

Readers are referred to the cautionary note regarding Forward-Looking Information and Non-GAAP Financial Measures at the end of this Release.

### **Great-West Lifeco reports first quarter 2009 results**

*Toronto, May 7, 2009 ...* Great-West Lifeco Inc. (Lifeco) has reported net income attributable to common shareholders of \$326 million for the three months ended March 31, 2009, compared to \$493 million in 2008. On a per common share basis, this represents \$0.345 per common share for the three months ended March 31, 2009, compared to \$0.552 per common share for 2008.

Earnings of \$493 million in 2008 represents adjusted net income from continuing operations and, as such, excludes income from discontinued operations of \$43 million, or \$0.048 per common share as well as two non-recurring items that totaled \$118 million, after-tax, or \$0.132 per common share, as described in the United States section of this Release. Including these amounts, net income attributable to common shareholders for the three months ended March 31, 2008, as reported, was \$654 million, or \$0.732 per common share.

The 2009 results reflect the weaker global equity and credit market conditions that were present in the quarter. A decline in the value of publicly traded and other investment securities through March 31, 2009 has lowered the market value of assets invested in the Company's segregated and mutual funds. Accordingly, the Company realized lower investment management fee income. This negatively impacted net income attributable to common shareholders by \$89 million, or \$0.09 per common share, and additionally, by \$25 million, or \$0.03 per common share as a result of increased actuarial liabilities. However, Great-West Life did not need to establish actuarial reserves with respect to segregated fund guarantees at March 31, 2009.

In the quarter, the Company increased provisions for future credit losses in actuarial liabilities by \$202 million, mainly as a result of credit rating downgrades of investments held by the Company. This negatively impacted earnings by \$138 million, or \$0.15 per common share. The Company also recorded asset impairment charges in connection with certain financial, auto and commercial mortgage holdings. These impairment charges totaled \$27 million, which negatively impacted earnings by \$19 million, or \$0.02 per common share.

At March 31, 2009, consolidated invested assets were \$103.6 billion. The gross book value of impaired investments at that date was \$351 million, against which the Company had recorded cumulative impairment provisions of \$255 million. In addition, at March 31, 2009, the total provision for future credit losses in actuarial liabilities was in excess of \$2.0 billion.

#### **Highlights**

- The Company has maintained its quarterly common dividend at \$0.3075 per common share payable June 30, 2009. Dividends paid on common shares for the three months ended March 31, 2009 were 5% higher than a year ago.
- The Company's capital position remains very strong. Lifeco's Canadian operating subsidiary, Great-West Life, reported a Minimum Continuing Capital and Surplus (MCCSR) ratio of 205% at March 31, 2009, which did not include any benefit from the \$1,230 million of common and preferred share capital that was raised by Lifeco in the fourth quarter of 2008.

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- The Company and its major operating subsidiaries continue to hold strong credit ratings. The Company's ratings were affirmed with a stable outlook by A.M. Best on January 22nd, Moody's Investors Service and Standard and Poor's Ratings Services on February 12th and Fitch Ratings on April 20th. The ratings affirmations are significant in light of the current economic environment.
- In the quarter, PanAgora, a subsidiary of Putnam Investments, sold its equity investment in Union PanAgora Asset Management GmbH. The transaction resulted in an after-tax gain to Putnam of \$41 million (US\$33 million), or \$0.04 per common share.
- Adjusted return on common shareholders' equity was 16.2% for the twelve months ended March 31, 2009.

## **OPERATING RESULTS**

Consolidated net income for Lifeco is comprised of the net income of The Great-West Life Assurance Company (Great-West Life), Canada Life Financial Corporation (CLFC), London Life Insurance Company (London Life), Great-West Life & Annuity Insurance Company (GWL&A), and Putnam Investments, LLC (Putnam), together with Lifeco's corporate results.

### **CANADA**

Net income attributable to common shareholders for the first quarter of 2009 was \$208 million compared to \$249 million in 2008. Individual Insurance & Investment Products net income was \$127 million compared to \$175 million in 2008, Group Insurance net income was \$93 million compared to \$100 million in 2008, and Corporate net income was a charge of \$12 million compared to a charge of \$26 million in 2008.

Asset impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$2 million in the quarter.

Total sales for the three months ended March 31, 2009 were \$1,785 million compared to \$2,297 million in 2008, with the results reflecting lower sales of segregated fund and mutual fund products. Sales of protection products increased over the first quarter of 2008, however, with Individual Life sales up 9%. Sales of Group insurance products decreased 15% over 2008.

Total assets under administration at March 31, 2009 were \$92.5 billion, compared to \$93.4 billion at December 31, 2008.

### **UNITED STATES**

Net income attributable to common shareholders for the first quarter of 2009 was \$75 million compared to \$76 million in 2008.

Asset impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$21 million in the quarter. The results also include an after-tax gain of \$41 million (US\$33 million) realized by Putnam Investments LLC in connection with the sale of its equity investment in Union PanAgora Asset Management GmbH.

The \$76 million in 2008 represents adjusted net income from continuing operations and, as such excludes income from discontinued operations of \$43 million as well as two non-recurring items that contributed \$118 million to earnings. The Company realized a gain of \$176 million after-tax in connection with the termination of a long-standing assumption reinsurance agreement under which GWL&A had reinsured a block of U.S. participating policies. The Company also increased policy reserves by \$58 million after-tax to provide for an increase in overhead costs expected to be absorbed as a result of the sale of Great-West Healthcare.

Total sales for the three months ended March 31, 2009 were \$8.2 billion compared to \$15.2 billion in 2008.

Total assets under administration at March 31, 2009 were \$176.1 billion compared to \$178.7 billion at December 31, 2008. Included in assets under administration at March 31, 2009 were \$124.2 billion of mutual fund and institutional account assets managed by Putnam, compared to \$129.0 billion at December 31, 2008.

## **EUROPE**

Net income attributable to common shareholders for the first quarter of 2009 was \$48 million compared to \$175 million for the first quarter of 2008.

Asset impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$134 million in the quarter.

Total sales for the three months ended March 31, 2009 were \$795 million compared to \$1,204 million in 2008.

Total assets under administration at March 31, 2009 were \$64.2 billion, compared to \$66.8 billion at December 31, 2008.

## **CORPORATE**

Corporate net income for Lifeco attributable to common shareholders was a charge of \$5 million for the first quarter of 2009 compared to a charge of \$7 million for the first quarter of 2008.

## **QUARTERLY DIVIDENDS**

At its meeting today, the Board of Directors approved a quarterly dividend of \$0.3075 per share on the common shares of the Company payable June 30, 2009 to shareholders of record at the close of business June 2, 2009.

In addition, the Directors approved quarterly dividends on:

- Series D First Preferred Shares of \$0.293750 per share;
- Series E First Preferred Shares of \$0.30 per share;
- Series F First Preferred Shares of \$0.36875 per share;
- Series G First Preferred Shares of \$0.325 per share;
- Series H First Preferred Shares of \$0.30313 per share;
- Series I First Preferred Shares of \$0.28125 per share; and
- Series J First Preferred Shares of \$0.3750 per share

all payable June 30, 2009 to shareholders of record at the close of business June 2, 2009.

For purposes of the Income Tax Act (Canada), and any similar provincial legislation, the dividends referred to above are eligible dividends.

## **GREAT-WEST LIFECO**

Great-West Lifeco Inc. (TSX:GWO) is a financial services holding company with interests in the life insurance, health insurance, retirement savings, investment management and reinsurance businesses. The Company has operations in Canada, the United States, Europe and Asia through The Great-West Life Assurance Company, London Life Insurance Company, The Canada Life Assurance Company, Great-West Life & Annuity Insurance Company and Putnam Investments, LLC. Lifeco and its companies have nearly \$333 billion in assets under administration and are members of the Power Financial Corporation group of companies.

***Cautionary note regarding Forward-Looking Information***

This release 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” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, possible future Company action 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 and taxes, as well as 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, 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” in the Company's 2008 Annual Management's Discussion and Analysis 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 to not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

***Cautionary note regarding Non-GAAP Financial Measures***

This release contains some non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to “earnings before restructuring charges”, “adjusted net income”, “adjusted net income from continuing operations”, “net income - adjusted”, “earnings before adjustments”, “constant currency basis”, “premiums and deposits”, “sales”, and other similar expressions. Non-GAAP financial measures are used to provide management and investors with additional measures of performance. However, non-GAAP financial measures do not have standard meanings prescribed by GAAP and are not directly comparable to similar measures used by other companies. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

**Further information**

Selected financial information is attached.

Great-West Lifeco's first quarter conference call will be held Thursday, May 7 at 3:00 p.m. (Eastern). The call can be accessed through [www.greatwestlifeco.com](http://www.greatwestlifeco.com) or by phone at:

- Participants in the Toronto area: 416-340-2220
- Participants from North America: 1-866-226-1798
- Participants from Overseas: Dial international access code first, then 800-2787-2090

A replay of the call will be available from May 7 to May 14, 2009, and can be accessed by calling 1-800-408-3053 or 416-695-5800 in Toronto (passcode: 4003482#).

Additional information relating to Lifeco, including the most recent interim unaudited financial statements, interim Management's Discussion and Analysis (MD&A), and CEO/CFO certificates will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

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# GREAT-WEST LIFECO INC.

## FINANCIAL HIGHLIGHTS *(unaudited)* *(in \$ millions except per share amounts)*

For the three months  
ended March 31,

	2009	2008	% Change
Premiums and deposits:			
Life insurance, guaranteed annuities and insured health products	\$ 4,709	\$ 16,790	-72%
Self-funded premium equivalents (ASO contracts)	618	585	6%
Segregated funds deposits:			
Individual products	1,258	2,018	-38%
Group products	2,696	1,541	75%
Proprietary mutual funds deposits <sup>(1)</sup>	5,280	8,519	-38%
<b>Total premiums and deposits</b>	<b>14,561</b>	<b>29,453</b>	<b>-51%</b>
Fee and other income	680	797	-15%
Paid or credited to policyholders	3,366	16,296	-79%
Net income-common shareholders			
Continuing operations - adjusted <sup>(3)</sup>	326	493	-34%
Discontinued operations - adjusted <sup>(2)</sup>	-	43	-
Net income - adjusted <sup>(3)</sup>	326	536	-39%
Adjustments after tax <sup>(3)</sup>	-	118	-
Net income	326	654	-50%
<b>Per common share</b>			
Basic earnings - adjusted <sup>(3)</sup>	\$ 0.345	\$ 0.600	-43%
Adjustments after tax <sup>(3)</sup>	-	0.132	-
Basic earnings	0.345	0.732	-53%
Dividends paid	0.3075	0.2925	5%
Book value	12.68	11.80	7%
<b>Return on common shareholders' equity (12 months):</b>			
Net income - adjusted <sup>(3)</sup>	16.2%	21.1%	
Net income	9.3%	21.3%	
<b>At March 31</b>			
Total assets	\$ 129,596	\$ 133,557	-3%
Segregated funds net assets	76,903	89,092	-14%
Proprietary mutual funds net assets	126,377	167,812	-25%
Total assets under administration	\$ 332,876	\$ 390,461	-15%
Share capital and surplus <sup>(4)</sup>	\$ 13,299	\$ 11,651	14%

1. Includes Putnam Investments, LLC mutual funds and institutional deposits, excluding Prime Money Market Fund net deposits.
2. Represents the operating results of GWL&A's health care business, which was sold effective April 1, 2008.
3. During the first quarter of 2008, net income attributable to common shareholders was increased by \$118 or \$0.132 per common share as a result of the following items in the Company's United States segment:
  - (a) A gain realized in connection with the termination of a long-standing assumption reinsurance agreement (\$176 after-tax or \$0.197 per common share) as described in Note 14 to the 2008 Annual Consolidated Financial Statements.
  - (b) Reserve strengthening in GWL&A's continuing operations (\$(58) after-tax or (\$0.065) per common share) as described in Note 2 to the 2008 Annual Consolidated Financial Statements.
 Net income, basic earnings per common share and return on common shareholders' equity are presented on an adjusted basis, as a non-GAAP financial measure of earnings performance. Return on common shareholders' equity is restated excluding non-recurring items from prior periods.
4. Excludes Putnam Prime Money Market Fund.

GREAT-WEST  
**LIFECO** INC.

**SUMMARIES OF CONSOLIDATED OPERATIONS** *(unaudited)*  
*(in \$ millions except per share amounts)*

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Income</b>		
Premium income	\$ 4,709	\$ 16,790
Net investment income (note 4)		
Regular net investment income	1,511	1,352
Changes in fair value on held for trading assets	(1,967)	(940)
Total net investment income	(456)	412
Fee and other income	680	797
	<b>4,933</b>	<b>17,999</b>
<b>Benefits and expenses</b>		
Policyholder benefits	4,609	3,689
Policyholder dividends and experience refunds	398	347
Change in actuarial liabilities	(1,641)	12,260
Total paid or credited to policyholders	<b>3,366</b>	<b>16,296</b>
Commissions	307	322
Operating expenses	663	637
Premium taxes	55	52
Financing charges (note 6)	75	106
Amortization of finite life intangible assets	22	21
<b>Net income from continuing operations before income taxes</b>	<b>445</b>	<b>565</b>
Income taxes - current	82	120
- future	(4)	(23)
<b>Net income from continuing operations before non-controlling interests</b>	<b>367</b>	<b>468</b>
Non-controlling interests	24	(157)
<b>Net income from continuing operations</b>	<b>343</b>	<b>625</b>
<b>Net income from discontinued operations (note 2)</b>	<b>-</b>	<b>43</b>
<b>Net income</b>	<b>343</b>	<b>668</b>
Perpetual preferred share dividends	17	14
<b>Net income - common shareholders</b>	<b>\$ 326</b>	<b>\$ 654</b>
<b>Earnings per common share (note 12)</b>		
<b>Basic</b>	<b>\$ 0.345</b>	<b>\$ 0.732</b>
<b>Diluted</b>	<b>\$ 0.345</b>	<b>\$ 0.728</b>

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**LIFECO** INC.

**CONSOLIDATED BALANCE SHEETS** *(unaudited)*  
*(in \$ millions)*

	March 31, 2009	December 31, 2008	March 31, 2008
<b>Assets</b>			
Bonds (note 4)	\$ 66,715	\$ 66,554	\$ 66,935
Mortgage loans (note 4)	17,312	17,444	16,358
Stocks (note 4)	5,459	5,394	6,415
Real estate (note 4)	3,257	3,188	2,691
Loans to policyholders	7,842	7,622	6,521
Cash and cash equivalents	2,979	2,850	3,416
Funds held by ceding insurers	10,820	11,447	14,393
Assets of operation held for sale (note 2)	-	-	670
Goodwill	5,431	5,425	6,325
Intangible assets	3,582	3,523	4,160
Other assets	6,199	6,627	5,673
<b>Total assets</b>	<b>\$ 129,596</b>	<b>\$ 130,074</b>	<b>\$ 133,557</b>
<b>Liabilities</b>			
Policy liabilities			
Actuarial liabilities	\$ 97,245	\$ 97,895	\$ 102,012
Provision for claims	1,432	1,466	1,340
Provision for policyholder dividends	651	630	622
Provision for experience rating refunds	233	310	218
Policyholder funds	2,449	2,326	2,292
	102,010	102,627	106,484
Debentures and other debt instruments	3,960	3,821	5,155
Funds held under reinsurance contracts	191	192	169
Other liabilities	5,594	5,969	5,129
Liabilities of operations held for sale (note 2)	-	-	396
Repurchase agreements	521	334	689
Deferred net realized gains	153	161	180
	112,429	113,104	118,202
Preferred shares (note 8)	748	752	797
Capital trust securities and debentures (note 7)	755	658	636
Non-controlling interests			
Participating account surplus in subsidiaries	2,022	2,012	1,952
Preferred shares issued by subsidiaries	157	157	157
Perpetual preferred shares issued by subsidiaries	148	150	151
Non-controlling interests in capital stock and surplus	38	13	11
<b>Share capital and surplus</b>			
Share capital (note 8)			
Perpetual preferred shares	1,328	1,329	1,099
Common shares	5,737	5,736	4,714
Accumulated surplus	6,941	6,906	6,992
Accumulated other comprehensive loss	(754)	(787)	(1,190)
Contributed surplus	47	44	36
	13,299	13,228	11,651
<b>Total liabilities, share capital and surplus</b>	<b>\$ 129,596</b>	<b>\$ 130,074</b>	<b>\$ 133,557</b>

GREAT-WEST  
**LIFECO** INC.

**CONSOLIDATED STATEMENTS OF SURPLUS** *(unaudited)*  
*(in \$ millions)*

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Accumulated surplus</b>		
Balance, beginning of year	\$ 6,906	\$ 6,599
Net income	343	668
Dividends to shareholders		
Perpetual preferred shareholders	(17)	(14)
Common shareholders	(291)	(261)
<b>Balance, end of period</b>	<b>\$ 6,941</b>	<b>\$ 6,992</b>
<b>Accumulated other comprehensive loss, net of income taxes (note 13)</b>		
Balance, beginning of year	\$ (787)	\$ (1,533)
Other comprehensive income	33	343
<b>Balance, end of period</b>	<b>\$ (754)</b>	<b>\$ (1,190)</b>
<b>Contributed surplus</b>		
Balance, beginning of year	\$ 44	\$ 34
Stock option expense		
Current year expense (note 10)	3	2
<b>Balance, end of period</b>	<b>\$ 47</b>	<b>\$ 36</b>

GREAT-WEST  
**LIFECO** INC.

**SUMMARIES OF CONSOLIDATED COMPREHENSIVE INCOME** *(unaudited)*  
*(in \$ millions)*

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Net income</b>	<b>\$ 343</b>	<b>\$ 668</b>
<b>Other comprehensive income (loss), net of income taxes</b>		
Unrealized foreign exchange gains (losses) on translation of foreign operations	182	456
Unrealized gains (losses) on available for sale assets	(100)	(49)
Realized (gains) losses on available for sale assets	(12)	(10)
Unrealized gains (losses) on cash flow hedges	(53)	(46)
Realized (gains) losses on cash flow hedges	12	-
Non-controlling interests	4	(8)
	<b>33</b>	<b>343</b>
<b>Comprehensive income</b>	<b>\$ 376</b>	<b>\$ 1,011</b>

**Income tax (expense) benefit included in other comprehensive income**

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Unrealized gains (losses) on available for sale assets	\$ 27	\$ 22
Realized (gains) losses on available for sale assets	3	3
Unrealized gains (losses) on cash flow hedges	29	25
Realized (gains) losses on cash flow hedges	(7)	-
Non-controlling interests	-	2
	<b>\$ 52</b>	<b>\$ 52</b>

GREAT-WEST  
**LIFECO** INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS** *(unaudited)*  
*(in \$ millions)*

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Operations</b>		
Net income	\$ 343	\$ 668
Adjustments:		
Change in policy liabilities	(1,589)	(238)
Change in funds held by ceding insurers	144	(18)
Change in funds held under reinsurance contracts	(8)	(1)
Change in current income taxes payable	(107)	(171)
Future income tax expense	(4)	(23)
Changes in fair value of financial instruments	1,968	951
Other	8	(385)
Cash flows from operations	755	783
<b>Financing Activities</b>		
Issue of common shares	1	5
Repayments on credit facility	-	(235)
Increase in line of credit in subsidiary	100	80
Repayment of debentures and other debt instruments	(2)	(2)
Dividends paid	(308)	(275)
	(209)	(427)
<b>Investment Activities</b>		
Bond sales and maturities	4,997	4,644
Mortgage loan repayments	419	376
Stock sales	622	389
Real estate sales	7	100
Change in loans to policyholders	(46)	(37)
Change in repurchase agreements	184	369
Investment in bonds	(5,579)	(5,342)
Investment in mortgage loans	(190)	(712)
Investment in stocks	(793)	(448)
Investment in real estate	(65)	(100)
	(444)	(761)
Effect of changes in exchange rates on cash and cash equivalents	27	168
<b>Increase (decrease) in cash and cash equivalents</b>	129	(237)
<b>Cash and cash equivalents from continuing and discontinued operations, beginning of year</b>	2,850	3,676
<b>Cash and cash equivalents from continuing and discontinued operations, end of period</b>	2,979	3,439
<b>Cash and cash equivalents from discontinued operations, end of period</b>	-	(23)
<b>Cash and cash equivalents from continuing operations, end of period</b>	\$ 2,979	\$ 3,416

**Notes to Consolidated Financial Statements** *(unaudited)*

*(in \$ millions except per share amounts)*

**1. Basis of Presentation and Summary of Accounting Policies**

The interim unaudited consolidated financial statements of Great-West Lifeco Inc. (Lifeco or the Company) at March 31, 2009 have been prepared in accordance with Canadian generally accepted accounting principles, using the same accounting policies and methods of computation followed in the consolidated financial statements for the year ended December 31, 2008 except as noted below. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual report dated December 31, 2008.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. The valuation of actuarial liabilities, certain financial assets and liabilities, goodwill and indefinite life intangible assets, income taxes and pension plans and other post retirement benefits are the most significant components of the Company's financial statements subject to management estimates.

The year to date results of the Company reflect management's judgments regarding the impact of prevailing global credit, equity and foreign exchange market conditions. Financial instrument carrying values currently reflect the illiquidity of the markets and the liquidity premiums embedded in the market pricing methods the Company relies upon.

The estimation of actuarial liabilities relies upon investment credit ratings. The Company's practice is to use third party independent credit ratings where available. Credit rating changes may lag developments in the current environment. Subsequent credit rating adjustments will impact actuarial liabilities.

In addition to the Company's direct investments in certain financial institutions, the Company has contractual business relationships with these financial institutions. Given the current uncertainty associated with these entities, normal business conditions do not prevail and the Company's contractual business relationships may be impacted.

Given the uncertainty surrounding the continued volatility in these markets, and the general lack of liquidity in financial markets, the actual financial results could differ from those estimates.

**(a) Changes in Accounting Policy**

Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064, Goodwill and Intangible Assets. This section replaces existing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section establishes new standards for the recognition and measurement of intangible assets, but does not affect the accounting for goodwill. As a result of the adoption of the new requirements software costs previously included in other assets have been reclassified to intangible assets and amortization on software costs previously included in operating expenses has been reclassified to amortization of finite life intangible assets.

**(b)Comparative Figures**

Certain of the 2008 amounts presented for comparative purposes have been reclassified to conform to the presentation adopted in the current year as a result of the reclassifications in note 1(a) and certain other reclassifications. On the Consolidated Balance Sheets these reclassifications resulted in a decrease to other assets of \$320 , an increase to intangible assets of \$137 and a decrease to policyholder liabilities of \$183 at March 31, 2008 and a decrease to other assets of \$151 at December 31, 2008 with a corresponding increase to intangible assets. On the Summaries of Consolidated Operations these reclassification resulted in a decrease to operating expenses of \$11 with a corresponding increase to the amortization of finite life intangible assets and an increase in total paid or credited to policyholders of \$12 with a corresponding decrease in income tax expense for the three months ended March 31, 2008.

**2. Acquisitions and Disposals**

**(a)** On April 1, 2008, Great-West Life & Annuity Insurance Company completed the sale of its health care business. For the three months ended March 31, 2008, after tax net income of the health care business presented as discontinued operations on the Summaries of Consolidated Operations is comprised of the following:

<b>Income</b>	
Premium income	\$ 224
Net investment income	11
Fee and other income	164
	<u>399</u>
<b>Benefits and expenses</b>	
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	191
Other	145
	<u>336</u>
<b>Net income from discontinued operations before income taxes</b>	<u>63</u>
Income taxes	20
<b>Net income from discontinued operations</b>	<u>\$ 43</u>

At March 31, 2008, on the Consolidated Balance Sheets assets and liabilities of operations held for sale are comprised of the following:

<b>Assets</b>	
Bonds	\$ 184
Cash and cash equivalents	23
Goodwill	49
Intangible assets	11
Other assets	403
<b>Assets of operations held for sale</b>	<u>\$ 670</u>
<b>Liabilities</b>	
Policy liabilities	\$ 231
Other liabilities	165
<b>Liabilities of operations held for sale</b>	<u>\$ 396</u>

**(b)** On January 19, 2009, PanAgora, a subsidiary of Putnam LLC, sold its equity investment in Union PanAgora Asset Management GmbH to Union Asset Management, gross proceeds received of approximately U.S. \$77 resulted in a gain to Putnam LLC of approximately U.S. \$33 after taxes and minority interests.

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### 3. Restructuring Costs

The following details the amount and status of the Putnam LLC restructuring program costs:

	Expected total costs	Amounts utilized-2007	Amounts utilized-2008	Amounts utilized-2009	Changes in foreign exchange rates	Balance March 31, 2009
Compensation costs	\$ 133	\$ (27)	\$ (76)	\$ (4)	\$ 4	\$ 30
Exiting and consolidating operations	22	(6)	(5)	-	3	14
Eliminating duplicate systems	29	(1)	-	-	6	34
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (4)</u>	<u>\$ 13</u>	<u>\$ 78</u>
Accrued on acquisition	\$ 154	\$ (34)	\$ (81)	\$ (4)	\$ 7	\$ 42
Expense as incurred	30	-	-	-	6	36
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (4)</u>	<u>\$ 13</u>	<u>\$ 78</u>

### 4. Portfolio Investments

(a) Carrying values and estimated market values of portfolio investments are as follows:

	March 31, 2009							Total
	Carrying Value & Market Value			Amortized Cost			Carrying value	
	Available for sale	Held for trading <sup>1</sup>		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments		
	Designated	Classified						
<b>Bonds</b>								
- government	\$ 3,134	\$ 16,010	\$ 1,112	\$ 1,820	\$ 1,827	\$ -	\$ -	\$ 22,076
- corporate	2,290	33,561	869	7,919	7,601	-	-	44,639
	<u>5,424</u>	<u>49,571</u>	<u>1,981</u>	<u>9,739</u>	<u>9,428</u>	<u>-</u>	<u>-</u>	<u>66,715</u>
<b>Mortgage loans</b>								
- residential	-	-	-	6,838	7,008	-	-	6,838
- non-residential	-	-	-	10,474	10,301	-	-	10,474
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,312</u>	<u>17,309</u>	<u>-</u>	<u>-</u>	<u>17,312</u>
<b>Stocks</b>	1,418	3,712	-	-	-	329	276	5,459
<b>Real estate</b>	-	-	-	-	-	3,257	2,993	3,257
	<u>\$ 6,842</u>	<u>\$ 53,283</u>	<u>\$ 1,981</u>	<u>\$ 27,051</u>	<u>\$ 26,737</u>	<u>\$ 3,586</u>	<u>\$ 3,269</u>	<u>\$ 92,743</u>

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December 31, 2008

	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading <sup>1</sup>		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments	Market Value Non-financial instruments	Carrying value
		Designated	Classified					
Bonds								
- government	\$ 3,594	\$ 16,197	\$ 836	\$ 1,877	\$ 1,879	\$ -	\$ -	\$ 22,504
- corporate	2,051	33,319	849	7,831	7,371	-	-	44,050
	5,645	49,516	1,685	9,708	9,250	-	-	66,554
Mortgage loans								
- residential	-	-	-	6,986	7,157	-	-	6,986
- non-residential	-	-	-	10,458	10,414	-	-	10,458
	-	-	-	17,444	17,571	-	-	17,444
Stocks	1,411	3,653	-	-	-	330	326	5,394
Real estate	-	-	-	-	-	3,188	3,053	3,188
	\$ 7,056	\$ 53,169	\$ 1,685	\$ 27,152	\$ 26,821	\$ 3,518	\$ 3,379	\$ 92,580

March 31, 2008

	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading <sup>1</sup>		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments	Market Value Non-financial instruments	Carrying value
		Designated	Classified					
Bonds								
- government	\$ 1,779	\$ 15,655	\$ 645	\$ 1,711	\$ 1,866	\$ -	\$ -	\$ 19,790
- corporate	3,033	36,018	1,053	7,041	7,226	-	-	47,145
	4,812	51,673	1,698	8,752	9,092	-	-	66,935
Mortgage loans								
- residential	-	-	-	7,061	7,271	-	-	7,061
- non-residential	-	-	-	9,297	9,405	-	-	9,297
	-	-	-	16,358	16,676	-	-	16,358
Stocks	1,426	4,666	-	-	-	323	416	6,415
Real estate	-	-	-	-	-	2,691	2,940	2,691
	\$ 6,238	\$ 56,339	\$ 1,698	\$ 25,110	\$ 25,768	\$ 3,014	\$ 3,356	\$ 92,399

<sup>1</sup>Investments can be held for trading in two ways: designated as held for trading at the option of management; or, classified as held for trading if they are actively traded for the purpose of earning investment income.

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(b) Included in portfolio investments are the following:

(i) Impaired investments

March 31, 2009			
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading <sup>(1)</sup>	\$ 162	\$ (145)	\$ 17
Available for sale	16	(16)	-
Loans and receivables	158	(80)	78
<b>Total</b>	<b>\$ 336</b>	<b>\$ (241)</b>	<b>\$ 95</b>

December 31, 2008			
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading <sup>(1)</sup>	\$ 160	\$ (138)	\$ 22
Available for sale	18	(17)	1
Loans and receivables	93	(60)	33
<b>Total</b>	<b>\$ 271</b>	<b>\$ (215)</b>	<b>\$ 56</b>

March 31, 2008			
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading <sup>(1)</sup>	\$ -	\$ -	\$ -
Available for sale	-	-	-
Loans and receivables	28	(49)	(21)
<b>Total</b>	<b>\$ 28</b>	<b>\$ (49)</b>	<b>\$ (21)</b>

(1) Excludes amounts in funds held by ceding insurers of \$15 and impairment of (\$14) at March 31, 2009 and \$15 and (\$11), respectively at December 31, 2008.

(ii) The allowance for credit losses and changes in the allowance for credit losses related to investments classified as loans and receivables are as follows:

	For the three months ended March 31, 2009			For the three months ended March 31, 2008		
	Bonds	Mortgage loans	Total	Bonds	Mortgage loans	Total
Balance, beginning of year	\$ 31	\$ 29	\$ 60	\$ 34	\$ 19	\$ 53
Net provision (recovery) for credit losses - in year	12	7	19	-	-	-
Write-offs, net of recoveries	-	(1)	(1)	(6)	-	(6)
Other (including foreign exchange rate changes)	1	1	2	1	1	2
<b>Balance, end of period</b>	<b>\$ 44</b>	<b>\$ 36</b>	<b>\$ 80</b>	<b>\$ 29</b>	<b>\$ 20</b>	<b>\$ 49</b>

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(c) Net investment income is comprised of the following:

<b>For the three months ended March 31, 2009</b>	<b>Bonds</b>	<b>Mortgage loans</b>	<b>Stocks</b>	<b>Real estate</b>	<b>Other</b>	<b>Total</b>
Regular net investment income:						
Investment income earned	\$ 1,064	\$ 235	\$ 44	\$ 45	\$ 70	\$ 1,458
Net realized gains (losses) <i>(available for sale)</i>	16	-	(1)	-	-	15
Net realized gains (losses) <i>(other classifications)</i>	(3)	4	76	-	-	77
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	(4)	-	(4)
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	(12)	(7)	-	-	-	(19)
Other income and expenses	-	-	-	-	(16)	(16)
	<b>1,065</b>	<b>232</b>	<b>119</b>	<b>41</b>	<b>54</b>	<b>1,511</b>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	9	-	-	-	-	9
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(1,794)	-	(175)	-	(7)	(1,976)
	<b>(1,785)</b>	<b>-</b>	<b>(175)</b>	<b>-</b>	<b>(7)</b>	<b>(1,967)</b>
<b>Net investment income</b>	<b>\$ (720)</b>	<b>\$ 232</b>	<b>\$ (56)</b>	<b>\$ 41</b>	<b>\$ 47</b>	<b>\$ (456)</b>

For the three months ended March 31, 2008	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 890	\$ 228	\$ 45	\$ 35	\$ 128	\$ 1,326
Net realized gains (losses) <i>(available for sale)</i>	13	-	-	-	-	13
Net realized gains (losses) <i>(other classifications)</i>	6	6	5	-	-	17
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	11	-	11
Other income and expenses	-	-	-	-	(15)	(15)
	<u>909</u>	<u>234</u>	<u>50</u>	<u>46</u>	<u>113</u>	<u>1,352</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	21	-	-	-	-	21
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(683)	-	(242)	-	(36)	(961)
	<u>(662)</u>	<u>-</u>	<u>(242)</u>	<u>-</u>	<u>(36)</u>	<u>(940)</u>
Net investment income	<u>\$ 247</u>	<u>\$ 234</u>	<u>\$ (192)</u>	<u>\$ 46</u>	<u>\$ 77</u>	<u>\$ 412</u>

Investment income earned is comprised of income from investments that are classified or designated as held for trading, classified as available for sale and classified as loans and receivables.

## 5. Financial Instrument Risk Management

The Company has policies relating to the identification, measurement, monitoring, mitigating, and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The following sections describe how the Company manages each of these risks.

### (a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of debtors making payments when due. The following policies and procedures are in place to manage this risk:

- Investment guidelines are in place that require only the purchase of investment-grade assets and minimize undue concentration of assets in any single geographic area, industry and company.
- Investment guidelines specify minimum and maximum limits for each asset class. Credit ratings are determined by recognized external credit rating agencies and/or internal credit review.
- Investment guidelines also specify collateral requirements.
- Portfolios are monitored continuously, and reviewed regularly with the Boards of Directors or the Investment Committees of the Boards of Directors.
- Credit risk associated with derivative instruments is evaluated quarterly based on conditions that existed at the balance sheet date, using practices that are at least as conservative as those recommended by regulators.
- The Company is exposed to credit risk relating to premiums due from policyholders during the grace period specified by the insurance policy or until the policy is paid up or terminated. Commissions paid to agents and brokers are netted against amounts receivable, if any.

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- Reinsurance is placed with counterparties that have a good credit rating and concentration of credit risk is managed by following policy guidelines set each year by the Board of Directors. Management continuously monitors and performs an assessment of creditworthiness of reinsurers.

(i) Maximum Exposure to Credit Risk

The following table summarizes the Company's maximum exposure to credit risk related to financial instruments. The maximum credit exposure is the carrying value of the asset net of any allowances for losses.

	<b>March 31, 2009</b>	December 31, 2008	March 31, 2008
Cash and cash equivalents	\$ 2,979	\$ 2,850	\$ 3,416
Bonds			
Held for trading	51,552	51,201	53,371
Available for sale	5,424	5,645	4,812
Amortized cost	9,739	9,708	8,752
Mortgage loans	17,312	17,444	16,358
Loans to policyholders	7,842	7,622	6,521
Other financial assets	13,969	15,004	17,783
Derivative assets	484	677	710
Total balance sheet maximum credit exposure	<b>\$ 109,301</b>	<b>\$ 110,151</b>	<b>\$ 111,723</b>

Credit risk is also mitigated by entering into collateral agreements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Management monitors the value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable.

(ii) Concentration of Credit Risk

Concentrations of credit risk arise from exposures to a single debtor, a group of related debtors or groups of debtors that have similar credit risk characteristics in that they operate in the same geographic region or in similar industries. The characteristics are similar in that changes in economic or political environments may impact their ability to meet obligations as they come due.

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The following table provides details of the carrying value of bonds by industry sector and geographic distribution:

	<b>March 31, 2009</b>	December 31, 2008	March 31, 2008
Bonds issued or guaranteed by:			
Canadian federal government	\$ 2,228	\$ 1,867	\$ 1,654
Canadian provincial and municipal governments	6,151	6,029	6,009
U.S. Treasury and other U.S. agencies	5,017	4,968	4,075
Other foreign governments	6,691	6,854	7,376
Government related	2,000	1,563	2,287
Sovereign	1,671	1,739	2,081
Asset-backed securities	7,077	7,243	8,304
Residential mortgage backed securities	1,201	1,156	215
Banks	4,489	5,070	6,192
Other financial institutions	3,431	3,602	4,491
Basic materials	937	870	673
Communications	1,327	1,220	1,244
Consumer products	4,362	4,104	4,131
Industrial products/services	1,623	1,985	1,527
Natural resources	2,062	1,813	1,889
Real estate	1,687	1,645	1,805
Transportations	2,624	2,497	2,564
Utilities	7,416	7,068	6,540
Miscellaneous	1,977	1,866	1,389
<b>Total long term bonds</b>	<b>63,971</b>	<b>63,159</b>	<b>64,446</b>
<b>Short term bonds</b>	<b>2,744</b>	<b>3,395</b>	<b>2,489</b>
	<b>\$ 66,715</b>	<b>\$ 66,554</b>	<b>\$ 66,935</b>
Canada	\$ 26,040	\$ 26,231	\$ 25,241
United States	18,751	17,703	16,771
Europe/Reinsurance	21,924	22,620	24,923
	<b>\$ 66,715</b>	<b>\$ 66,554</b>	<b>\$ 66,935</b>

The following table provides details of the carrying value of mortgage loans by geographic location:

	<b>March 31, 2009</b>			
	<b>Single family residential</b>	<b>Multi-family residential</b>	<b>Commercial</b>	<b>Total</b>
Canada	\$ 1,813	\$ 4,409	\$ 6,134	\$ 12,356
United States	-	580	1,610	2,190
Europe/Reinsurance	-	36	2,730	2,766
<b>Total mortgage loans</b>	<b>\$ 1,813</b>	<b>\$ 5,025</b>	<b>\$ 10,474</b>	<b>\$ 17,312</b>

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December 31, 2008

	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,850	\$ 4,524	\$ 6,144	\$ 12,518
United States	-	576	1,581	2,157
Europe/Reinsurance	-	36	2,733	2,769
<b>Total mortgage loans</b>	<b>\$ 1,850</b>	<b>\$ 5,136</b>	<b>\$ 10,458</b>	<b>\$ 17,444</b>

March 31, 2008

	Single family residential	Multi-family residential	Commercial	Total
Canada	\$ 1,791	\$ 4,712	\$ 5,441	\$ 11,944
United States	-	527	1,211	1,738
Europe/Reinsurance	-	31	2,645	2,676
<b>Total mortgage loans</b>	<b>\$ 1,791</b>	<b>\$ 5,270</b>	<b>\$ 9,297</b>	<b>\$ 16,358</b>

(iii) Asset Quality

**Bond Portfolio Quality**

	March 31, 2009	December 31, 2008	March 31, 2008
AAA	\$ 24,668	\$ 25,138	\$ 28,518
AA	10,555	10,765	10,716
A	18,284	18,030	16,965
BBB	9,889	8,809	7,799
BB and lower	575	417	448
	<b>63,971</b>	<b>63,159</b>	<b>64,446</b>
Short term bonds	2,744	3,395	2,489
<b>Total bonds</b>	<b>\$ 66,715</b>	<b>\$ 66,554</b>	<b>\$ 66,935</b>

**Derivative Portfolio Quality**

	March 31, 2009	December 31, 2008	March 31, 2008
Over-the-counter contracts (counterparty ratings):			
AAA	\$ 6	\$ 19	\$ 2
AA	135	165	460
A	343	468	249
<b>Total</b>	<b>\$ 484</b>	<b>\$ 652</b>	<b>\$ 711</b>

(iv) Loans Past Due, But Not Impaired

Loans that are past due but not considered impaired are loans for which scheduled payments have not been received, but management has reasonable assurance of timely collection of the full amount of principal and interest due. The following table provides carrying values of the loans past due, but not impaired:

	March 31, 2009	December 31, 2008	March 31, 2008
Less than 30 days	\$ 61	\$ 50	\$ 91
30 - 90 days	34	4	1
90 days and greater	3	1	1
<b>Total</b>	<b>\$ 98</b>	<b>\$ 55</b>	<b>\$ 93</b>

**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet all cash outflow obligations as they come due. The following policies and procedures are in place to manage this risk:

- The Company closely manages operating liquidity through cash flow matching of assets and liabilities.
- Management monitors the use of lines of credit on a regular basis, and assesses the ongoing availability of these and alternative forms of operating credit.
- Management closely monitors the solvency and capital positions of its principal subsidiaries opposite liquidity requirements at the holding company. Additional liquidity is available through established lines of credit and the Company's demonstrated ability to access capital markets for funds. The Company maintains a \$200 million committed line of credit with a Canadian chartered bank.

**(c) Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity risk.

(i) Currency Risk

Currency risk relates to the Company operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The following policies and procedures are in place to mitigate the Company's exposure to currency risk.

- The Company uses financial measures such as constant currency calculations to monitor the effect of currency translation fluctuations.
- Investments are normally made in the same currency as the liabilities supported by those investments.
- Foreign currency assets acquired to back liabilities are normally converted back to the currency of the liability using foreign exchange contracts.
- A 10% weakening of the Canadian dollar against foreign currencies would be expected to increase non-participating actuarial liabilities by the same amount as the supporting assets. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating actuarial liabilities by the same amount as the supporting assets.

(ii) Interest Rate Risk

Interest rate risk exists if asset and liability cash flows are not closely matched and interest rates change causing a difference in value between the asset and liability. The following policies and procedures are in place to mitigate the Company's exposure to interest rate risk.

- The Company utilizes a formal process for managing the matching of assets and liabilities. This involves grouping general fund assets and liabilities into segments. Assets in each segment are managed in relation to the liabilities in the segment.
- Interest rate risk is managed by investing in assets that are suitable for the products sold.
- For products with fixed and highly predictable benefit payments, investments are made in fixed income assets that closely match the liability product cash flows. Protection against interest rate change is achieved as any change in the fair market value of the assets will be offset by a similar change in the fair market value of the liabilities.
- For products with less predictable timing of benefit payments, investments are made in fixed income assets with cash flows of a shorter duration than the anticipated timing of benefit payments, or equities as described below.
- The risk associated with the mismatch in portfolio duration and cash flow, asset prepayment exposure and the pace of asset acquisition are quantified and reviewed regularly.

Projected cash flows from the current assets and liabilities are used in the Canadian Asset Liability Method (CALM) to determine actuarial liabilities. Cash flows from assets are reduced to provide for potential asset default losses. Testing under several interest rate scenarios (including increasing and decreasing rates) is done to assess reinvestment risk.

One way of measuring the interest rate risk associated with this assumption is to determine the effect on the present value of the projected net asset and liability cash flows of the non-participating business of the Company of an immediate and permanent 1% increase and 1% decrease in interest rates at each future duration. These interest rate changes will impact the projected cash flows.

- The effect of an immediate and permanent 1% increase in interest rates at each future duration would be to decrease the present value of these net projected cash flows by approximately \$11.
- The effect of an immediate and permanent 1% decrease in interest rates at each future duration would be to decrease the present value of these net projected cash flows by approximately \$169.

(iii) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate price risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits.

Some policy liabilities are supported by equities (including real estate), for example segregated fund products and products with long-tail liabilities. Generally these liabilities will fluctuate in line with equity market values. There will be additional impacts on these liabilities as equity market values fluctuate. A 10% increase in equity markets would be expected to additionally decrease non-participating actuarial liabilities by approximately \$38. A 10% decrease in equity markets would be expected to additionally increase non-participating actuarial liabilities by approximately \$184.

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## 6. Financing Charges

Financing charges consist of the following:

	For the three months ended March 31,	
	2009	2008
Interest on long-term debentures and other debt instruments	\$ 53	\$ 75
Dividends on preferred shares classified as liabilities	9	9
Unrealized losses (gains) on preferred shares classified as held for trading	1	11
Other	2	2
Interest on capital trust debentures	12	12
Distributions on capital trust securities held by consolidated group as temporary investments	(2)	(3)
<b>Total</b>	<b>\$ 75</b>	<b>\$ 106</b>

## 7. Capital Trust Securities and Debentures

During the first quarter of 2009, the Company disposed of \$95 principal amount of capital trust securities held by the consolidated group as temporary investments.

## 8. Share Capital

### (a) Preferred Shares

The Company recognized the surrender of Series E First Preferred shares with a carrying value of \$5 and Series F First Preferred shares with a carrying value of \$1.

The Company has designated outstanding Preferred Shares Series D and Series E as held for trading on the Consolidated Balance Sheets with changes in fair value reported in the Summaries of Consolidated Operations. During the three months ended March 31, 2009 the Company recognized unrealized gains (losses) of \$4 for Series D and \$(5) for Series E (for the three months ended March 31, 2008, \$1 for Series D and \$(12) for Series E). The redemption price at maturity is \$25 per share plus accrued dividends.

### (b) Common Shares

Issued and outstanding

	March 31, 2009		December 31, 2008		March 31, 2008	
	Number	Carrying value	Number	Carrying value	Number	Carrying value
Common shares:						
Balance, beginning of year	943,882,505	\$ 5,736	893,761,639	\$ 4,709	893,761,639	\$ 4,709
Issued from treasury	-	-	48,200,000	1,000	-	-
Issued under stock option plan	143,215	1	1,920,866	27	358,243	5
Balance, end of period	<b>944,025,720</b>	<b>\$ 5,737</b>	<b>943,882,505</b>	<b>\$ 5,736</b>	<b>894,119,882</b>	<b>\$ 4,714</b>

## 9. Capital Management

At the holding company level, the Company monitors the amount of consolidated capital available, and the amounts deployed in its various operating subsidiaries. The amount of capital deployed in any particular company or country is dependent upon local regulatory requirements as well as the Company's internal assessment of capital requirements in the context of its operational risks and requirements, and strategic plans.

Since the timing of available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. Also, a demand for funds may arise as a result of the Company taking advantage of current investment opportunities. The sources of the funds that may be required in such situations include bank financing and the issuance of debentures and equity securities.

The Company's practice is to maintain the capitalization of its regulated operating subsidiaries at a level that will exceed the relevant minimum regulatory capital requirements in the jurisdictions in which they operate.

In Canada, the Office of the Superintendent of the Financial Institutions (OSFI) has established a capital adequacy measurement for life insurance companies incorporated under the Insurance Companies Act (Canada) and their subsidiaries, known as the Minimum Continuing Capital and Surplus Requirements (MCCSR).

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For Canadian regulatory reporting purposes, capital is defined by OSFI in its MCCSR guideline. The following table provides the MCCSR information and ratios for Great-West Life:

	March 31, 2009	December 31, 2008	March 31, 2008
<b>Capital Available:</b>			
<b>Tier 1 Capital</b>			
Common shares (1)	\$ 6,116	\$ 6,116	\$ 6,116
Shareholder surplus	5,607	5,604	4,921
Qualifying non-controlling interests	149	150	151
Innovative instruments	743	648	634
Other Tier 1 Capital Elements	1,434	1,513	1,621
<b>Gross Tier 1 Capital</b>	<b>14,049</b>	<b>14,031</b>	<b>13,443</b>
<b>Deductions from Tier 1:</b>			
Goodwill & intangible assets in excess of limit	5,670	5,673	5,708
Other deductions	1,907	1,697	1,347
<b>Net Tier 1 Capital</b>	<b>6,472</b>	<b>6,661</b>	<b>6,388</b>
Adjustment to Net Tier 1 Capital	(46)	-	-
<b>Net Tier 1 Capital</b>	<b>6,426</b>	<b>6,661</b>	<b>6,388</b>
<b>Tier 2 Capital</b>			
Tier 2A	329	345	447
Tier 2B allowed	300	300	501
Tier 2C	1,759	1,550	1,322
Tier 2 Deductions	(46)	-	-
<b>Tier 2 Capital Allowed</b>	<b>2,342</b>	<b>2,195</b>	<b>2,270</b>
<b>Total Tier 1 and Tier 2 Capital</b>	<b>8,768</b>	<b>8,856</b>	<b>8,658</b>
<b>Less: Deductions/Adjustments</b>	<b>-</b>	<b>124</b>	<b>124</b>
<b>Total Available Capital</b>	<b>\$ 8,768</b>	<b>\$ 8,732</b>	<b>\$ 8,534</b>
<b>Capital Required:</b>			
Assets Default & market risk	\$ 1,650	\$ 1,510	\$ 1,487
Insurance Risks	1,822	1,800	1,735
Interest Rate Risks	790	803	1,026
Other	6	50	(57)
<b>Total Capital Required</b>	<b>\$ 4,268</b>	<b>\$ 4,163</b>	<b>\$ 4,191</b>
<b>MCCSR ratios:</b>			
<b>Tier 1</b>	<b>151%</b>	<b>160%</b>	<b>152%</b>
<b>Total</b>	<b>205%</b>	<b>210%</b>	<b>204%</b>

(1) The \$1,230 of common and preferred share capital that was raised by the Company in the fourth quarter of 2008 remained at the holding company as at March 31, 2009.

In the United States, GWL&A is subject to comprehensive state and federal regulation and supervision throughout the United States. The National Association of Insurance Commissioners (NAIC) has adopted risk-based capital rules and other financial ratios for U.S. life insurance companies. At the end of 2008 the risk-based capital (RBC) ratio for GWL&A was 381%, in excess of that required by NAIC.

As at March 31, 2009 and 2008 the Company maintained capital levels above the minimum local requirements in its other foreign operations.

The Company is both a user and a provider of reinsurance, including both traditional reinsurance, which is undertaken primarily to mitigate against assumed insurance risks, and financial or finite reinsurance, under which the amount of insurance risk passed to the reinsurer or its reinsureds may be more limited.

The capitalization of the Company and its operating subsidiaries will also take into account the views expressed by the various credit rating agencies that provide financial strength and other ratings to the Company.

The Company has also established policies and procedures designed to identify, measure and report all material risks. Management is responsible for establishing capital management procedures for implementing and monitoring the capital plan. The Board of Directors reviews and approves all capital transactions undertaken by management.

#### 10. Stock Based Compensation

No options were granted under the Company's stock option plan for the three months ended March 31, 2009, (110,000 options were granted during the first quarter of 2008). The weighted fair value of options granted during the three months ended March 31, 2008 were \$3.13 per option. Compensation expense of \$3 after-tax has been recognized in the Summaries of Consolidated Operations for the three months ended March 31, 2009 (\$2 after-tax for the three months ended March 31, 2008).

#### 11. Pension Plans and Other Post-Retirement Benefits

The total benefit costs included in operating expenses are as follows:

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Pension benefits	\$ 16	\$ 12
Other benefits	3	3
<b>Total</b>	<b>\$ 19</b>	<b>\$ 15</b>

**12. Earnings per Common Share**

The following table provides the reconciliation between basic and diluted earnings per common share:

	<b>For the three months ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Earnings</b>		
Net income from continuing operations	\$ 343	\$ 625
Net income from discontinued operations	-	43
Net income	\$ 343	\$ 668
Perpetual preferred share dividends	17	14
Net income - common shareholders	<u>\$ 326</u>	<u>\$ 654</u>
<b>Number of common shares</b>		
Average number of common shares outstanding	943,916,502	893,862,214
Add:		
- Potential exercise of outstanding stock options	303,303	4,838,672
Average number of common shares outstanding - diluted basis	<u>944,219,805</u>	<u>898,700,886</u>
<b>Basic earnings per common share</b>		
From continuing operations	\$ 0.345	\$ 0.684
From discontinued operations	-	0.048
	<u>\$ 0.345</u>	<u>\$ 0.732</u>
<b>Diluted earnings per common share</b>		
From continuing operations	\$ 0.345	\$ 0.680
From discontinuing operations	-	0.048
	<u>\$ 0.345</u>	<u>\$ 0.728</u>

# GREAT-WEST LIFECO INC.

## 13. Accumulated Other Comprehensive Loss

For the three months ended March 31, 2009

	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains(losses) on available for sale assets	Unrealized gains (losses) on cash flow hedges	Total	Non-controllin g interest	Shareholder
Balance, beginning of year	\$ (605)	\$ (36)	\$ (197)	\$ (838)	\$ 51	\$ (787)
Other comprehensive loss	182	(142)	(63)	(23)	4	(19)
Income tax	-	30	22	52	-	52
	<u>182</u>	<u>(112)</u>	<u>(41)</u>	<u>29</u>	<u>4</u>	<u>33</u>
Balance, end of period	<u>\$ (423)</u>	<u>\$ (148)</u>	<u>\$ (238)</u>	<u>\$ (809)</u>	<u>\$ 55</u>	<u>\$ (754)</u>

For the three months ended March 31, 2008

	Unrealized foreign exchange gains (losses) on translation of foreign operations	Unrealized gains(losses) on available for sale assets	Unrealized gains (losses) on cash flow hedges	Total	Non-controlling interest	Shareholder
Balance, beginning of year	\$ (1,801)	\$ 174	\$ 13	\$ (1,614)	\$ 81	\$ (1,533)
Other comprehensive loss	456	(84)	(71)	301	(10)	291
Income tax	-	25	25	50	2	52
	<u>456</u>	<u>(59)</u>	<u>(46)</u>	<u>351</u>	<u>(8)</u>	<u>343</u>
Balance, end of period	<u>\$ (1,345)</u>	<u>\$ 115</u>	<u>\$ (33)</u>	<u>\$ (1,263)</u>	<u>\$ 73</u>	<u>\$ (1,190)</u>

## 14. Contingent Liability (changes since December 31, 2008 annual report)

A subsidiary of the Company has resolved a reinsurance treaty dispute that was subject to retrocession coverage within the amount of the established actuarial provision.

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**15. Segmented Information**

**Consolidated Operations**

**For the three months ended March 31, 2009**

	Canada	United States	Europe	Lifeco Corporate	Total
<b>Income:</b>					
Premium income	\$ 2,074	\$ 955	\$ 1,680	\$ -	\$ 4,709
Net investment income					
Regular net investment income	547	442	521	1	1,511
Changes in fair value on held for trading assets	(322)	(221)	(1,424)	-	(1,967)
Total net investment income	225	221	(903)	1	(456)
Fee and other income	222	283	175	-	680
<b>Total income</b>	<b>2,521</b>	<b>1,459</b>	<b>952</b>	<b>1</b>	<b>4,933</b>
<b>Benefits and expenses:</b>					
Paid or credited to policyholders	1,683	944	739	-	3,366
Other	531	389	177	3	1,100
Amortization of finite life intangible assets	7	14	1	-	22
<b>Net income from continuing operations before income taxes</b>	<b>300</b>	<b>112</b>	<b>35</b>	<b>(2)</b>	<b>445</b>
Income taxes	62	32	(16)	-	78
<b>Net income before non-controlling interests</b>	<b>238</b>	<b>80</b>	<b>51</b>	<b>(2)</b>	<b>367</b>
Non-controlling interests	19	5	-	-	24
<b>Net Income</b>	<b>219</b>	<b>75</b>	<b>51</b>	<b>(2)</b>	<b>343</b>
Perpetual preferred share dividends	11	-	3	3	17
<b>Net income - common shareholders</b>	<b>\$ 208</b>	<b>\$ 75</b>	<b>\$ 48</b>	<b>\$ (5)</b>	<b>\$ 326</b>

# GREAT-WEST LIFECO INC.

For the three months ended March 31, 2008

	Canada	United States	Europe	Lifeco Corporate	Total
<b>Income:</b>					
Premium income	\$ 1,977	\$ 853	\$ 13,960	\$ -	\$ 16,790
Net investment income					
Regular net investment income	624	316	419	(7)	1,352
Changes in fair value on held for trading assets	(88)	(220)	(632)	-	(940)
Total net investment income	536	96	(213)	(7)	412
Fee and other income	265	378	154	-	797
Total income	2,778	1,327	13,901	(7)	17,999
<b>Benefits and expenses:</b>					
Paid or credited to policyholders	1,880	914	13,502	-	16,296
Other	543	388	185	1	1,117
Amortization of finite life intangible assets	7	13	1	-	21
Net income from continuing operations before income taxes	348	12	213	(8)	565
Income taxes	69	(7)	36	(1)	97
Net income before non-controlling interests	279	19	177	(7)	468
Non-controlling interests	19	(175)	(1)	-	(157)
Net income from continuing operations	260	194	178	(7)	625
Net income from discontinued operations	-	43	-	-	43
Net Income	260	237	178	(7)	668
Perpetual preferred share dividends	11	-	3	-	14
Net income - common shareholders	\$ 249	\$ 237	\$ 175	\$ (7)	\$ 654