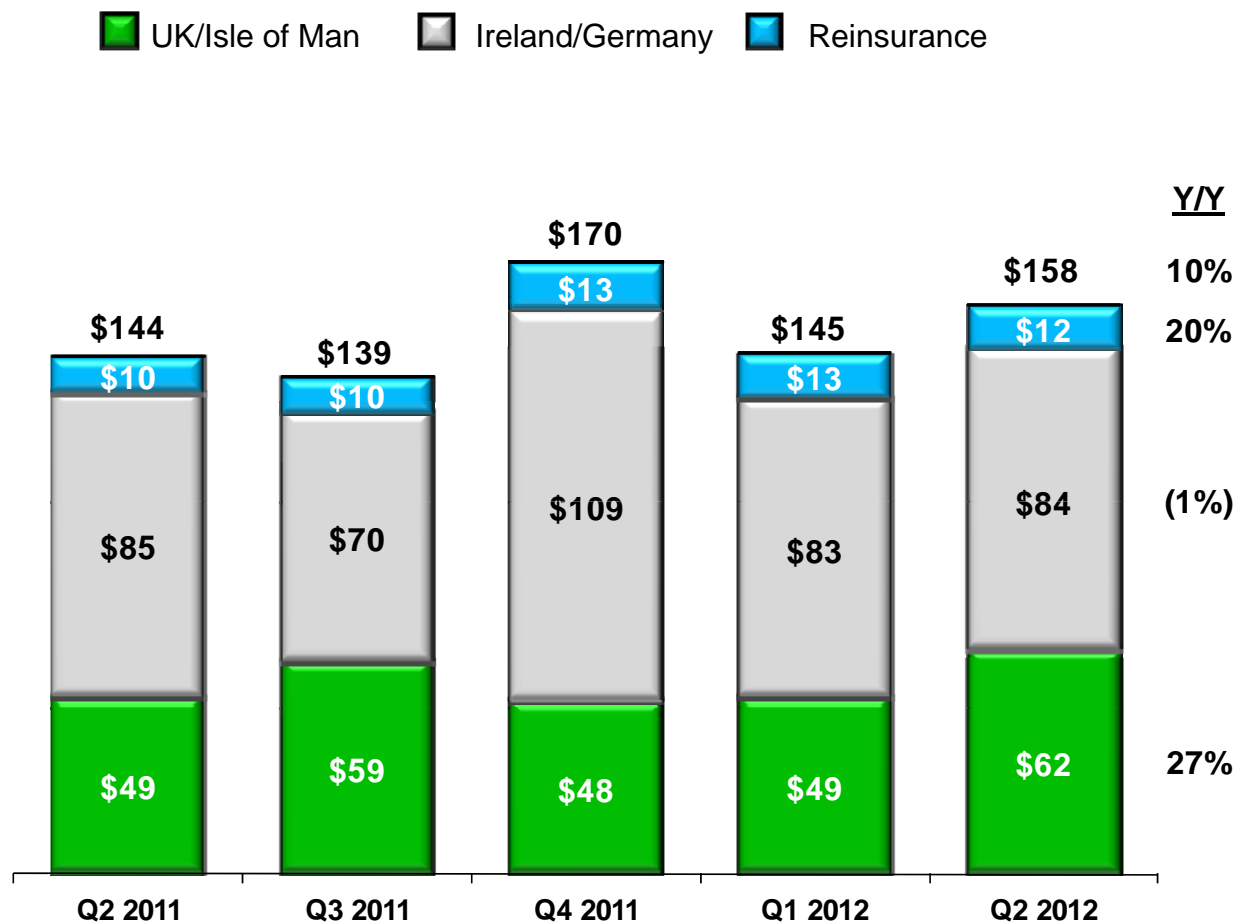


Note: Consolidated totals includes corporate



## Europe – Fee Income

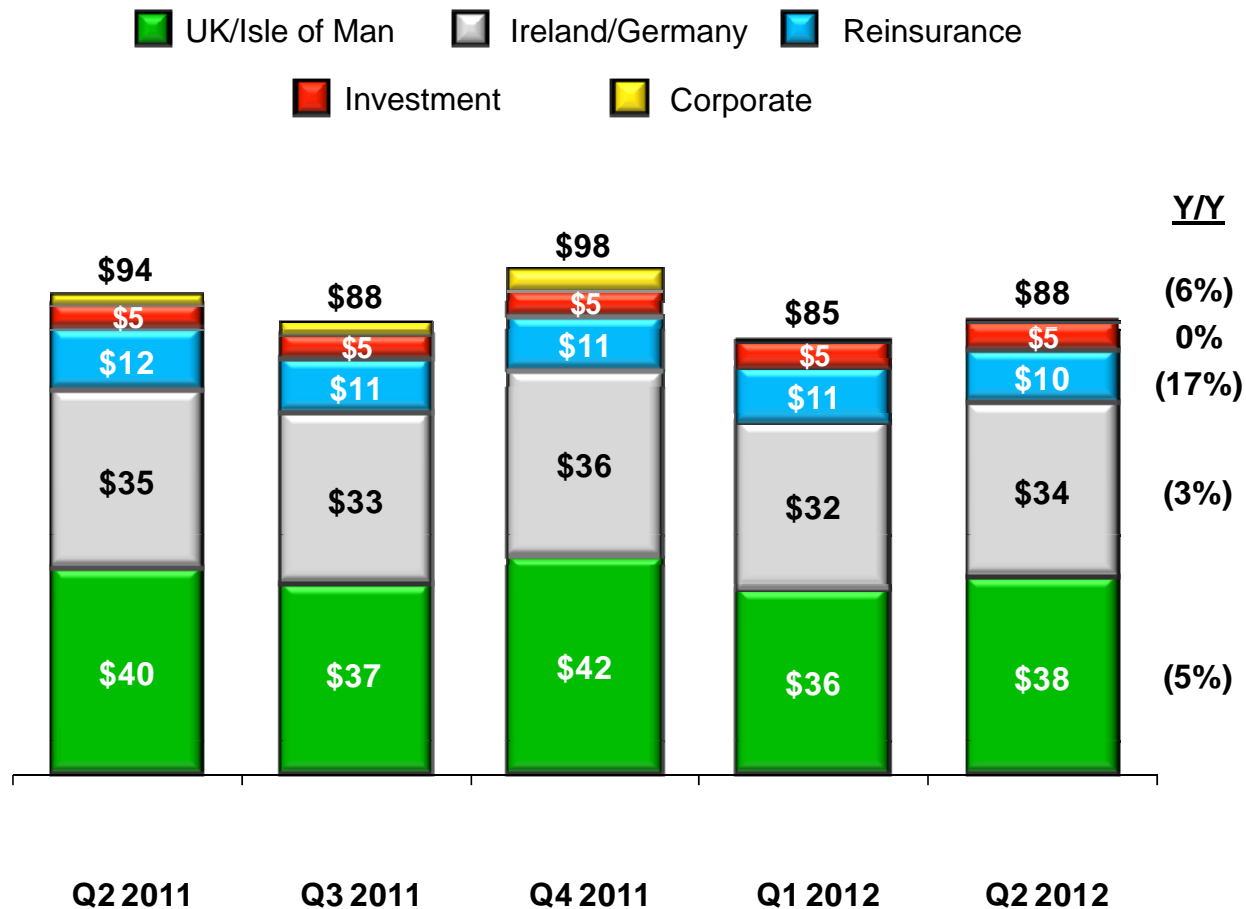
(C\$MM)



Note: Consolidated totals includes corporate

## Europe – Expenses

(C\$MM)

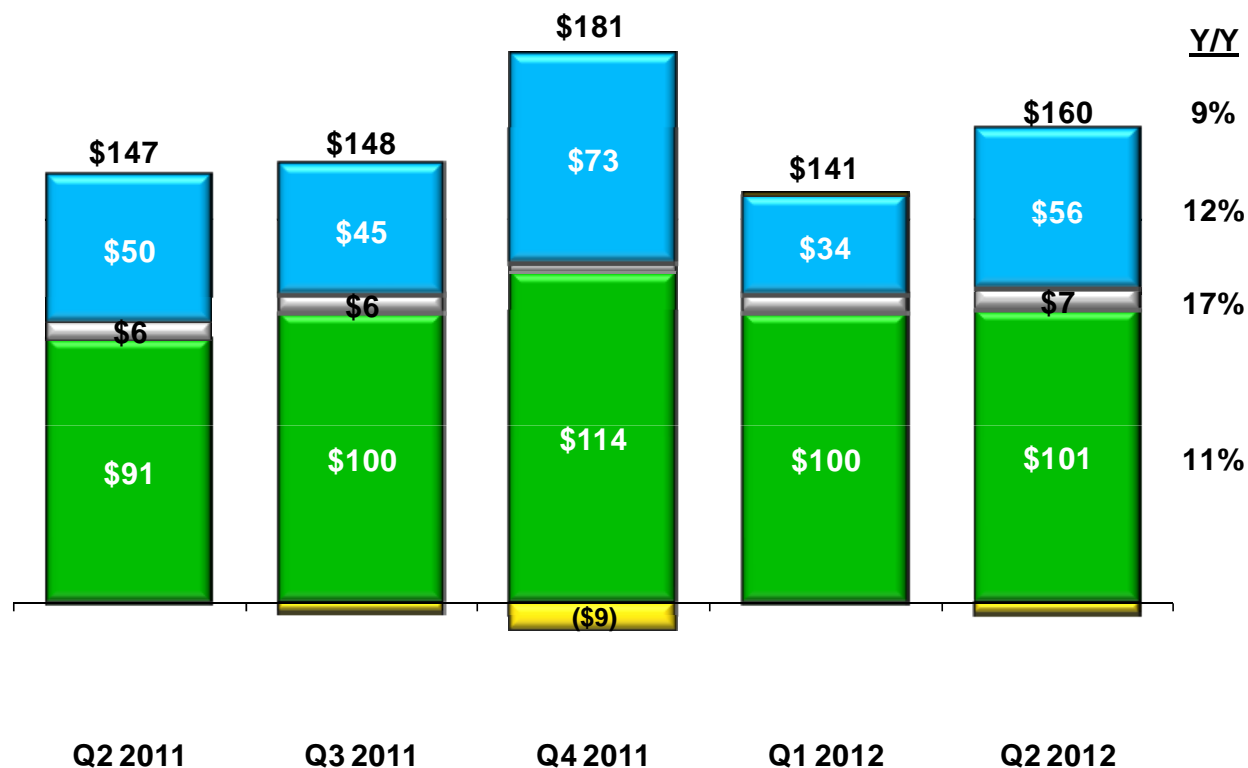


Note: Consolidated totals includes corporate

## Europe - Consolidated Operating Earnings

(C\$MM)

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



Constant Currency					Y/Y
\$147	\$149	\$176	\$142	\$157	7%

**Macro Economic Environment**

	<b>Equity Markets</b>					
	<b>S&amp;P TSX</b>		<b>S&amp;P 500</b>		<b>FTSE</b>	
	<b>Close</b>	<b>Average</b>	<b>Close</b>	<b>Average</b>	<b>Close</b>	<b>Average</b>
<b>Q2 2012</b>	11,597	11,749	1,362	1,350	5,571	5,549
<b>Q1 2012</b>	12,392	12,441	1,408	1,347	5,768	5,818
<b>Q4 2011</b>	11,955	11,938	1,258	1,225	5,572	5,432
<b>Q3 2011</b>	11,624	12,605	1,131	1,226	5,128	5,458
<b>Q2 2011</b>	13,301	13,564	1,321	1,319	5,946	5,915

**Macro Economic Environment**

	<b>Interest Rates</b>					
	<b>Canada</b>		<b>United States</b>		<b>United Kingdom</b>	
	<b>10 Year Gov't</b>	<b>A Rated Corporate Spread<sup>(1)</sup></b>	<b>10 Year Gov't</b>	<b>A Rated Corporate Spread<sup>(1)</sup></b>	<b>10 Year Gov't</b>	<b>A Rated Corporate Spread<sup>(1)</sup></b>
<b>Q2 2012</b>	1.74%	1.69%	1.65%	1.57%	1.73%	2.11%
<b>Q1 2012</b>	2.11%	1.60%	2.21%	1.69%	2.20%	2.02%
<b>Q4 2011</b>	1.94%	1.84%	1.88%	2.21%	1.98%	2.22%
<b>Q3 2011</b>	2.16%	1.68%	1.92%	2.09%	2.43%	2.01%
<b>Q2 2011</b>	3.11%	1.55%	3.16%	1.45%	3.38%	1.49%

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

**Macro Economic Environment**

	Currency					
	Income & Expenses			Balance Sheet		
	US\$	£	€	US\$	£	€
Q2 2012	1.01	1.60	1.30	1.02	1.60	1.29
Q1 2012	1.00	1.57	1.31	1.00	1.60	1.33
Q4 2011	1.02	1.61	1.38	1.02	1.58	1.32
Q3 2011	0.98	1.58	1.38	1.04	1.62	1.40
Q2 2011	0.97	1.58	1.39	0.96	1.55	1.40

## Questions

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