

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 second quarter 2009 results

Winnipeg, August 6, 2009 ... Great-West Lifeco Inc. (Lifeco) has reported net income attributable to common shareholders of \$413 million for the three months ended June 30, 2009, compared to \$564 million in 2008. On a per common share basis, this represents \$0.437 per common share for the three months ended June 30, 2009, compared to \$0.630 per common share for 2008.

For the six months ended June 30, 2009, net income attributable to common shareholders was \$739 million, compared to \$1,057 million a year ago. On a per common share basis, this represents \$0.783 per common share for the six months ended June 30, 2009, compared to \$1.230 per common share for 2008.

Net income of \$564 million for the three months ended June 30, 2008 and \$1,057 million for the six months ended June 30, 2008 represents adjusted net income from continuing operations and, as such, excludes certain items as described in the United States section of this Release. Net income attributable to common shareholders, as reported, was \$1,213 million, or \$1.356 per common share for the three months ended June 30, 2008, and \$1,867 million, or \$2.088 per common share for the six months ended June 30, 2008.

Although conditions have generally improved in 2009, the 2009 results compared to 2008 reflect the weaker global equity and credit market environment that has existed since 2007. A decline in the value of publicly traded and other investment securities through June 30, 2009, compared to 2008, 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. In the quarter, compared to 2008, this negatively impacted net income attributable to common shareholders by \$64 million, or \$0.07 per common share, and additionally, by \$12 million, or \$0.01 per common share as a result of increased actuarial liabilities. However, as was also the case at March 31, 2009, Great-West Life did not need to establish actuarial reserves with respect to segregated fund guarantees at June 30, 2009.

At June 30, 2009, the Company increased provisions for future credit losses in actuarial liabilities by \$506 million, both as a result of credit rating downgrade activity in the quarter as well as for basis changes pertaining to the methodology used by the Company to calculate the provisions. These basis changes were generally conforming in nature in order to harmonize practices across the Company's three operating segments. The total increase in provisions of \$506 million negatively impacted net income attributable to common shareholders by \$250 million, or \$0.27 per common share after adjusting for pass-through features and minority interests. The Company also recorded investment impairment charges in connection with certain holdings. These impairment charges totaled \$6 million, which negatively impacted net income attributable to common shareholders by \$4 million.

In the quarter, a reduction in excess interest rate mismatch reserves contributed \$203 million to net income attributable to common shareholders, or \$0.22 per common share, and a mark-to-market adjustment on two series of preferred shares negatively impacted net income attributable to common shareholders by \$30 million, or \$0.03 per common share.

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At June 30, 2009, consolidated invested assets were \$105.0 billion. The gross book value of impaired investments at that date was \$354 million, against which the Company had recorded cumulative impairment provisions of \$256 million. In addition, at June 30, 2009, the total provision for future credit losses in actuarial liabilities was in excess of \$2.5 billion.

Consolidated assets under administration at June 30, 2009 were \$441.9 billion, unchanged from December 31, 2008.

Highlights

- The Company has maintained its quarterly common dividend at \$0.3075 per common share payable September 30, 2009. Dividends paid on common shares for the six months ended June 30, 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 June 30, 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.
- While the Company has increased its provisions for future credit losses, actual investment impairment charges for the quarter, at \$4 million after-tax, were nominal.
- Adjusted return on common shareholders' equity was 14.2% for the twelve months ended June 30, 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 second quarter of 2009 was \$217 million compared to \$275 million in 2008. For the six months ended June 30, 2009, net income attributable to common shareholders was \$425 million compared to \$524 million in 2008.

Investment impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$3 million in the quarter, while a reduction in excess interest rate mismatch reserves contributed \$6 million. Results in the Canada Corporate account were also negatively impacted by a \$30 million mark-to-market adjustment on two series of preferred shares.

Total sales for the six months ended June 30, 2009 were \$4,217 million compared to \$4,424 million in 2008, with the results reflecting lower sales of segregated fund and mutual fund products. Sales of protection products increased over the six months ended June 30, 2008, however, with Individual Life sales up 8%. Sales of Group insurance products decreased 12% over 2008.

Total assets under administration at June 30, 2009 were \$108.2 billion, compared to \$103.9 billion at December 31, 2008.

UNITED STATES

Net income attributable to common shareholders for the second quarter of 2009 was \$49 million compared to \$108 million in 2008. For the six months ended June 30, 2009, net income attributable to common shareholders was \$124 million compared to \$184 million in 2008.

Investment impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$48 million in the quarter, while a reduction in excess interest rate mismatch reserves contributed \$29 million.

Net income of \$108 million for the second quarter of 2008 excludes the gain on sale of GWL&A's health care business of \$649 million. Net income of \$184 million for the six months ended June 30, 2008 also excludes income from discontinued operations of \$43 million as well as two non-recurring items that contributed \$118 million to earnings during the first quarter of 2008.

Total sales for the six months ended June 30, 2009 were \$14.4 billion compared to \$24.0 billion in 2008.

Total assets under administration at June 30, 2009 were \$264.0 billion compared to \$271.1 billion at December 31, 2008. Included in assets under administration at June 30, 2009 were \$119.2 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 second quarter of 2009 was \$149 million compared to \$187 million for the second quarter of 2008. For the six months ended June 30, 2009, net income attributable to common shareholders was \$197 million compared to \$362 million in 2008.

Investment impairment charges and provisions for future credit losses negatively impacted net income attributable to common shareholders by \$203 million in the quarter, while a reduction in excess interest rate mismatch reserves contributed \$168 million.

Total sales for the six months ended June 30, 2009 were \$2,171 million compared to \$2,269 million in 2008.

Total assets under administration at June 30, 2009 were \$69.6 billion, compared to \$67.0 billion at December 31, 2008.

CORPORATE

Corporate net income for Lifeco attributable to common shareholders was a charge of \$2 million for the second quarter of 2009 and a charge of \$7 million for the six months ended June 30, 2009, compared to a charge of \$6 million for the second quarter of 2008 and a charge of \$13 million for the six months ended June 30, 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 September 30, 2009 to shareholders of record at the close of business September 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 September 30, 2009 to shareholders of record at the close of business September 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 LIFE CO

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 \$442 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. 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 second quarter conference call will be held Thursday, August 6 at 3:00 p.m. (Eastern). The call can be accessed through 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 August 6 to August 13, 2009, and can be accessed by calling 1-800-408-3053 or 416-695-5800 in Toronto (passcode: 4003483#).

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.

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GREAT-WEST LIFECO INC.

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

	As at or for the three months ended			For the six months ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Premiums and deposits:					
Life insurance, guaranteed annuities and insured health products	\$ 4,664	\$ 4,709	\$ 4,523	\$ 9,373	\$ 21,313
Self-funded premium equivalents (ASO contracts)	639	618	627	1,257	1,212
Segregated funds deposits:					
Individual products	1,699	1,258	1,771	2,957	3,789
Group products	1,823	2,696	1,444	4,519	2,985
Proprietary mutual funds and institutional deposits ⁽¹⁾	5,140	5,280	7,896	10,420	16,415
Total premiums and deposits	13,965	14,561	16,261	28,526	45,714
Fee and other income	666	680	806	1,346	1,603
Paid or credited to policyholders	7,473	3,366	3,490	10,839	19,786
Net income-common shareholders					
Continuing operations - adjusted ⁽³⁾	413	326	564	739	1,057
Discontinued operations - adjusted ⁽²⁾	-	-	-	-	43
Net income - adjusted ⁽³⁾	413	326	564	739	1,100
Adjustments after tax ⁽³⁾	-	-	649	-	767
Net income	413	326	1,213	739	1,867
Per common share					
Basic earnings - adjusted ⁽³⁾	\$ 0.437	\$ 0.345	\$ 0.630	\$ 0.783	\$ 1.230
Adjustments after tax ⁽³⁾	-	-	0.726	-	0.858
Basic earnings	0.437	0.345	1.356	0.783	2.088
Dividends paid	0.3075	0.3075	0.2925	0.6150	0.5850
Book value	12.65	12.68	12.68		
Return on common shareholders' equity (12 months):					
Net income - adjusted ⁽³⁾	14.2%	16.2%	21.4%		
Net income	2.3%	9.3%	27.1%		
Total assets	\$ 131,644	\$ 129,596	\$ 131,113		
Segregated funds net assets	83,192	76,903	89,144		
Proprietary mutual funds and institutional net assets ⁽⁴⁾	121,729	126,377	162,181		
Total assets under management	336,565	332,876	382,438		
Other assets under administration ⁽⁵⁾	105,341	103,816	111,890		
Total assets under administration	\$ 441,906	\$ 436,692	\$ 494,328		
Share capital and surplus	\$ 13,270	\$ 13,299	\$ 12,438		

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. Does not include the gain on sale of the health care business.
3. 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, and reflect the following items in 2008:

	Net income	Per common share		Refer to Annual Financial Statement Notes
		In quarter	Year-to-date	
Q1: Gain on termination of reinsurance agreement	\$ 176	\$ -	\$ 0.197	Note 14
Reserve strengthening in GWL&A	(58)	118	(0.065)	Note 2
Q2: Gain on sale of GWL&A's health care business	649	649	0.726	Note 2
	<u>\$ 767</u>	<u>\$ 0.726</u>	<u>\$ 0.858</u>	

Return on common shareholders' equity is restated excluding non-recurring items from prior periods.

4. Excludes Putnam Prime Money Market Fund.
5. Other assets under administration includes both retail and institutional assets in which the Company only performs administrative or recordkeeping type services for the end client. In general, fee income is based on the type of services performed per client and does not fluctuate with asset levels.

GREAT-WEST
LIFECO INC.

SUMMARIES OF CONSOLIDATED OPERATIONS *(unaudited)*

(in \$ millions except per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Income				
Premium income	\$ 4,664	\$ 4,523	\$ 9,373	\$ 21,313
Net investment income (note 4)				
Regular net investment income	1,616	1,648	3,127	3,000
Changes in fair value on held for trading assets	2,272	(1,595)	305	(2,535)
Total net investment income	3,888	53	3,432	465
Fee and other income	666	806	1,346	1,603
	9,218	5,382	14,151	23,381
Benefits and expenses				
Policyholder benefits	4,126	4,434	8,735	8,123
Policyholder dividends and experience refunds	371	331	769	678
Change in actuarial liabilities	2,976	(1,275)	1,335	10,985
Total paid or credited to policyholders	7,473	3,490	10,839	19,786
Commissions	353	330	660	652
Operating expenses	628	634	1,291	1,271
Premium taxes	68	42	123	94
Financing charges (note 6)	106	77	181	183
Amortization of finite life intangible assets	25	22	47	43
Net income from continuing operations before income taxes	565	787	1,010	1,352
Income taxes - current	21	220	103	340
- future	101	(38)	97	(61)
Net income from continuing operations before non-controlling interests	443	605	810	1,073
Non-controlling interests	12	27	36	(130)
Net income from continuing operations	431	578	774	1,203
Net income from discontinued operations (note 2)	-	649	-	692
Net income	431	1,227	774	1,895
Perpetual preferred share dividends	18	14	35	28
Net income - common shareholders	\$ 413	\$ 1,213	\$ 739	\$ 1,867
Earnings per common share (note 13)				
Basic	\$ 0.437	\$ 1.356	\$ 0.783	\$ 2.088
Diluted	\$ 0.437	\$ 1.350	\$ 0.782	\$ 2.078

GREAT-WEST
LIFECO INC.

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

	June 30, 2009	December 31, 2008	June 30, 2008
Assets			
Bonds (note 4)	\$ 67,376	\$ 66,554	\$ 64,611
Mortgage loans (note 4)	17,349	17,444	16,903
Stocks (note 4)	6,093	5,394	6,860
Real estate (note 4)	3,378	3,188	2,914
Loans to policyholders	7,416	7,622	6,618
Cash and cash equivalents	3,357	2,850	3,267
Funds held by ceding insurers	11,761	11,447	13,676
Goodwill	5,418	5,425	6,315
Intangible assets	3,426	3,523	4,114
Other assets	6,070	6,627	5,835
Total assets	\$ 131,644	\$ 130,074	\$ 131,113
Liabilities			
Policy liabilities			
Actuarial liabilities	\$ 100,127	\$ 97,895	\$ 100,286
Provision for claims	1,352	1,466	1,325
Provision for policyholder dividends	636	630	616
Provision for experience rating refunds	286	310	228
Policyholder funds	2,409	2,326	2,294
	104,810	102,627	104,749
Debentures and other debt instruments (note 7)	3,903	3,821	3,774
Funds held under reinsurance contracts	169	192	162
Other liabilities	5,202	5,969	5,505
Repurchase agreements	203	334	577
Deferred net realized gains	150	161	175
	114,437	113,104	114,942
Preferred shares (note 9)	779	752	794
Capital trust securities and debentures (note 8)	786	658	640
Non-controlling interests			
Participating account surplus in subsidiaries	2,018	2,012	1,961
Preferred shares issued by subsidiaries	157	157	157
Perpetual preferred shares issued by subsidiaries	149	150	151
Non-controlling interests in capital stock and surplus	48	13	30
Share capital and surplus			
Share capital (note 9)			
Perpetual preferred shares	1,327	1,329	1,099
Common shares	5,741	5,736	4,718
Accumulated surplus	7,064	6,906	7,948
Accumulated other comprehensive loss (note 14)	(911)	(787)	(1,367)
Contributed surplus	49	44	40
	13,270	13,228	12,438
Total liabilities, share capital and surplus	\$ 131,644	\$ 130,074	\$ 131,113

GREAT-WEST
LIFECO INC.

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

	For the six months ended June 30,	
	2009	2008
Accumulated surplus		
Balance, beginning of year	\$ 6,906	\$ 6,599
Net income	774	1,895
Repatriation of Canada Life seed capital from participating policyholder account	-	5
Dividends to shareholders		
Perpetual preferred shareholders	(35)	(28)
Common shareholders	(581)	(523)
Balance, end of period	\$ 7,064	\$ 7,948
Accumulated other comprehensive loss, net of income taxes (note 14)		
Balance, beginning of year	\$ (787)	\$ (1,533)
Other comprehensive income (loss)	(124)	166
Balance, end of period	\$ (911)	\$ (1,367)
Contributed surplus		
Balance, beginning of year	\$ 44	\$ 34
Stock option expense		
Current period expense (note 11)	5	6
Balance, end of period	\$ 49	\$ 40

GREAT-WEST
LIFECO INC.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Net income	\$ 431	\$ 1,227	\$ 774	\$ 1,895
Other comprehensive income (loss), net of income taxes				
Unrealized foreign exchange gains (losses) on translation of foreign operations	(312)	(94)	(130)	362
Unrealized gains (losses) on available for sale assets	71	(108)	(29)	(157)
Realized (gains) losses on available for sale assets	(17)	(18)	(29)	(28)
Unrealized gains (losses) on cash flow hedges	111	36	58	(10)
Realized (gains) losses on cash flow hedges	(22)	-	(10)	-
Non-controlling interests	12	7	16	(1)
	<u>(157)</u>	<u>(177)</u>	<u>(124)</u>	<u>166</u>
Comprehensive income	<u>\$ 274</u>	<u>\$ 1,050</u>	<u>\$ 650</u>	<u>\$ 2,061</u>

Income tax (expense) benefit included in other comprehensive income

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Unrealized foreign exchange gains (losses) on translation of foreign operations	\$ (1)	\$ -	\$ (1)	\$ -
Unrealized gains (losses) on available for sale assets	(33)	34	(6)	56
Realized (gains) losses on available for sale assets	3	6	6	9
Unrealized gains (losses) on cash flow hedges	(60)	(19)	(31)	6
Realized (gains) losses on cash flow hedges	12	-	5	-
Non-controlling interests	-	(2)	-	-
	<u>\$ (79)</u>	<u>\$ 19</u>	<u>\$ (27)</u>	<u>\$ 71</u>

GREAT-WEST
LIFECO INC.

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

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Operations				
Net income	\$ 431	\$ 1,227	\$ 774	\$ 1,895
Adjustments:				
Change in policy liabilities	2,817	(1,212)	1,228	(1,450)
Change in funds held by ceding insurers	66	519	210	501
Change in funds held under reinsurance contracts	(3)	(5)	(11)	(6)
Change in current income taxes payable	(100)	460	(207)	289
Future income tax expense	101	(38)	97	(61)
Gain on disposal of business, after tax (note 2)	-	(649)	-	(649)
Changes in fair value of financial instruments	(2,241)	1,592	(273)	2,543
Other	(4)	(970)	4	(1,355)
Cash flows from operations	<u>1,067</u>	<u>924</u>	<u>1,822</u>	<u>1,707</u>
Financing Activities				
Issue of common shares	4	4	5	9
Partial repayment of five year term facility in subsidiary	-	(198)	-	(198)
Issue of subordinated debentures in subsidiary	-	500	-	500
Repayments on credit facility	-	(1,651)	-	(1,886)
Increase in (repayment of) line of credit in subsidiary	82	(10)	182	70
Increase in (repayment of) debentures and other debt instruments	(30)	5	(32)	3
Dividends paid	(308)	(276)	(616)	(551)
	<u>(252)</u>	<u>(1,626)</u>	<u>(461)</u>	<u>(2,053)</u>
Investment Activities				
Bond sales and maturities	5,440	4,164	10,437	8,808
Mortgage loan repayments	374	541	793	917
Stock sales	655	609	1,277	998
Real estate sales	1	98	8	198
Change in loans to policyholders	(9)	(137)	(55)	(174)
Change in repurchase agreements	(257)	(94)	(73)	275
Disposal of business (note 2)	-	1,344	-	1,344
Investment in bonds	(5,501)	(3,628)	(11,080)	(8,970)
Investment in mortgage loans	(491)	(1,125)	(681)	(1,837)
Investment in stocks	(643)	(915)	(1,436)	(1,363)
Investment in real estate	(20)	(300)	(85)	(400)
	<u>(451)</u>	<u>557</u>	<u>(895)</u>	<u>(204)</u>
Effect of changes in exchange rates on cash and cash equivalents	14	(27)	41	141
Increase (decrease) in cash and cash equivalents	378	(172)	507	(409)
Cash and cash equivalents from continuing operations, beginning of period	<u>2,979</u>	<u>3,439</u>	<u>2,850</u>	<u>3,676</u>
Cash and cash equivalents from continuing operations, end of period	<u><u>\$ 3,357</u></u>	<u><u>\$ 3,267</u></u>	<u><u>\$ 3,357</u></u>	<u><u>\$ 3,267</u></u>

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 June 30, 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 \$305, an increase to intangible assets of \$129 and a decrease to policyholder liabilities of \$176 at June 30, 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 reclassifications resulted in a decrease to operating expenses of \$23 with a corresponding increase to the amortization of finite life intangible assets and an increase in total paid or credited to policyholders of \$18 with a corresponding decrease in income tax expense for the six months ended June 30, 2008.

2. Acquisitions and Disposals

(a) On April 1, 2008, Great-West Life & Annuity Insurance Company (GWL&A) completed the sale of its health care business. After-tax net income of the health care business presented as discontinued operations on the Summaries of Consolidated Operations is comprised of the following:

	For the three months ended June 30, 2008	For the six months ended June 30, 2008
Income		
Premium income	\$ (40)	\$ 184
Net investment income	-	11
Fee and other income	-	164
	(40)	359
Gain on sale	1,025	1,025
	985	1,384
Benefits and expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	(40)	151
Other	-	145
	1,025	1,088
Net income from discontinued operations before income taxes		
Income taxes	376	396
Net income from discontinued operations	\$ 649	\$ 692

As of April 1, 2008 all of the assets and liabilities of operations held for sale have been sold.

(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 June 30, 2009
Compensation costs	\$ 133	\$ (27)	\$ (76)	\$ (15)	\$ 3	\$ 18
Exiting and consolidating operations	22	(6)	(5)	-	-	11
Eliminating duplicate systems	29	(1)	-	-	3	31
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (15)</u>	<u>\$ 6</u>	<u>\$ 60</u>
Accrued on acquisition	\$ 154	\$ (34)	\$ (81)	\$ (15)	\$ 3	\$ 27
Expense as incurred	30	-	-	-	3	33
	<u>\$ 184</u>	<u>\$ (34)</u>	<u>\$ (81)</u>	<u>\$ (15)</u>	<u>\$ 6</u>	<u>\$ 60</u>

4. Portfolio Investments

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

	June 30, 2009							Total
	Carrying Value & Market Value			Amortized Cost				
	Available for sale	Held for trading ¹		Carrying Value Loans and receivables	Market Value Loans and receivables	Carrying Value Non-financial instruments	Market Value Non-financial instruments	
	Designated	Classified					Carrying value	
Bonds								
- government	\$ 3,375	\$ 14,693	\$ 1,305	\$ 1,668	\$ 1,813	\$ -	\$ -	\$ 21,041
- corporate	1,858	35,674	956	7,847	7,724	-	-	46,335
	<u>5,233</u>	<u>50,367</u>	<u>2,261</u>	<u>9,515</u>	<u>9,537</u>	<u>-</u>	<u>-</u>	<u>67,376</u>
Mortgage loans								
- residential	-	-	-	6,659	6,744	-	-	6,659
- non-residential	-	-	-	10,690	10,351	-	-	10,690
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,349</u>	<u>17,095</u>	<u>-</u>	<u>-</u>	<u>17,349</u>
Stocks	1,391	4,373	-	-	-	329	378	6,093
Real estate	-	-	-	-	-	3,378	3,044	3,378
	<u>\$ 6,624</u>	<u>\$ 54,740</u>	<u>\$ 2,261</u>	<u>\$ 26,864</u>	<u>\$ 26,632</u>	<u>\$ 3,707</u>	<u>\$ 3,422</u>	<u>\$ 94,196</u>

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December 31, 2008

	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading ¹		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
	<u>5,645</u>	<u>49,516</u>	<u>1,685</u>	<u>9,708</u>	<u>9,250</u>	<u>-</u>	<u>-</u>	<u>66,554</u>
Mortgage loans								
- residential	-	-	-	6,986	7,157	-	-	6,986
- non-residential	-	-	-	10,458	10,414	-	-	10,458
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,444</u>	<u>17,571</u>	<u>-</u>	<u>-</u>	<u>17,444</u>
Stocks	1,411	3,653	-	-	-	330	326	5,394
Real estate	-	-	-	-	-	3,188	3,053	3,188
	<u>\$ 7,056</u>	<u>\$ 53,169</u>	<u>\$ 1,685</u>	<u>\$ 27,152</u>	<u>\$ 26,821</u>	<u>\$ 3,518</u>	<u>\$ 3,379</u>	<u>\$ 92,580</u>

June 30, 2008

	Carrying Value & Market Value			Amortized Cost				Total
	Available for sale	Held for trading ¹		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	\$ 1,722	\$ 15,128	\$ 376	\$ 1,640	\$ 1,688	\$ -	\$ -	\$ 18,866
- corporate	2,391	35,143	1,158	7,053	7,036	-	-	45,745
	<u>4,113</u>	<u>50,271</u>	<u>1,534</u>	<u>8,693</u>	<u>8,724</u>	<u>-</u>	<u>-</u>	<u>64,611</u>
Mortgage loans								
- residential	-	-	-	6,989	7,030	-	-	6,989
- non-residential	-	-	-	9,914	9,686	-	-	9,914
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,903</u>	<u>16,716</u>	<u>-</u>	<u>-</u>	<u>16,903</u>
Stocks	1,395	5,139	-	-	-	326	389	6,860
Real estate	-	-	-	-	-	2,914	3,117	2,914
	<u>\$ 5,508</u>	<u>\$ 55,410</u>	<u>\$ 1,534</u>	<u>\$ 25,596</u>	<u>\$ 25,440</u>	<u>\$ 3,240</u>	<u>\$ 3,506</u>	<u>\$ 91,288</u>

¹Investments 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

	June 30, 2009		
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading ⁽¹⁾	\$ 164	\$ (142)	\$ 22
Available for sale	16	(16)	-
Loans and receivables	158	(85)	73
Total	\$ 338	\$ (243)	\$ 95

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

	June 30, 2008		
	Gross amount	Impairment	Carrying amount
Impaired amounts by type			
Held for trading ⁽¹⁾	\$ 1	\$ -	\$ 1
Available for sale	-	-	-
Loans and receivables	53	(48)	5
Total	\$ 54	\$ (48)	\$ 6

(1) Excludes amounts in funds held by ceding insurers of \$16 and impairment of (\$13) at June 30, 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 six months ended June 30, 2009			For the six months ended June 30, 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	16	14	30	-	(2)	(2)
Write-offs, net of recoveries	(1)	(2)	(3)	(6)	2	(4)
Other (including foreign exchange rate changes)	(2)	-	(2)	1	-	1
Balance, end of period	\$ 44	\$ 41	\$ 85	\$ 29	\$ 19	\$ 48

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

For the three months ended June 30, 2009	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,043	\$ 228	\$ 44	\$ 48	\$ 254	\$ 1,617
Net realized gains (losses) <i>(available for sale)</i>	19	-	1	-	-	20
Net realized gains (losses) <i>(other classifications)</i>	4	2	7	-	-	13
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	(6)	-	(6)
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	(4)	(7)	-	-	-	(11)
Other income and expenses	-	-	-	-	(17)	(17)
	<u>1,062</u>	<u>223</u>	<u>52</u>	<u>42</u>	<u>237</u>	<u>1,616</u>
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>	1,749	-	627	-	(95)	2,281
	<u>1,740</u>	<u>-</u>	<u>627</u>	<u>-</u>	<u>(95)</u>	<u>2,272</u>
Net investment income	\$ 2,802	\$ 223	\$ 679	\$ 42	\$ 142	\$ 3,888

For the three months ended June 30, 2008	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,097	\$ 236	\$ 73	\$ 42	\$ 159	\$ 1,607
Net realized gains (losses) <i>(available for sale)</i>	32	-	(1)	-	-	31
Net realized gains (losses) <i>(other classifications)</i>	9	5	1	-	-	15
Amortization of net realized/unrealized gains <i>(non-financial instruments)</i>	-	-	-	9	-	9
Net (provision) recovery for credit losses <i>(loans and receivables)</i>	-	2	-	-	-	2
Other income and expenses	-	-	-	-	(16)	(16)
	<u>1,138</u>	<u>243</u>	<u>73</u>	<u>51</u>	<u>143</u>	<u>1,648</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) <i>(classified held for trading)</i>	(20)	-	-	-	-	(20)
Net realized/unrealized gains (losses) <i>(designated held for trading)</i>	(1,882)	-	169	-	138	(1,575)
	<u>(1,902)</u>	<u>-</u>	<u>169</u>	<u>-</u>	<u>138</u>	<u>(1,595)</u>
Net investment income	\$ (764)	\$ 243	\$ 242	\$ 51	\$ 281	\$ 53

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For the six months ended June 30, 2009	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 2,107	\$ 463	\$ 88	\$ 93	\$ 324	\$ 3,075
Net realized gains (losses) (available for sale)	35	-	-	-	-	35
Net realized gains (losses) (other classifications)	1	6	83	-	-	90
Amortization of net realized/unrealized gains (non-financial instruments)	-	-	-	(10)	-	(10)
Net (provision) recovery for credit losses (loans and receivables)	(16)	(14)	-	-	-	(30)
Other income and expenses	-	-	-	-	(33)	(33)
	<u>2,127</u>	<u>455</u>	<u>171</u>	<u>83</u>	<u>291</u>	<u>3,127</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) (classified held for trading)	-	-	-	-	-	-
Net realized/unrealized gains (losses) (designated held for trading)	(45)	-	452	-	(102)	305
	<u>(45)</u>	<u>-</u>	<u>452</u>	<u>-</u>	<u>(102)</u>	<u>305</u>
Net investment income	\$ 2,082	\$ 455	\$ 623	\$ 83	\$ 189	\$ 3,432

For the six months ended June 30, 2008	Bonds	Mortgage loans	Stocks	Real estate	Other	Total
Regular net investment income:						
Investment income earned	\$ 1,987	\$ 464	\$ 118	\$ 77	\$ 287	\$ 2,933
Net realized gains (losses) (available for sale)	45	-	(1)	-	-	44
Net realized gains (losses) (other classifications)	15	11	6	-	-	32
Amortization of net realized/unrealized gains (non-financial instruments)	-	-	-	20	-	20
Net (provision) recovery for credit losses (loans and receivables)	-	2	-	-	-	2
Other income and expenses	-	-	-	-	(31)	(31)
	<u>2,047</u>	<u>477</u>	<u>123</u>	<u>97</u>	<u>256</u>	<u>3,000</u>
Changes in fair value on held for trading assets:						
Net realized/unrealized gains (losses) (classified held for trading)	1	-	-	-	-	1
Net realized/unrealized gains (losses) (designated held for trading)	(2,565)	-	(73)	-	102	(2,536)
	<u>(2,564)</u>	<u>-</u>	<u>(73)</u>	<u>-</u>	<u>102</u>	<u>(2,535)</u>
Net investment income	\$ (517)	\$ 477	\$ 50	\$ 97	\$ 358	\$ 465

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.
- 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.

	June 30, 2009	December 31, 2008	June 30, 2008
Cash and cash equivalents	\$ 3,357	\$ 2,850	\$ 3,267
Bonds			
Held for trading	52,628	51,201	51,805
Available for sale	5,233	5,645	4,113
Amortized cost	9,515	9,708	8,693
Mortgage loans	17,349	17,444	16,903
Loans to policyholders	7,416	7,622	6,618
Other financial assets	15,139	15,004	16,941
Derivative assets	450	677	871
Total balance sheet maximum credit exposure	<u>\$ 111,087</u>	<u>\$ 110,151</u>	<u>\$ 109,211</u>

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.

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

	June 30, 2009	December 31, 2008	June 30, 2008
Bonds issued or guaranteed by:			
Canadian federal government	\$ 1,941	\$ 1,867	\$ 1,503
Canadian provincial and municipal governments	6,097	6,029	5,755
U.S. Treasury and other U.S. agencies	4,248	4,968	4,252
Other foreign governments	6,647	6,854	6,840
Government related	2,173	1,563	2,155
Sovereign	1,645	1,739	1,991
Asset-backed securities	7,055	7,243	7,430
Residential mortgage backed securities	1,118	1,156	1,005
Banks	5,014	5,070	6,249
Other financial institutions	3,770	3,602	4,246
Basic materials	966	870	713
Communications	1,377	1,220	1,266
Consumer products	4,533	4,104	4,013
Industrial products/services	1,513	1,985	1,534
Natural resources	2,227	1,813	1,827
Real estate	1,832	1,645	1,684
Transportations	2,675	2,497	2,489
Utilities	7,927	7,068	6,472
Miscellaneous	2,125	1,866	1,410
Total long term bonds	64,883	63,159	62,834
Short term bonds	2,493	3,395	1,777
	\$ 67,376	\$ 66,554	\$ 64,611
Canada	\$ 26,438	\$ 26,231	\$ 24,410
United States	17,827	17,703	15,927
Europe/Reinsurance	23,111	22,620	24,274
	\$ 67,376	\$ 66,554	\$ 64,611

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

June 30, 2009							
	Single family residential		Multi-family residential		Commercial		Total
Canada	\$ 1,784	\$	4,301	\$	6,189	\$	12,274
United States	-		542		1,594		2,136
Europe/Reinsurance	-		32		2,907		2,939
Total mortgage loans	\$ 1,784	\$	4,875	\$	10,690	\$	17,349

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
Total mortgage loans	\$ 1,850	\$	5,136	\$	10,458	\$	17,444

June 30, 2008							
	Single family residential		Multi-family residential		Commercial		Total
Canada	\$ 1,823	\$	4,634	\$	5,880	\$	12,337
United States	-		502		1,211		1,713
Europe/Reinsurance	-		30		2,823		2,853
Total mortgage loans	\$ 1,823	\$	5,166	\$	9,914	\$	16,903

(iii) Asset Quality

Bond Portfolio Quality

	June 30, 2009	December 31, 2008	June 30, 2008
AAA	\$ 23,255	\$ 25,138	\$ 24,888
AA	10,960	10,765	12,024
A	19,319	18,030	17,676
BBB	10,517	8,809	7,749
BB and lower	832	417	497
	64,883	63,159	62,834
Short term bonds	2,493	3,395	1,777
Total bonds	\$ 67,376	\$ 66,554	\$ 64,611

Derivative Portfolio Quality

	June 30, 2009	December 31, 2008	June 30, 2008
Over-the-counter contracts (counterparty ratings):			
AAA	\$ 3	\$ 19	\$ -
AA	219	165	564
A	274	468	307
Total	\$ 496	\$ 652	\$ 871

(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:

	June 30, 2009	December 31, 2008	June 30, 2008
Less than 30 days	\$ 9	\$ 50	\$ 108
30 - 90 days	11	4	1
90 days and greater	3	1	1
Total	\$ 23	\$ 55	\$ 110

(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, which would be offset by a similar amount in the supporting assets. A 10% strengthening of the Canadian dollar against foreign currencies would be expected to decrease non-participating actuarial liabilities, which would be offset by a similar amount in 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 \$93.

- 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 \$52.

(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 \$21. A 10% decrease in equity markets would be expected to additionally increase non-participating actuarial liabilities by approximately \$193.

6. Financing Charges

Financing charges consist of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Operating charges:				
Interest on long-term debentures and other debt instruments	\$ 1	\$ 1	\$ 2	\$ 3
Financial charges:				
Interest on long-term debentures and other debt instruments	52	53	104	126
Dividends on preferred shares classified as liabilities	9	9	18	18
Unrealized losses (gains) on preferred shares classified as held for trading	31	(3)	32	8
Subordinated debenture issue costs	-	5	-	5
Other	2	2	4	4
Interest on capital trust debentures	12	12	24	24
Distributions on capital trust securities held by consolidated group as temporary investments	(1)	(2)	(3)	(5)
	105	76	179	180
Total	\$ 106	\$ 77	\$ 181	\$ 183

7. Debentures and Other Debt Instruments

On June 22, 2009, Putnam LLC executed a new revolving credit facility agreement with a Canadian chartered bank for \$500, an increase of \$300 from the previous agreement. At June 30, 2009, a subsidiary of Putnam LLC had drawn US \$270 (US \$120 at December 31, 2008) on this credit facility.

8. Capital Trust Securities and Debentures

During the six months ended June 30, 2009, the Company disposed of \$138 principal amount of capital trust securities held by the consolidated group as temporary investments.

9. 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 \$2

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 six months ended June 30, 2009 the Company recognized unrealized gains (losses) of \$(6) for Series D and \$(26) for Series E (for the six months ended June 30, 2008, \$1 for Series D and \$(9) for Series E). The redemption price at maturity is \$25 per share plus accrued dividends.

(b) Common Shares

Issued and outstanding

	June 30, 2009		December 31, 2008		June 30, 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	410,951	5	1,920,866	27	659,660	9
Balance, end of period	944,293,456	\$ 5,741	943,882,505	\$ 5,736	894,421,299	\$ 4,718

10. 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 The Great-West Life Assurance Company (Great-West Life):

	June 30, 2009	December 31, 2008	June 30, 2008
Capital Available:			
Tier 1 Capital			
Common shares (1)	\$ 6,116	\$ 6,116	\$ 6,116
Shareholder surplus	5,740	5,604	5,211
Qualifying non-controlling interests	148	150	151
Innovative instruments	779	648	636
Other Tier 1 Capital Elements	1,519	1,513	1,597
Gross Tier 1 Capital	<u>14,302</u>	<u>14,031</u>	<u>13,711</u>
Deductions from Tier 1:			
Goodwill & intangible assets in excess of limit	5,666	5,673	5,702
Other deductions	1,528	1,697	1,321
Net Tier 1 Capital	<u>7,108</u>	<u>6,661</u>	<u>6,688</u>
Adjustment to Net Tier 1 Capital	(44)	-	-
Net Tier 1 Capital	<u>7,064</u>	<u>6,661</u>	<u>6,688</u>
Tier 2 Capital			
Tier 2A	356	345	310
Tier 2B allowed	300	300	501
Tier 2C	1,476	1,550	1,285
Tier 2 Deductions	(44)	-	-
Tier 2 Capital Allowed	<u>2,088</u>	<u>2,195</u>	<u>2,096</u>
Total Tier 1 and Tier 2 Capital	<u>9,152</u>	<u>8,856</u>	<u>8,784</u>
Less: Deductions/Adjustments	<u>-</u>	<u>124</u>	<u>120</u>
Total Available Capital	<u>\$ 9,152</u>	<u>\$ 8,732</u>	<u>\$ 8,664</u>
Capital Required:			
Assets Default & market risk	\$ 1,757	\$ 1,510	\$ 1,549
Insurance Risks	1,861	1,800	1,707
Interest Rate Risks	832	803	1,008
Other	14	50	(38)
Total Capital Required	<u>\$ 4,464</u>	<u>\$ 4,163</u>	<u>\$ 4,226</u>
MCCSR ratios:			
Tier 1	<u>158%</u>	<u>160%</u>	<u>158%</u>
Total	<u>205%</u>	<u>210%</u>	<u>205%</u>

(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 June 30, 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 June 30, 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.

11. Stock Based Compensation

No options were granted under the Company's stock option plan during the first and second quarter of 2009 (110,000 options were granted during the first quarter of 2008, and 3,115,000 options were granted during the second quarter of 2008). The weighted average fair value of options granted was \$3.27 per option during the six months ended June 30, 2008. Compensation expense of \$5 after-tax has been recognized in the Summaries of Consolidated Operations for the six months ended June 30, 2009 (\$6 after-tax for the six months ended June 30, 2008).

12. Pension Plans and Other Post-Retirement Benefits

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

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Pension benefits	\$ 20	\$ 22	\$ 36	\$ 34
Other benefits	3	4	6	7
Total	\$ 23	\$ 26	\$ 42	\$ 41

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13. Earnings per Common Share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2009	2008	2009	2008
Earnings				
Net income from continuing operations	\$ 431	\$ 578	\$ 774	\$ 1,203
Net income from discontinued operations	-	649	-	692
Net income	\$ 431	\$ 1,227	\$ 774	\$ 1,895
Perpetual preferred share dividends	18	14	35	28
Net income - common shareholders	<u>\$ 413</u>	<u>\$ 1,213</u>	<u>\$ 739</u>	<u>\$ 1,867</u>
Number of common shares				
Average number of common shares outstanding	944,194,975	894,282,925	944,056,508	894,072,570
Add:				
- Potential exercise of outstanding stock options	1,332,473	4,279,498	812,929	4,458,404
Average number of common shares outstanding - diluted basis	<u>945,527,448</u>	<u>898,562,423</u>	<u>944,869,437</u>	<u>898,530,974</u>
Basic earnings per common share				
From continuing operations	\$ 0.437	\$ 0.630	\$ 0.783	\$ 1.314
From discontinued operations	-	0.726	-	0.774
	<u>\$ 0.437</u>	<u>\$ 1.356</u>	<u>\$ 0.783</u>	<u>\$ 2.088</u>
Diluted earnings per common share				
From continuing operations	\$ 0.437	\$ 0.627	\$ 0.782	\$ 1.308
From discontinuing operations	-	0.723	-	0.770
	<u>\$ 0.437</u>	<u>\$ 1.350</u>	<u>\$ 0.782</u>	<u>\$ 2.078</u>

14. Accumulated Other Comprehensive Loss

	For the six months ended June 30, 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-controlling interest	Shareholder
Balance, beginning of year	\$ (605)	\$ (36)	\$ (197)	\$ (838)	\$ 51	\$ (787)
Other comprehensive loss	(129)	(58)	74	(113)	16	(97)
Income tax	(1)	-	(26)	(27)	-	(27)
	<u>(130)</u>	<u>(58)</u>	<u>48</u>	<u>(140)</u>	<u>16</u>	<u>(124)</u>
Balance, end of period	<u>\$ (735)</u>	<u>\$ (94)</u>	<u>\$ (149)</u>	<u>\$ (978)</u>	<u>\$ 67</u>	<u>\$ (911)</u>

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For the six months ended June 30, 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	362	(250)	(16)	96	(1)	95
Income tax	-	65	6	71	-	71
	<u>362</u>	<u>(185)</u>	<u>(10)</u>	<u>167</u>	<u>(1)</u>	<u>166</u>
Balance, end of period	\$ (1,439)	\$ (11)	\$ 3	\$ (1,447)	\$ 80	\$ (1,367)

15. Contingent Liabilities (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.

The trial of the class proceedings in Ontario regarding the participation of the London Life Insurance Company and The Great-West Life Assurance Company (Great-West Life) participating accounts in the financing of the acquisition of London Insurance Group Inc. in 1997 by Great-West Life is currently set to commence in September 2009.

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16. Segmented Information

Consolidated Operations

For the three months ended June 30, 2009

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 2,243	\$ 609	\$ 1,812	\$ -	\$ 4,664
Net investment income					
Regular net investment income	741	357	512	6	1,616
Changes in fair value on held for trading assets	805	546	921	-	2,272
Total net investment income	1,546	903	1,433	6	3,888
Fee and other income	229	291	146	-	666
Total income	4,018	1,803	3,391	6	9,218
Benefits and expenses:					
Paid or credited to policyholders	3,085	1,363	3,025	-	7,473
Other	585	367	199	4	1,155
Amortization of finite life intangible assets	8	15	2	-	25
Net income from continuing operations before income taxes	340	58	165	2	565
Income taxes	101	8	13	-	122
Net income before non-controlling interests	239	50	152	2	443
Non-controlling interests	12	1	(1)	-	12
Net Income	227	49	153	2	431
Perpetual preferred share dividends	10	-	4	4	18
Net income - common shareholders	\$ 217	\$ 49	\$ 149	\$ (2)	\$ 413

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For the three months ended June 30, 2008

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 2,072	\$ 473	\$ 1,978	\$ -	\$ 4,523
Net investment income					
Regular net investment income	640	330	676	2	1,648
Changes in fair value on held for trading assets	(80)	(387)	(1,128)	-	(1,595)
Total net investment income	560	(57)	(452)	2	53
Fee and other income	277	376	153	-	806
Total income	2,909	792	1,679	2	5,382
Benefits and expenses:					
Paid or credited to policyholders	1,922	276	1,292	-	3,490
Other	575	358	143	7	1,083
Amortization of finite life intangible assets	7	14	1	-	22
Net income from continuing operations before income taxes	405	144	243	(5)	787
Income taxes	95	36	50	1	182
Net income before non-controlling interests	310	108	193	(6)	605
Non-controlling interests	25	-	2	-	27
Net income from continuing operations	285	108	191	(6)	578
Net income from discontinued operations	-	649	-	-	649
Net Income	285	757	191	(6)	1,227
Perpetual preferred share dividends	10	-	4	-	14
Net income - common shareholders	\$ 275	\$ 757	\$ 187	\$ (6)	\$ 1,213

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For the six months ended June 30, 2009

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 4,317	\$ 1,564	\$ 3,492	\$ -	\$ 9,373
Net investment income					
Regular net investment income	1,288	799	1,033	7	3,127
Changes in fair value on held for trading assets	483	325	(503)	-	305
Total net investment income	1,771	1,124	530	7	3,432
Fee and other income	451	574	321	-	1,346
Total income	6,539	3,262	4,343	7	14,151
Benefits and expenses:					
Paid or credited to policyholders	4,768	2,307	3,764	-	10,839
Other	1,116	756	376	7	2,255
Amortization of finite life intangible assets	15	29	3	-	47
Net income from continuing operations before income taxes	640	170	200	-	1,010
Income taxes	163	40	(3)	-	200
Net income before non-controlling interests	477	130	203	-	810
Non-controlling interests	31	6	(1)	-	36
Net income from continuing operations	446	124	204	-	774
Net income from discontinued operations	-	-	-	-	-
Net Income	446	124	204	-	774
Perpetual preferred share dividends	21	-	7	7	35
Net income - common shareholders	\$ 425	\$ 124	\$ 197	\$ (7)	\$ 739

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For the six months ended June 30, 2008

	Canada	United States	Europe	Lifeco Corporate	Total
Income:					
Premium income	\$ 4,049	\$ 1,326	\$ 15,938	\$ -	\$ 21,313
Net investment income					
Regular net investment income	1,264	646	1,095	(5)	3,000
Changes in fair value on held for trading assets	(168)	(607)	(1,760)	-	(2,535)
Total net investment income	1,096	39	(665)	(5)	465
Fee and other income	542	754	307	-	1,603
Total income	5,687	2,119	15,580	(5)	23,381
Benefits and expenses:					
Paid or credited to policyholders	3,802	1,190	14,794	-	19,786
Other	1,118	746	328	8	2,200
Amortization of finite life intangible assets	14	27	2	-	43
Net income from continuing operations before income taxes	753	156	456	(13)	1,352
Income taxes	164	29	86	-	279
Net income before non-controlling interests	589	127	370	(13)	1,073
Non-controlling interests	44	(175)	1	-	(130)
Net income from continuing operations	545	302	369	(13)	1,203
Net income from discontinued operations	-	692	-	-	692
Net Income	545	994	369	(13)	1,895
Perpetual preferred share dividends	21	-	7	-	28
Net income - common shareholders	\$ 524	\$ 994	\$ 362	\$ (13)	\$ 1,867