



# Quarterly Information for Analysts and Investors

## Q2 2016

Building on our **STRENGTHS.**  
Investing in our **FUTURE.**



## **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 2015 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.



Paul Mahon  
President & CEO  
Great-West Lifeco

Summary of results

# Leveraging global strengths and capabilities to drive growth

**Canada**

**U.S.**

**Europe**

## **Protection**

Depth of insurance expertise across life, health, wealth and retirement

## **Asset management**

Diversity of platforms, investment styles, products and global reach

## **Retirement solutions**

Scale and breadth of member offerings and experiences across our markets

## **Customer and advice channels**

Innovation to better engage customers and advisors, leveraging digital and analytics

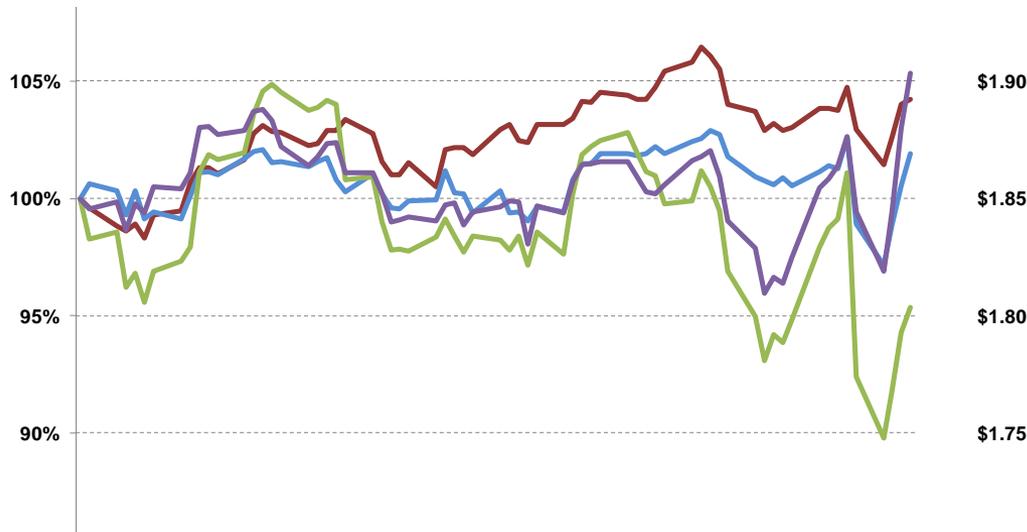
**Protect and extend**  
leadership positions through  
organic growth

Invest for significant **organic**  
**growth and take advantage**  
**of consolidation**  
opportunities

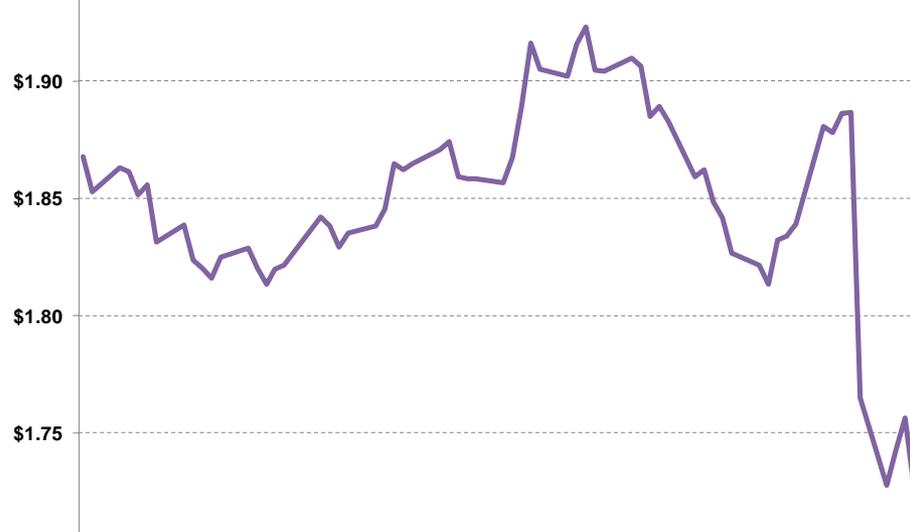
**Targeted growth** leveraging  
leadership positions,  
supplemented by acquisition  
and product expansion

# Markets – March 31<sup>st</sup> to June 30<sup>th</sup>

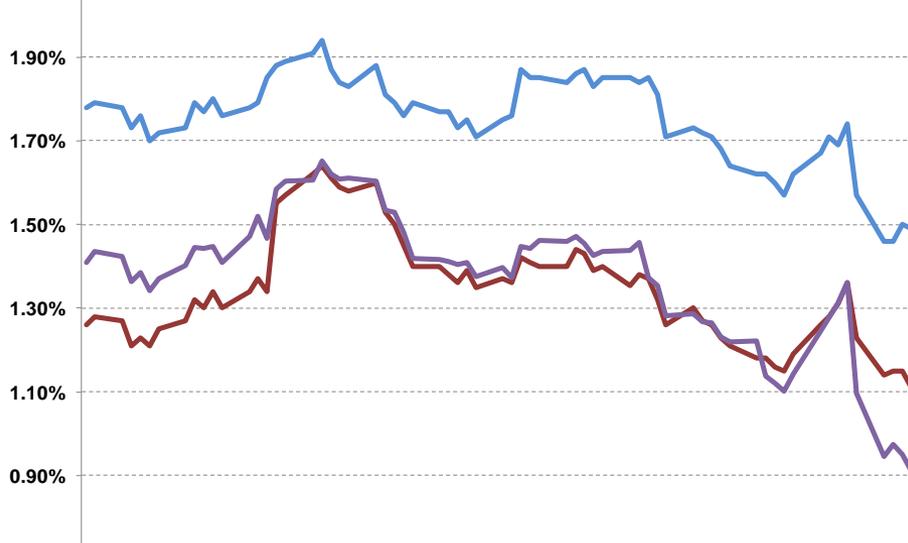
— S&P TSX — S&P 500 — Eurostoxx 50 — FTSE 100



— CAD/GBP



— Can. 10 Yr. — U.S. 10 Yr. — U.K. 10 Yr.

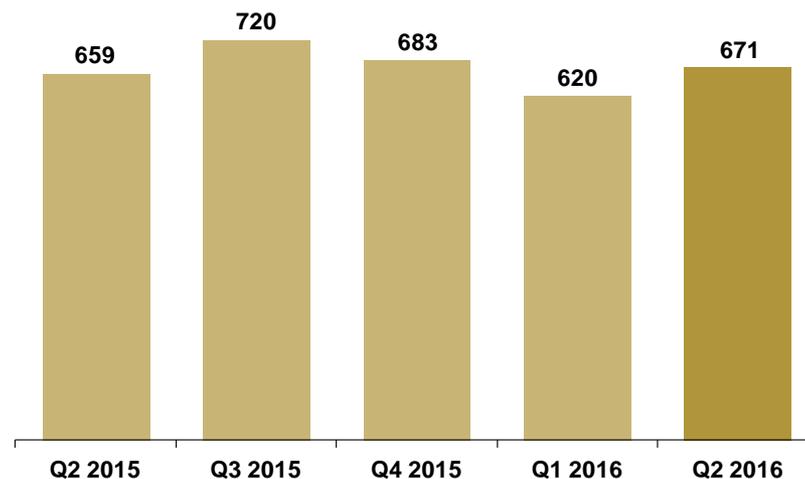


- Market volatility increased in Q2
  - Brexit vote; GBP weakened
  - Low interest rate environment
- Additionally, outflows from actively managed funds continue

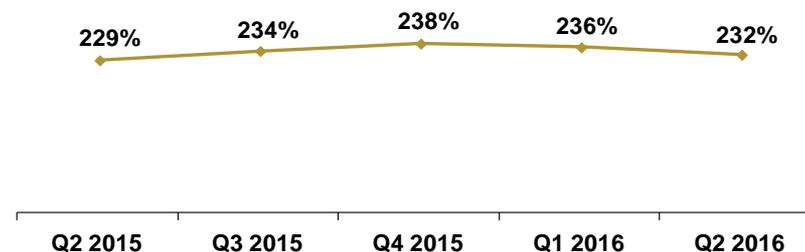
# Summary of results

- Earnings up 2% YoY against a challenging macro environment
- Strong improvement from Q1, up 8%
- Continuing capital strength and flexibility
  - MCCSR at 232%
  - Lifeco cash of \$813m
- Dividend of \$0.346 per share

## Earnings (C\$m)



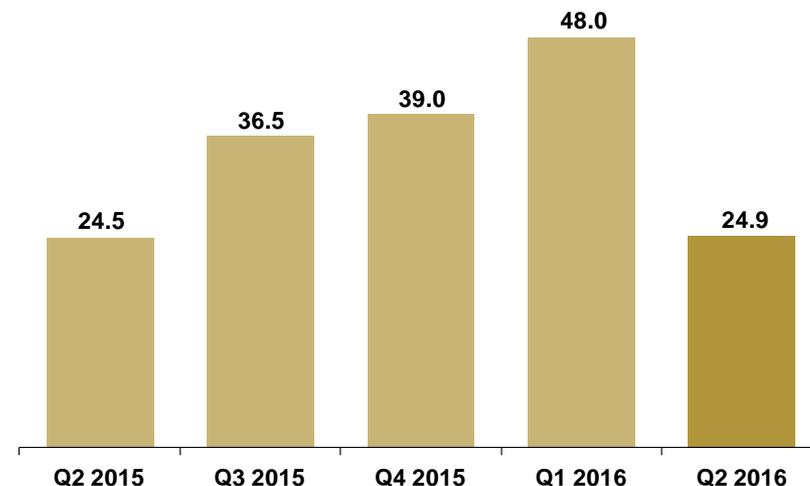
## MCCSR



# Summary of results – Sales

- Canada
  - Wealth Management sales lower, consistent with market, partially offset by higher Insurance results
  
- U.S.
  - No mega plan sales at Empower this quarter
  - Putnam sales up, driven by institutional flows
  
- Europe
  - Payout annuities rebounding
  - Higher fund management inflows in Ireland
  - Good sales growth in German pensions

Sales (C\$b)

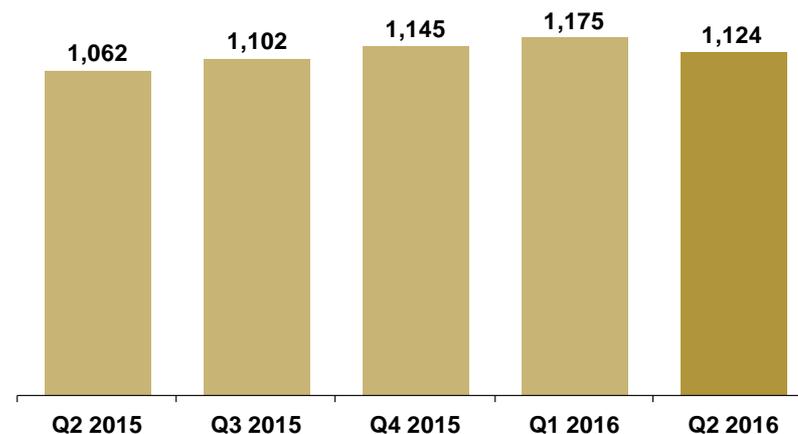


	Canada	U.S.	Europe	Lifeco
Q2 2016	2.7	16.7	5.5	24.9
Q1 2016	3.3	40.1	4.6	48.0
Q2 2015	3.0	18.1	3.4	24.5
YoY	(11%)	(8%)	63%	1%
Constant Currency	(11%)	(12%)	54%	(3%)

# Summary of results – Expenses

- Lifeco expense growth slowing, up 3% YoY on constant currency basis
- Canada
  - Continue to invest in business
  - Expense growth moderating compared to previous quarters
- U.S.
  - Investing to grow Empower business
  - Lower variable costs at Putnam
- Europe
  - Leveling off post integration and Solvency II

Expenses (C\$m) <sup>(1)</sup>



	Canada	U.S.	Europe	Lifeco <sup>(1)</sup>
Q2 2016	366	531	221	1,124
Q1 2016	382	569	220	1,175
Q2 2015	345	502	210	1,062
YoY	6%	6%	5%	6%
Constant Currency	6%	1%	1%	3%

(1) Lifeco totals include corporate expenses

# Summary of results – Fee Income

- Lifeco fee income steady YoY

- Average equity markets lower in all segments:

S&P/TSX (8%)

S&P 500 (1%)

Eurostoxx 50 (18%)

- Canada

- Positive cash flows offset impact from lower markets

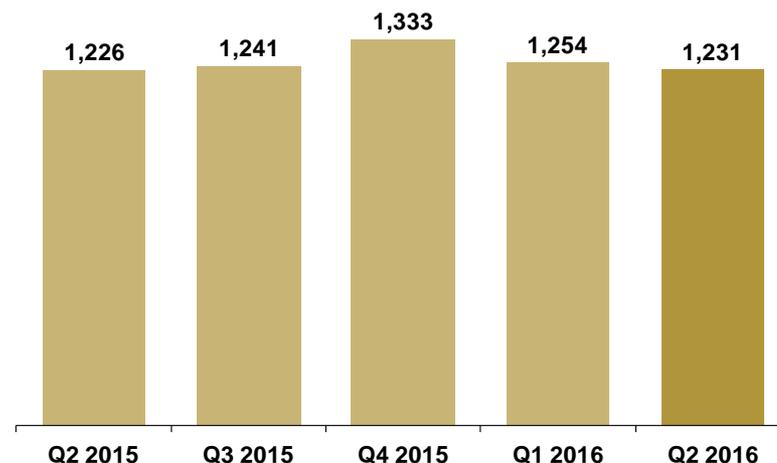
- U.S.

- Average assets declined primarily due to lower retail mutual funds

- Europe

- Fee growth and strong flows in spite of lower market levels

## Fee Income (C\$m)



	Canada	U.S.	Europe	Lifeco
Q2 2016	369	555	307	1,231
Q1 2016	362	571	321	1,254
Q2 2015	366	577	283	1,226
YoY	1%	(4%)	8%	-
Constant Currency	1%	(8%)	3%	(3%)

## Impact on Lifeco's Q2 earnings is not material

- Brexit resulted in market volatility and uncertainty, with the British pound depreciating by approximately 10% against the Canadian dollar
  - Lower FX rates had minimal impact on earnings as quarterly average rates are used for translation
- UK sovereign credit rating reduced to AA
  - \$8.1 billion of UK government bonds shifted from AAA to AA, with no direct asset default provision impact
- Negative sentiment toward UK investment property values
  - A fair value adjustment of 3.5% was applied to U.K. properties held by the general funds, with a similar change in the insurance contract liabilities
- Our businesses are resilient and we maintain significant financial flexibility
- Company remains committed to this market

- Completed transactions to acquire Aviva Health Insurance Ireland Limited and assume full control of GloHealth Financial Services Limited
  - Received regulatory approval and closed August 1<sup>st</sup>
  - Set synergy targets of €16m, with integration and restructuring costs of €16m
- Continued focus on innovation and customer experience
  - Launched Apple watch applications for GroupNet™ in Canada and Empower Retirement in the U.S.
- Ongoing collaboration
  - Irish Life Investment Managers (ILIM) appointed sub-advisor to GWF, for €4.8b of funds under management across six index funds
  - ILIM quant funds launched on Mackenzie platform in Canada
    - Follows successful launches of other ILIM products on Investor Group's shelf in 2015 and Investment Planning Counsel's in early 2016



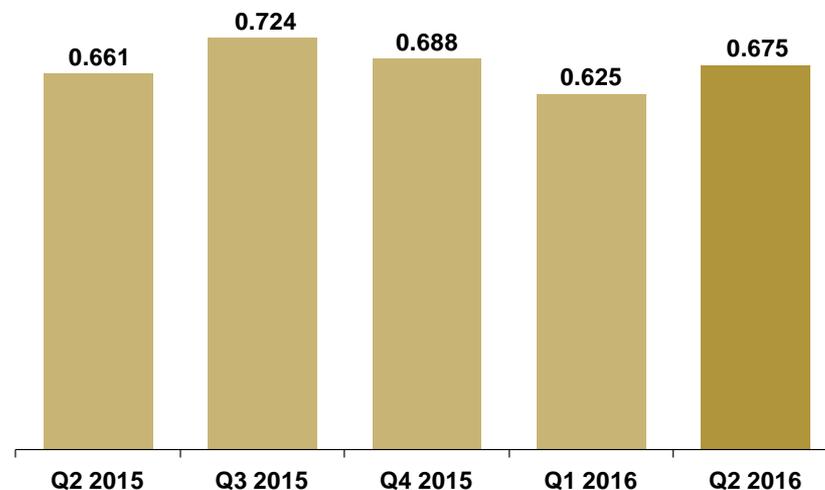
Garry MacNicholas  
EVP & CFO  
Great-West Lifeco

Financial highlights

# Financial highlights

- Q2 earnings of \$671m or \$0.675 per share
- Earnings up 2% YoY in challenging markets
- Canada earnings strong in spite of lower TSX
- Putnam fees lower, partially offset by lower variable costs
- Europe remains strong with higher basis changes offsetting higher impairments

## Earnings per Share



## Earnings (C\$m)

	Canada	U.S.	Europe	Lifeco <sup>(1)</sup>
Q2 2016	327	53	293	671
Q1 2016	276	63	287	620
Q2 2015	308	67	289	659
YoY	6%	(21%)	1%	2%
Constant Currency	6%	(24%)	-	1%

(1) Lifeco totals include corporate earnings

# Financial highlights

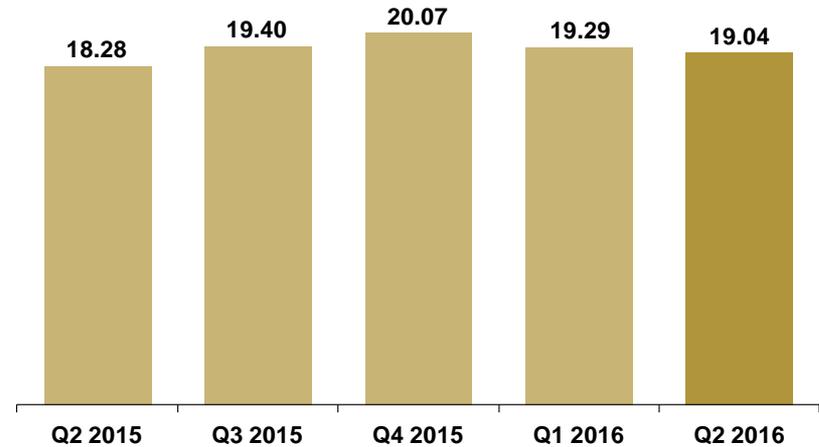
For the three months ended June. 30, 2016

Source of Earnings (C\$m)	Canada	U.S.	Europe	Corp.	Q2/16 Total	Q1/16 Total	Q2/15 Total
Expected profit on in-force business	288	98	252	(5)	633	653	679
Impact of new business	(3)	(30)	(11)	-	(44)	(68)	(51)
Experience gains and losses	71	5	(26)	(1)	49	38	64
Management actions and changes in assumptions	-	-	129	-	129	54	90
Other	-	(4)	(1)	-	(5)	(4)	(14)
Earnings on surplus (incl. financing charges)	30	(4)	-	(1)	25	11	3
<b>Net income before tax</b>	<b>386</b>	<b>65</b>	<b>343</b>	<b>(7)</b>	<b>787</b>	<b>684</b>	<b>771</b>
Taxes	(33)	(12)	(46)	5	(86)	(33)	(80)
<b>Net income before non-controlling interests &amp; preferred dividends</b>	<b>353</b>	<b>53</b>	<b>297</b>	<b>(2)</b>	<b>701</b>	<b>651</b>	<b>691</b>
Non-controlling interests & preferred dividends	(26)	-	(4)	-	(30)	(31)	(32)
<b>Net income – common shareholders</b>	<b>327</b>	<b>53</b>	<b>293</b>	<b>(2)</b>	<b>671</b>	<b>620</b>	<b>659</b>

# Financial highlights

- Lifeco cash at quarter end was \$0.8b
- Lifeco book value per share declined with recent currency movement, but up 4% YoY

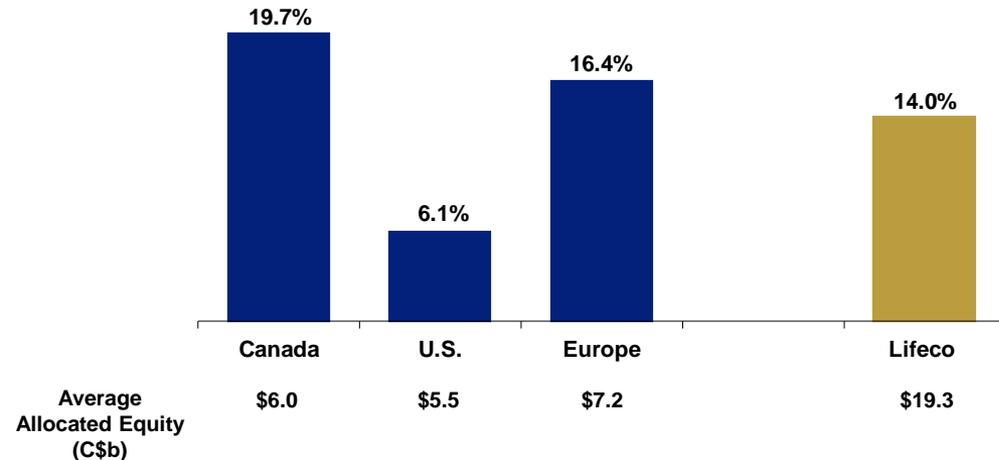
## Book Value per Share



- Return on Equity of 14.0%
  - Trailing earnings up, offset by higher average equity due to currency moves

## Return on Equity

(Trailing 4 quarters)



1) Reported ROE for Great-West Financial of 11.7% and (0.4%) for Putnam

2) Lifeco Average Allocated Equity includes \$0.6 billion attributable to Lifeco Corporate

# Financial highlights

Assets Under Administration (C\$b)	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YoY
General Fund	192	199	202	197	197	3%
Segregated Fund	185	191	198	193	193	4%
Mutual Fund & Institutional	232	239	253	238	244	5%
Other AUA	539	525	560	559	550	2%
<b>Total</b>	<b>1,148</b>	<b>1,154</b>	<b>1,213</b>	<b>1,187</b>	<b>1,184</b>	<b>3%</b>

- On a constant currency basis, AUA up 1%
- AUA growth was 3% in Canada and the U.S., and 2% in Europe
- Strong inflows at ILIM offset mutual fund outflows at Putnam

# Questions

# Appendix

(In C\$m)

	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YoY
<b>Sales</b>						
Individual Insurance	138	142	137	125	155	12%
Group Insurance	121	251	135	283	119	(2%)
	<b>259</b>	<b>393</b>	<b>272</b>	<b>408</b>	<b>274</b>	6%
Individual Wealth Management	2,092	1,970	2,411	2,267	1,907	(9%)
Group Wealth Management	665	581	809	593	496	(25%)
	<b>2,757</b>	<b>2,551</b>	<b>3,220</b>	<b>2,860</b>	<b>2,403</b>	(13%)
<b>Total</b>	<b>3,016</b>	<b>2,944</b>	<b>3,492</b>	<b>3,268</b>	<b>2,677</b>	(11%)
<b>Fee Income</b>						
Group Insurance	39	38	41	43	42	8%
Wealth Management	313	310	316	307	315	1%
Corporate	14	18	12	12	12	nmf
<b>Total</b>	<b>366</b>	<b>366</b>	<b>369</b>	<b>362</b>	<b>369</b>	1%
<b>Operating Expenses</b>						
Individual Insurance	101	105	111	107	108	7%
Group Insurance	125	125	134	145	132	6%
Wealth Management	114	114	124	126	119	4%
Corporate	5	8	1	4	7	nmf
<b>Total</b>	<b>345</b>	<b>352</b>	<b>370</b>	<b>382</b>	<b>366</b>	6%
<b>Operating Earnings</b>						
Individual Insurance	88	91	51	92	80	(9%)
Group Insurance	96	153	74	67	125	30%
Wealth Management	122	116	119	101	104	(15%)
Corporate	2	(34)	18	16	18	nmf
<b>Total</b>	<b>308</b>	<b>326</b>	<b>262</b>	<b>276</b>	<b>327</b>	6%

# United States

<i>(In US\$m)</i>	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YoY
<b>GWF Sales</b>						
Empower Retirement	7,562	11,720	15,153	20,029	4,438	(41%)
Individual Markets	263	180	340	241	246	(6%)
<b>Total</b>	<b>7,825</b>	<b>11,900</b>	<b>15,493</b>	<b>20,270</b>	<b>4,684</b>	<b>(40%)</b>
<b>Putnam Sales</b>	<b>6,916</b>	<b>7,818</b>	<b>8,111</b>	<b>9,042</b>	<b>8,236</b>	<b>19%</b>
<b>Fee Income</b>						
Empower Retirement	220	215	241	212	228	4%
Individual Markets	22	18	19	22	23	5%
Putnam	228	217	216	183	179	(21%)
<b>Total</b>	<b>470</b>	<b>450</b>	<b>476</b>	<b>417</b>	<b>430</b>	<b>(9%)</b>
<b>Operating Expenses</b>						
Empower Retirement	189	193	199	203	203	7%
Individual Markets	16	15	19	19	22	38%
Other	1	4	-	-	-	nmf
Putnam	199	189	187	191	184	(8%)
Restructuring / Acquisition	3	2	3	3	3	nmf
<b>Total</b>	<b>408</b>	<b>403</b>	<b>408</b>	<b>416</b>	<b>412</b>	<b>1%</b>
<b>Operating Earnings<sup>(1)</sup></b>						
Empower Retirement	16	23	29	24	18	13%
Individual Markets	39	57	29	39	36	(8%)
Other	3	1	5	4	2	nmf
Putnam	(2)	(6)	31	(18)	(14)	nmf
<b>Total</b>	<b>56</b>	<b>75</b>	<b>94</b>	<b>49</b>	<b>42</b>	<b>(25%)</b>

(1) Excludes U.S. Corporate which represents post-tax restructuring costs and acquisition expenses from J.P. Morgan RPS which were US\$1m in Q2/15, US\$2m in Q3/15, US\$2m in Q4/15, US\$2m in Q1/16, and US\$2m in Q2/16

Note: nmf denotes not meaningful

# Europe

(In C\$m)

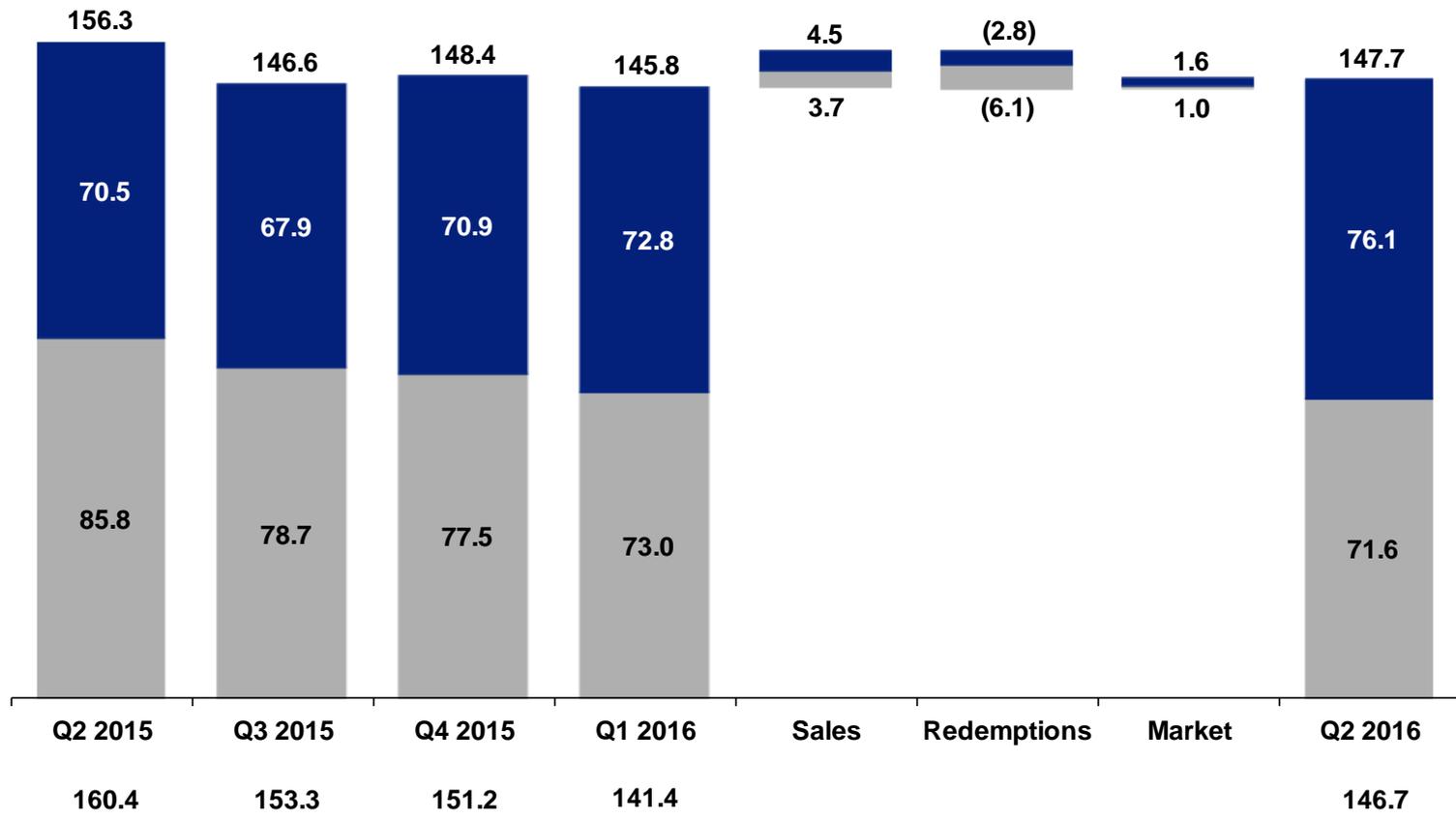
	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	YoY	Constant Currency
<b>Sales</b>							
UK / Isle of Man	523	821	819	651	671	28%	
Ireland / Germany	2,873	6,895	3,098	3,923	4,879	70%	
<b>Total</b>	<b>3,396</b>	<b>7,716</b>	<b>3,917</b>	<b>4,574</b>	<b>5,550</b>	63%	54%
<b>Fee Income</b>							
UK / Isle of Man	74	71	69	70	74	0%	
Ireland / Germany	203	207	251	246	229	13%	
Reinsurance	6	6	7	5	4	(33%)	
<b>Total</b>	<b>283</b>	<b>284</b>	<b>327</b>	<b>321</b>	<b>307</b>	8%	3%
<b>Operating Expenses</b>							
UK / Isle of Man	58	63	75	55	64	10%	
Ireland / Germany	123	136	125	146	138	12%	
Reinsurance	16	14	15	17	16	-	
Corporate	2	2	6	1	2	nmf	
Restructuring / Acquisition	11	3	3	1	1	nmf	
<b>Total</b>	<b>210</b>	<b>218</b>	<b>224</b>	<b>220</b>	<b>221</b>	5%	1%
<b>Operating Earnings</b>							
UK / Isle of Man	140	176	109	152	157	12%	
Ireland / Germany	67	53	125	74	68	1%	
Reinsurance	92	71	73	63	74	(20%)	
Corporate	(10)	(4)	(4)	(2)	(6)	nmf	
<b>Total</b>	<b>289</b>	<b>296</b>	<b>303</b>	<b>287</b>	<b>293</b>	1%	-

Note: nmf denotes not meaningful

# Putnam - AUM and flows

(US\$b)

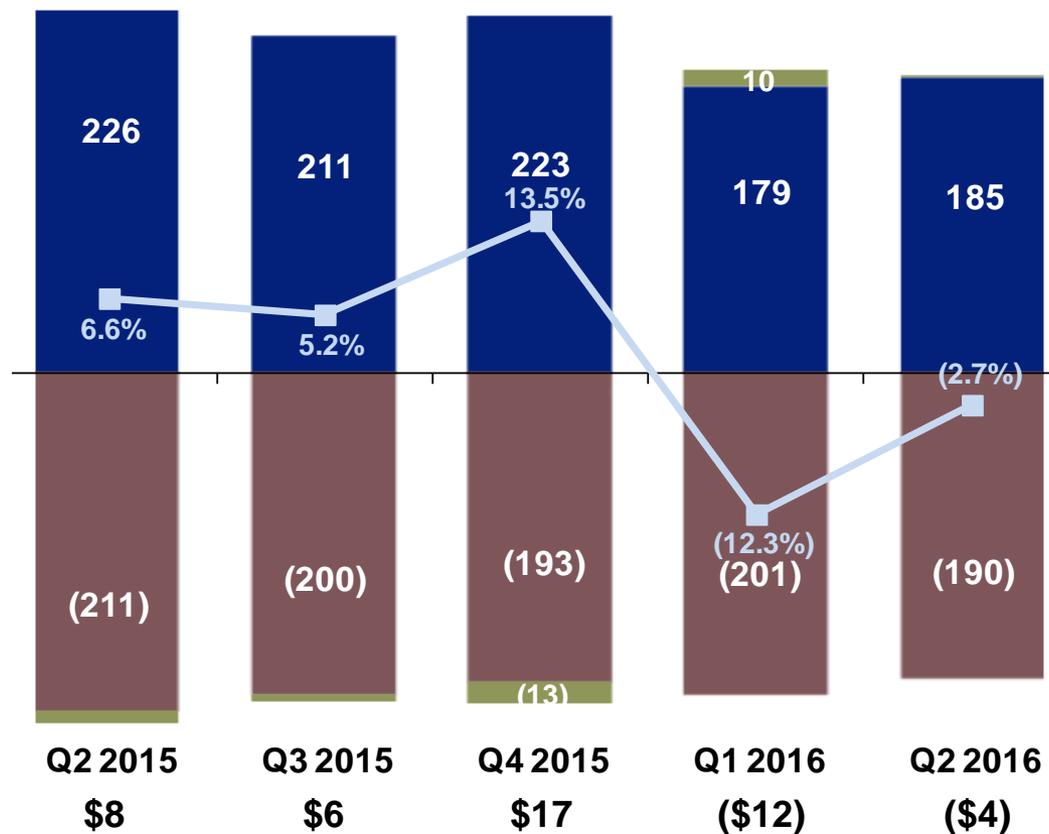
■ Mutual Funds   ■ Institutional



# Putnam – Core net earnings

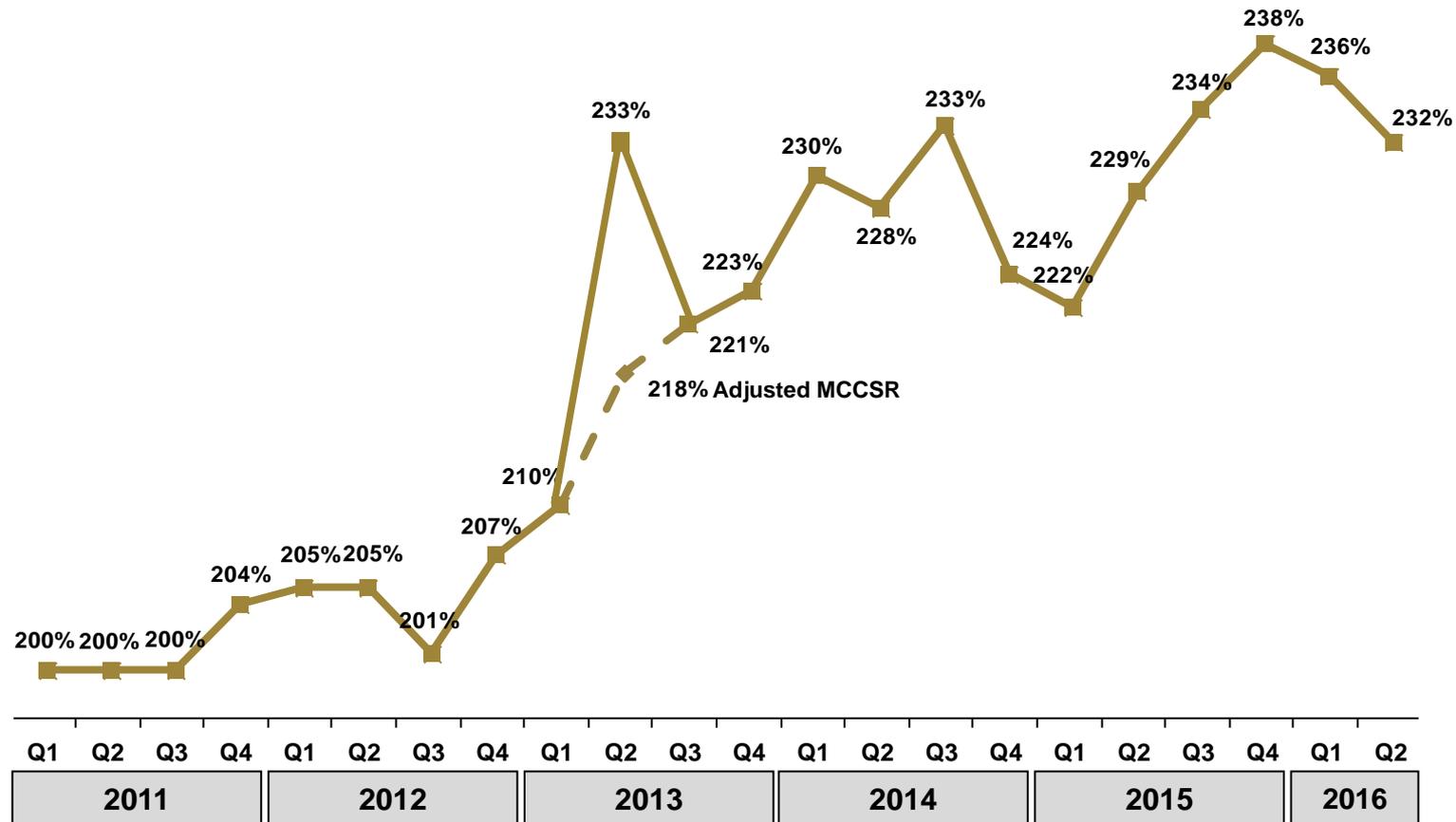
(US\$m)

■ Expenses      ■ Income Taxes  
■ Fee & Net Inv Income      —■— Operating Margin (Pre-tax)



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

# Consolidated MCCSR ratio

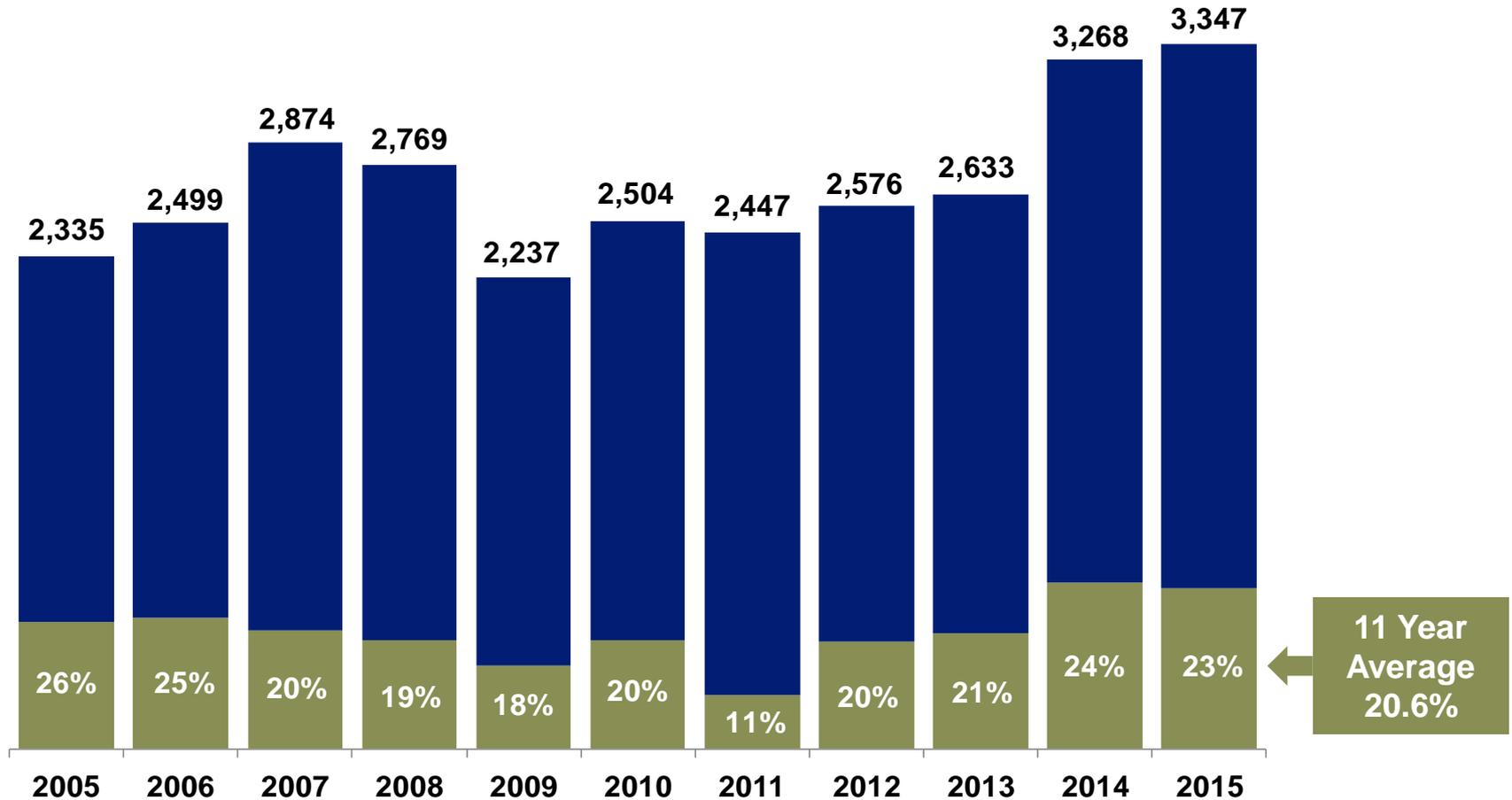


- The Great-West Life Assurance Company's MCCSR of 232% is a 4 point decrease from Q1/16
- Quarterly earnings performance was offset by a combined impact of in period business growth, currency movements and fair value increases in capital requirements
- The MCCSR ratio does not include holding company cash which would add approximately 12 points to the ratio

# Stable trend over the years

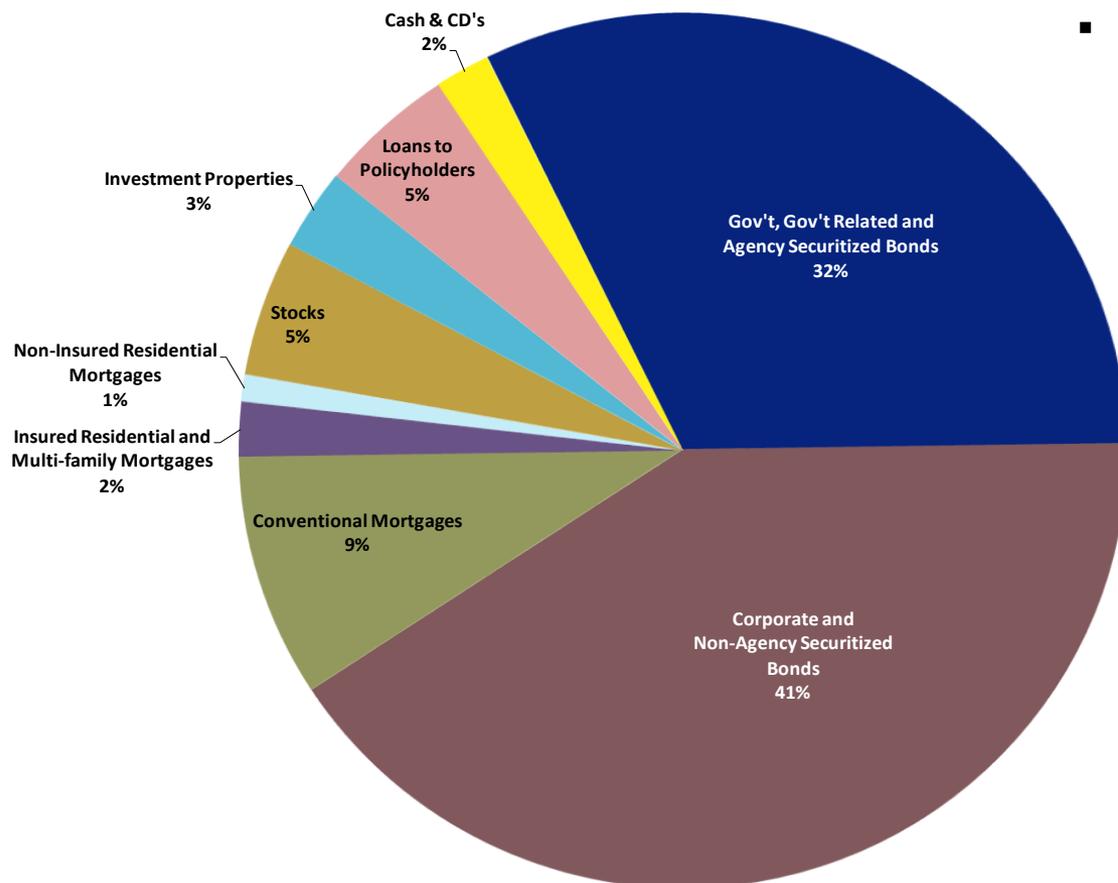
(C\$m)

■ Experience Gains (Losses), Management Actions, and Changes in Assumptions as a % of Net Income Before Tax



Note: Experience Gains (Losses), Management Actions, and Changes in Assumptions exclude Putnam for 2008-2012; include Putnam for 2013-2015

# Invested asset composition\*



- Invested assets at June 30, 2016 were \$170.9bln
- Diversified high quality portfolio:
  - Bonds represent 73% of invested assets (99% are investment grade; 82% rated A or higher)
  - Mortgage portfolio represents 12% 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; 65% in UK). Properties are unlevered; UK properties benefit from long term lease contracts

\* Includes certain funds held by ceding insurers (carrying value of \$10.3bln)

# Lifeco consolidated bond portfolio\*

Domicile of Issuer	Corporate and Non-Agency Securitized				% of Invested Assets	\$ (millions)
	Government, Agency Securitized	Banking	Other Financial Institutions and REITs	Other Corporate and Non-Agency Securitized		
United States	5.9%	0.8%	1.7%	16.3%	24.7%	42,120
Canada	12.5%	0.9%	0.7%	6.8%	20.9%	35,672
United Kingdom	8.7%	0.8%	1.9%	5.8%	17.2%	29,462
Ireland	0.4%	0.0%	0.0%	0.1%	0.5%	810
	27.5%	2.5%	4.3%	29.0%	63.3%	108,064
<b>Eurozone (excluding Ireland)</b>						
Germany	1.5%	0.0%	0.1%	1.0%	2.6%	4,480
France	0.6%	0.1%	0.1%	0.6%	1.4%	2,421
Netherlands	0.5%	0.2%	0.1%	0.3%	1.1%	1,744
Belgium	0.2%	0.0%	0.0%	0.2%	0.4%	587
Spain	0.0%	0.1%	0.0%	0.2%	0.3%	532
Austria	0.3%	0.0%	0.0%	0.0%	0.3%	466
Italy	0.0%	0.0%	0.0%	0.2%	0.2%	400
Finland	0.1%	0.0%	0.0%	0.0%	0.1%	241
Luxembourg	0.0%	0.0%	0.0%	0.0%	0.0%	49
Portugal	0.0%	0.0%	0.0%	0.0%	0.0%	4
	3.2%	0.4%	0.3%	2.5%	6.4%	10,924
<b>Other Europe</b>						
Sweden	0.1%	0.1%	0.0%	0.2%	0.4%	688
Switzerland	0.0%	0.1%	0.1%	0.2%	0.4%	672
Norway	0.2%	0.0%	0.0%	0.0%	0.2%	470
Isle of Man	0.1%	0.0%	0.0%	0.0%	0.1%	129
Denmark	0.0%	0.0%	0.0%	0.1%	0.1%	104
Jersey	0.1%	0.0%	0.0%	0.0%	0.1%	89
Guernsey	0.0%	0.0%	0.0%	0.0%	0.0%	79
	0.5%	0.2%	0.1%	0.5%	1.3%	2,231
<b>Asia Pacific</b>						
Australia	0.0%	0.2%	0.1%	0.6%	0.9%	1,501
Japan	0.0%	0.0%	0.0%	0.3%	0.3%	590
Singapore	0.1%	0.0%	0.0%	0.0%	0.1%	239
New Zealand	0.0%	0.0%	0.0%	0.1%	0.1%	149
Hong Kong	0.0%	0.0%	0.0%	0.0%	0.0%	39
	0.1%	0.2%	0.1%	1.0%	1.4%	2,518
<b>All Other</b>	0.8%	0.0%	0.0%	0.0%	0.8%	1,409
<b>Total %</b>	<b>32.1%</b>	<b>3.3%</b>	<b>4.8%</b>	<b>33.0%</b>	<b>73.2%</b>	<b>125,146</b>
<b>Total \$ (millions)</b>	<b>54,822</b>	<b>5,622</b>	<b>8,239</b>	<b>56,463</b>	<b>125,146</b>	

\*Includes certain funds held by ceding insurers

# Corporate and securitized bonds – Sector diversification\*

	<u>% of Invested Assets</u>		<u>% of Invested Assets</u>
<b><u>Corporates</u></b>		<b><u>Non-Agency Securitized</u></b>	
Utilities	9.1%	ABS	2.1%
Consumer Products	5.8%	CMBS	2.2%
Industrial Products	4.3%	RMBS	0.9%
Banking	3.3%	Covered	0.6%
Other Financial Institutions	3.1%	<b>Total Securitized</b>	<b>5.8%</b>
Energy	2.8%		
Transportation	2.3%	<b>Total Corporates and Non-Agency Securitized</b>	<b>41.1%</b>
Communications	1.8%		
REITS	1.7%		
Technology	1.1%		
<b>Total Corporates</b>	<b>35.3%</b>		

\*Includes certain funds held by ceding insurers

# Direct energy exposure – Bonds

(C\$m) Carrying Value Sub-Sector	Credit Rating					Total	% of Lifeco IA	Amortized Cost
	AAA	AA	A	BBB	BB & Lower			
Midstream	-	-	1,039	1,139	67	2,245	1.3%	2,102
Integrated	4	446	531	115	-	1,096	0.7%	1,044
Independent	-	-	199	482	32	713	0.4%	688
Oil Field Services	-	46	187	210	20	463	0.3%	466
Refining	-	-	48	191	-	239	0.1%	225
Government Agency	-	267	39	37	13	356	0.2%	325
<b>Total</b>	<b>4</b>	<b>759</b>	<b>2,043</b>	<b>2,174</b>	<b>132</b>	<b>5,112</b>	<b>3.0%</b>	<b>4,850</b>
<b>% of Total</b>	<b>0.1%</b>	<b>14.8%</b>	<b>40.0%</b>	<b>42.5%</b>	<b>2.6%</b>			
<b>% of IA</b>	<b>0.0%</b>	<b>0.4%</b>	<b>1.2%</b>	<b>1.3%</b>	<b>0.1%</b>			

- Bond holdings in the oil and gas sector total \$5.1 billion (3% of invested assets)
- Approximately 97% are rated investment grade
- Holdings are diversified across sub-sectors, with only \$1.2 billion (0.7% of invested assets) in the Independent and Oil Field Services sub-sectors

# Indirect energy exposure – Commercial mortgages and investment property

(C\$m) Carrying Value City/Region	Property Type					Total	% of Lifeco IA
	Multi Family <sup>(1)</sup>	Retail	Office	Industrial	Other <sup>(2)</sup>		
Calgary, Alberta	140	354	384	249	141	1,268	0.8%
Edmonton, Alberta	485	143	186	191	56	1,061	0.6%
Total Calgary & Edmonton	625	497	570	440	197	2,329	1.4%
Texas/Other	224	85	84	59	94	546	0.3%
<b>Total</b>	<b>849</b>	<b>582</b>	<b>654</b>	<b>499</b>	<b>291</b>	<b>2,875</b>	<b>1.7%</b>
<b>% of Total</b>	<b>29.5%</b>	<b>20.2%</b>	<b>22.8%</b>	<b>17.4%</b>	<b>10.1%</b>		
<b>% of IA</b>	<b>0.5%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.3%</b>	<b>0.2%</b>		

(1) Includes \$571 million of insured

(2) Includes \$68 million of insured

- Holdings in the province of Alberta totaled \$2.3 billion (mortgages \$2.0 billion; investment properties \$0.3 billion), including \$0.6 billion of insured mortgages. Non-insured holdings in the province of Alberta represent 1% of invested assets. Holdings are well diversified by property type with a weighted average mortgage LTV of 56%.
- Office property commercial mortgage holdings in Calgary total \$0.4 billion (0.2% of invested assets) with a weighted average LTV of 58%
- Holdings outside of Alberta are commercial mortgages primarily in the state of Texas

# United Kingdom property related exposures

## Mortgages

(C\$m) Carrying Value City/Region	Property Type					Total	% of Lifeco IA
	Multi Family	Retail	Office	Industrial	Other		
Central London	302	764	505	-	63	1,634	1.0%
Other United Kingdom	80	720	226	815	264	2,105	1.2%
<b>Total United Kingdom</b>	<b>382</b>	<b>1,484</b>	<b>731</b>	<b>815</b>	<b>327</b>	<b>3,739</b>	<b>2.2%</b>
% of Total	10.2%	39.7%	19.6%	21.8%	8.7%		
% of IA	0.2%	0.9%	0.4%	0.5%	0.2%		

- Mortgage holdings in the United Kingdom totaled \$3.7 billion (2.2% of invested assets). Mortgages are well diversified by property type, with a weighted average LTV of 55%, a weighted average DSCR of 1.9, and a weighted average lease term of 14 years.
- Central London mortgage holdings totaled \$1.6 billion (1.0% of invested assets), with office holdings totalling \$0.5 billion (0.3% of invested assets). Central London mortgage weighted average LTV is less than 45% and Central London office weighted average LTV is less than 55%.

# United Kingdom property related exposures

## Investment Properties

(C\$m) Carrying Value City/Region	Property Type					Total	% of Lifeco IA
	Multi Family	Retail	Office	Industrial	Other		
Central London	-	25	247	-	35	307	0.2%
Other United Kingdom	-	1,103	386	622	383	2,494	1.4%
<b>Total United Kingdom</b>	-	<b>1,128</b>	<b>633</b>	<b>622</b>	<b>418</b>	<b>2,801</b>	<b>1.6%</b>
% of Total	-	40.3%	22.6%	22.2%	14.9%		
% of IA	-	0.6%	0.4%	0.4%	0.2%		

- Investment property holdings in the United Kingdom totaled \$2.8 billion (1.6% of invested assets). Property holdings are well diversified by property type, with a weighted average lease term of 14 years.
- Central London property holdings are primarily office properties and totaled \$0.3 billion (0.2% of invested assets).

## In-quarter developments

- Credit experience related to impairments and rating changes negatively impacted shareholders' net earnings by \$18 million in the quarter

### Total Credit Impact on Shareholders' Net Earnings

(\$ millions)	2015				Full Year 2015	2016		YTD 2016
	Q1	Q2	Q3	Q4		Q1	Q2	
Credit (impairments) / recoveries	3	4	1	(1)	7	(4)	(18)	(22)
Credit (downgrades) / upgrades	(6)	(16)	(8)	(25)	(55)	14	-	14
<b>Total Impact</b>	<b>(3)</b>	<b>(12)</b>	<b>(7)</b>	<b>(26)</b>	<b>(48)</b>	<b>10</b>	<b>(18)</b>	<b>(8)</b>

# Currency

	Income & Expenses			Balance Sheet		
	US\$	£	€	US\$	£	€
Q2 2016	1.29	1.85	1.46	1.30	1.72	1.44
Q1 2016	1.37	1.96	1.51	1.30	1.87	1.48
Q4 2015	1.34	2.03	1.46	1.38	2.04	1.50
Q3 2015	1.31	2.03	1.46	1.34	2.02	1.50
Q2 2015	1.23	1.89	1.36	1.25	1.96	1.39