



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

## Quarterly Information for Analysts and Investors Q1 2018



# Cautionary notes

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

This document may contain forward-looking statements. 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 other similar expressions or negative versions thereof. These statements may include, without limitation, statements about the Company's operations, business, financial condition, expected 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. Forward-looking statements are based on expectations, forecasts, estimates, predictions, projections and conclusions 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 the reader is cautioned that 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 customer behaviour, the Company's reputation, market prices for products provided, sales levels, premium income, fee income, expense levels, mortality experience, morbidity experience, policy lapse rates, reinsurance arrangements, liquidity requirements, capital requirements, credit ratings, taxes, inflation, interest and foreign exchange rates, investment values, hedging activities, global equity and capital markets, business competition and other general economic, political and market factors in North America and internationally. 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 customer responses to new products, impairments of goodwill and other intangible assets, the Company's ability to execute strategic plans and changes to strategic plans, technological changes, 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, catastrophic events, continuity and availability of personnel and third party service providers, the Company's ability to complete strategic transactions and integrate acquisitions and unplanned material changes to the Company's facilities, customer and employee relations or credit arrangements. The reader is cautioned that the foregoing list of assumptions and factors is not exhaustive, and there may be other factors listed in the Company's filings with securities regulators, including factors set out in the Company's 2017 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, uncertainties and potential events 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", "adjusted net 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. Refer to the appropriate reconciliations of these non-IFRS financial measures to measures prescribed by IFRS in the Company's Q1 2018 Management's Discussion and Analysis.



## Paul Mahon

President & CEO  
Great-West Lifeco

### Summary of Results

# Q1 2018 Highlights

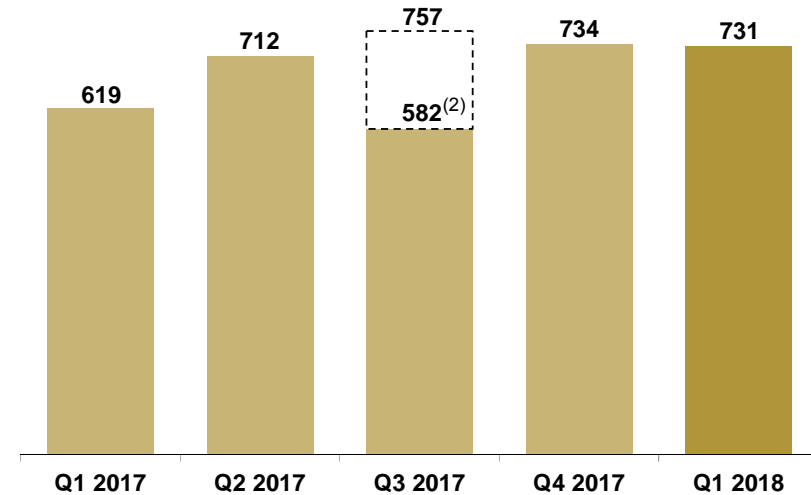
- Strong performance with earnings up 18% year-over-year, on an adjusted basis <sup>(1)</sup>
  - Solid earnings growth in Canada with strong Group Customer results
  - U.S. results reflect higher sales and fee income at Empower and lower taxes
  - Europe saw double-digit earnings growth in the U.K. and Reinsurance
- “Tuck-in” acquisitions and strategic investments continue
  - Canada Life Group (U.K.) completed the Retirement Advantage acquisition
  - GWL Realty Advisors acquired EverWest Real Estate Partners in the U.S.
  - Irish Life is acquiring a majority stake in Invesco Ltd (Ireland)
- Strong capital position and financial flexibility maintained under LICAT

1) Year-over-year growth in Lifeco earnings calculated based on Q1 2017 adjusted earnings which exclude post-tax restructuring costs of \$28m

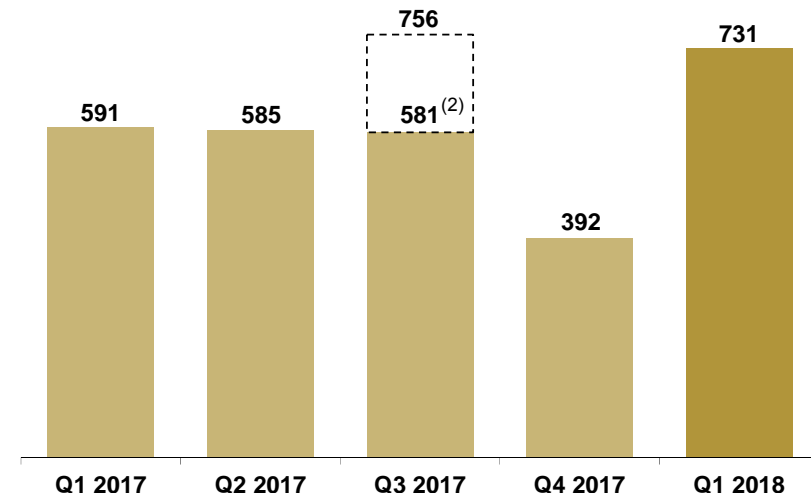
# Summary of Results

- Net earnings of \$731m, up 24% YoY
  - Up 18% YoY, on an adjusted basis
    - Up 15% YoY, in constant currency
- Capital strength and flexibility
  - LICAT ratio at 130%
    - Target range of 110% - 120%
  - RBC ratio of 502%<sup>(3)</sup>
  - Lifeco cash of \$0.8b
- Dividend of \$0.389 per share

## Adjusted Net Earnings<sup>(1)</sup> (C\$m)



## Net Earnings (C\$m)

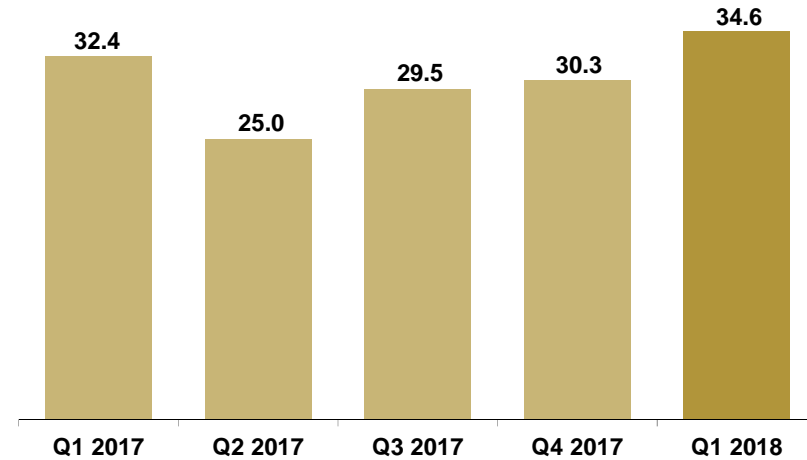


1) Lifeco adjusted totals exclude post-tax restructuring costs of \$28m in Q1/17, \$127m in Q2/17, \$1m in Q3/17, and \$4m in Q4/17. Additionally, Q4/17 excludes a net charge for U.S. tax reform impact of \$216m and a net charge on the disposal of an equity investment of \$122m. 2) Q3/17 includes reinsurance losses of \$175m after-tax 3) As of December 31, 2017

# Summary of Results – Sales

- Canada
  - Strong Group Customer sales and lower Individual Customer sales YoY
  
- U.S.
  - Empower sales up 21% YoY in local currency
  - Higher mutual fund sales at Putnam offset by lower institutional sales
  
- Europe
  - Higher wealth sales in Ireland
  - Retirement Advantage equity release sales offset by lower bulk annuity sales in the U.K.

Sales (C\$b)



	Canada	U.S.	Europe	Lifeco
Q1 2018	3.8	25.1	5.7	34.6
Q4 2017	3.8	19.2	7.3	30.3
Q1 2017	3.7	24.3	4.4	32.4
YoY	4%	3%	30%	7%
Constant Currency	4%	7%	19%	9%

# Summary of Results – Fee and Other Income

- Lifeco fee income up 6% YoY

- Average equity markets:

S&P/TSX	1%
S&P 500	18%
Eurostoxx 50	4%

- Canada

- Higher average assets and other income which now includes Financial Horizons Group

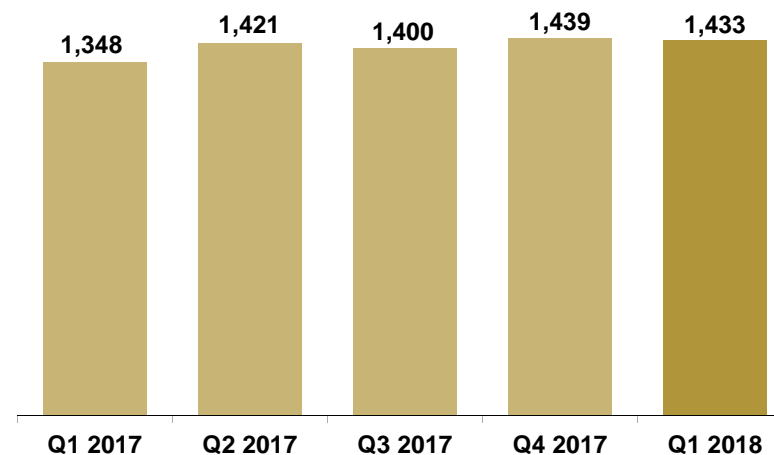
- U.S.

- Growth in participants at Empower and higher asset levels at Putnam and Empower

- Europe

- Higher fee income in Ireland and Germany

## Fee and Other Income (C\$m)



	Canada	U.S.	Europe	Lifeco
Q1 2018	438	631	364	1,433
Q4 2017	436	635	368	1,439
Q1 2017	405	619	324	1,348
YoY	8%	2%	12%	6%
Constant Currency	8%	7%	3%	6%

Note: Effective Jan. 1, 2018 the Company adopted IFRS 15 *Revenue from Contracts with Customers*, which resulted in reclassifications to fee and other income. Comparative figures have been restated as described in note 2 to the Company's Mar. 31, 2018 consolidated financial statements and within the IFRS section of the MD&A

# Summary of Results – Expenses

- Canada

- \$137m pre-tax annualized run-rate reductions achieved of which \$103m relates to the shareholder account

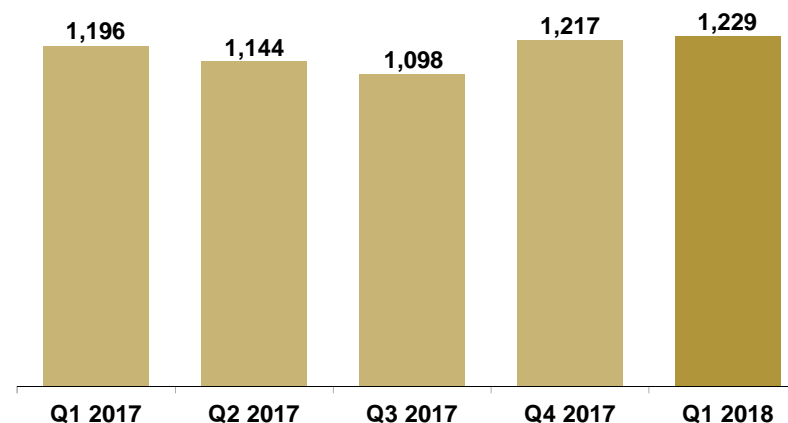
- U.S.

- Continued focus on expense discipline at Empower and Putnam

- Europe

- Higher expenses in the U.K. related to Retirement Advantage acquisition
- Excluding Retirement Advantage, expenses up 5% in constant currency

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



	Canada	U.S.	Europe	Lifeco (Adjusted) <sup>(1)</sup>	Lifeco (Including Restructuring)
Q1 2018	416	529	279	1,229	1,229
Q4 2017	392	547	274	1,217	1,222
Q1 2017	404	549	234	1,196	1,233
YoY	3%	(4%)	19%	3%	0%
Constant Currency	3%	1%	11%	3%	0%

1) Adjusted totals exclude pre-tax restructuring costs of \$37m in Q1/17, \$216m in Q2/17, \$1m in Q3/17 and \$5m in Q4/17. Q4/17 also excludes \$10m (pre-tax) in U.S. tax reform costs

Note: Lifeco totals include Lifeco corporate expenses

Note: Effective Jan. 1, 2018 the Company adopted IFRS 15 *Revenue from Contracts with Customers*, which resulted in reclassifications to expenses. Comparative figures have been restated as described in note 2 to the Company's Mar. 31, 2018 consolidated financial statements and within the IFRS section of the MD&A





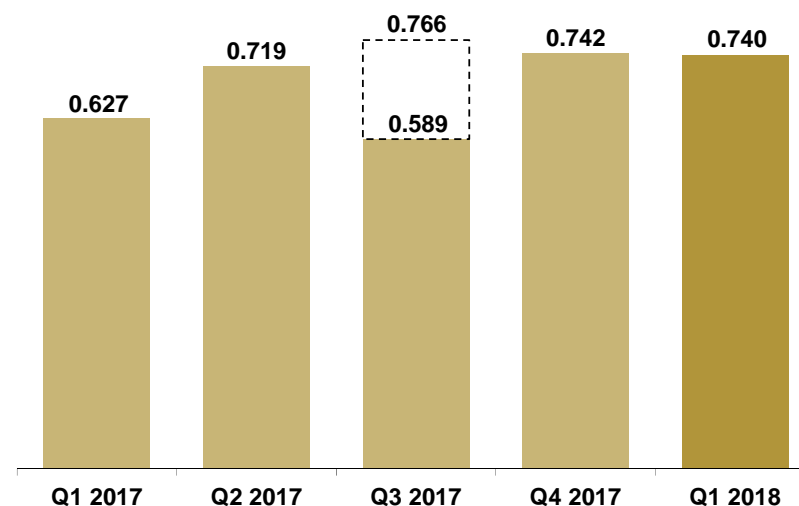
## Garry MacNicholas

EVP & CFO  
Great-West Lifeco

Financial Highlights

# Financial Highlights - Earnings

## Adjusted Net Earnings per Share<sup>(1)</sup>



- EPS of \$0.74, up 18% YoY (adjusted)
- Canada
  - Favourable experience from LTD repricing and lower insurance claims in Group and lower taxes
- U.S.
  - Higher earnings at Empower reflect higher fee income and lower taxes
- Europe
  - Higher U.K. and Reinsurance earnings primarily driven by longevity assumption changes partly offset by lower earnings in Ireland

	Canada	U.S.	Europe	Lifeco (Adjusted) <sup>(1)</sup>	Lifeco (Reported)
Q1 2018	316	75	344	731	731
Q4 2017	357	75	308	734	392
Q1 2017	255	67	306	619	591
YoY	24%	12%	12%	18%	24%
Constant Currency	24%	17%	6%	15%	21%

1) Lifeco adjusted totals exclude post-tax restructuring costs of \$28m (\$0.029 per share) in Q1/17, \$127m (\$0.128 per share) in Q2/17, \$1m (\$0.002 per share) in Q3/17, and \$4m (\$0.004 per share) in Q4/17. Additionally, Q4/17 excludes post-tax net charge for U.S. tax reform impact of \$216m (\$0.218 per share) and post-tax net charge on the disposal of an equity investment of \$122m (\$0.124 per share)

Note: Lifeco totals include Lifeco corporate earnings

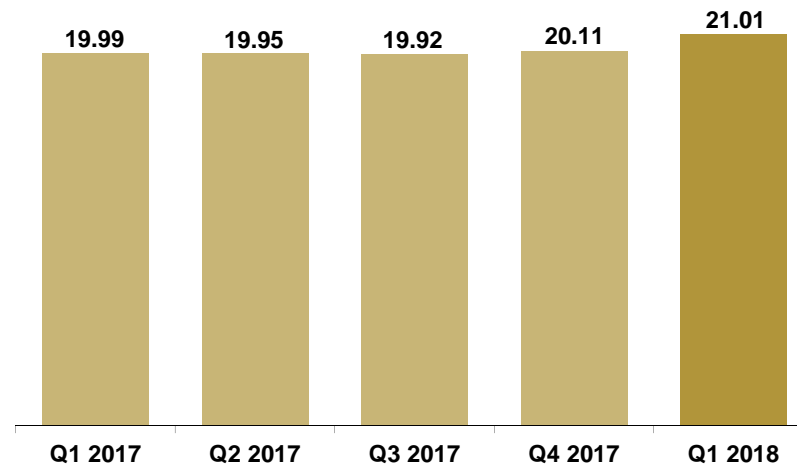
# Financial Highlights – Source of Earnings

For the three months ended Mar.31/18	Canada	U.S.	Europe	Corp.	Q1/18 Total	Q4/17 Total (Adjusted)	Q1/17 Total (Adjusted)
Expected profit on in-force business	302	120	293	(4)	711	704	605
Impact of new business	(2)	(34)	(60)	-	(96)	(18)	(24)
Experience gains and losses	58	(4)	32	(1)	85	83	119
Management actions and changes in assumptions	11	-	124	-	135	125	44
Other	-	-	-	-	-	20	(3)
Earnings on surplus (incl. financing charges)	31	7	(22)	1	17	1	16
<b>Adjusted net income before tax</b>	<b>400</b>	<b>89</b>	<b>367</b>	<b>(4)</b>	<b>852</b>	<b>915</b>	<b>757</b>
Taxes	(56)	(14)	(18)	-	(88)	(145)	(107)
<b>Adjusted net income before non-controlling interests &amp; preferred dividends</b>	<b>344</b>	<b>75</b>	<b>349</b>	<b>(4)</b>	<b>764</b>	<b>770</b>	<b>650</b>
Non-controlling interests & preferred dividends	(28)	-	(5)	-	(33)	(36)	(31)
<b>Adjusted net income – common shareholders</b>	<b>316</b>	<b>75</b>	<b>344</b>	<b>(4)</b>	<b>731</b>	<b>734</b>	<b>619</b>
Total impact of U.S. tax reform	-	-	-	-	-	(216)	-
Total impact of restructuring costs	-	-	-	-	-	(4)	(28)
Total impact of loss on sale of equity investment	-	-	-	-	-	(122)	-
<b>Net income – common shareholders</b>	<b>316</b>	<b>75</b>	<b>344</b>	<b>(4)</b>	<b>731</b>	<b>392</b>	<b>591</b>

# Financial Highlights – Book Value per Share and Return on Equity

- Lifeco cash at quarter end was \$0.8b
- Book value up 5% from last year

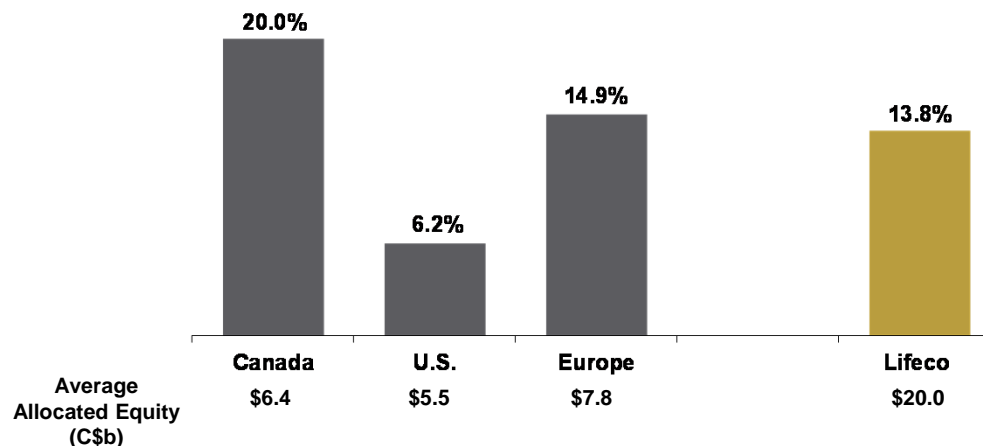
## Book Value per Share



- Adjusted Return on Equity of 13.8%
  - 14.7% excluding reinsurance losses of \$175m in Q3/17
- Reported Return on Equity of 11.4%

## Adjusted Return on Equity

(Trailing 4 quarters)



- Adjusted ROE for Great-West Financial of 10.9% and (1.0%) for Putnam
- Lifeco Average Allocated Equity includes \$0.3 billion attributable to Lifeco Corporate

# Financial Highlights – Assets under Administration

Assets Under Administration (C\$b)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	YoY
General Fund	201	200	198	203	212	5%
Segregated Fund	205	209	208	217	221	8%
Mutual Fund & Institutional	270	272	269	279	286	6%
Other AUA	620	628	619	651	673	9%
<b>Total</b>	<b>1,296</b>	<b>1,309</b>	<b>1,294</b>	<b>1,350</b>	<b>1,392</b>	<b>7%</b>

- AUA growth was 2% in Canada, 7% in the U.S., and 15% in Europe
- On a constant currency basis, AUA up 8% with 10% growth in the U.S. and 4% in Europe

# Consolidated LICAT Ratio

Regulatory Capital Ratios	
OSFI Minimum	90%
OSFI Supervisory Target	100%
<b>GWL Ratio</b>	<b>130%</b>
GWL Target Range	110% – 120%



GWL LICAT Ratio
$\frac{\text{Total Regulatory Capital Available}}{\text{Regulatory Required Capital}}$
$\frac{\$26 \text{ Billion}}{\$20 \text{ Billion}}$
130%

- The Great-West Life Assurance Company's (GWL) consolidated LICAT ratio is 130%
- GWL LICAT ratio is above the high end of the internal target range of 110% – 120%
- The Company intends to operate toward the high end of the internal target range
- Level of excess capital above internal target is comparable to the MCCSR position
- No material changes are expected to product mix, investment strategy, risk appetite or product pricing as a result of LICAT implementation

# Questions

# Appendix



# Canada

(In C\$m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	YoY
<b>Sales</b>						
<b>Individual Customer</b>						
Individual Insurance	275	100	86	106	76	(72%)
Individual Wealth	2,585	2,193	1,947	2,431	2,449	(5%)
<b>Total</b>	<b>2,860</b>	<b>2,293</b>	<b>2,033</b>	<b>2,537</b>	<b>2,525</b>	<b>(12%)</b>
<b>Group Customer</b>						
Group Insurance	134	186	136	161	361	169%
Group Wealth	669	754	771	1,074	936	40%
<b>Total</b>	<b>803</b>	<b>940</b>	<b>907</b>	<b>1,235</b>	<b>1,297</b>	<b>62%</b>
<b>Total</b>	<b>3,663</b>	<b>3,233</b>	<b>2,940</b>	<b>3,772</b>	<b>3,822</b>	<b>4%</b>
<b>Fee and Other Income</b>						
Individual Customer	225	233	236	255	250	11%
Group Customer	160	165	161	169	170	6%
Corporate	20	19	29	12	18	nmf
<b>Total</b>	<b>405</b>	<b>417</b>	<b>426</b>	<b>436</b>	<b>438</b>	<b>8%</b>
<b>Operating Expenses</b>						
Individual Customer	175	163	161	173	185	6%
Group Customer	215	196	196	206	213	(1%)
Corporate	14	18	11	13	18	nmf
Restructuring/Acquisition	-	215	-	-	-	nmf
<b>Total</b>	<b>404</b>	<b>592</b>	<b>368</b>	<b>392</b>	<b>416</b>	<b>3%</b>
<b>Operating Earnings<sup>(1)</sup></b>						
Individual Customer	146	140	141	162	138	(5%)
Group Customer	104	189	155	193	142	37%
Corporate	5	(144)	-	(17)	36	nmf
<b>Total</b>	<b>255</b>	<b>185</b>	<b>296</b>	<b>338</b>	<b>316</b>	<b>24%</b>

1) Canada operating earnings include post-tax restructuring costs of \$126m in Q2/17 and a post-tax net charge for U.S. tax reform impact of \$19m in Q4/17.

Note: nmf denotes not meaningful

# United States

(In US\$m)

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	YoY
<b>GWF Sales</b>						
Empower Retirement	7,520	4,792	8,222	6,118	9,113	21%
Individual Markets	353	294	393	296	285	(19%)
<b>Total</b>	<b>7,873</b>	<b>5,086</b>	<b>8,615</b>	<b>6,414</b>	<b>9,398</b>	<b>19%</b>
<b>Putnam Sales</b>						
	<b>10,576</b>	<b>7,552</b>	<b>8,323</b>	<b>8,674</b>	<b>10,504</b>	<b>(1%)</b>
<b>Fee and Other Income</b>						
Empower Retirement	225	234	232	242	240	7%
Individual Markets	26	27	27	26	30	15%
Putnam	219	230	240	232	230	5%
<b>Total</b>	<b>470</b>	<b>491</b>	<b>499</b>	<b>500</b>	<b>500</b>	<b>6%</b>
<b>Operating Expenses</b>						
Empower Retirement	207	191	197	214	208	0%
Individual Markets	24	23	23	29	24	0%
Other (1)(2)	5	4	(13)	10	3	nmf
Putnam	180	168	178	178	185	3%
Restructuring / Acquisition	13	-	-	-	-	nmf
<b>Total</b>	<b>429</b>	<b>386</b>	<b>385</b>	<b>431</b>	<b>420</b>	<b>(2%)</b>
<b>Operating Earnings <sup>(3)</sup></b>						
Empower Retirement	24	36	31	30	35	46%
Individual Markets	37	28	39	36	35	(5%)
Other (1)	3	2	13	(2)	2	nmf
Putnam	(12)	(4)	5	(4)	(13)	nmf
<b>Total</b>	<b>52</b>	<b>62</b>	<b>88</b>	<b>60</b>	<b>59</b>	<b>13%</b>

1) Q3 2017 includes a US\$15m one-time expense credit resulting from the GWF Pension Curtailment which was partially offset with a Q4 2017 one time US\$7m expense for staff 401k funding.

2) Q4 2017 excludes a one-time charge of US\$8m related to U.S. tax reform

3) Excludes U.S. Corporate which represents post-tax restructuring costs and acquisition expenses from J.P. Morgan RPS which were US\$8m in Q1/17. Additionally, Q1/17 excludes discontinued operations legal costs US\$2m. Q4/17 excludes US\$198m net charge for U.S. tax reform impact and US\$96m net charge on the disposal of an equity investment.

Note: nmf denotes not meaningful

# Europe

(In C\$m)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	YoY
<b>Sales</b>						
UK / Isle of Man	1,095	873	1,086	809	949	(13%)
Ireland / Germany	3,321	3,962	4,276	6,516	4,790	44%
<b>Total</b>	<b>4,416</b>	<b>4,835</b>	<b>5,362</b>	<b>7,325</b>	<b>5,739</b>	<b>30%</b>
<b>Fee and Other Income</b>						
UK / Isle of Man	56	57	53	55	56	0%
Ireland / Germany	263	285	291	306	304	16%
Reinsurance	5	4	4	7	4	(20%)
<b>Total</b>	<b>324</b>	<b>346</b>	<b>348</b>	<b>368</b>	<b>364</b>	<b>12%</b>
<b>Operating Expenses</b>						
UK / Isle of Man	57	62	57	58	74	30%
Ireland / Germany	159	167	164	188	177	11%
Reinsurance	17	17	17	19	20	18%
Corporate	1	2	5	9	8	nmf
Restructuring / Acquisition	20	1	1	5	-	nmf
<b>Total</b>	<b>254</b>	<b>249</b>	<b>243</b>	<b>279</b>	<b>279</b>	<b>10%</b>
<b>Operating Earnings<sup>(1)</sup></b>						
UK / Isle of Man	128	153	150	106	178	39%
Ireland / Germany	97	86	83	144	66	(32%)
Reinsurance	81	83	(41)	67	104	28%
Corporate	(17)	(1)	(8)	41	(4)	nmf
<b>Total</b>	<b>289</b>	<b>321</b>	<b>184</b>	<b>358</b>	<b>344</b>	<b>19%</b>

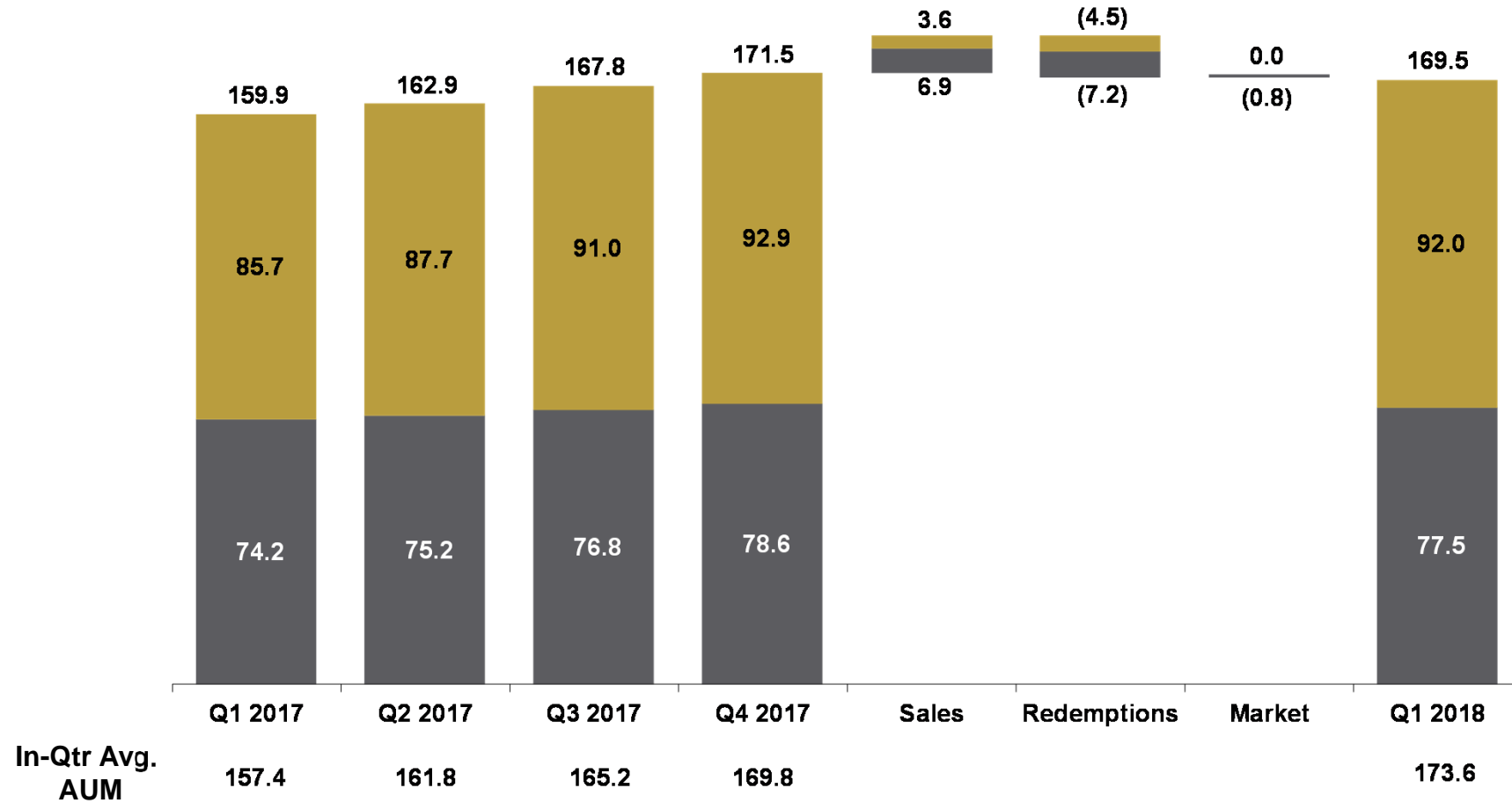
1) Europe operating earnings include post-tax restructuring costs of \$17m in Q1/17, \$1m in Q2/17, \$1m in Q3/17, and \$4m in Q4/17. Additionally, Q4/17 includes a post-tax net benefit for U.S. tax reform impact of \$54m.

Note: nmf denotes not meaningful

# Putnam - AUM and Flows

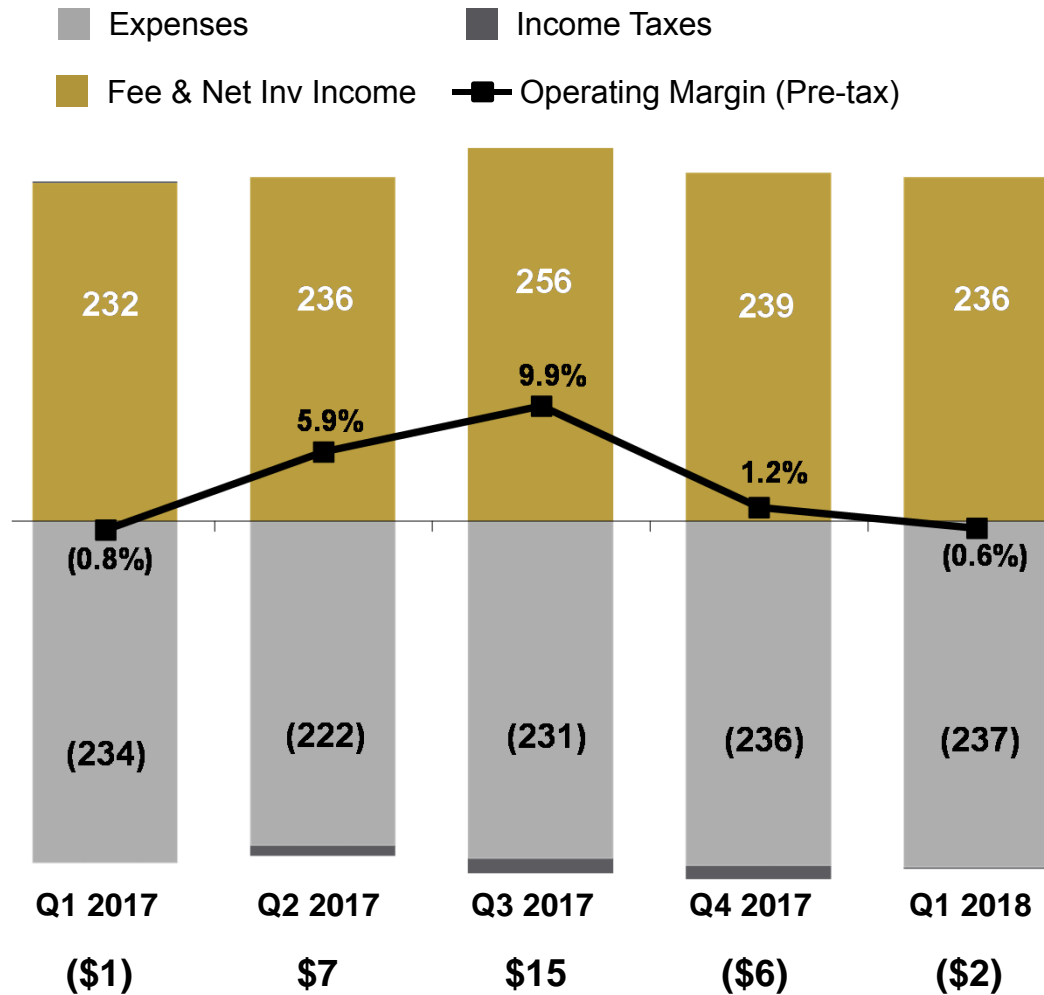
(US\$b)

■ Mutual Funds    ■ Institutional



# Putnam – Core Net Earnings

(US\$m)



Notes:

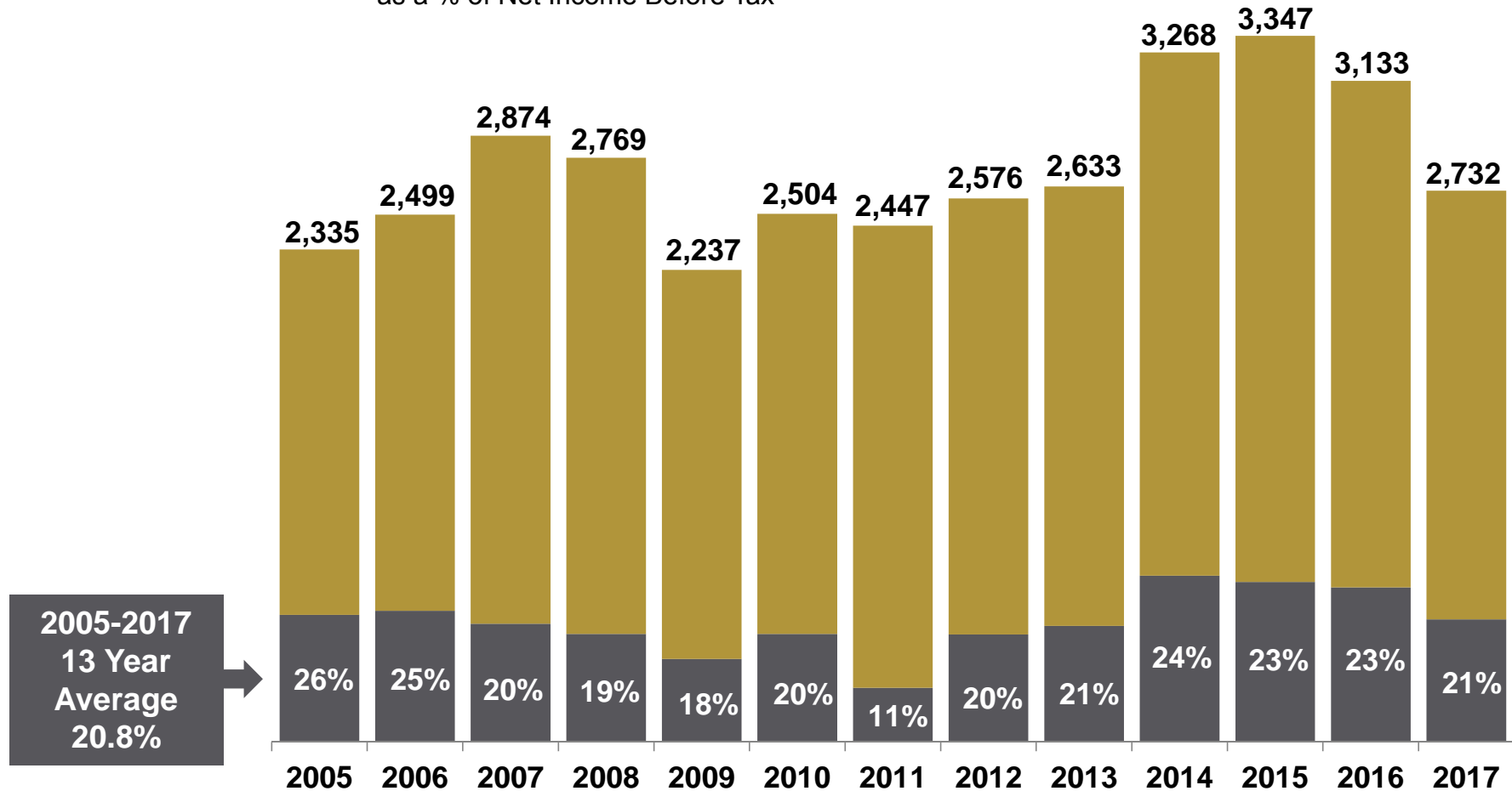
Q3/17 includes final performance fees and other proceeds from a closed portfolio of US\$18m (US\$11m after-tax).

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

# Stable Trend Over the Years

(C\$m)

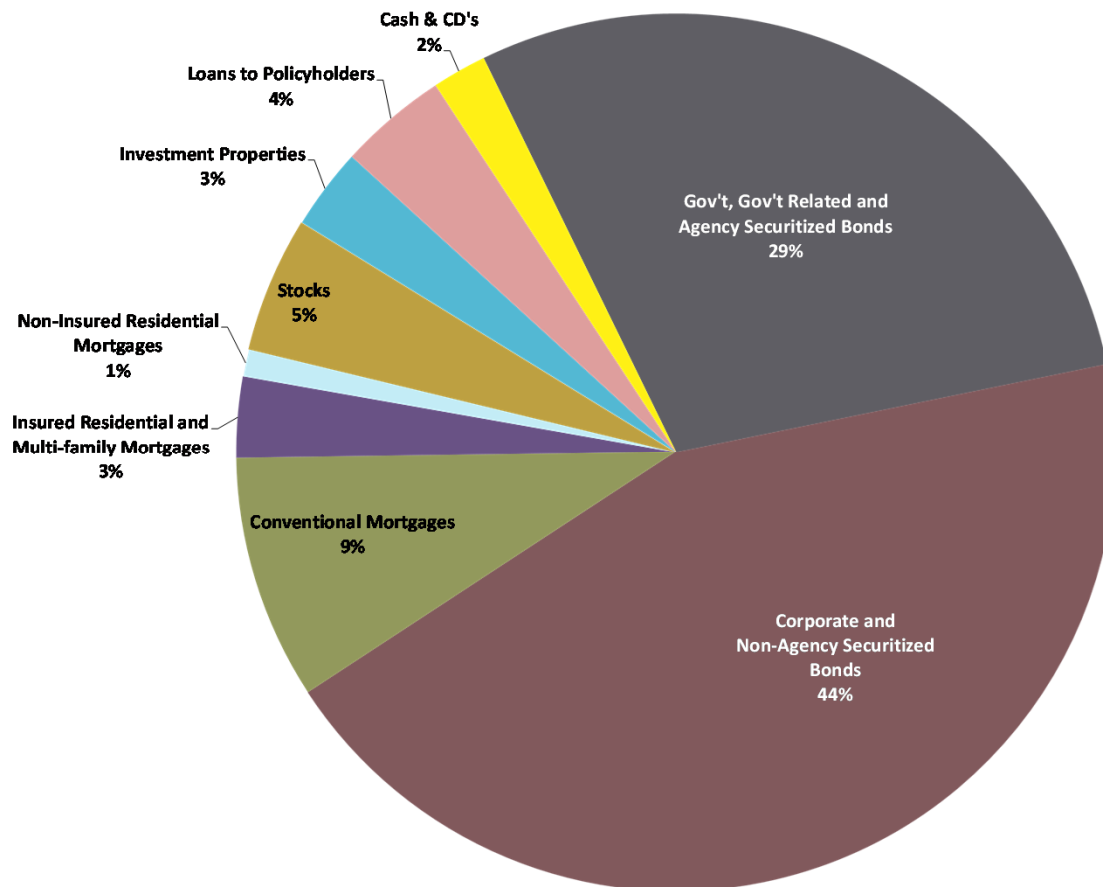
■ Experience Gains (Losses), Management Actions, and Changes in Assumptions as a % of Net Income Before Tax



Note: Experience Gains (Losses), Management Actions, and Changes in Assumptions exclude Putnam for 2008-2012; include Putnam for 2013 – 2017

# Invested Asset Composition<sup>(1)</sup>

- Invested assets of \$182.3 billion
- Diversified high quality portfolio:
  - Bonds represent 73%:
    - 99% are investment grade
    - 81% rated A or higher
    - 84% of bond holdings are domiciled in Canada, the U.S. and the U.K.
  - Mortgage portfolio represents 13%:
    - Well diversified by geography and property type
    - Well seasoned, with minimal impairments; delinquencies > 90 days on non-impaired mortgages are negligible
  - Stocks represent 5%, mostly Canadian publicly traded
  - Investment Properties represent 3%:
    - 41% in Canada; 59% in UK / Europe
    - Properties are unlevered
    - UK / European properties benefit from long term lease contracts



1) At March 31, 2018; Includes certain funds held by ceding insurers (carrying value of \$8.0bln)

## Currency (Relative to C\$)

	Income & Expenses			Balance Sheet		
	US\$	£	€	US\$	£	€
Q1 2018	1.26	1.76	1.55	1.29	1.81	1.59
Q4 2017	1.27	1.69	1.50	1.26	1.70	1.51
Q3 2017	1.25	1.64	1.47	1.25	1.67	1.47
Q2 2017	1.34	1.72	1.48	1.30	1.69	1.48
Q1 2017	1.32	1.64	1.41	1.33	1.67	1.42