

GREAT-WEST  
**LIFECO** INC.

**Quarterly Information**  
**For Analysts and Investors**  
**Q1 2015**



## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

This document 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 actions by the Company, including statements made with respect to the expected benefits of acquisitions and divestitures, are also forward-looking statements. Forward-looking statements are based on expectations and projections about future events that were current at the time of the statements 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. Material factors and assumptions that were applied in formulating the forward-looking information contained herein include the assumption that the business and economic conditions affecting the Company’s operations will continue substantially in their current state, including, without limitation, with respect to market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance, taxes, inflation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, investment values, global equity and capital markets, business competition, continuity and availability of personnel and third party service providers, the Company’s ability to complete strategic transactions and integrate acquisitions and that there will be no unplanned material changes to the Company’s facilities, customer and employee relations or credit arrangements. Many of these assumptions are based on factors and events that are not within the control of the Company and there is no assurance that they will prove to be correct. Other important factors and assumptions that could cause actual results to differ materially from those contained in forward-looking statements include technological change, breaches or failure of information systems and security (including cyber attacks), payments required under investment products, changes in local and international laws and regulations, changes in accounting policies and the effect of applying future accounting policy changes, unexpected judicial or regulatory proceedings and catastrophic events. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in other filings with securities regulators, including factors set out in the Company’s 2014 Annual MD&A under “Risk Management and Control Practices” and “Summary of Critical Accounting Estimates”, which, along with other filings, is 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 document 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”, “assets under management”, “assets under administration” and other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance to help assess results where no comparable IFRS measure exists. 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

Paul Mahon

President & Chief Executive Officer  
Great-West Lifeco, Great-West Life, London Life, Canada Life



## Financial Highlights

- Net operating earnings of \$700 million, up 19% from Q1/14
- Earnings growth in all geographies driven by:
  - Strong top line results
  - Growth in AUM driving increased fee income
  - Continuing strong experience gains led by yield enhancement
  - Expenses reflect recent acquisitions and increased strategic investment in the businesses
- Return on Equity of 16% for the trailing four quarters
- Sales up 36% year over year to \$27.1 billion
  - Empower Retirement sales up US\$4.7 billion to US\$7.2 billion
  - Europe sales of \$4.5 billion, up 27%

## Assets Under Administration

- At March 31<sup>st</sup>, total AUA of \$1.2 trillion – up 46% year over year through acquisition and strong organic growth
- AUA increased in quarter by 4% in Canada, 13% in the U.S., and 9% in Europe
- Putnam assets under management were US\$159 billion, an increase of US\$5.8 billion compared to Q1/14

## Capital Position

- MCCSR ratio at March 31, 2015 of 222%
  - The positive impact of strong earnings in the quarter was offset by the combined impact on capital requirements of interest rate declines and business growth
- Holdco cash at quarter end was \$0.9 billion
- Common shareholder dividend of \$0.3260 per share
- Lifeco book value per share at March 31, 2015 was \$17.68, up 11% from Q1/14

## Business Developments

- Canada
  - Increased investment in digital services
  - Launched new version of Smartpath; our interactive online retirement education, planning, and savings program
- U.S.
  - Successful launch of the Empower Retirement brand
  - Five of Putnam’s mutual funds received 2015 Lipper Fund Awards
- Europe
  - Irish Life continues to be a success story
  - Equitable Life payout annuity acquisition strengthens our U.K. platform
  - Acquisition of Legal & General’s high net worth business on track to close in Q2/15



# Lifeco Summary of Results

Garry MacNicholas

Executive Vice President, Chief Financial Officer  
Great-West Lifeco



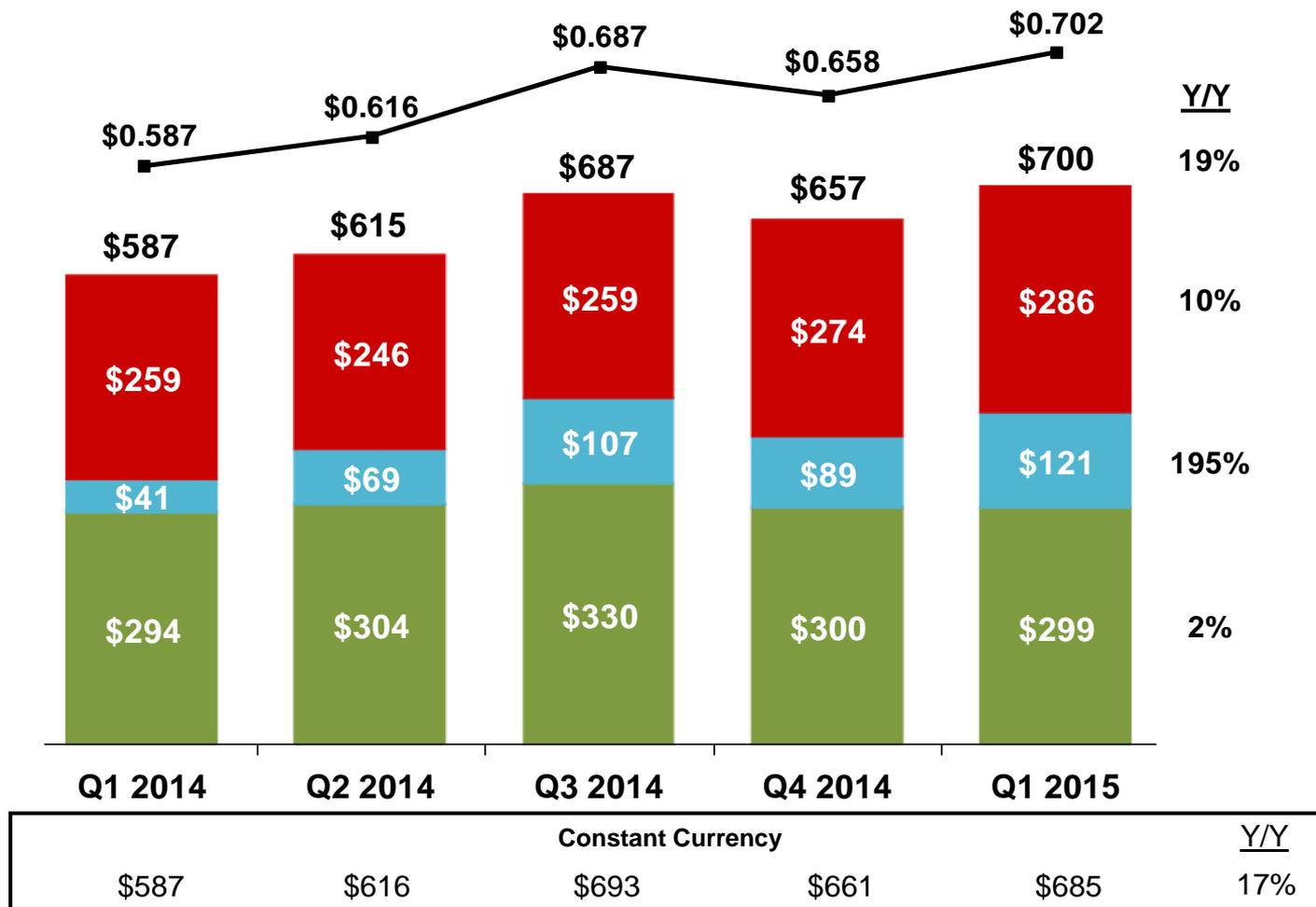
# Operating Earnings

Quarterly totals include corporate operating earnings

(C\$MM)

Except earnings per share

- Europe
- U.S.
- Canada



Constant Currency is based on Operating Earnings and translated to Canadian dollars at Q1/14 FX rates (US=1.10, £=1.83, €=1.51)

Note: Operating earnings (a non-IFRS financial measure) excludes the impact of certain litigation provisions described in note 32 to Great-West Lifeco's December 31, 2014 annual consolidated financial statements

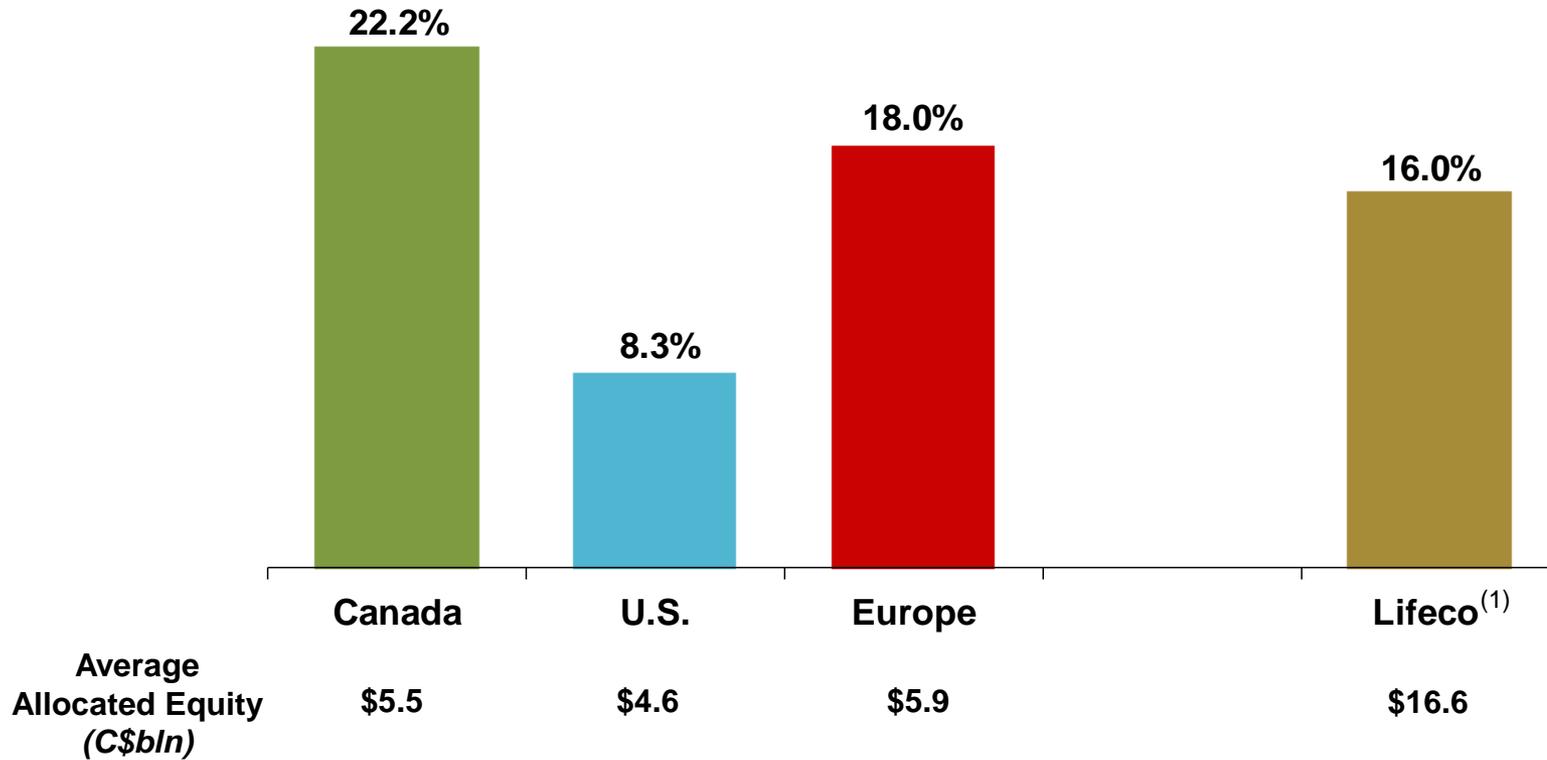
## Source of Earnings

(C\$MM)	For the three months ended March 31, 2015					Q1 2014
	Canada	U.S.	Europe	Corp	Total	Total
Expected profit on in-force business	276	126	227	(3)	626	598
Impact of new business	(3)	(25)	(34)	-	(62)	(13)
Experience gains and losses	155	67	23	(1)	244	125
Management actions and changes in assumptions	(3)	-	101	-	98	53
Other	-	(1)	(6)	-	(7)	(5)
Earnings on surplus (incl. financing charges)	17	-	39	(3)	53	16
<b>Net income before tax</b>	<b>442</b>	<b>167</b>	<b>350</b>	<b>(7)</b>	<b>952</b>	<b>774</b>
Taxes	(117)	(44)	(58)	1	(218)	(158)
<b>Net income before non-controlling interests &amp; preferred dividends</b>	<b>325</b>	<b>123</b>	<b>292</b>	<b>(6)</b>	<b>734</b>	<b>616</b>
Non-controlling interests & preferred dividends	(26)	(2)	(6)	-	(34)	(29)
<b>Net income - common shareholders before other adjustments</b>	<b>299</b>	<b>121</b>	<b>286</b>	<b>(6)</b>	<b>700</b>	<b>587</b>
Adjustments after-tax	-	-	-	-	-	-
<b>Net income - common shareholders</b>	<b>299</b>	<b>121</b>	<b>286</b>	<b>(6)</b>	<b>700</b>	<b>587</b>

- Putnam is now included in the U.S. Segment
- Expected profit up 5% year over year
- Higher experience gains in the quarter driven by yield enhancement

Note: Q1/14 has been restated to reflect the inclusion of Putnam in the U.S. segment

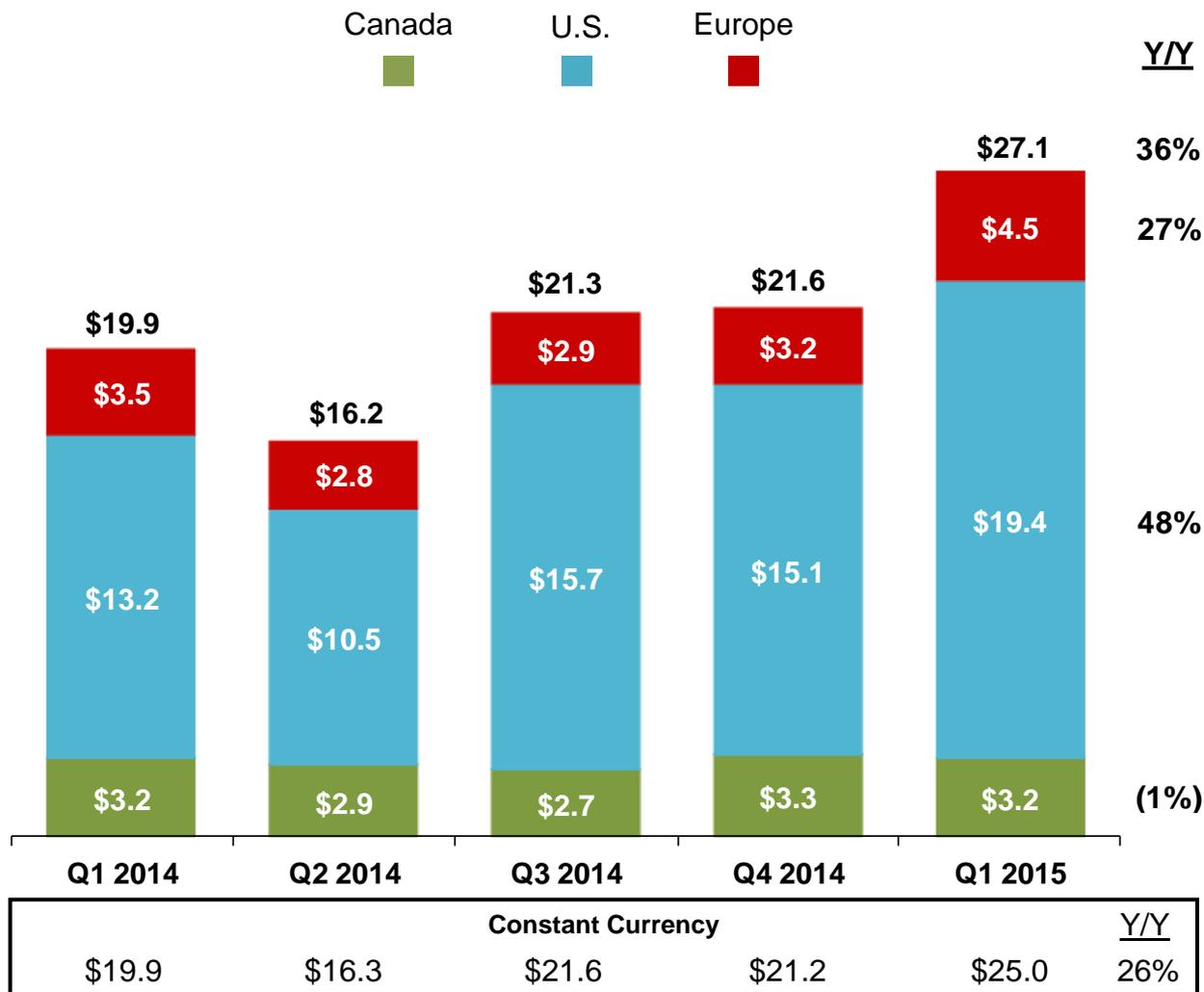
**Return on Equity – Operating Earnings**  
(Trailing 4 Quarters)



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

**Sales**

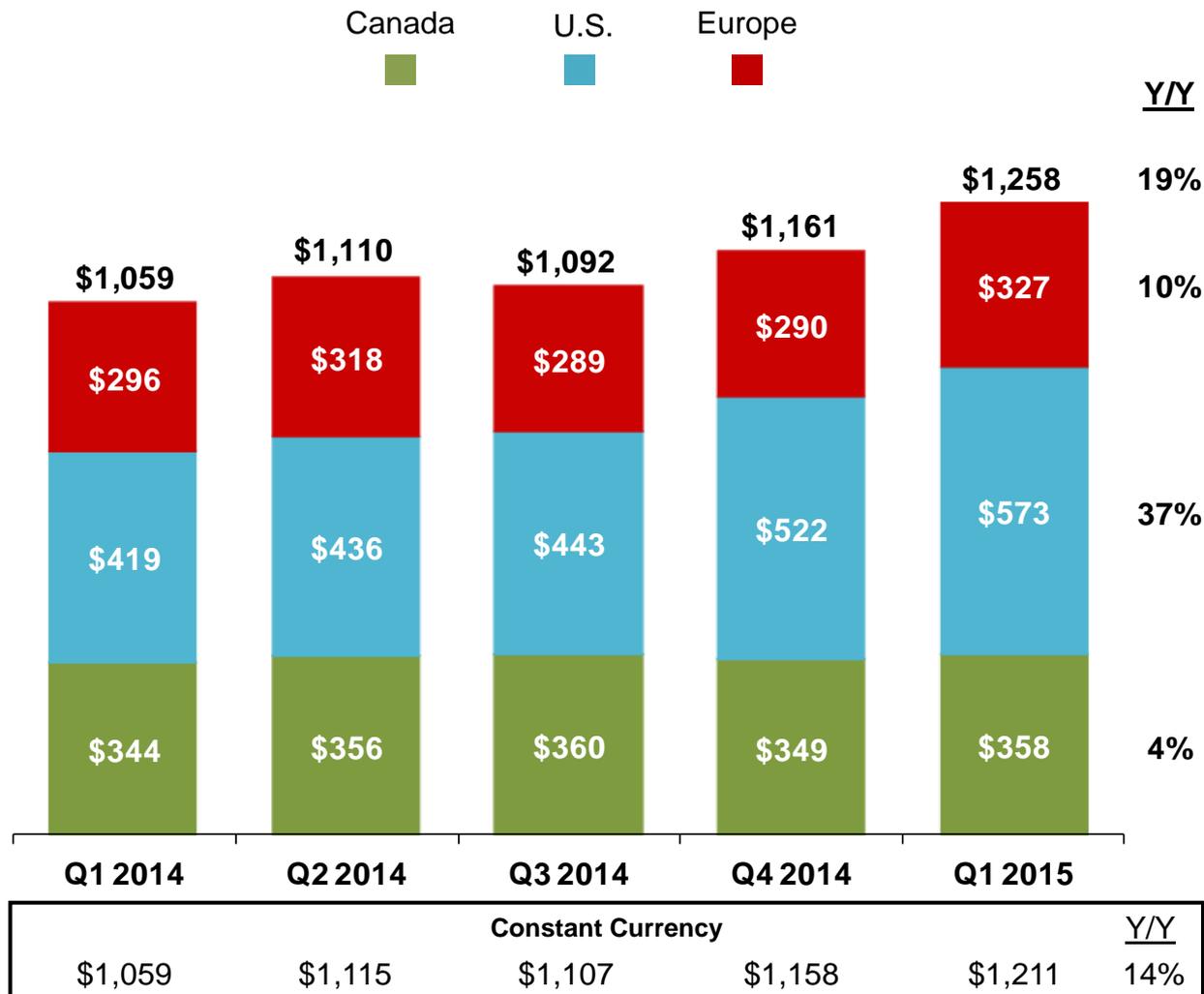
(C\$BLN)



Note: New Annualized Premiums (Sales) is a non-IFRS financial measure. Refer to Great-West Lifeco 's1<sup>st</sup> Quarter 2015 Management's Discussion and Analysis for definition

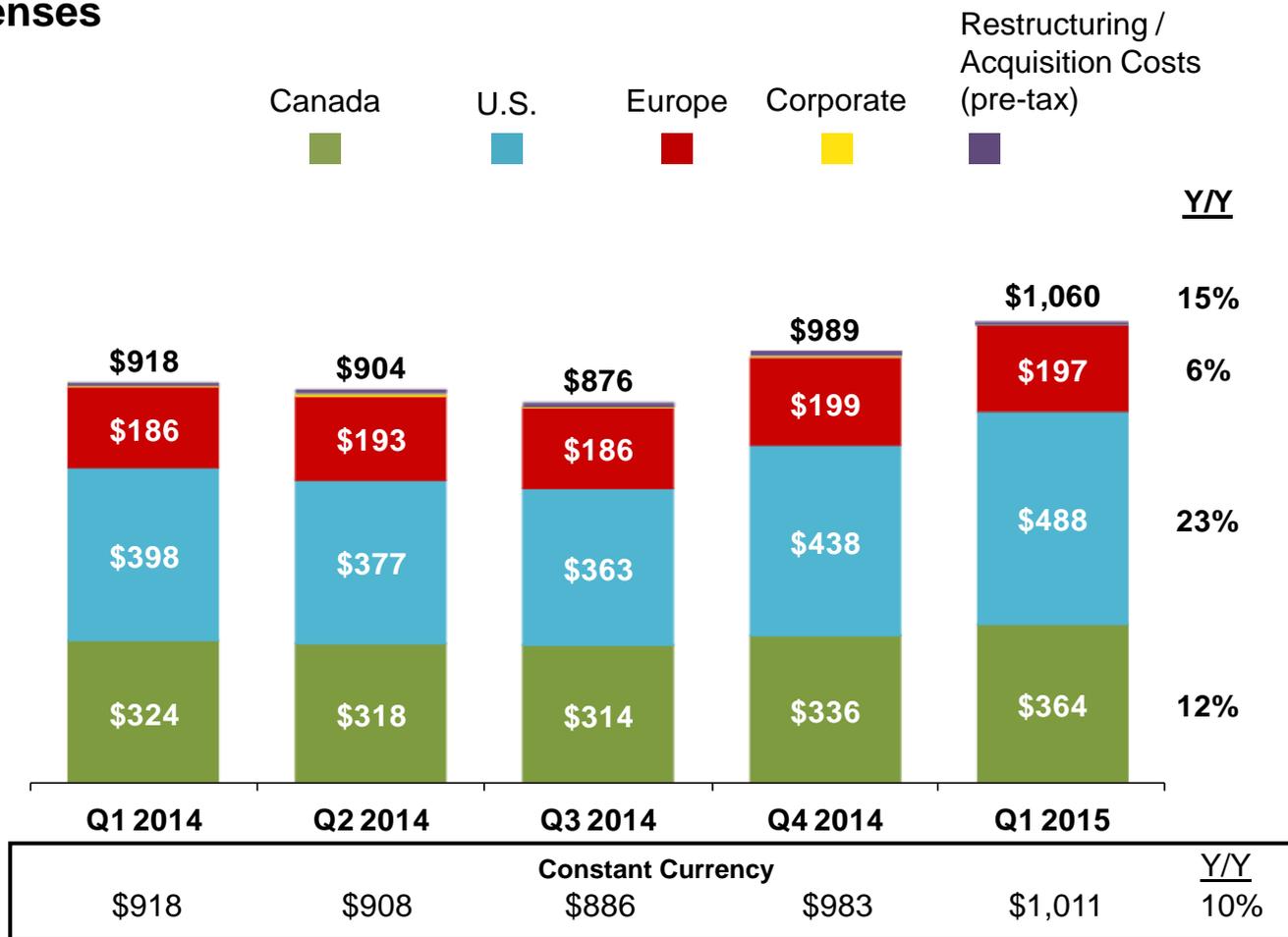
**Fee Income**

(C\$MM)



**Operating Expenses**

(C\$MM)

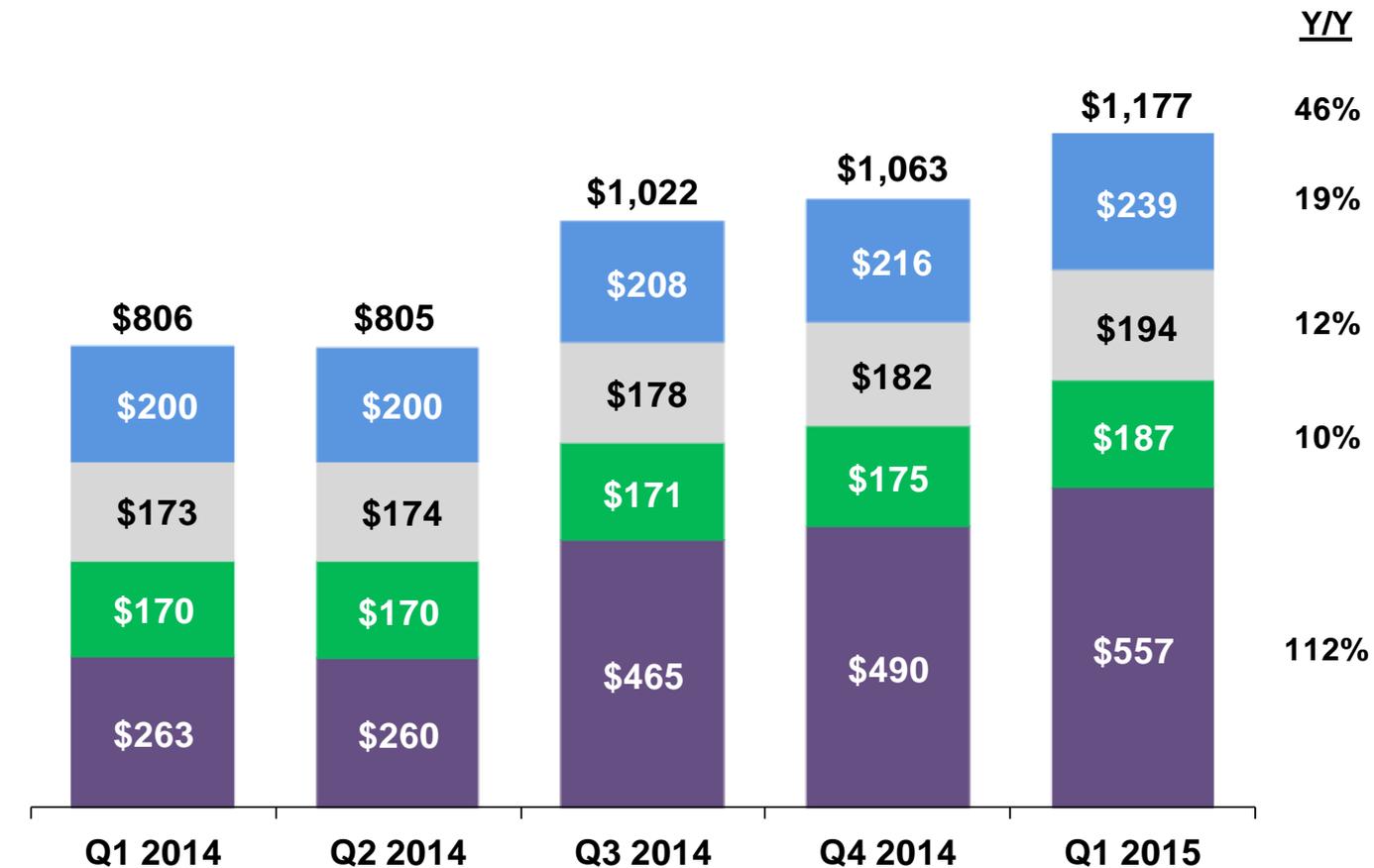


- Pre-tax restructuring and acquisition expenses from the Irish Life acquisition were \$5mm in Q1/14, \$10mm in Q2/14, \$7mm in Q3/14, \$7mm in Q4/14, and \$6mm in Q1/15. Acquisition and restructuring expenses from the J.P. Morgan RPS acquisition were \$3mm in Q3/14, \$5mm in Q4/14, and \$1mm in Q1/15
- Putnam operating expenses included the following expenses from fair value adjustments on share based compensation: \$27mm in Q1/14, \$1mm in Q2/14, \$1mm in Q3/14, \$2mm in Q4/14, and \$2mm in Q1/15

**Total Assets under Administration**

(C\$BLN)

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



Constant Currency					Y/Y
\$806	\$825	\$1,025	\$1,045	\$1,091	35%

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## Canada

Dave Johnston

President & Chief Operating Officer  
Canada

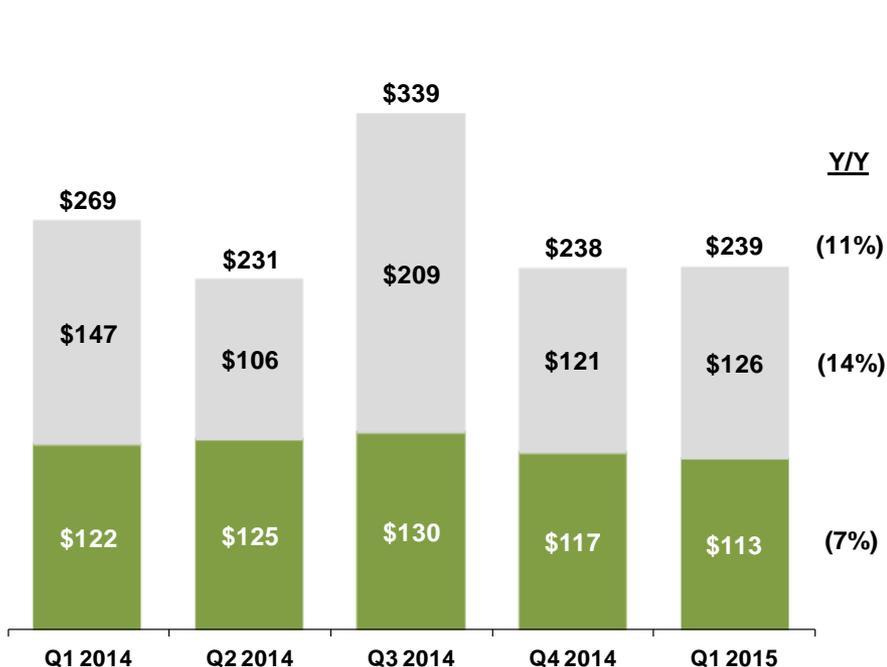


Canada – Sales

Insurance

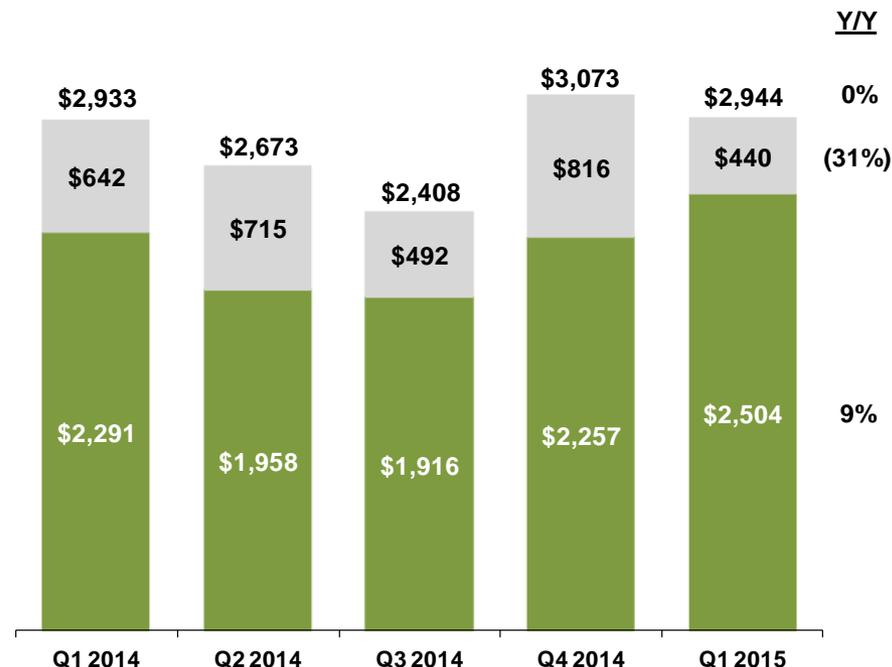
(C\$MM)

■ Individual ■ Group



Wealth Management

(C\$MM)

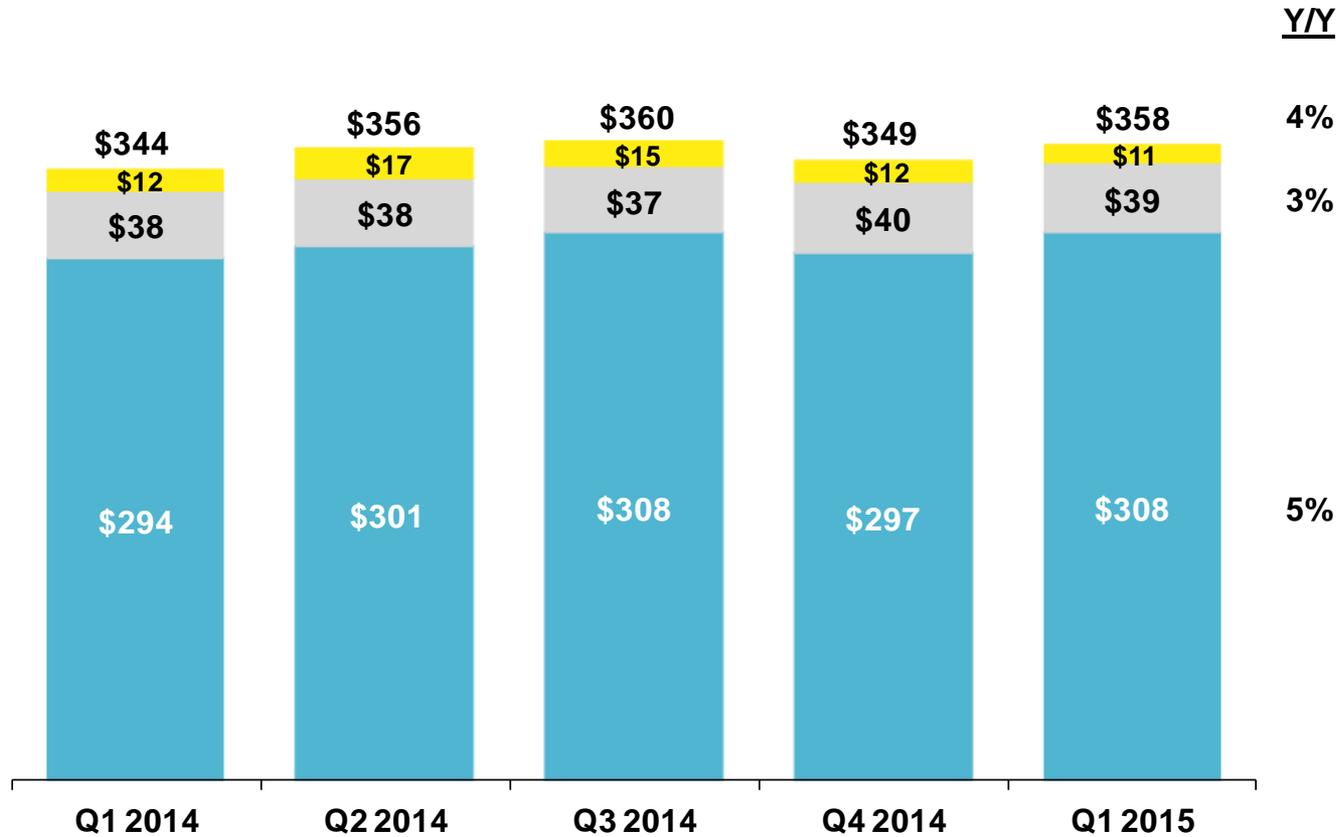


- Wealth Management had positive net cash flows of \$250mm in quarter

**Canada – Fee Income**

(C\$MM)

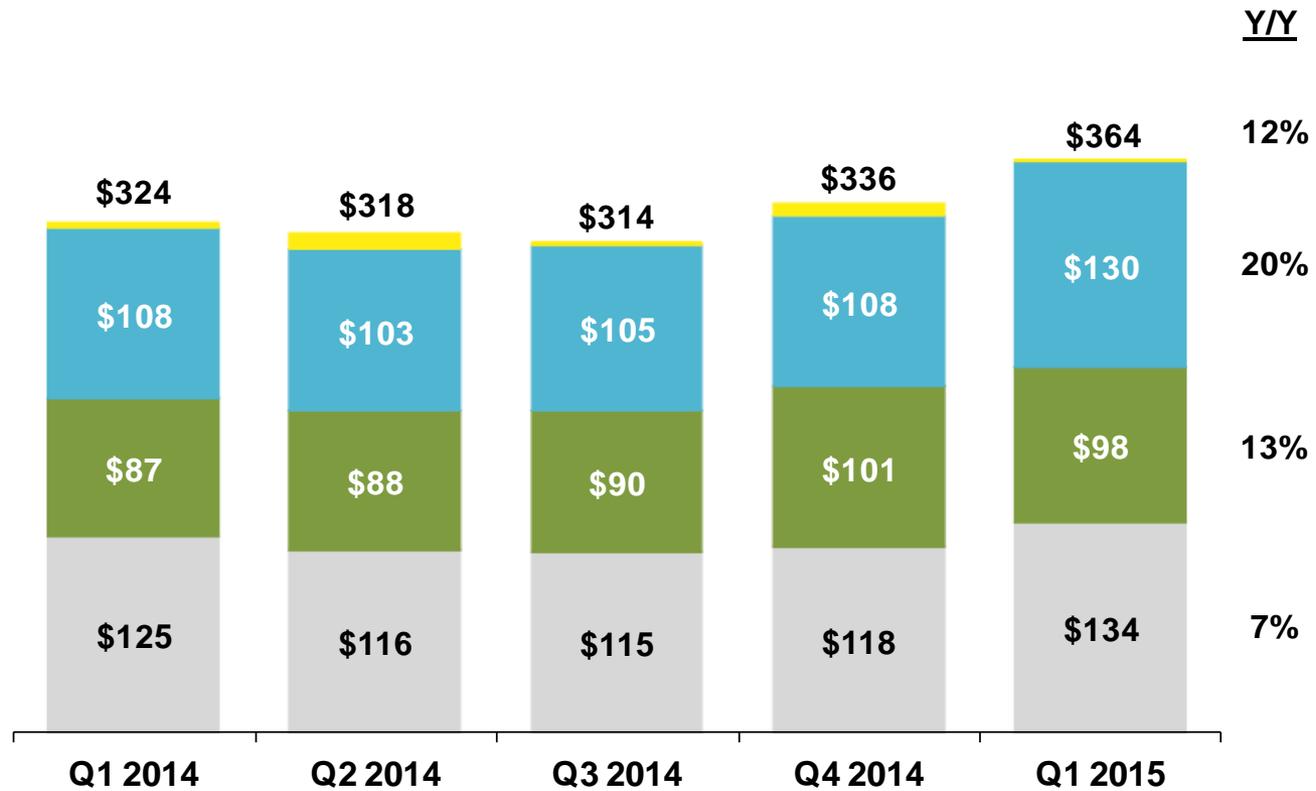
■ Wealth Management ■ Group Insurance ■ Corporate



Note: Corporate segment includes Great-West Realty Advisors

**Canada – Operating Expenses**

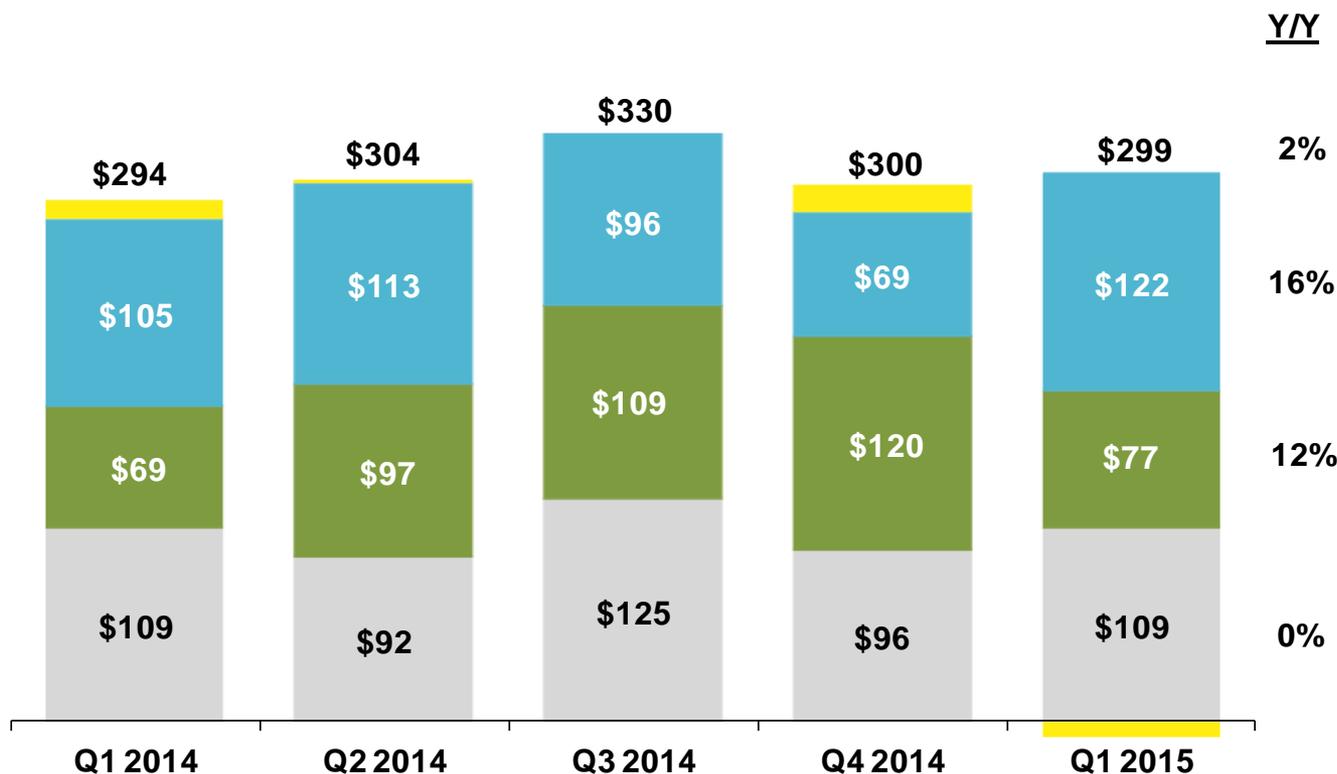
(C\$MM)



**Canada – Operating Earnings**

(C\$MM)

- Group Insurance
- Wealth Management
- Individual Insurance
- Corporate



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**United States**

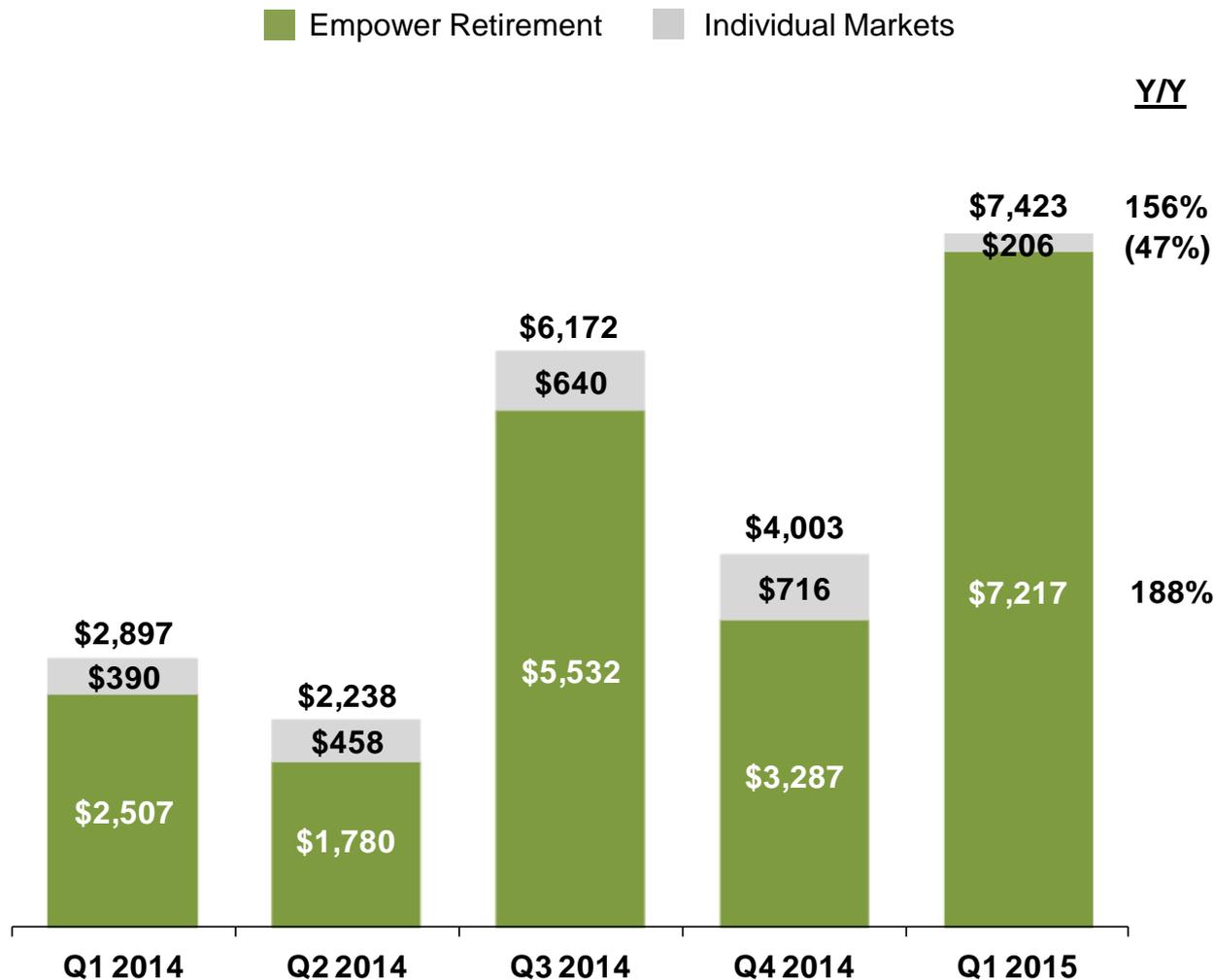
**Robert Reynolds**

President & Chief Executive Officer  
Great-West Lifeco U.S.



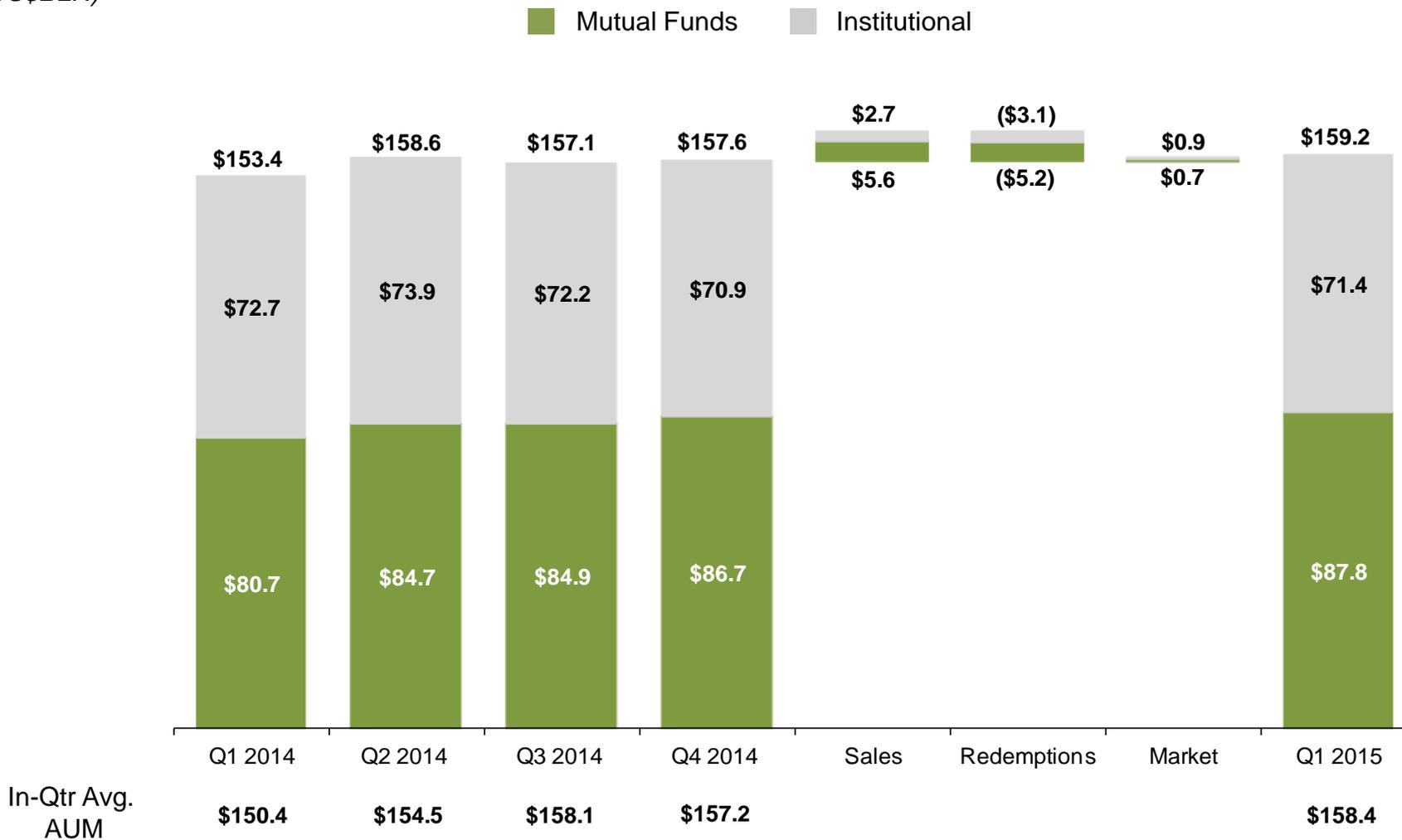
**Great-West Financial – Sales**

(US\$MM)



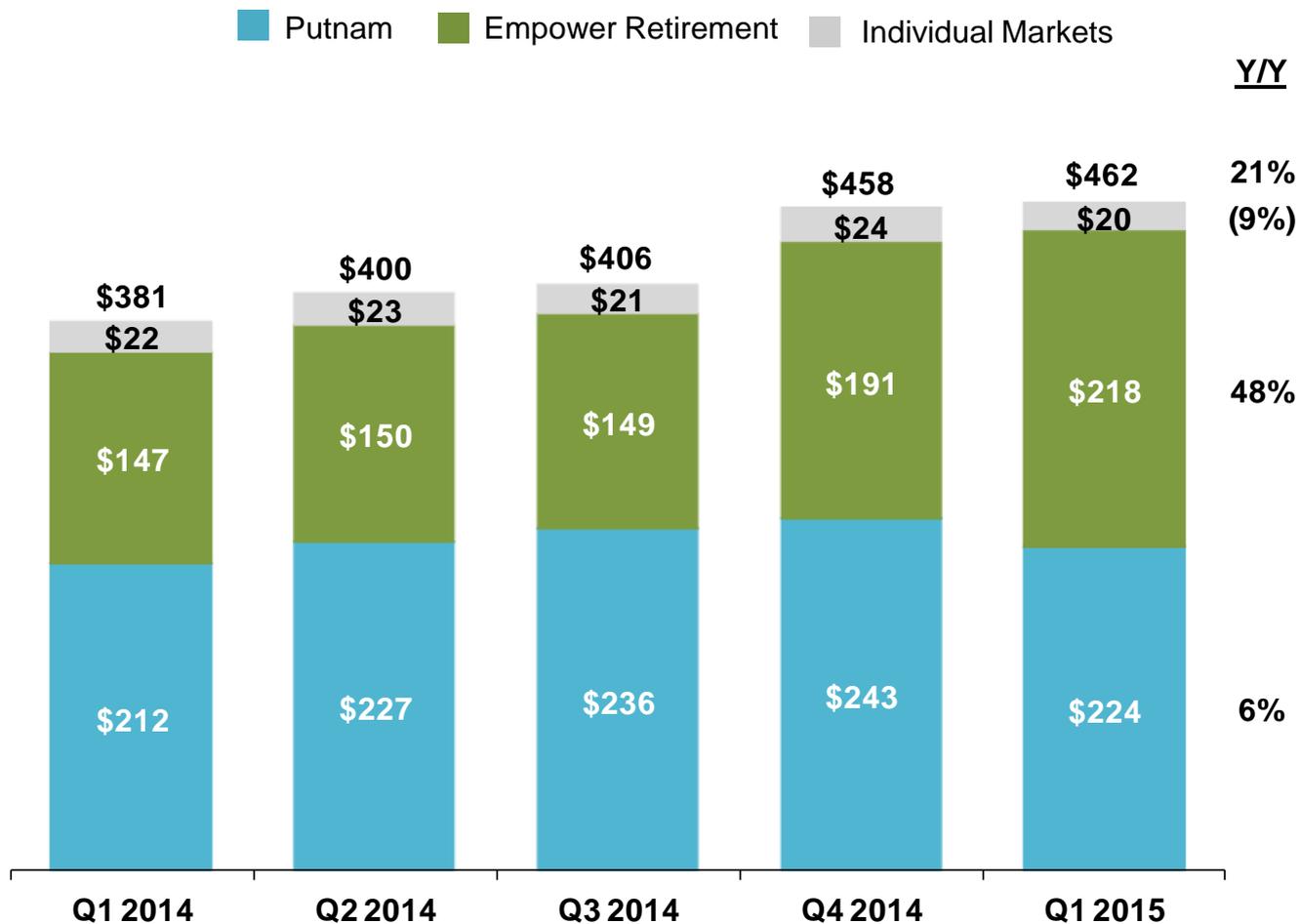
**Putnam – AUM & Flows**

(US\$BLN)



**U.S. – Fee Income**

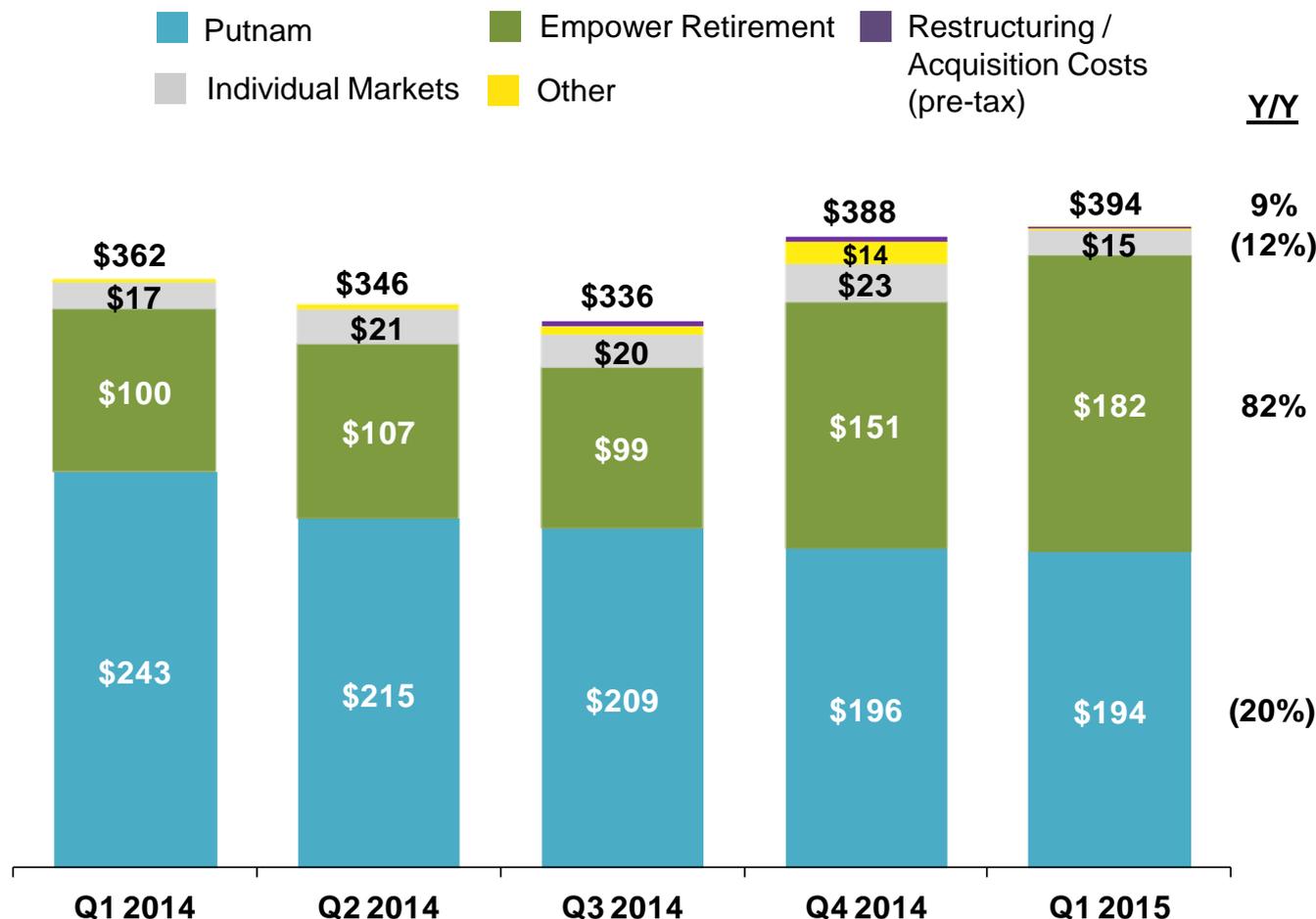
(US\$MM)



Note: Comparative figures were not restated for transfer of Defined Contribution business from Putnam to Empower Retirement

## U.S. – Operating Expenses

(US\$MM)



Notes:

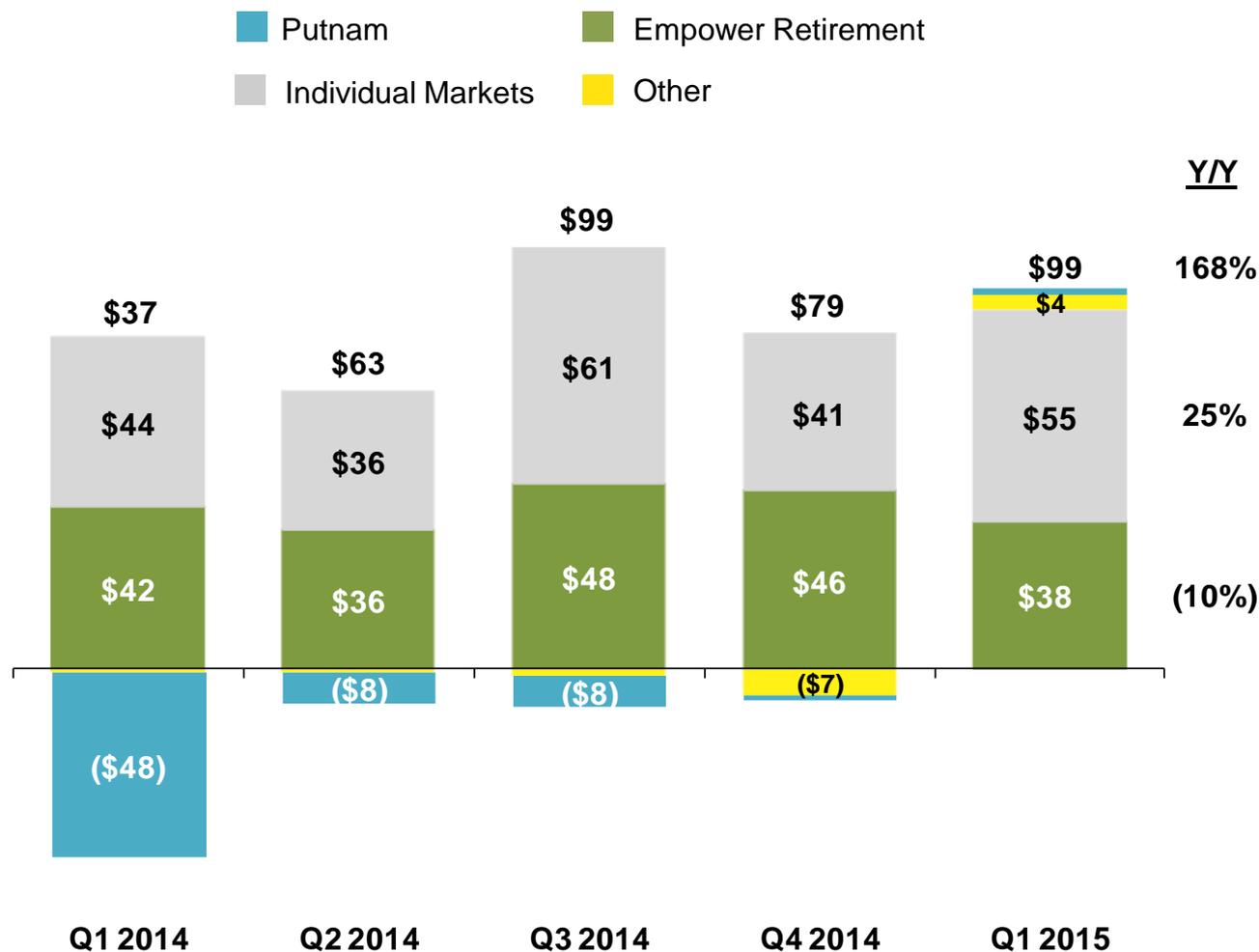
At Empower, operating expenses were impacted by integration efforts as well as the transfer of the Individual Retirement Account and Putnam's Defined Contribution businesses

Pre-tax restructuring costs and acquisition expenses from the J.P. Morgan RPS were US\$3mm in Q3/14 , US\$4mm in Q4/14, and US\$1mm in Q1/15

Putnam's operating expenses included the following expenses from fair value adjustments on share based compensation and legacy Putnam DC block (legacy block) respectively: US\$25mm and US\$15mm in Q1/14, US\$1mm and US\$17mm in Q2/14, US\$1mm and US\$16mm in Q3/14, and US\$1mm and US\$14mm in Q4/14. Putnam's operating expenses for Q1/15 related to the fair value adjustment on share based compensation is US\$1mm, however beginning in Q1/15 the operating expenses relating to the legacy block resides with Empower.

**U.S. – Operating Earnings**

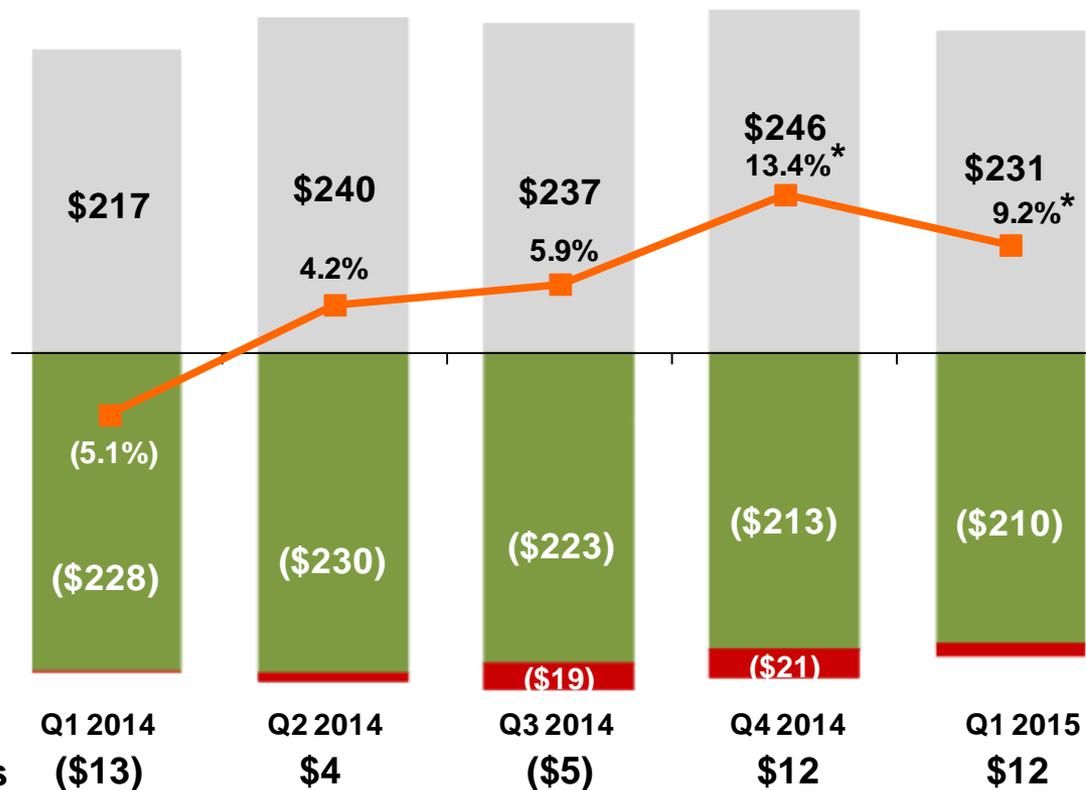
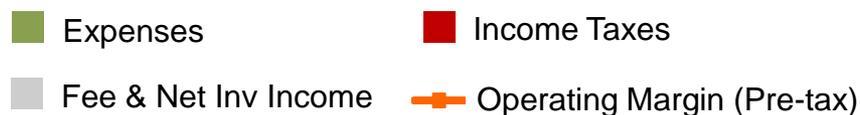
(US\$MM)



Note: Excludes U.S. Corporate which represents post-tax restructuring costs and acquisition expenses from the J.P. Morgan RPS which were US\$2mm in Q3/14 , US\$2mm in Q4/14, and US\$1mm in Q1/15

## Putnam – Core Net Earnings

(US\$MM)



- Core net earnings (loss) (a non-IFRS financial measure) is a measure of the Asset Management business unit's performance. Core net earnings (loss) includes the impact of dealer commissions and software amortization, and excludes the impact of corporate financing charges and allocations and fair value adjustments related to stock-based compensation.

\*Includes a net gain related to the settlement of a legal matter of US\$20mm in Q4/14 and expense recoveries totalling US\$9mm in Q1/15 not expected to reoccur. Excluding these items, the operating margin (pre-tax) would have been 5.3% and 5.2% in Q4/14 and Q1/15, respectively.

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## Europe

Arshil Jamal

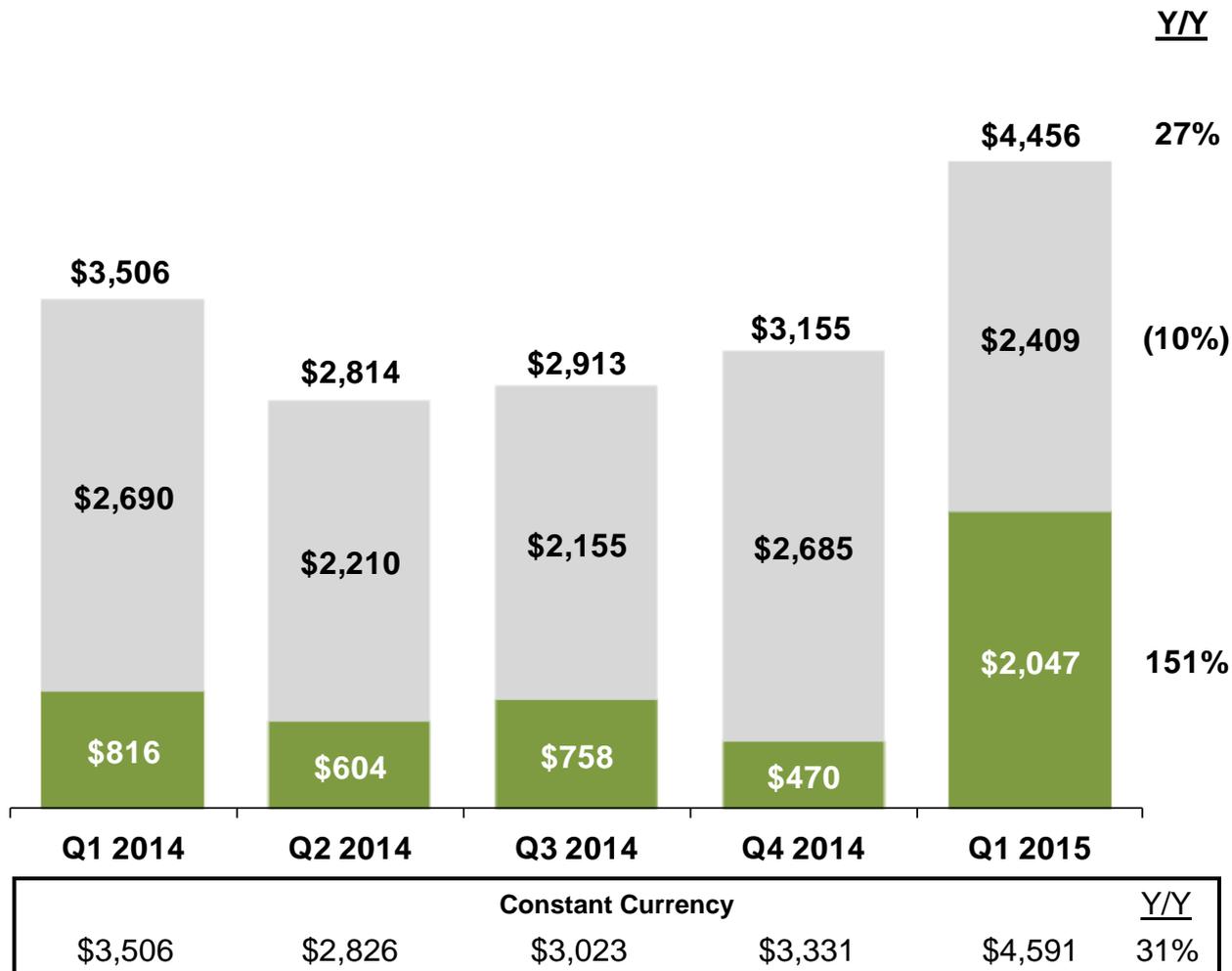
President & Chief Operating Officer  
Europe



**Europe – Sales**

(C\$MM)

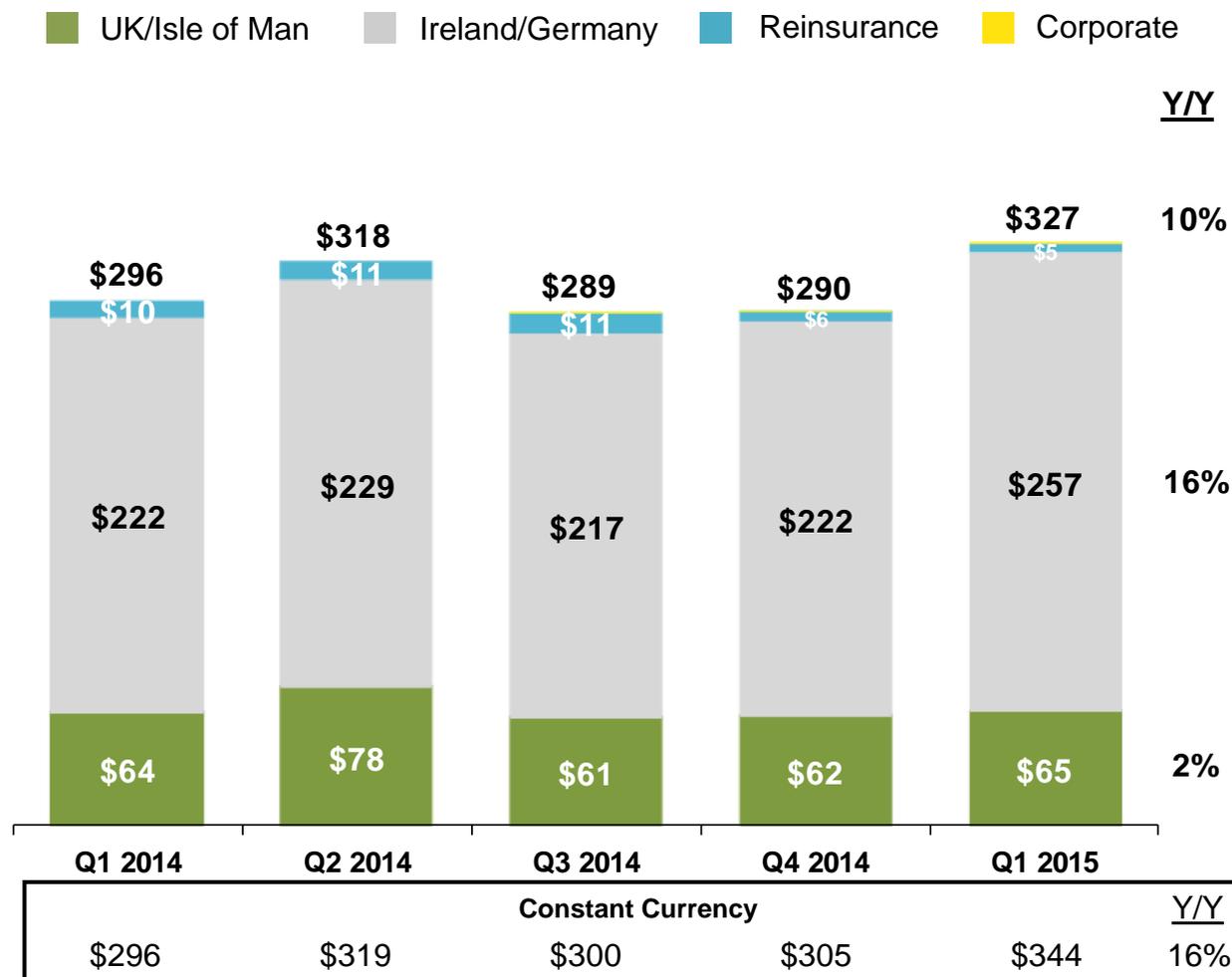
■ UK/Isle of Man    ■ Ireland/Germany



- In Q1/15 UK/Isle of Man sales reflected a \$1.6 billion block of payout annuity business acquired from Equitable Life

**Europe – Fee Income**

(C\$MM)



Note: Consolidated totals include Europe corporate

**Europe – Operating Expenses**

(C\$MM)

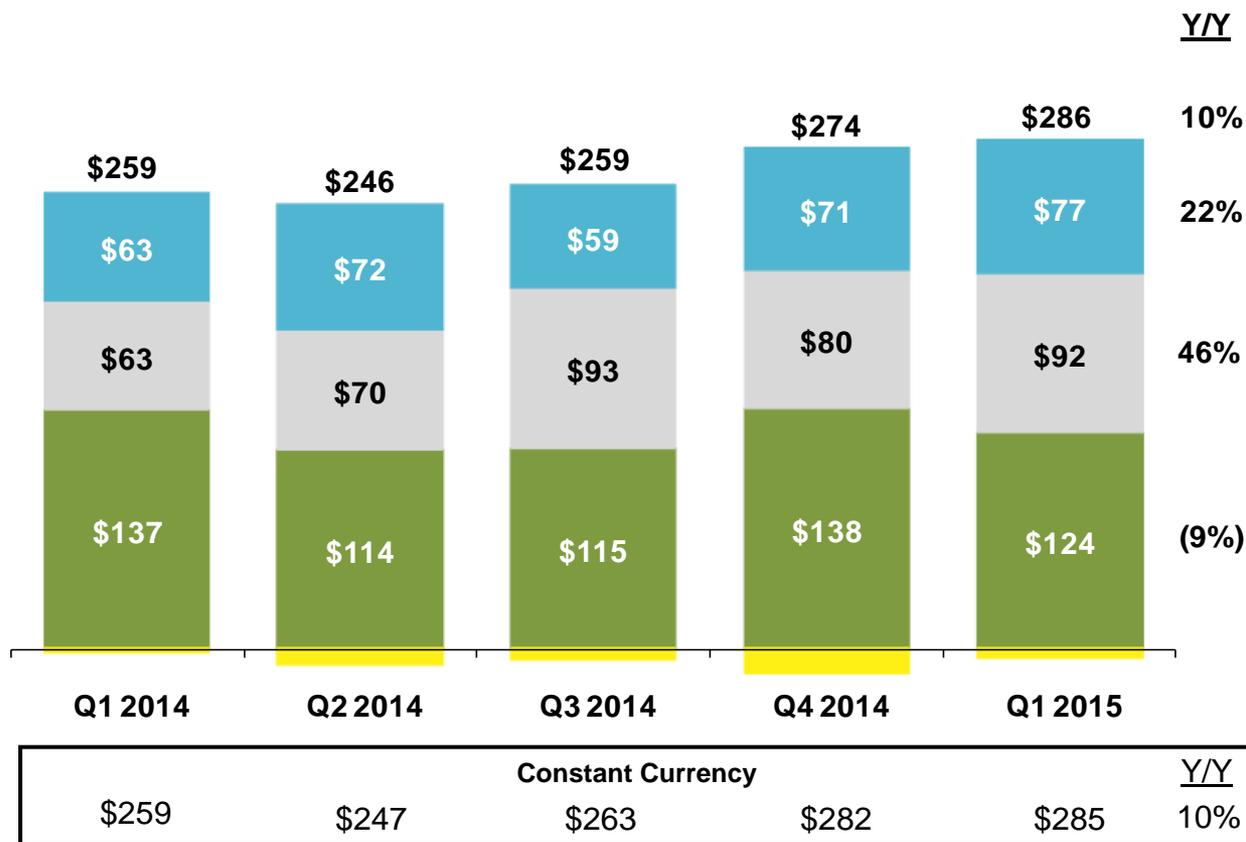


Constant Currency					Y/Y
\$191	\$204	\$199	\$215	\$209	9%

**Europe – Consolidated Operating Earnings**

(C\$MM)

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



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## Questions



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## Appendix

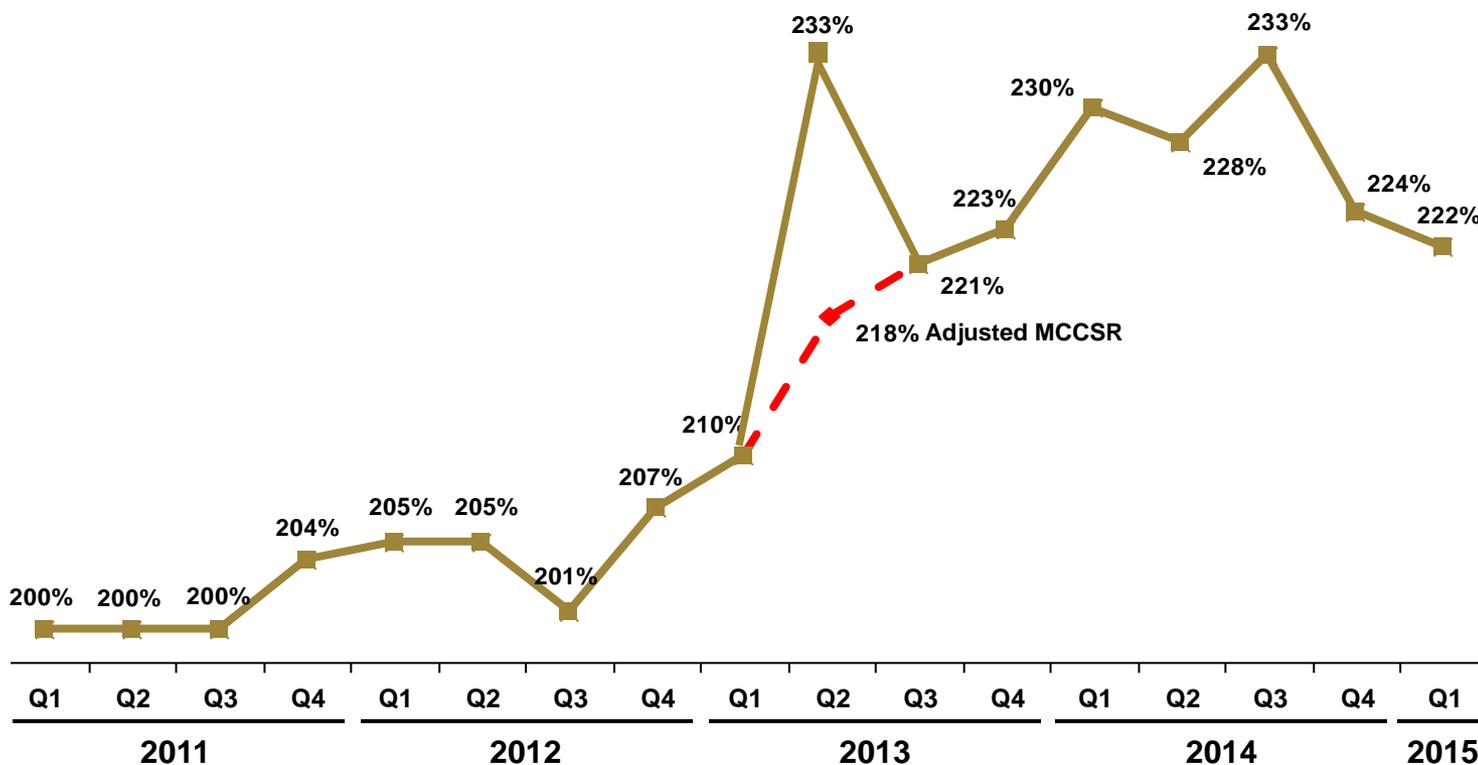


**Book Value per Common Share**



- Lifeco's BVPS at March 31, 2015 was \$17.68, up 11% year over year

## Regulatory Capital Ratios Remain Strong – Consolidated MCCR Ratio



- The Great-West Life Assurance Company's MCCR of 222% is a 2 point decrease from Q4/14
- Strong earnings performance net of the normal growth in capital requirements contributed positively
- This was offset by a 2015 OSFI guideline change and from the general decline in interest rates
- The MCCR ratio does not include holding company cash which would add approximately 13 points to the ratio

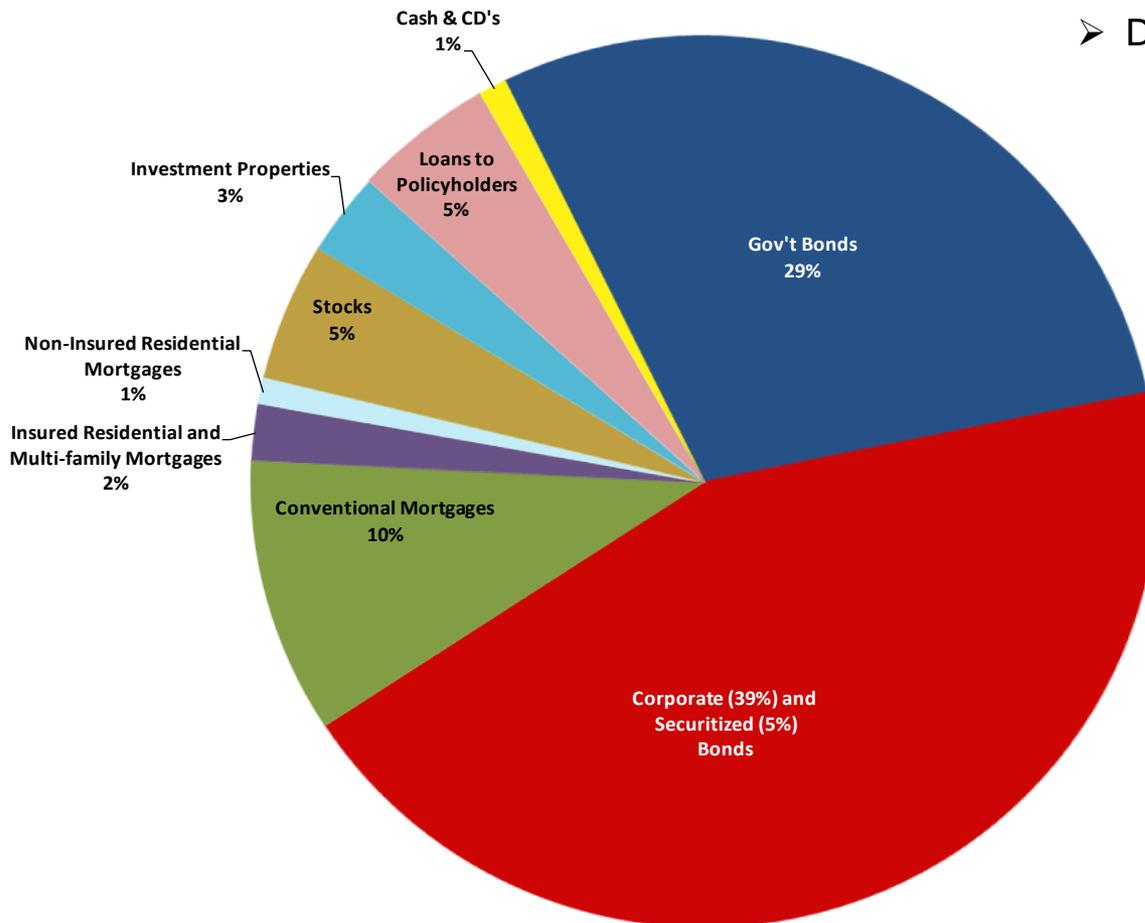
## In-Quarter Developments

### Credit Markets

- Credit experience related to impairments and rating changes negatively impacted shareholders' net earnings by \$3 million in the quarter

<b>Total Credit Impact on Shareholders' Net Earnings</b>						
(\$ millions)	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>YTD 2014</b>	<b>Q1 2015</b>
Credit (impairments) / recoveries	5	15	1	1	22	3
Credit (downgrades) / upgrades	(3)	(9)	(4)	(20)	(36)	(6)
<b>Total Impact</b>	<b>2</b>	<b>6</b>	<b>(3)</b>	<b>(19)</b>	<b>(14)</b>	<b>(3)</b>

## Invested Asset Composition\*



- Invested assets at March 31, 2015 were \$167.7billion
- Diversified high quality portfolio:
  - Bonds represent 73% of invested assets (98% are investment grade; 83% rated A or higher)
  - Mortgage portfolio represents 13% of invested assets, and is well diversified by geography and property type. Portfolio is well seasoned, with minimal impairments; delinquencies > 90 days on non-impaired mortgages are negligible
  - Stocks represent 5% of invested assets, mostly Canadian publicly traded
  - Investment Properties represent 3% of invested assets (35% in Canada; 60% in UK). Properties are unlevered; UK properties benefit from long term lease contracts

\* Includes certain funds held by ceding insurers (carrying value of \$12.4bln)

**Lifeco Consolidated Bond Portfolio\***

	Corporate and Securitized				% of Invested Assets	\$ (millions)
	Governments	Banks	Financial Services	Other Corporate and Securitized		
United States	5.4%	0.7%	2.1%	14.4%	22.6%	37,906
Canada	11.3%	1.1%	0.3%	8.4%	21.1%	35,013
United Kingdom	7.9%	1.5%	1.2%	8.4%	19.0%	31,640
Ireland	0.4%	0.0%	0.0%	0.0%	0.4%	712
	25.0%	3.3%	3.6%	31.2%	63.1%	105,271
<b>Eurozone (excluding Ireland)</b>						
Germany	1.5%	0.0%	0.1%	1.2%	2.8%	4,653
France	0.6%	0.4%	0.1%	0.5%	1.6%	2,730
Netherlands	0.4%	0.2%	0.1%	0.2%	0.9%	1,635
Italy	0.0%	0.0%	0.0%	0.3%	0.3%	491
Austria	0.3%	0.0%	0.0%	0.0%	0.3%	457
Belgium	0.1%	0.0%	0.0%	0.1%	0.2%	450
Spain	0.0%	0.2%	0.0%	0.0%	0.2%	406
Finland	0.1%	0.0%	0.0%	0.0%	0.1%	197
Luxembourg	0.0%	0.0%	0.0%	0.0%	0.0%	47
Portugal	0.0%	0.0%	0.0%	0.0%	0.0%	15
	3.0%	0.8%	0.3%	2.3%	6.4%	11,081
<b>Other Europe</b>						
Sweden	0.0%	0.2%	0.1%	0.1%	0.4%	732
Norway	0.1%	0.1%	0.0%	0.2%	0.4%	575
Switzerland	0.0%	0.1%	0.1%	0.2%	0.4%	565
Denmark	0.1%	0.0%	0.0%	0.0%	0.1%	147
Isle of Man	0.1%	0.0%	0.0%	0.0%	0.1%	136
Jersey	0.1%	0.0%	0.0%	0.0%	0.1%	88
Guernsey	0.0%	0.0%	0.0%	0.0%	0.0%	80
	0.4%	0.4%	0.2%	0.5%	1.5%	2,323
<b>Asia Pacific</b>						
Australia	0.0%	0.3%	0.0%	0.3%	0.6%	1,161
Japan	0.0%	0.0%	0.0%	0.2%	0.2%	469
Singapore	0.1%	0.0%	0.0%	0.0%	0.1%	229
New Zealand	0.0%	0.0%	0.0%	0.1%	0.1%	142
Hong Kong	0.0%	0.0%	0.0%	0.0%	0.0%	51
	0.1%	0.3%	0.0%	0.6%	1.0%	2,052
<b>All Other</b>	0.9%	0.0%	0.0%	0.1%	1.0%	1,654
<b>Total %</b>	<b>29.4%</b>	<b>4.8%</b>	<b>4.1%</b>	<b>34.7%</b>	<b>73.0%</b>	<b>122,381</b>
<b>Total \$ (millions)</b>	<b>49,302</b>	<b>8,046</b>	<b>6,940</b>	<b>58,093</b>	<b>122,381</b>	

\*Includes certain funds held by ceding insurers

**Corporate and Securitized Bonds - Sector Diversification\***

	<b>% of Invested Assets</b>		<b>% of Invested Assets</b>
<b><u>Corporates</u></b>		<b><u>Securitized</u></b>	
Consumer Products	5.0%	CMBS	1.8%
Banks	4.8%	RMBS	0.4%
Electric Utilities	4.8%	Other ABS	2.5%
Financial Services	4.1%	<b>Total Securitized</b>	<b>4.7%</b>
Real Estate	3.6%		
Other Utilities	3.1%	<b>Total Corporates and Securitized</b>	<b>43.6%</b>
Oil and Gas	2.9%		
Miscellaneous	2.2%		
Other Transportation	1.7%		
Gas Utilities	1.3%		
Industrial Products	1.2%		
Basic Materials	1.2%		
Air Transportation	1.1%		
Communications	1.1%		
Auto & Auto Parts	0.8%		
<b>Total Corporates</b>	<b>38.9%</b>		

- No sectors are > 5% of Invested Assets

\*Includes certain funds held by ceding insurers

	Currency					
	Income & Expenses			Balance Sheet		
	US\$	£	€	US\$	£	€
Q1 2015	1.24	1.88	1.40	1.27	1.88	1.36
Q4 2014	1.14	1.80	1.42	1.16	1.81	1.40
Q3 2014	1.09	1.82	1.44	1.12	1.82	1.42
Q2 2014	1.09	1.84	1.50	1.07	1.83	1.46
Q1 2014	1.10	1.83	1.51	1.11	1.84	1.52